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TIGHTENING DEMAND TO MAINTAIN MACROECONOMIC BALANCES

LAO PDR ECONOMIC MONITOR
November 2012

Sector Focus

Rice Sector in Surplus: Revising the policy mix

Maternal Health: How free deliveries help

Gender: Reducing vulnerability, increasing opportunities

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Lao PDR Economic Monitor – November 2012 is issued in Lao and English by the World Bank Office in Lao PDR. This update reports on recent economic developments and medium-term outlook for the country. In addition, a new section (Part II) on sector focus is added to highlight sectors' studies. The paper was prepared by the World Bank Office's team consisting of Keomanivone Phimmahasay (Economist, Team Leader), Somneuk Davading (Senior Economist), Genevieve Boyreau (Senior Country Economist), under the overall supervision of Mathew Verghis (Lead Economist for South-East Asia Region). We are thankful for sector study contributions from Paavo Eliste (Senior Economist), Chanhsom Manythong (Rural Development Specialist), Ajay Tandon (Senior Economist), Wei Aun Yap (Health Specialist), Helene Carlsson Rex (Senior Social Development Specialist) and Philaiphone Vongpraseuth (Consultant). The team would like to express gratitude to the Government (especially BOL, MOF, MPI/LSB, MEM, MOIC, LNTA, MAF and other ministries) and LNCCI for providing inputs. This report also benefits from inputs from Konesawang Nghardsaysone (Trade Analyst), Minh Van Nguyen (Sr. Public Finance Specialist), Richard Record (Trade Specialist) and Saysanith Vongviengkham (Public Finance Specialist). We would like to also thank our World Bank colleagues: Vattana Singharaj, Kaysone Vongthavilay, Meriem Gray, Souridahak Sakonhninhom, Viengsamay Srithirath, Alounsavath Davong for dissemination of the Monitor.

“THE WORLD BANK TEAM APPRECIATES FEEDBACK ON STRUCTURE
AND CONTENT OF THE MONITOR”

For further information please contact World Bank Lao PDR Country Office.

- Mr. Somneuk Davading on overall content (sdavading@worldbank.org)
- Ms. Keomanivone Phimmahasay on data and content issues (kphimmahasay@worldbank.org)
- External Affairs and communications Team on communications and copyright issues (worldbanklaos@worldbank.org)

The World Bank Lao PDR Country Office
Patouxay Nehru Road
P.O Box 345
Vientiane, Lao PDR
Phone: (856-21) 266 200
Fax: (856-21) 266 299

Executive Summary

Global and regional economic development continues to face uncertainties in 2012. East Asia and the Pacific region's growth is estimated to slow down compared to 2011, but remains robust compared with other regions thanks to sustained domestic investment and consumption.

Lao PDR continues to maintain robust growth this year but faces a challenge to manage domestic demand. On the supply side, the construction, services, industry and agriculture sectors are the main drivers of growth; while on the demand side, public spending and private investment including demand driven by preparations for the Asia-Europe Meeting (ASEM) has played an important role in boosting the economy this year. In spite of robust growth, inflation has been declining, mostly on account of declining food and fuel inflation. However, home-grown and external risks associated with low reserves coverage, increased exposure to mining revenues, fast banking expansion with limited supervision capacity and a large number of newly announced large investment projects warrant close monitoring to preserve macroeconomic stability and sustainable growth.

Stronger than expected revenue performance from the mining sector and external grants contributed to an improvement in the fiscal performance in FY11/12. With the contribution of mining revenue increasing, closely monitoring commodity price fluctuations is becoming increasingly important. The fiscal deficit in FY12/13 is expected to slightly widen as a result of a planned wage increase.

Lao PDR's risk of debt distress has been reclassified from high to moderate following the country's improved policy performance. The Public and Public Guaranteed (PPG) debt stock as a ratio of GDP has declined due to strong economic growth and the appreciation of the Lao kip against the US dollar. While multilateral creditors still hold the majority of public external debt, bilateral creditors have an increasing share of external PPG debt. Recently announced mega-projects raise concerns about debt sustainability if these projects are to go forward.

Strong pressure on external reserves calls for tightening of aggregate demand. Reserves are reaching a critical low, raising concerns over the country's capacity to absorb any adverse external shock. The overall balance of payments is estimated to remain in a deficit of 0.7 percent of GDP at the end of 2012 as a result of continued demand for imports. The expected gains from investments in both resource[1] and non-resource sectors are to be offset by the deterioration of the current account deficit associated with growing imports and higher net income payments from the natural resources sector[2]. As a result, foreign reserves are expected to fall by about 9 percent year-on-year (YOY) reaching a critically low level of about $620 million in December, or 2.5 months of non-resource imports. Slowing down internal demand through fiscal and credit tightening is therefore becoming essential.

Credit growth remains high and is putting pressure on falling reserves. Credit growth has picked up in June 2012 driven by increased credit to the private sector and SOEs. Private sector credit growth is driven by buoyant performance in construction, manufacturing and service sectors. The Bank of Lao PDR's disbursements to local infrastructure projects have moderated compared to their peak in 2009, but are ongoing as a result of previous commitments.

1 Hydro projects under construction and mining upgrade and new projects.
2 These include hotels and constructions most of which are related to the preparation for the ASEM

Acronyms and Abbreviations

ASEM	Asia-Europe Meeting
BOL	Bank of Lao PDR
BOP	Balance of Payment
COD	Commercial Operation Date
CPI	Consumer Price Index
DMFAS	Debt Management and Financial Analysis System
EAP	East Asia & Pacific
EDL	Electricité du Lao
EU	European Union
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GFIS	Government Financial Information System
GOL	The Government of Lao PDR
IMF	International Monetary Fund
HC	Health Centre
IPP	Independent Power Producers
LDC	Least Developed Country
LSX	Lao Securities Exchange
MCH	Mother and Child Health
MOF	Ministry of Finance
NA	National Assembly
NEER	Nominal Effective Exchange Rate
NFA	Net Foreign Assets
NPL	Non-Performing Loan
NSEDP	National Socio-Economic Development Plan
NT2	Nam Theun 2 Project
OOP	Out-of-Pocket
PPG	Public and Public Guaranteed Debt
PO	Public Offering
REER	Real Effective Exchange Rate
RO	Right Offering
SOCBs	State-Owned Commercial Banks
SOE	State-Owned Enterprise
VAT	Value Added Tax
WB	World Bank
WEO	World Economic Outlook
WTO	World Trade Organization
YOY	Year on year

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PART I Recent Economic Developments

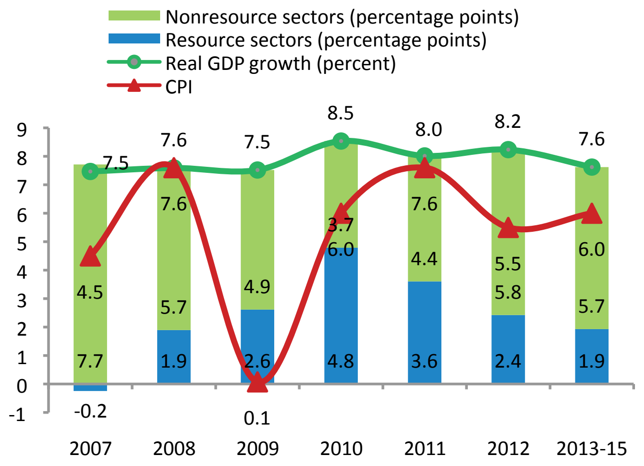
Volatility in the global economy has continued to affect a slowdown in the growth of the East Asia and Pacific Region (EAP). GDP growth for EAP in 2012 has been revised downward to 7.2 percent from 7.6 percent projected in May, due to continued weak demand from advanced economies for EAP's exports. Consequently, EAP growth hardly benefits from gains in net trade with advanced economies. China's growth is now projected at 7.7 percent compared to 8.2 percent earlier, as a result of the measures taken last year to contain the real estate market. Despite the overall slowdown in 2012, EAP's growth performance remains relatively robust compared with other regions, as a consequence of sustained growth in domestic demand. This trend is likely to continue in 2013 for many EAP economies, indicating a growth rebound for the region to 7.6 percent in 2013, while China's economy is projected to grow at 8.1 percent. Nevertheless, the Euro area crisis and a weak economic recovery in the US still present major risks to growth in the EAP region (EAP Data Monitor, 2012). The direct impacts of the economic crisis on the Lao PDR economy seem to be modest; however, the near to medium-term outlook for Lao PDR does remain vulnerable to secondary impacts through developments in regional economies (particularly China, Thailand and Vietnam)[3]. In this context, the risk of a continued slowdown in China and other key trading partners of Lao PDR could pose a bigger concern; given the potential impact on commodity prices, demand for Lao exports and foreign direct investment.

GROWTH AND INFLATION

The Lao economy is expected to grow at 8.2 percent in 2012: benefiting from growth in the construction, manufacturing, mining and service sectors. This is slightly lower than the projection of 8.3 percent in May, due to a projected fall in garment exports this year (Figure 1). Nevertheless, growth will remain strong at above 8 percent for the third consecutive year as targeted under the 7th National Socio-Economic Development Plan (NSEDP 2011-15). One key driver for this performance on the demand side is the surge in investment this year in infrastructure and housing, some of which are related to preparation for the ASEM in Vientiane Capital as earlier projected (Figure 2). On the supply side, this development has a positive spillover to manufacturing sectors through increased demand for cement and construction materials. In addition, food and beverages benefit from greater domestic demand. Additionally, higher wholesale and retail trading as well as transport and telecommunications will drive the service sector this year. Agricultural output also rebounded from the impacts of floods last year. In the mining sector, increased resource extraction as a result of the current copper-gold project upgrades and the operation of a new gold-silver project will offer a higher contribution to growth compared to last year. This is reflected in positive performance in the sector over the last three quarters and this trend is expected to continue in the final quarter.

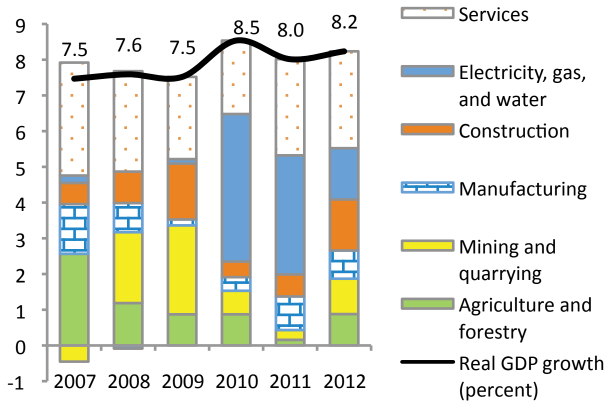
3 Lao PDR's country-level projections are based on the regional and global economic outlook from EAP Data Monitor October 2012, Global Economic Prospects September 2012 and World Economic Outlook October 2012), as summarized in Annex 1.

Figure 1 Growth and Inflation (percent change)



Source: Government, LNCCI data and staff estimates and projections
** Yearly average for 2013-15*

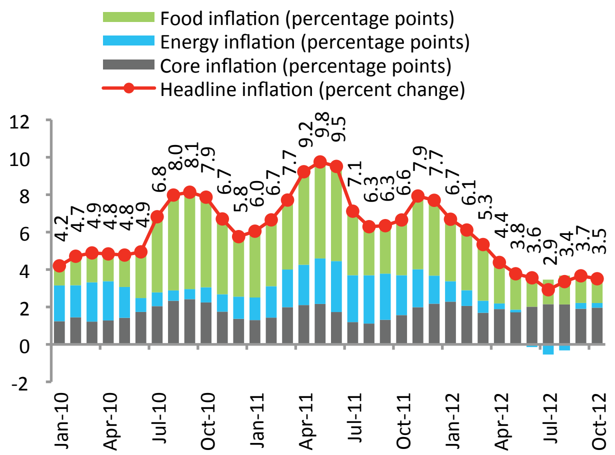
Figure 2 Real GDP Growth (at factor cost): Contribution by Sector (percentage points)



Source: Government, LNCCI data and staff estimates and projections
** Yearly average for 2013-15*

Taking into account uncertainties in the global economy and the continued implications for regional economic developments, Lao PDR's average annual growth rate is projected to be 7.6 percent in the medium-term. This outlook assumes the successful operations of key large power projects under construction and in the pipeline[4]. The non-resource sector is expected to maintain dynamic growth in the context of continued strong domestic consumption and sustained demand from key trading partners.

Figure 3 Monthly Inflation (yoy percent change)



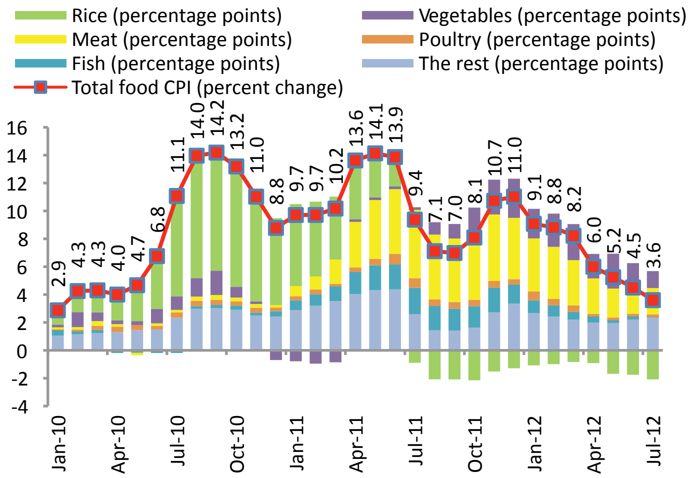
Source: MPI (LSB) and staff calculations

Inflation has trended downward driven by lower food and energy inflation. The headline inflation rate fell notably from 5.3 percent (YOY) in March 2012 to 3.5 percent in October (Figure 3). Food inflation significantly declined from 8.2 percent in March to 3.6 percent in October driven by the continued fall in rice prices (Figure 4, Figure 5), resulting from government controls of rice exports (further analysis is summarized in Part II - Lao Rice Policy Study). Falling rice prices have led to some farmers switching to other more profitable cash crops or alternatively moving to non-farm employment. Recently, the government reportedly introduced a minimum price for paddy

4 Hongsa Lignite power plant, Xepian-Xenamnoi, Nam Khan 2, and other potential projects.

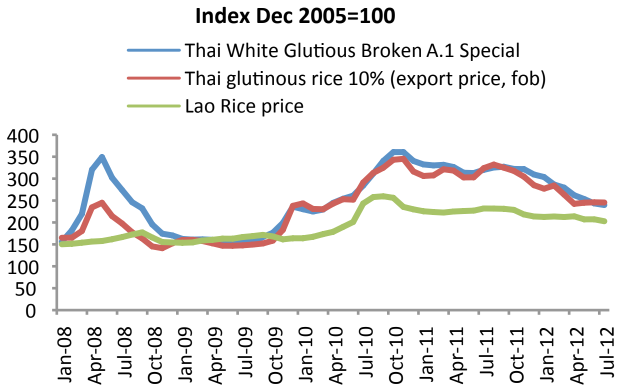
rice at 2,500 kip/kg in an attempt to help farmers. The effectiveness of this policy remains to be monitored. The rice price reduction has offset the increase in meat and vegetable prices, which is associated with higher demand from local residents as well as the inflow of foreign workers. However, fuel inflation has significantly declined from 7.9 percent (YOY) in March to 3.8 percent in October. Core inflation has picked up moderately from 3 percent (YOY) in March to 3.5 percent in October mainly due to the higher price of construction materials, cooked food, and electricity tariffs[5].

Figure 4 Contributions to Food Inflation



Source: MPI (LSB) and staff calculations

Figure 5 Rice price Index



Source: Thai Rice Exporters Association and LSB

GOVERNMENT'S REVENUE AND EXPENDITURE

The overall fiscal performance has slightly improved in FY11/12 compared to FY10/11 due to faster than expected revenue growth. The total fiscal deficit is estimated to fall from 2.7 percent of GDP in FY10/11 to 2.3 percent in FY11/12, which is lower than the initial projection. Higher-than-expected grants received to support the 9th ASEM preparations and over-performance in domestic revenues are likely to drive an increase in total revenue from 18.6 percent of GDP in FY10/11 to 19.7 percent in FY11/12[6] (Figure 6). Domestic revenue is estimated to outperform the plan by about 5 percent, bringing its ratio to GDP to 17.2 percent in FY11/12 from 16.4 percent in FY10/11. This is owing to a combination of i) higher gold and copper output; ii) higher revenue from hydropower projects and iii) certain non-resource revenues especially turnover tax, value added tax and income tax. However, the non-resource revenue to GDP ratio remains at around 13 percent as non-resource revenue grows at a similar pace to nominal GDP growth.

Total fiscal outlays are estimated to rise, but at a slower pace than total revenue growth. Total expenditure is estimated to increase from 21.3 percent to 22.0 percent in FY11/12, attributable to higher expenses on materials and supplies based on the revised budget plan, higher wages, and expenditure supporting preparations for the 9th ASEM (reported ASEM related spending is estimated at around 5-6 percent of total expenditure in FY11/12). Off-budget spending has moderated substantially since its peak in 2009. Non-

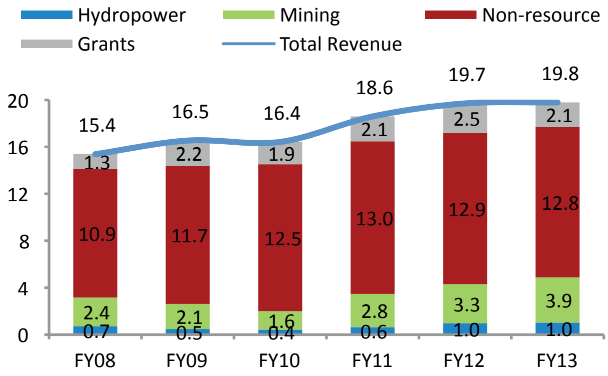
5 According to Electricity du Lao PDR (EDL), electricity tariffs will increase by 5 percent annually from 2012 to 2015.
6 Total revenue and expenditure exclude technical assistance which is not included in the budget.

mining and non-resource fiscal deficits are expected to widen to 8.2 and 9.2 percent respectively in FY11/12 from 7.7 and 8.3 percent in FY10/11 with the expansion in expenditure increasingly being financed by larger mining revenues. This trend reinforces the role of mining revenue in financing the budget. Therefore, monitoring the disaggregated revenue sources and fiscal deficits (mining and non-mining) will be helpful in keeping informed about the risks to the budget associated with commodity price fluctuations.

The fiscal deficit in FY12/13 is projected to marginally widen to 2.7 percent in FY12/13 due to a planned public wages and compensation increase, compared with a revenue share to GDP that is expected to stabilize at around 19.8 percent this fiscal year. The phase out by end 2012 of most grants related to ASEM preparations (Figure 7) will be compensated by domestic revenue, which will continue to benefit from the resource sector, due to the expected higher mineral output in 2012. This increase will bring the domestic revenue to GDP ratio up to 17.7 percent in FY12/13.

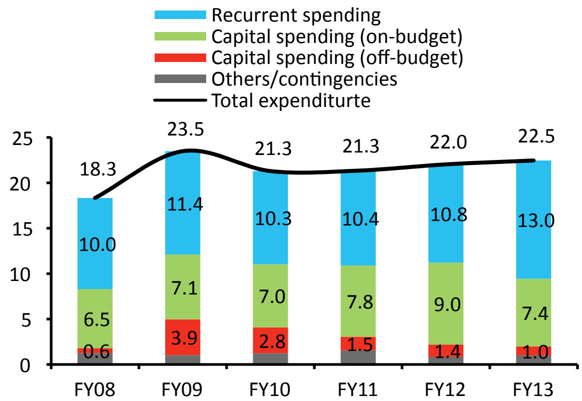
Total spending is projected to climb to 22.5 percent in FY12/13 driven by the planned wage and compensation increase. Wage expenditure is expected to increase by 35 percent bringing its ratio to GDP up to 5.8 percent from 4.8 percent[7] (Figure 7, Figure 9). Wages and compensation are projected to account for 63 percent of recurrent spending and 65 percent of non-resource domestic revenue in FY12/13 compared to 58 and 49 percent in FY11/12 respectively (Figure 8). The growing share of wages and compensation to recurrent spending highlights the tradeoff with the non-wage recurrent budget, which covers operation and maintenance spending. The growing share of wages and compensations to non-resource revenue implies less flexibility in financing the wage bill rise from stable revenue sources.

Figure 6 Total Government Revenues (percent of GDP)



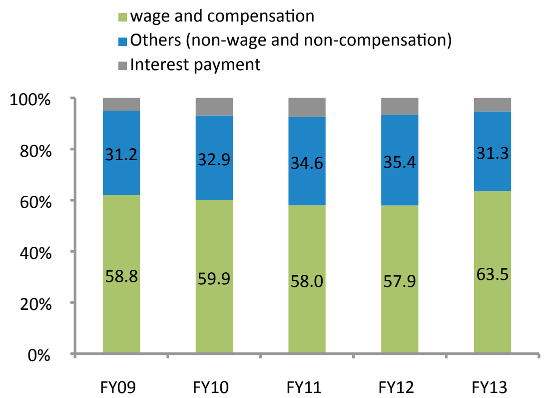
Source: MOF and staff estimate and projection

Figure 7 Key Fiscal Expenditures (percent of GDP)



Source: MOF and staff estimate and projection

Figure 8 Composition of total current expenditure (percent)



Source: MOF and staff estimate and projection

7 in an attempt to improve living standards of civil servants, the government issued a decree on wages and allowances increase during 2013-2015 (No. 221/GOL dated 30 May 2012) introducing an equivalent 35 percent increase in wages for FY12/13.

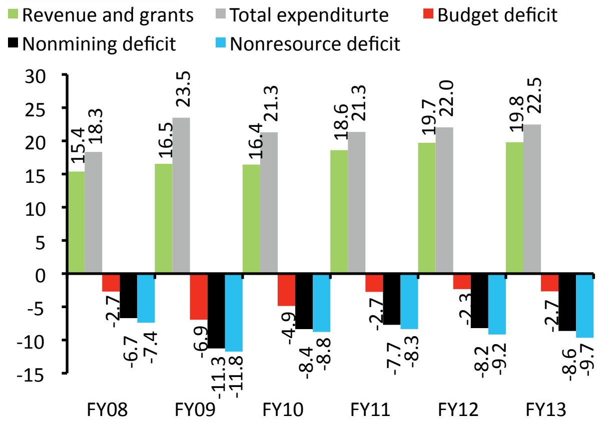
Finally, in FY12/13 the government plans to bring on to the budget additional debt repayment to finance expenditure commitments previously made off-budget. In the FY12/13 budget, there are plans to mobilize 1,800 billion Lao kip (equivalent to about $220 million) through bond issuance, in addition to traditional treasury bill operations. Around half of the bond amount is intended for repayment of off-budget spending commitments made to support infrastructure projects. Nevertheless, the implementation of this plan remains to be monitored.

Public Debt

The recent Joint IMF-World Bank Debt Sustainability Analysis (DSA) 2012 concluded that Lao PDR's risk of debt distress was reclassified from high to moderate due to an improvement in policy performance from weak to moderate.[8] As a result, in this analytical framework, Lao PDR is now subject to higher indicative debt distress thresholds (Table 1). Under the baseline assumptions, all external debt distress indicators remain below the new policy-dependent indicative thresholds, although some breaches occur under the stress tests. This improvement has implications for possible increases in external resources available to Lao PDR.

While the stock of external Public and Publicly Guaranteed (PPG) debt has been declining substantially during recent years, bilateral borrowing has been gaining a larger share. The stock of external PPG debt fell to 44.4 percent of GDP in 2011 ($3.7 billion), from 50.3 percent in 2010, as a result of strong economic growth and appreciation of the Lao kip against the US dollar. Multilateral creditors (mainly the Asian Development Bank and the World Bank) still account for the majority of the total external PPG

Figure 9 GOL's Fiscal Performance (percent of GDP)



Source: MOF and staff estimate and projection

Table 1 Thresholds for External Debt (percent)

Indicator	Thresholds: Before	Thresholds: Now	External Public Debt Indicators at end 2011
Present value of Debt to GDP	30	40	29.8
Present value of Debt to exports	100	150	78.1
Present value of Debt to revenue	200	250	182.9
Debt service to exports	15	20	3.2
Debt service to revenue 1/	25	20	7.5

Source: Source: DSA 2012
1/ for debt service to revenue ratio, the applicable thresholds have been reduced.

Table 2 Composition of external PPG at end 2011

	$ billion dollars	Share of total public external debt	Percent of GDP
Total	3.7	100	44.4
Multilateral	2.1	55.8	24.7
Bilateral	1.4	37.9	16.9
Commercial #	0.2	6.3	2.8

Source: IMF and WB Debt Sustainability Analysis 2012
Note: # includes direct borrowing by state-owned enterprises on non-concessional terms.

8 The average rating of Country's Policy and Institutional Assessment for Lao PDR has been above 3.25 thresholds for two consecutive years, bringing Lao PDR's policy performance from weak to medium. This is based on the Joint IMF-WB Debt Sustainability Framework for Low Income Countries.

debt, with 56 percent compared to the bilateral creditors' share of 38 percent. The share of public borrowing from bilateral sources (mainly China, India, Japan, Korea, Russia and Thailand) has gradually increased in recent years, signifying the increasing importance of bilateral creditors. Furthermore, the share of non-concessional PPG debt has increased steadily in the past few years, although from a low base. In 2011, commercial borrowing was recorded at 6.3 percent of GDP (around $200 million). As at end 2011, PPG debt servicing ratios fall comfortably under the thresholds due to the high level of concessionality of official borrowing (Table 1).

The recently announced number of large projects[9] raises concerns over debt sustainability and over the country's capacity to absorb the announced new financial commitments. In this context, enhancing capacity in debt management, debt sustainability analysis and project viability appraisal is of crucial importance. The authorities are taking steps to encourage a transparent public debate over these mega-scale projects by publishing information in media and on the National Assembly website. The Government has also now deployed a debt monitoring system DMFAS and has developed a Presidential Decree on Public Debt management. All these efforts are steps in the right direction and should be sustained together with the development of a debt management strategy.

One key example is the proposed public-guaranteed borrowing to finance the $6.7 billion Lao-China rail project. Even under concessional terms, this loan would by itself make public debt unsustainable (based on the recently acquired moderate risk thresholds in WB-IMF debt sustainability framework). Assuming a 2 percent fixed rate debt, with 20-year maturity and a 10-year grace period[10] starting from 2013 onwards, the present value of external debt to GDP would increase from 30 percent at present to 70 percent by 2016, well above the threshold for debt sustainability of 40 percent in table 1. The thresholds for present value of debt to exports, and debt service to revenue would also be breached. A careful review of the implications for debt sustainability, in addition to careful cost-benefit analysis, is therefore critical before proceeding.

The recorded stock of domestic public debt rose to 8.9 percent of GDP in 2011, up from 8.5 percent of GDP in 2010, as a result of continued disbursements from the Bank of Lao PDR to finance local government's previously committed expenditures for off-budget infrastructure projects. Lending from the BoL to local government represents about three-quarters of the recorded total domestic debt, with the remainder including government bonds related to the recapitalization of state-owned commercial banks (SOCBs). Total PPG domestic and external debt stood at 53.2 percent of GDP in 2011, down from 58.8 percent in 2010. This improvement is also driven chiefly by the combination of GDP growth and exchange rate effects. The stock of BoL's loans to local government is projected to peak in the near future as the BoL's quasi-fiscal operations are gradually phased out. Domestic debt is expected to decline from 8.9 percent of GDP in 2011 to about 5.4 percent of GDP by 2017.

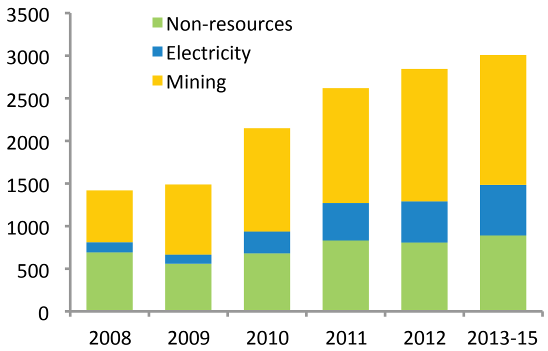
9 These projects include the Satellite, radio and television project, Fiber optic project, Lao-China railway project, etc (KPL News paper 7 November 2012).

10 This assumption is from the proposed financing modality as cited on the National Assembly website (www.na.gov.la).

EXTERNAL SECTOR

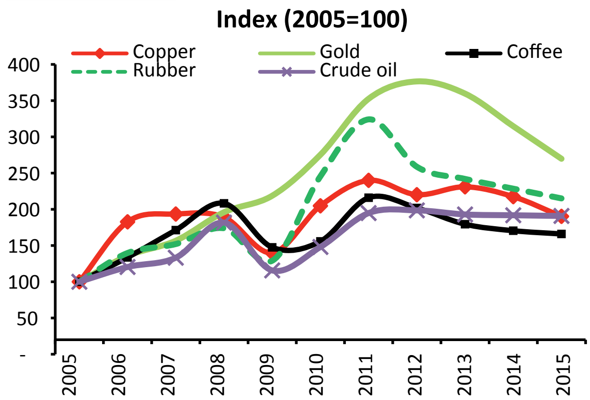
The overall balance of payments is expected to remain in deficit of 0.7 percent of GDP due to continued growth in the demand for imports offsetting expected gains from investments in both resource and non-resource sectors (Figure 15). In the resource sector, investment to support hydro projects under construction[11], mining upgrades and new projects contributes to boost overall capital inflows. In addition, the non-resource sector also receives significant inflows of direct investment in hotels and construction; most of which are related to preparations for the ASEM (Figure 14, Figure 15). In addition, EDL GEN Company has successfully raised capital inflows of around $12 million from foreign investors through the Lao Securities Exchange.[12] As a result, the capital account surplus is estimated to rise to 16.4 percent of GDP in 2012 from 10.8 percent in 2011. Nevertheless, this expansion in foreign direct investment and portfolio investment is expected to be offset by the deterioration of the current account deficit (Figure 15).

Figure 10 Merchandise Exports (US$ million)



Source: Staff estimates and projections based on data from MOIC, LNCCI and partner countries

Figure 11 World Commodity Price Indexes



Source: WB DECDG's recent estimates and projections

The current account deficit is expected to notably widen due to growing imports and higher net income payments from the resource sector. The total current account deficit is estimated to worsen to 16.3 percent of GDP in 2012 from 11.4 percent resulting from a combination of factors. Firstly, capital goods imports are estimated to rise by about 26 percent YOY to support aforementioned resource and non-resource projects (Figure 12). Secondly, strong domestic consumption also fuels demand for imports of consumption goods, such as vehicles and fuel. In addition, higher net income repatriation in the mining sector is expected to rise, partly negating the gains from the improved export performance associated with increased copper and gold output and an expected higher gold price this year. Overall, the net income payment from the resource sector (interest payment and income repatriation from mining and hydropower sectors) is estimated at around $870 million in 2012 compared to about $600 million last year.

11 Hongsa lignite power plant, Nam Ngum 5, Theun Hin Boun Expansion, Huany Lam Phan Yai, etc.

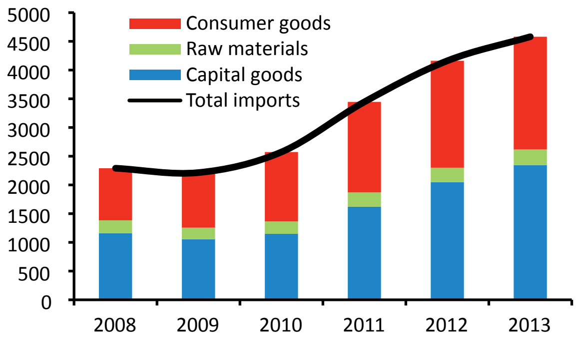
12 Portfolio investment is estimated to rise this year with Right Offering (RO) and Public Offerings (PO) by EDL-Gen following the expected purchase of EDL's shares in four operational Independent Power Producers (IPP) projects in 2012 (Theun Hinboun power plant including expansion, Houay Ho power plant, Nam Ngum 2 power plant, Nam Lik 1-2 power plant) and the commercial operation date (COD) of 6 MW Nam Song in Q3 2012.

Strong pressure on external reserves calls for tightening of aggregate demand. Reserves are reaching a critical low, raising concerns over the country's capacity to absorb any adverse external shock. The overall balance of payment deficit will lead to an expected fall in the level of foreign reserves. In mid- 2012, reserves and net foreign assets (NFA) were recorded at $608 million and $476 million, having fallen by 15 percent and 48 percent YOY respectively (Figure 20). NFA indicators, which illustrate the banking sector's ability to meet demand for foreign currencies, have been continually declining (Figure 21). In addition, the exchange rate stabilization policy, notably the removal of the foreign currency exchange cap, also puts pressure on reserves. As a result, foreign reserves are projected to fall by about 9 percent YOY reaching a critical low level of about $620 million in December 2012, or 2.5 months of non-resource imports. In response, tightening demand through fiscal and credit tightening would be essential to maintain macroeconomic balances.

Exchange Rate

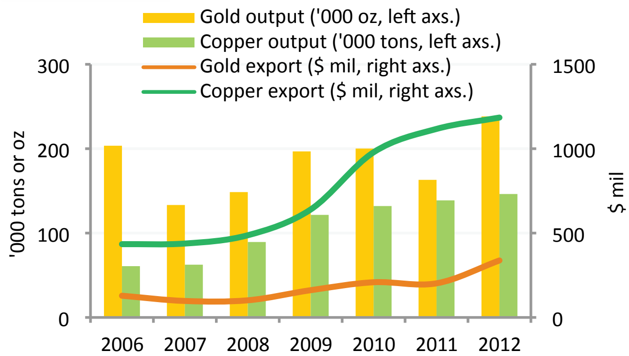
The Bank of Lao PDR has consistently pursued a managed floating exchange rate regime as the main instrument to maintain exchange rate stability. The Lao kip appreciated slightly against USD by 0.3 percent during January to October due to large inflows of foreign investment and export receipts. Over the same period, the Lao kip depreciated against the Thai baht by 2.8 percent , as a result of the baht's appreciation against the US dollar (Figure 16). This exchange rate intervention, including the recent removal of the foreign currency exchange cap, also contributes to the pressure on reserves. The effective exchange rate appreciated by 2.3 percent in nominal terms and by 4.3 percent in real terms in the first 8 months of 2012 (Figure 17).

Figure 12 Merchandise Imports (US$ million)



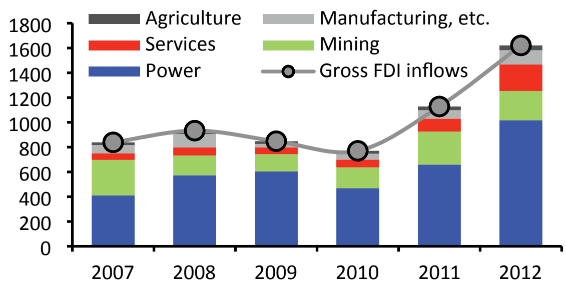
Source: Staff estimates and projections based on data from MOIC, LNCCI and partner countries

Figure 13 Gold and Copper exports 2006-12



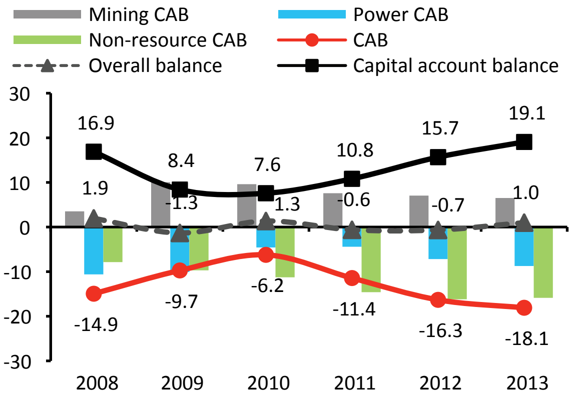
Source: Lane Xang Minerals Limited and Phu Bia Mining Companies, 2012 and staff calculations

Figure 14 FDI in Lao PDR, 2007-12 (US$ million)

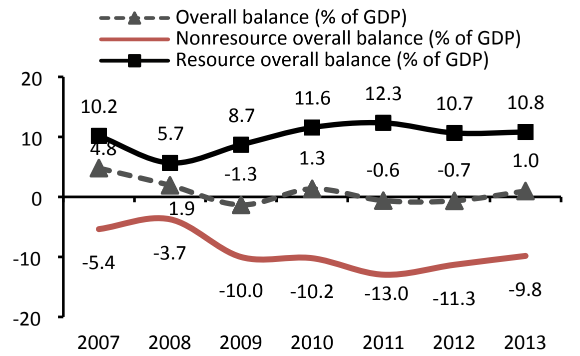


Source: MPI and staff estimates and projections

Figure 15 Balance of Payments (percent of GDP), 2008-13



Source: BOL and staff estimates and projections

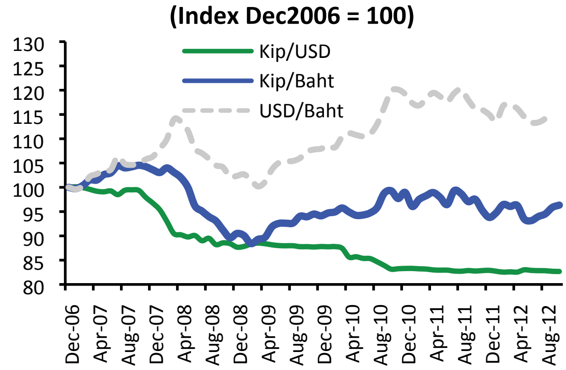


Source: BOL and staff estimates and projections

MONETARY DEVELOPMENTS

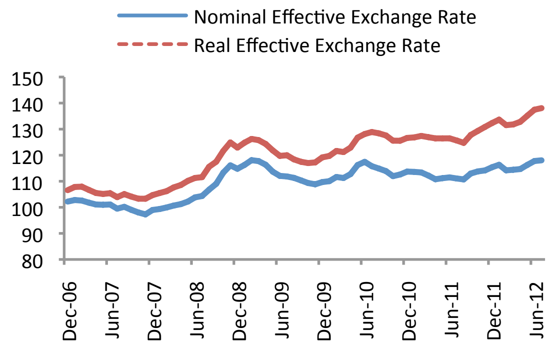
Credit growth remains high and the BOL has taken action to mop up excessive liquidity. Credit growth has picked up from 33 percent (YOY) in June 2011 to 47 percent (YOY) in June 2012 driven by rising credit to the private sector and SOEs (Figure 18). Private sector credit growth has primarily come about as a result of increasingly buoyant growth in construction, manufacturing and service sectors (Figure 19). Disbursements to local infrastructure projects (recorded as lending to SOEs) continue only on the basis of previous commitments and have moderated compared to their peak in 2009 (Figure 18). Total credit growth coupled with a slowdown in deposits drove up the loan to deposit ratio from 71 percent in June 2011 to 85 percent in June 2012. Non-performing loans (NPL) are reported to have increased slightly from 2.2 percent in 2011 to about 3.7 percent in mid-2012, which could be the result of a period of high credit growth. M2 growth slowed down substantially to 29 percent YOY in June 2012 from 41 percent in June 2011.

Figure 16 Kip Exchange Rate (Index Dec-2006 =100)



Source: BOL and Bank of Thailand and staff calculations

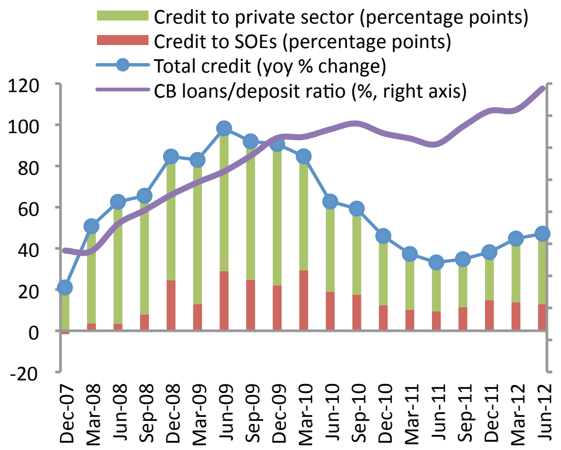
Figure 17 Nominal and Real Effective Exchange Rate (Index Dec-2006 =100)



Source: IMF

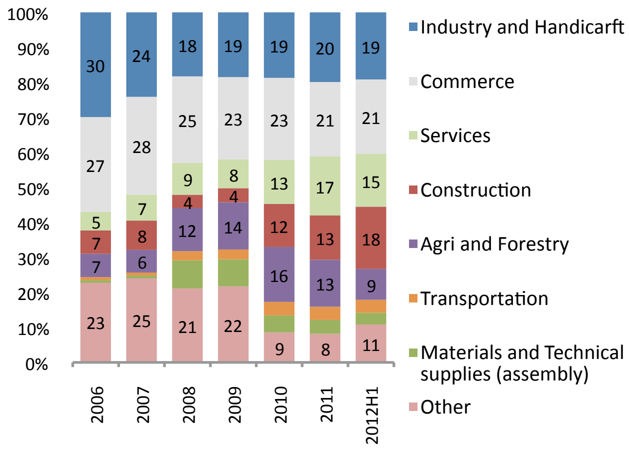
As of mid-2012, strong credit growth has contributed to the reduction in net foreign assets (NFA) and foreign reserves through imports (Figure 20). High credit growth has stimulated investment and consumption which has resulted in an expanded demand for imports, both of capital and consumption goods. Reserves, recorded at $608 million in June, are projected to rebound in the second half of the year to about $ 620 million, which is partly attributed to some repayments of BOL's direct lending. However, this level is lower than the initial projected increase and lower than the 2011 level, due to strong demand for imports and BOL's reported policy measure to eliminate the foreign exchange cap. Therefore, managing domestic demand will be an important measure in bring down risks posed by low foreign exchange reserves.

Figure 18 **Credit Growth picked up in first half 2012**



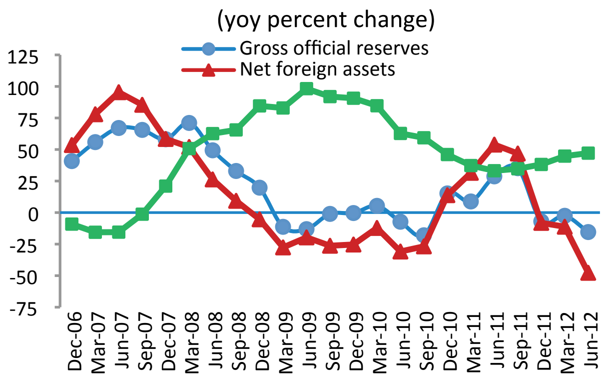
Source: BOL and staff calculations

Figure 19 **Credits by sector (percent in total lending)**



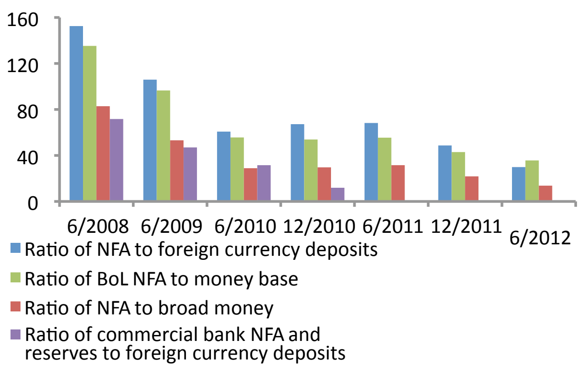
Source: BOL and staff calculations

Figure 20 **NFA and international reserves have declined**



Source: BOL

Figure 21 **Declining Net Foreign Asset Coverage (percent)**



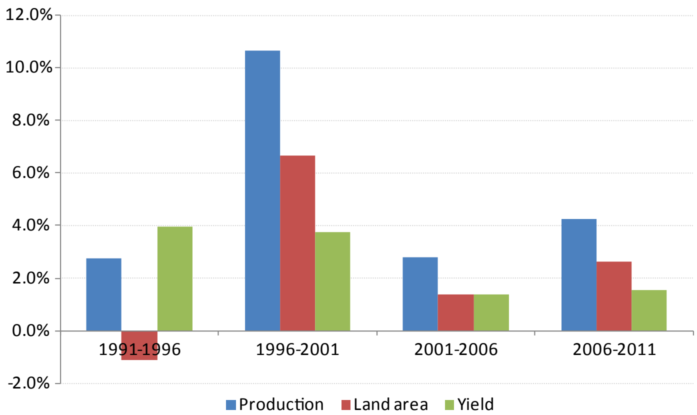
Source: BOL and staff calculations

PART II Sector Focus

I. RICE SECTOR IN SURPLUS: REVISING THE POLICY MIX[13]

The rice sector in Lao PDR has seen impressive developments over the last two decades as the country has moved from a rice-deficit in the 1990s to a rice-surplus country in the 2000s with self-sufficiency at national level. Lao PDR has one of the highest per capita rice consumption levels in the world and rice production has more than doubled between 1991 and 2011 (one of the highest growth rates in the region), reaching around 3.3 million tons of paddy in 2011. This production increase was driven by both yield improvements and area expansion (Figure 22). This has led to a build-up of significant national-level surpluses, which reached about 373,000 tons of milled rice in 2011 (Figure 23). The sector transformation is being fuelled by a combination of factors not all of which are directly related to Government rice sector policies. These include: (i) continuing GDP growth led by minerals and hydropower exports, (ii) increasing job opportunities in the non-tradable, non-agricultural sector associated with increasing incomes, (iii) increasing urbanization with consequences for rural wages and consumption patterns and (iv) stabilization of aggregate national rice consumption driven by a declining population growth rate and gradual diversification of diets away from rice as a source of calories. With all these factors at play, Lao rice consumption is declining, following a similar trend to other countries in the region.

Figure 22 Laos' growth rates in total paddy rice output, harvested area and paddy yields (compound average annual growth rates in percent)



Source: MAF data and authors calculations

Figure 23 Laos' rice surplus since 1990 (tons of raw milled rice)

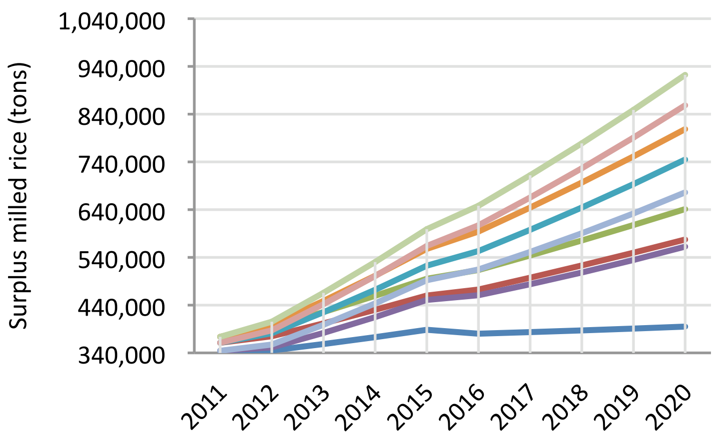
Source: MAF, NBS data and authors' calculations

13 This is a summary of the study "Lao PDR: Rice Policy Study 2012" which was carried out in collaboration between the World Bank, Food and Agriculture Organization of the United Nations (FAO) and International Rice Research Institute (IRRI). It is a first attempt of a comprehensive analysis of the rice sector which combines technical aspects of rice production with a broad-based socio-economic analysis. While there have been many in-depth technical studies of specific areas of rice sector in the past, none of them has touched the complexities of how rice markets will be shaped by emerging demographic trends, on-going regional trade integration process, and associated farmer welfare changes. For more information, please contact Meriem Gray (Communications and External Affairs, World Bank Vientiane office, mgray@worldbank.org) and Paavo Eliste (Senior Economist and task manager of the report, Peliste@worldbank.org). The report will be available at www.worldbank.org/lao.

The Government's vision is to increase national rice production to levels which would mitigate food security concerns, but also enable the country to be a reliable supplier of milled rice to regional markets. Rice is a key staple in Lao PDR and has been an integral part of its social and political objectives of national and household food security and social stability. A significant amount of public resources over the last two decades has been invested to encourage rice farming and production. Ambitious targets have been set for rice production and exports by 2015 that are to be achieved through the public investment plan. Related to these targets, the Ministry of Agriculture and Forestry has initiated the rice sector study, which will lead to the development of a comprehensive national rice sector policy and public investment plan.

While Lao PDR is expected to continue to build significant rice surpluses, this outlook may nevertheless face significant headwinds due to low farm gate prices of paddy caused by unpredictable export restrictions. Under the baseline production and consumption scenarios, Lao PDR will continue to build robust levels of national rice surpluses, which are expected to reach about 450,000-500,000 tons by 2015 and between 700,000 to 800,000 tons by 2020 (Figure 24). However, findings also suggest that low input/low output rice farming households will not be able to obtain sufficiently high incomes due to low farm gate prices of paddy, thereby limiting their incentives to respond to planned Government investments. There is already evidence of a gradual switch away from rice farming to other crops or non-farm employment. Rice production is also becoming increasingly concentrated in regions with a natural comparative advantage, such as Mekong lowland areas, where it can still generate appropriate returns, especially through multi-cropping when irrigation is available. The key factor behind suppressed farm gate prices has been the unpredictable application of export restrictions on the milled rice trade by central and provincial authorities, and a complete ban on formal or informal exports of paddy to neighboring countries.

Figure 24 Simulations of milled rice surpluses under different production and consumption scenarios



Source: MAF data for 1990-2011, and estimates for 2012, and authors' calculations

With the rice sector having moved from a national deficit to a national surplus, there is a need to revise the policy mix for achieving the key Government objectives of food security and economic growth. The present situation is characterized by numerous policies stemming from different Government sectors with sometimes conflicting policy and political objectives. Focusing on just one policy instrument (essentially trade policy in the form of export restrictions focused on keeping low domestic rice prices) to address such emerging food security challenges may not be optimal in a situation of increasing rice surpluses. Lao PDR would benefit from developing a comprehensive rice policy that cuts across different Government institutions.

First, improving the incomes of rice producers in areas of competitive advantage should be a priority if Government wants farmers to respond to policy goals. Following a significant expansion in production areas and productivity of rice in the 1990s, the country has been producing stable and increasing surpluses over the last decade. There are emerging labor shortages and increases in the cost of farm labor as a result of an on-going shift of farm labor to non-farm sectors, which, in turn is undermining competitiveness of traditional rice production systems.

Second, well-articulated trade policies are the best instruments to achieve Government policy goals, while helping to increase farmer incomes. Even a conservative estimate of around 100,000 tons of Lao paddy being exported annually translates to at least US$ 30 million in export value. It not only means rice is already a potentially important export commodity for Lao PDR, but it is also one with a high labor content (unlike minerals or hydropower), signifying its potential to contribute to job creation, equitable growth and export earnings.

Thirdly, Lao PDR has reached the point where food security should no longer be seen as a singular function of increasing rice surpluses; addressing nutritional deficits more broadly should also be considered. As Lao PDR has moved from deficits to sizable rice surpluses and the calorific intake from rice has increased significantly; the most pressing nutritional gaps have shifted from those provided by rice to other foodstuffs in many situations. A broader focus on food security would therefore require addressing issues related to nutritional deficits more broadly, rather than just shortages of rice (which are now localized issues).

Options for improving rice sector policies

Eliminating export bans on rice and creating a transparent trade environment with clear and easily monitored rules at the border would go a long way to address suppressed farm gate rice prices. Lao PDR shares borders with the two largest exporters of rice in the world (Thailand and Vietnam), which are also significant producers and exporters of glutinous rice. They also have highly competitive milling and transport infrastructure, which makes their milled rice cheaper compared to Lao PDR. However, there is interest by Thai and Vietnamese traders to import cheaper Lao glutinous paddy which could be milled in their countries and sold to domestic or international markets.

Overcoming milling constraints will require significant private sector investments (from domestic or foreign sources) for the development of large modern mills and polishing factories. While there have been increasing investments in the milling capacity in Lao PDR over the past years, a vast majority of commercial mills are small and operate with obsolete equipment. The main constraint for export of Lao PDR milled rice in the short and medium term will be its high cost of milled rice relative to low quality which makes it unattractive to consumers in neighboring countries. These same issues will affect potential exports of non-glutinous rice. Experiences from neighboring emerging rice exporters, such as Cambodia, show that such changes in the milling sector will happen once the country starts to produce sizable surpluses of paddy (supported by clear rice export policies), which could be potentially turned into milled rice exports.

A more balanced allocation between investments in extension activities, technology development and transfer and irrigation could improve the efficiency of budgetary resources allocated to agriculture. Scenarios looking at various investment options (extension related investments, including the availability of good quality seed, along with access to fertilizer and improved farming skills, and irrigation related investments) have been considered. Findings show that while irrigation investments are an important component of a public investment package, the highest incremental production volumes and returns on public spending come from comprehensive extension packages. In addition, from a productivity perspective, findings support the targeting of public investment programs to geographical areas with the highest production potential and farmers able to achieve the largest incremental productivity (yield) gains.

II. MATERNAL HEALTH: HOW FREE DELIVERIES HELP

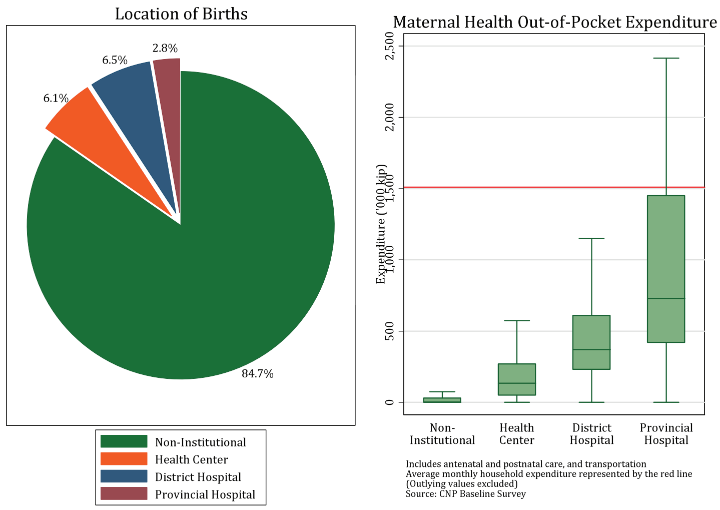
Lao PDR has some of the poorest maternal health outcomes in the world: at 470 per 100,000 live births, Lao PDR's maternal mortality rate is double that of Cambodia, almost eight times higher than that of Vietnam, and much higher than expected for its income level. Low levels of utilization of key maternal health services such as antenatal care, skilled birth attendance, institutional deliveries, and postnatal care, are key contributors to the problem. Even among women utilizing services, poor quality of care remains a key challenge facing the Lao health system.

Household and Facility Baseline Survey 2010[14]

Analysis of a recent household and facility survey covering 2,741 households in 193 villages across 21 rural and high-priority districts in six central and southern provinces of the country is helping shed light on some of the issues underlying poor Maternal and Child Health (MCH) in Lao PDR. The survey intentionally sampled households with at least one child under two years of age and includes modules covering maternal health, child health, and nutrition. The survey also collected detailed facility information from a sample of 38 health centers in the same area.

The survey confirms the continuing poor state of utilization of maternal services in rural areas of central and southern Lao PDR. Facility-based deliveries (including those at health centers, district hospitals, and provincial hospitals) accounted for only 15 percent of all deliveries in the two years prior to the survey (see Figure 25). More than 70 percent of surveyed women delivered at home for their latest pregnancy. While national trends suggest that facility-based deliveries are increasing in prevalence, they remain relatively rare in rural parts of the country. When asked to provide reasons for delivering outside of health facilities, most women cited convenience (45 percent), tradition (20 percent), and financial constraints (11 percent). An additional 18 percent of women reported that they did not have time to get to a health facility, suggesting lack of prior planning and access problems.

Figure 25 Location of Births and Maternal Health Out-of-Pocket Expenditure

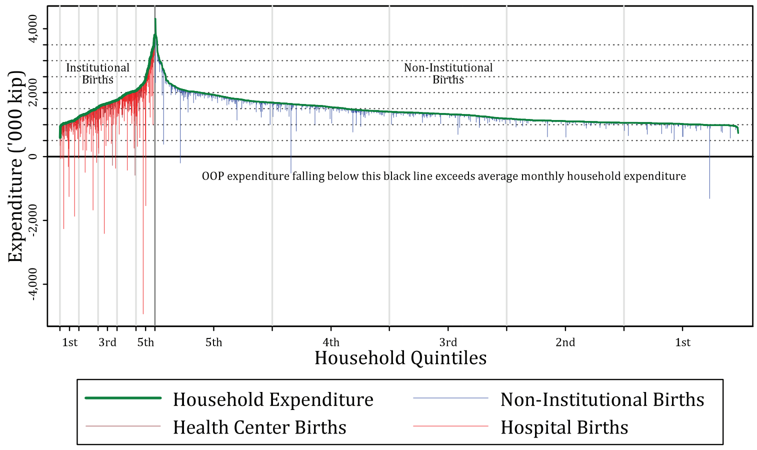


14 This is a summary of a forthcoming World Bank report, Maternal and Child Health & Nutrition in Lao PDR: Evidence from a Household Survey in Six Central and Southern Provinces. The report analyzes a household survey conducted to inform the design and implementation of the World Bank- and EU-financed Community Nutrition Project (CNP), which is currently supporting a pilot conditional cash transfer and community-based nutrition program in the catchment area of 62 health centers across seven central and southern provinces of the country (Borikhamxay, Khammuane, Savannakhet, Saravane, Sekong, Champasack, and Attapeu). Note that Sekong province was not included in the household survey. For more information, please contact Meriem Gray (Communications and External Affairs, World Bank Vientiane office, mgray@worldbank.org), Ajay Tandon (Senior Economist and task manager of the report, atandon@worldbank.org) and Wei Aun Yap (Health Specialist, wyap@worldbank.org). The report will be available at www.worldbank.org/lao.

Physical access to health facilities is a major problem in these rural areas. The mean distance from village to the nearest health center or hospital is 5.2km and 32.2km, respectively. For non-emergencies during the rainy season, these journeys take a mean time of 64 minutes and 149 minutes respectively. These averages hide the fact that some communities are 180km away from the nearest hospital and a journey to the nearest hospital could take up to 24 hours during the rainy season.

Financial barriers are a further hindrance. Average out-of-pocket (OOP) expenditure for a health center (HC) delivery was 218,000 kip, six-times the average amount spent for a birth outside health facilities (35,000 kip).[15] OOP expenditures are especially high for hospital deliveries: the average OOP expenditure for vaginal deliveries at district hospitals and provincial hospitals was 477,000 kip and 945,000 kip, respectively. By way of contrast, average monthly household expenditure in these communities was 1,511,000 kip. Hence, average OOP expenditures (including transportation costs) for a woman seeking antenatal care, vaginal delivery at a provincial hospital, and postnatal care, equaled 63 percent of average monthly household expenditure. More importantly, because these OOP expenditures are highly variable, many households incurred expenditure in excess of average monthly household expenditure and cross the horizontal 'black line' of Figure 26.

Figure 26 **Out-of-Pocket Maternal Health Expenditure compared with Average Monthly Household Expenditure, for Institutional and Non-Institutional Births.**



Each falling line represents the maternal health out-of-pocket expenditure for one household
Households are sorted by average monthly expenditure:
Increasing order for Institutional Births (red); Decreasing order for Non-institutional Births (blue)

Reductions in OOP payments are key to increasing utilization of key maternal health services in the country. In addition, the quality and readiness of health facilities in terms of training and equipment needs to be bolstered if increased utilization of maternal health services is to result in improved health outcomes. The survey found that overall qualifications of health center staff were poor: only 63 percent of all staff in the 38 HCs had completed primary education, and only 32 percent of staff responsible for providing delivery services had received any technical training in the last two years. HCs were also poorly equipped: only 58 percent had access to a safe water supply and only 75 percent had an electricity supply. Crucial medical equipment was also missing: only 26 percent of HCs had a working infant resuscitation kit, for instance.

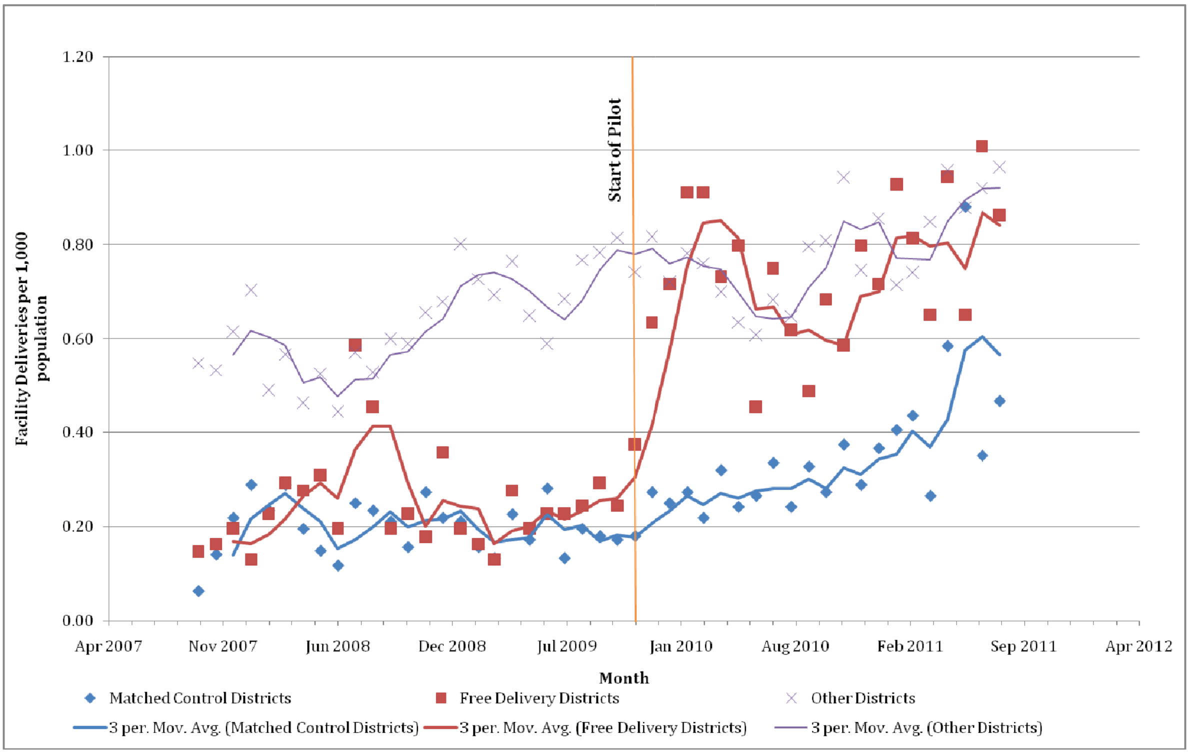
15 OOP spending for deliveries includes spending on antenatal care, postnatal care, and all associated transportation costs.

Free Delivery Pilot

In order to increase institutional deliveries and enhance financial protection, GoL is implementing a national Free MCH policy. This builds on the findings of a promising two-year World Bank-funded pilot of free deliveries in two districts in Savannakhet, where a three-fold (300 percent increase) rise in the rate of pregnant women delivering at facilities was observed when financial barriers were lowered by offering free deliveries to all eligible in the catchment areas of the facilities. By way of contrast, and over the same period, the rate of increase in health facility deliveries was much lower – only about 40 percent -- in similar districts outside the pilot area that did not offer free deliveries (Figure 27).

Although many challenges remain to achieve the maternal and child health-related Millennium Development Goals by 2015, efforts such as the national Free MCH policy are expected to accelerate progress towards these goals. This policy is expected to start wider rolling out from end 2012 onward.

Figure 27 **Impact of Free Deliveries (Red Line) compared with Matched Control Districts (Blue Line), when Free Deliveries was introduced in Nov 2009 (Orange Line)**



III. GENDER: REDUCING VULNERABILITY, INCREASING OPPORTUNITY

Gender equality is a core development objective. It is also smart economics. Greater gender equality can enhance productivity, improve development outcomes for the next generation, and make institutions more representative. As Lao PDR continues its development, the empowerment of women and girls will be key to translating the country's economic growth and the energies of its young people into improved living standards that benefit women and men alike. Since the introduction of economic reforms in the mid-1980s, strong growth and development have lifted thousands of poor women and men out of poverty, changing traditional ways of life in Lao PDR. In this environment of change, gender relations — within the family, village and society at large — are changing too.

How will gender equity be achieved as Lao PDR's development continues? The 2012 joint World Bank and ADB Lao PDR Gender Assessment[16] stresses two main messages: on the one hand, there is a need to focus on reducing gender inequality and vulnerability in remote rural areas that are home to smaller ethnic groups. These groups are at particular risk of being left behind during this period of rapid economic development. On the other hand, there is also a need to focus on increasing women's ability to take full advantage, on equal terms, of the expansion of new economic opportunities in the market, particularly among women in urban, lowland areas.

A key challenge for the government is to successfully manage development and poverty reduction efforts in a manner that is inclusive, pro-poor and gender-responsive. With economic change comes social change, in both the family and the community. New risks and emerging issues affect women and men differently, and will need to be addressed with appropriate services and skills that meet the needs of each gender.

Many of the gender issues cut across multiple aspects of social and economic life. This assessment presents gender issues into three main dimensions of gender equality – endowments, economic opportunities and agency – using the framework developed by the World Bank's World Development Report on Gender. In addition to these three areas, gender issues related to emerging areas of development and growing risks are also considered.

- **Endowments:** Development challenges are inconsistent throughout the country due to myriad factors that include geographic to socio-cultural and linguistic barriers. Although strong government commitment to achieving gender equity has progressed, persistent imbalances remain in human development endowments such as in health and education. Chapter 1 of the Gender Assessment discusses these imbalances.

16 This is a summary from the report "Lao PDR Country Gender Assessment: Reducing Vulnerability – Increasing Opportunity.' which is a joint World Bank (WB) and Asian Development Bank (ADB) assessment which synthesizes information and findings from recent literature and research on gender issues in Lao PDR for the ADB and the WB's country partnership strategies. The assessment contributes to the work of the government and development partners by bringing the latest information on gender issues to the forefront. It reviews and updates the main gender issues that were outlined in the ADB's 2004 Country Gender Assessment and in the 2005 Country Gender Profile prepared by the Lao Women's Union and the Lao Gender Resource Information and Development (GRID) Center, supported by the World Bank. The assessment draws from existing sources of data and analysis to provide a broad multi-sectoral review. The lack of consistent and credible sources of data remains a significant challenge across all sectors in Lao PDR; this shortage is intensified for sex-disaggregated data and analysis. With this said, a number of important new issue-centered and sectoral analyses have recently appeared and have been integrated into the report. For more information, please contact Meriem Gray (Communications and External Affairs, World Bank Vientiane office, mgray@worldbank.org), Helene Carlsson Rex (Senior Social Development Specialist, hcarlsson@worldbank.org) and Philaiphone Vongpraseuth (pvongpraseuth@worldbank.org). The report will be available at www.worldbank.org/lao.

- **Economic Opportunities:** How will a growing economy ensure equity and inclusion? Chapter 2 questions the benefits and risks of economic opportunities that range from an expanding private sector to the commercialization of agriculture, all realized through year-round access to roads and electricity. Without a doubt, the private sector is creating opportunities for entrepreneurs in Lao PDR, and 30-40 percent of these new entrepreneurs are women. With this said, emerging opportunities and new risks affect women and men differently, and need to be addressed in gender-informed and sensitive ways.

- **Agency:** Agency, or women's voice and participation, has steadily advanced in Lao PDR. To begin with, women's rights are recognized in the legal system, and women's political representation in the National Assembly has grown nearly 20 percent since 1990. It is now among the highest in the region. However, as Chapter 3 demonstrates, women's increasing representation within central government structures has not filtered down to the provincial and local levels, where significant gender gaps in representation persist, despite the efforts of the Lao Women's Union (LWU) to reach out to women from the national down to the village level.

- **Emerging Areas and Growing Risks:** Lao PDR's current growth environment hosts a number of emerging opportunities and threats. Chief among these are the potential challenges associated with regional integration and trade; the question of migration (and its mirror image of trafficking); and growing risks due to climate change.

There remains an important role for public policies in Lao PDR aimed at reducing the most costly gender disparities that are non-responsive to growth and those that have a significant impact on vulnerable groups. Lao PDR is at a critical juncture to harness the power of its economic growth to improve its human development and to ensure that society can holistically benefit from its natural resources. To achieve these goals, it will be necessary to place gender equality and women's empowerment at the center of national development plans.

The following table summarizes the recommendations related to the above focus areas of endowments, economic opportunity, agency, emerging areas and overall gender mainstreaming.

Endowments
• **Recommendation 1.1:** Increase coverage and quality of health services, with a focus on remote areas, particularly in areas of maternal health, sexual and reproductive health, and nutrition, and with attention to demand-side issues and the role of men in maternal health-seeking behavior. • **Recommendation 1.2:** Improve access to education, through investments in rural schools and educational services, to reduce gender gaps, regional disparities, and gender stereotypes in secondary and tertiary education, vocational training, and adult female literacy. • **Recommendation 1.3:** Increase access to clean water and sanitation, especially in rural areas, while ensuring women's voice is reflected in design and maintenance.
Economic Opportunities
• **Recommendation 2.1:** Pursue a labor-intensive growth strategy that expands wage labor opportunities for both women and men, especially in such emerging industries as tourism, garments, and food processing. • **Recommendation 2.2:** Expand women's access to and control over inputs for farm and non-farm enterprises, including finance, land, agricultural extension, and business training. • **Recommendation 2.3:** Improve gender mainstreaming in infrastructure investments, by expanding electricity access for female-headed households, and improving benefit-sharing and female participation in transport, hydropower, and mining operations.
Agency
• **Recommendation 3.1:** Improve capacity and institutional support for gender mainstreaming machinery. • **Recommendation 3.2:** Support progress in women's representation in national and local government. • **Recommendation 3.3:** Reduce incidence of violence against women through legal reform efforts, and efforts to increase public awareness, and capacity of health, law enforcement and protective services.
Emerging Areas
• **Recommendation 4.1:** Through regional fora such as the GMS Working Group on Human Resources Development and the Coordinated Mekong Ministerial Initiative against Trafficking, support regional policy dialogue on enhancing women's human capital base to gain opportunities and minimize risks from regional integration. • **Recommendation 4.2:** Improve outcomes for vulnerable migrant populations through legal reform, improved services, and strengthened anti-trafficking mechanisms. • **Recommendation 4.3:** Mainstream gender considerations into climate mitigation, adaptation actions and disaster planning, and ensure that women participate in related consultation and decision-making processes at local, regional and national levels.
Gender Mainstreaming
• **Recommendation 5.1:** Use sex-disaggregated indicators and targets in planning, implementation, and monitoring, and strengthen capacity among GOL agencies in this area. • **Recommendation 5.2:** Analyze gender trends with a view to interaction with existing rural/urban, regional and ethnic disparities in the country.

ANNEX 1 – THE GLOBAL ECONOMIC OUTLOOK IN SUMMARY

(Percentage change from previous year, unless otherwise specified)

	2010e	2011	2012e	2013f
Global conditions				
World trade volume	13.0	6.1	5.3	7.0
Consumer prices				
Advanced Economies 1/	1.2	2.4	1.9	1.8
Commodity prices (percentage change of USD terms)				
Non-oil commodities	22.5	20.7	-8.5	-2.2
Oil price (percent change) 2/	28.0	31.6	2.5	-3.4
London Interbank Offered Rate (%)				
on USD Deposits	0.5	0.5	0.7	0.8
on Euro Deposits	1.0	1.6	1.2	1.4
Real GDP growth 3/				
World	4.1	2.7	2.5	3.0
Advanced Economies	3.0	1.6	1.4	1.9
United States	3.0	1.7	2.1	2.4
Euro Area	1.8	1.6	-0.3	0.7
Japan	4.5	-0.7	2.4	1.5
Emerging and Developing Asian Economies	7.4	6.1	5.3	5.9
East Asia and Pacific 4/	9.7	8.3	7.2	7.6
China	10.4	9.2	7.7	8.1
Indonesia	6.2	6.5	6.1	6.3
Thailand	7.8	0.1	4.5	5.0
South Asia	8.6	7.1	6.4	6.5
India	9.6	6.9	6.6	6.9
Latin America and the Carribean	6.1	4.3	3.5	4.1

Source: WB Global Economic Prospects (June 2012)

Note:
1/ Canada, France, Germany, Italy, Japan, the UK, and the United States
2/ Simple average of Dubai, Brent and West Texas Intermediate
3/ Aggregate growth rates calculated using constant 2005 dollars GDP weights
4/ EAP Data Monitor (Oct 2012)

ANNEX 2 – LAO PDR AT A GLANCE

(Percentage change from previous year, unless otherwise specified)

Growth and Inflation	2009	2010	2011	pre. Est 2012	Proj. 2013
Real GDP	7.5	8.5	8.0	8.2	7.5
Resource contribution	2.6	4.8	3.6	2.4	1.4
Non-resource contribution	4.9	3.7	4.4	5.8	6.2
Inflation (aanual average)	0.1	6.0	7.6	5.5	6.0
GNI per capita (Atlas method, US$)	900	1010	1130	1300	...
Public Finance (FY, % of GDP)					
Total revenue (including grants)	16.5	16.4	18.6	19.7	19.8
Domestic Revenue	14.4	14.5	16.5	17.2	17.7
Mining	2.1	1.6	2.8	3.3	3.9
Hydro	0.5	0.4	0.6	1.0	1.0
Grants	2.2	1.9	2.1	2.5	2.1
Total Expenditure	23.5	21.3	21.3	22.0	22.5
Current expenditure	11.4	10.3	10.4	10.8	13.0
Capital expenditure	11.1	9.8	9.3	10.4	8.4
Overall surplus/deficit	-6.9	-4.9	-2.7	-2.3	-2.7
non-resoource domestic balance	-11.8	-8.8	-8.3	-9.2	-9.7
non-mining domestic balance	-11.3	-8.4	-7.7	-8.2	-8.6
Balance of Payments (% of GDP, unless other wise specified)					
Current account balance	-9.7	-6.2	-11.4	-16.3	-18.1
Resource current account	0.0	5.0	3.2	-0.1	-2.2
Non-resource current account	-9.7	-11.3	-14.6	-16.2	-15.9
Exports of goods ($ million)	1489	2149	2619	2845	3003
o/w resource (% in exports)	62.4	68.3	68.3	71.6	71.6
Imports of goods ($ million)	2215	2573	3446	4162	4580
o/w resource (% in imports)	32.1	23.7	25.1	28.2	30.3
Capital account balance	8.4	7.6	10.8	15.7	19.1
o/w resource	8.7	6.5	9.2	10.8	13.0
Overall balance	-1.3	1.3	-0.6	-0.7	1.0
External Public Debt (% of GDP, unless other wise specified)					
Total external debt	102.3	87.1	82.8	87.8	94.6
Total Public Debt	62.4	59.6	52.8	52.2	50.5
Total external public debt (% of GDP)	56.0	50.3	44.3	43.8	43.1
Total public debt service (% of exports)	4.9	4.3	3.2	4.7	4.6
Monetary Sector					
Reserves, excl. gold ($ million)	633	730	679	617	719
Months of imports of goods and services	3.3	3.2	2.3	1.7	1.8
Credit growth	90.7	46.0	38.2	32.9	26.5
Real Effective Exchange rate	118.1	122.3	127.2	..	..
Memorandum items					
Nominal GDP (billion kip)	49,492	59,098	65,979	74,796	82,249
Nominal GDP (US$ millions)	5,812	7,156	8,194	9,430	10,411
Exchange rate (period average, kip per 1 US$)	8516	8259	8052	7932	7900

Source: Lao authorities, trading partners and staff estimates and projections

THE WORLD BANK OFFICE, VIENTIANE

P.O. Box 345, Patou Xay Nehru Road
Vientiane, Lao PDR
Tel: (856-21) 266 200
Fax: (856-21) 266 299
www.worldbank.org/lao

THE WORLD BANK OFFICE

1818 H Street, N.W.
Washington, D.C. 20433
Tel: (202) 472-1653
Fax: (202) 522-1560/1557
www.worldbank.org