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INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION

COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT
FOR
LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR THE PERIOD FY12-FY16

September 16, 2014

Southeast Asia Country Management Unit
East Asia and Pacific Region

International Finance Corporation
East Asia and Pacific Region

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The Country Partnership Strategy for Lao PDR was discussed by the Board on March 8, 2012

CURRENCY EQUIVALENTS

(Exchange rate effective as of August 31, 2014)

Currency unit = Lao Kip (Kip)
US\$1 = LAK 8,050

FISCAL YEAR

October 1 – September 30

ACRONYMS AND ABBREVIATIONS

AAA	Analytical and Advisory Activities
ADB	Asian Development Bank
AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Modernized Automated Customs System
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CPSPR	Country Partnership Strategy Progress Report
DSA	Debt Sustainability Analyses
ER	Exchange Rate
EGRA	Early Grade Reading Assessment
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
HDWG	Hydropower Developments' Working Group
IDA	International Development Association
IMF	International Monetary Fund
IFC	International Finance Corporation
LDR	Lao Development Report
LECS	Laos Expenditure and Consumption Survey
LENS	Laos Environment and Social
LNCCI	Lao National Chamber of Commerce and Industry
LONG	Livelihood Opportunities and Nutritional Gains
MDGs	Millennium Development Goals
MMR	Maternal Mortality Rate
NSEDP	National Socio-Economic Development Plan
PRSO	Poverty Reduction Support Operation
PDO	Project Development Objective

PFM	Public Financial Management
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public Private Partnerships
PRF	Poverty Reduction Fund
WTO	World Trade Organization
SCD	Systematic Country Diagnostic
SDC	Swiss Development Corporation
SME	Small and Medium Enterprise

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I. Introduction

1. This Country Partnership Strategy Progress Report (CPSPR) for Lao PDR, jointly prepared by the World Bank and the International Finance Corporation (IFC), reviews the implementation of the World Bank Group's FY12-16 Country Partnership Strategy (CPS) to date, assesses its relevance in the current context of the country, and outlines the expected World Bank Group supported program for the remainder of the CPS period. Discussed by the Board of Executive Directors on March 8, 2012, the joint World Bank/IFC CPS aims to support the strengthening of the institutions for sustainable and inclusive development in Lao PDR. The CPS FY12-16 for Lao PDR focuses on three themes: (1) competitiveness and connectivity, (2) sustainable natural resource management, and (3) inclusive development with a crosscutting theme of stronger public sector management.

2. The CPS FY12-16 was prepared in line with the Government of Lao PDR's five year plan, the seventh National Socio-Economic Development Plan (NSED) 2011-2016, and at a time when the country was registering sustained strong economic growth with a sharp increase in revenues from natural resources as well as steady poverty reduction, from 33.5 percent in 2002/2003 to 27.6 percent in 2007/2008. Two years into implementation, the strategic focus of the CPS remains highly relevant. Progress towards achieving CPS outcomes has been mixed. Good progress has been made on the first three themes of the CPS, while progress on the cross-cutting theme of stronger public sector management has been off track and there are continuing concerns about the country's overall macroeconomic performance. There were setbacks in reaching the targets for stronger public sector management, although recent developments indicate progress. This report briefly reviews overall developments in the Lao economy and summarizes progress with respect to each theme and planned adjustments in the CPS. The Progress Report also discusses the alignment of the CPS with the World Bank Group's twin goals.

II. Country Context

3. With a current GNI per capita (Atlas method) at US\$1,460 in 2013, up from US\$280 in 2000, Lao PDR, though still one of the poorest countries in Southeast Asia, is undergoing a sustained economic expansion. The country is richly endowed with natural resources—especially land, forestry, water resources, minerals—and it is in the midst of a fast growing region. This combination of comparative advantages, along with targeted policy steps to exploit them, has yielded an average real GDP growth rate close to 7.5 percent per year for the past 15 years. The poverty rate has halved in two decades from 46 percent in 1992/93 to 23.2 percent in 2012/13.

4. The country has made significant strides to becoming more integrated both internally and with the regional and international trading system. Besides hydro-power, public investment in basic infrastructure, especially roads, has fostered growth in agriculture, transport and tourism. Underlining the policy shift towards establishing a rules-based system for governing trade and private sector development, Lao PDR completed its accession to the World Trade Organization (WTO) in February 2013. As a Least Developed Country, Lao PDR was granted "special and differential treatment", with a number of WTO-related commitments to be phased in over a five year transitional period. The country is also preparing for ASEAN's planned establishment of a single market, the ASEAN Economic Community (AEC), in 2015.

Recent Economic Developments

5. Economic growth has continued to be rapid in recent years, boosted by the resource sector and its related activities but also buoyed by accommodative macroeconomic policies on both the fiscal and monetary fronts. Lao PDR's real GDP grew on average at about 8 percent per year in the period 2008 to 2013. Major FDI-funded energy projects have boosted domestic economic activity such as construction and transport. A recent slowdown in mining, mainly gold, has been more than offset by a surge in logging for exports to neighboring countries. The broadly expansionary macro policy stance has not, so far, led to accelerating inflation—the CPI inflation rate increased from 4.3 percent in 2012 to 6.4 percent in 2013, and now eased to 3.6 percent in August 2014.

6. Fiscal policy turned sharply expansionary in FY12/13, with a large increase in public wages, amidst continued difficulties in ensuring tight overall control over the budget. Substantial increases in the public sector wage bill in FY12/13 and again in FY13/14, driven by back to back pay raises of 40 percent and recruitments in excess of 10 percent a year, have led the fiscal deficit to widen markedly from 1.3 percent of GDP in FY11/12 to about 6 percent of GDP in FY12/13. For most of FY12/13, committed cash outlays on wage and suppliers payments well exceeded revenues, and as a result, arrears in wages and non-wage spending accumulated to an estimated 2 percent of GDP. Early measures in FY13/14 included a cut in public sector benefits that barely offset the second 40 percent wage increase. The decline in domestic revenues from 2013 to 2014 seems to have resulted from a slow transfer of revenues by the provinces to the central government and also possibly declining copper and gold prices. With domestic revenues declining and growth falling short of GDP growth, and arrears repayment bearing on government cash flows, the financial position remained tight in FY13/14. A new round of fiscal corrective actions was announced in mid-2014, with spending cuts equivalent to 1 percent of GDP in full-year terms, and limited growth in spending for FY14/15. These measures, if implemented strictly, should help improve the government's financial position and restore fiscal sustainability.

7. Bank credit to the private sector tripled from 2008 to 2010, albeit from a low base, and grew more than 30 percent on average in 2011-2012. Although credit growth has started to slow slightly, it still grew at about 21 percent to June 2014. Growth in credit at such a fast pace in a weak institutional environment, coupled with limited information on the health of banks, continue to raise concerns for both macroeconomic stability and financial sector soundness. Detailed prudential or credit data are not available, however, limiting the scope of policy discussions.

8. Accommodative macroeconomic policies and a continued real appreciation of the exchange rate have also put pressure on Lao PDR's external position. The development of the resource sector and large inflows of FDI have led the external current account deficit to widen in recent years to about 12 percent of GDP. However, these developments have masked sources of concern. Expansionary macro policies and continued real appreciation of the exchange rate—by one measure, the real exchange rate has appreciated by more than 30 percent in the last 5 years—have contributed to pressures on the overall balance of payments. As a result, foreign exchange reserves have declined against imports, and stood at about 1.5 months of imports in mid-2014.

9. The country's external debt position has improved somewhat. The 2012 and 2013 Joint IMF-World Bank Debt Sustainability Analyses (DSA) both concluded that Lao PDR's risk of debt

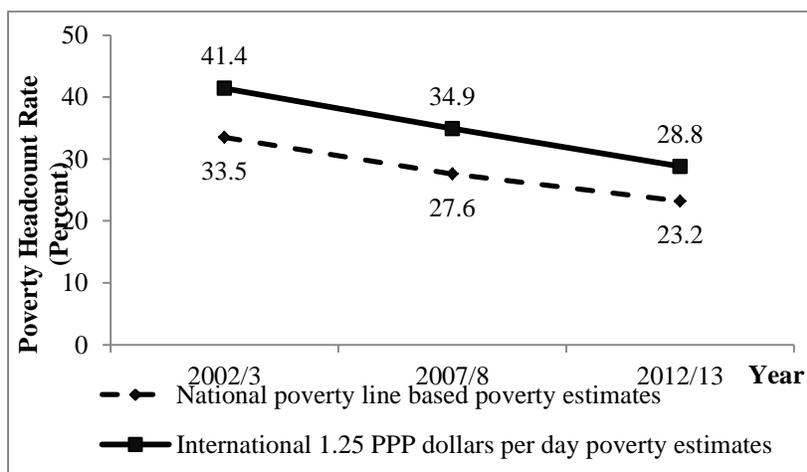
distress is moderate, reclassified from a high risk in previous years on account of an improvement in policy performance as measured by the CPIA rating.¹ The DSAs noted that these results remained highly sensitive to, among other things, assumptions regarding future public investment and its economic returns. The 2013 DSA, for example, highlighted the significant risks related to a railway project ostensibly envisaged by the authorities, at a cost in excess of 70 percent of GDP that would place Lao PDR's debt trajectory in severe distress.

10. Going forward, real GDP growth is projected to slow in 2014-15 to 7.5 percent in 2014, and slow further to 6.4 percent in 2015, before accelerating again in the medium term due to FDI. The fiscal deficit should narrow to about 4.2 percent as recent fiscal consolidation measures take effect, with stable revenues to GDP despite lower resource-sector revenues, and a moderate degree of expenditure containment. The external current account deficit should continue to reflect high FDI-funded imports, and only gradually improve in the medium term, beyond 2015, as power projects come on stream and new electricity exports expand.

Poverty and Shared Prosperity

11. The preliminary analysis of the most recent household survey, the fifth Laos Expenditure and Consumption Survey (LECS-V) in 2012/13², showed that the national poverty headcount rate was 23.2 percent in 2012/13, having declined by 4.2 percentage points from 27.6 percent in 2007/8. This compares with a decline of 5.9 percentage points between 2002/3 and 2007/8. Although the poverty rate declined by 12.6 percent in one decade, according to the international poverty line of US\$1.25 (purchasing power parity) it remains high at 28.8 percent in 2012/13.

Figure 1: Poverty Line in Lao PDR 2002/03 to 2012/13



¹ As discussed in paragraph 40 and Figure 3, while overall CPIA score improved from 3.3 in 2011 to 3.4 in 2012 and 2013, the macro cluster of the CPIA score declined from 3.7 in 2012 to 3.4 in 2013, which is consistent with the assessment of the relatively slow progress on the cross-cutting theme of the CPS program.

² Lao Expenditure and Consumption survey (LECS) has been carried out every five years. The data for LECS V (2012-2013) has just become available at the time of this CPSPR preparation. The analysis presented here is preliminary. A deeper analysis will be carried out in the next Lao Development Report.

Table 1: Selected Economic Indicators 2010-2015

	2011	2012	2013	2014	2015
			Est	Proj.	Proj.
Output and prices (percent change, unless otherwise indicated)					
Real GDP	8.0	8.0	8.5	7.5	6.4
<i>Non-resource sectors - contribution to growth (ppts)</i>	4.4	4.8	6.0	6.6	4.4
<i>Resource sectors - direct contribution to growth (ppt)</i>	3.6	3.3	2.5	1.0	2.0
GNI per capita (in US dollars)	1100	1260	1460	1570	1740
Consumer prices (% change, period-average)	7.6	4.3	6.4	5.0	5.0
Public finances (in percent of GDP) 1/					
Total revenue	18.5	19.8	19.3	17.6	17.4
Domestic Revenue	16.4	17.3	17.4	16.2	16.0
Domestic Revenue (non-resource)	13.0	13.0	13.7	13.2	13.4
Grants	2.1	2.5	1.9	1.4	1.4
Expenditure	21.3	21.1	25.3	22.1	21.6
Current	10.4	11.0	16.3	14.5	14.3
Wages, salaries and benefits	4.6	4.9	10.5	9.4	9.1
Transfers	2.9	2.9	2.6	2.5	2.7
Interest payments	0.8	0.8	1.2	1.2	1.2
Other recurrent	2.2	2.5	2.0	1.3	1.3
Capital and onlending	9.3	9.3	8.4	6.8	6.5
Domestically financed	4.3	4.1	4.4	3.4	3.2
Externally financed and onlending	5.1	5.2	4.0	3.3	3.3
Others and contingencies (and errors and omissio	1.5	0.8	0.6	0.9	0.8
Overall budget balance (deficit)	-2.7	-1.3	-6.0	-4.5	-4.2
Financing	2.7	1.3	6.0	4.5	4.2
Domestic financing	0.9	-0.5	4.5	3.6	3.1
Foreign financing	1.8	1.8	1.5	0.9	1.1
Balance of payments (in millions of US dollars)					
Current account balance (CAB)	-807	-1,194	-1,291	-1,324	-1,939
In percent of GDP	-9.8	-12.7	-11.5	-11.2	-14.9
Trade balance	-744	-1,262	-1,377	-1,469	-2,064
(% change YOY)	69	70	9	7	40
Exports	2,639	3,114	3,559	4,159	4,170
(% change YOY)	23	18	14	17	0
o.w. resources	1,792	2,039	2,051	1,957	2,025
Imports	3,383	4,377	4,936	5,628	6,234
(% change YOY)	31	29	13	14	11
o.w. resources	802	1,231	1,462	1,720	2,078
Services and income (net)	-320	-270	-259	-206	-234
Transfers	257	339	345	352	358
Capital account balance	757	1,254	1,213	1,388	2,033
In percent of GDP	9.2	13.4	10.8	11.7	15.6
Overall balance	-51	61	-78	64	94
In percent of GDP	-0.6	0.6	-0.7	0.5	0.7
Gross official reserves					
In millions of US dollars	679	740	662	726	820
In months of imports of goods and services	2.3	1.9	1.5	1.5	1.5
Memorandum items:					
Nominal GDP (millions of US dollars)	8,234	9,390	11,187	11,837	13,030

12. Growth in the past decade was uneven and more favorable to the non-poor than the poor. Consumption for the bottom 40 percent grew by 1.3 percent per annum and that of the poorest 20 percent by 1 percent per annum, which was significantly lower than the 2.1 percent annual growth in average consumption between 2007/8 and 2012/13. The Gini coefficient marginally increased from 35.0 in 2007/8 to 36.2 in 2012/13, primarily driven by rising inequality in urban areas where growth was highly uneven compared to a relatively even growth in rural areas.

13. Poverty remains higher in rural areas, at an estimated 28.6 percent, compared to 10.0 percent in urban areas. The decline in poverty was also faster in urban areas, despite starting from a lower level. Both the rate of poverty reduction and growth in median consumption in urban areas were more than double the rate in rural areas over the past decade. Welfare improvements were greater in urban areas across the entire welfare distribution, thus maintaining urban areas' advantage. While poverty declined in aggregate, its pattern shows significant household vulnerability to shocks. Between 2007/8 to 2012/13, poverty increased sharply in three of the country's 18 provinces. Two of these experienced a sharp reversal in crop prices that affected agricultural incomes. This suggests vulnerability to shocks among households in these provinces.

14. There is early evidence in the LECS-V survey that districts targeted by the Government as "first priority" on poverty grounds experienced the largest decline in poverty between 2007/8 and 2012/13. The average poverty rate in these "first priority districts" (for government poverty intervention programs), at 34.2 in 2012/13, was 9.2 percentage points lower than 2007/8 and now equals the poverty rate among the second priority districts. Non-priority districts have the lowest poverty rate of 17.1 percent but only had a 2.7 percentage point decline in poverty between 2012/13 and 2007/8.

15. The drivers of poverty in Lao PDR will be analyzed in some depth in the next Lao Development Report. Preliminary analysis shows that several factors contributed to poverty reduction. Among these are: (i) a small but sustained shift to non-agriculture activities and expansion within these activities, (ii) expansion in education which has made the shift in economic activities possible, and (iii) targeted government investment in poverty-related interventions.

16. However, the contribution to poverty reduction of agriculture, the sector employing most labor force, seems to have been weak. This is because agricultural productivity remains low. In 2012, the average agricultural value added per worker (in 2005 US\$ prices) was US\$476, lower than Cambodia (US\$524) and Thailand (US\$1,136). In the rice sector, the dominating agricultural subsector, the low level of farm productivity is due to export and price controls as well as inefficient public programs resulting in the poor availability of high-quality seeds and other inputs, poor quality and limited farm advisory services, limited irrigation and drainage infrastructure, and regional differences in social and climactic characteristics. In addition, the milling industry is characterized by high costs and low quality, adding downward pressure on farm prices. Low farm productivity implies that a very large number of people are working in agriculture, producing very little and making a meager living. These people are therefore among the poorest in the country.

Implementation of Government's Development Strategy

17. The Government has recently completed a mid-term review of the implementation of its seventh National Socio-Economic Development Plan (NSEDP) for 2011-16. The main objective of

the Government's strategy is achieving the MDGs and graduating from Least Developed Country status by 2020. The review recognizes the progress made with respect to growth and investment and the translation of this progress into further poverty reduction and improvements in health and education. But it also highlights the challenges ahead including the fragility of the macro-economic situation, the fact that some of the MDGs will not be attained, and concerns about over-reliance on natural resources as well as the importance of sustainable natural resource management. These challenges will receive particular attention in the remaining years of NSEDP and while the next NSEDP is being formulated.

III. World Bank Group Strategy and Collaboration

World Bank Group Strategy

18. The World Bank Group's Country Partnership Strategy (CPS) is focused on *Stronger Institutions for Sustainable and Inclusive Development* in full support of NSEDP7 (Figure 1). The CPS is closely aligned with the World Bank Group's twin goals: (1) to reduce the percentage of people living on less than US\$1.25 a day to 3 percent at the global level by 2030, and (2) to promote shared prosperity in developing countries, which will entail fostering income growth for the bottom 40 percent of the population. The first theme of the CPS supports efforts to diversify Lao PDR's source of growth beyond natural resources, bolster Lao PDR's competitiveness and connectivity among its neighbors to better integrate the country regionally and internationally. This theme also aims to connect the most hard to reach communities which are often the poorest with the development process through the expansion of roads and electrification. The second theme of the CPS supports the country's efforts to leverage its natural resources sustainably and equitably. To translate the expected benefits from increased competitiveness and sustainable natural resource management into poverty reduction and shared prosperity, the third theme of the CPS supports the Government's efforts to improve access to and the quality of education, health care and basic infrastructure, especially for the poor and extreme poor through a community-driven approach and poverty targeting. Finally, the CPS focuses on the cross-cutting challenge of building institutions and strengthening public sector management, including capacity for macroeconomic management as the foundation for poverty reduction and shared prosperity.

19. The strategic focus of the CPS remains highly relevant. With the recent macroeconomic deterioration, a sharper focus on stronger macroeconomic and public financial management will be vital. Sustainable natural resource management also remains central to the development challenge of the country. It is also important to build on the recent achievements of the Government programs in the areas of competitiveness and connectivity and inclusive development. Over the past decade, IDA-IFC collaboration has become substantial (see Box 1).

Box 1: World Bank – IFC collaboration in Lao PDR

The World Bank and IFC have been working closely since the opening of the World Bank office in Laos in 1999 and the start of the IFC's operations in 1998. The collaboration has grown substantially over the years. Prior to the current CPS period, a number of key IFC program activities have benefited from the World Bank's overall program. A number of proposed reforms under IFC programs, particularly the Business Enabling Environment (BEE), now known as the Investment Climate program, were enhanced by the PRSO series through relevant triggers and actions. An example was the Enterprise Law where IFC supported the reform effort of the Ministry of Industry and Commerce (MOIC) while the broader policy dialogue through the PRSO

series supported reform among related authorities with specific triggers and timeframes.

The development of the World Bank-IFC joint energy sector strategy is another example. Leveraging IDA's continued support to the Electricité du Laos (EdL) since 1992, the country's largest utility company, IFC became the first commercial financier to EdL, and was selected to support the Rural Electrification Program Phase II as part of the overall financing package from the World Bank Group. The Rural Electrification Program has been a transformative project, helping the Government to reach electrification from 16% in 1995 to over 85% in 2014.

The collaboration between the World Bank and IFC was elevated to the next level under the current CPS as the first joint World Bank-IFC Country Partnership Strategy. The Bank and IFC teams held joint consultation and developed a common strategy.

During FY12-14, the World Bank and IFC have supported four joint projects, namely, the Rural Electrification Project, the National Payment System, the Road Sector PPP, and the SME Access to Finance/Risk Share Facility. Four other projects involve close collaboration, including VAT/SME Taxation project, Lao Business Licensing Reform, Hydropower Advisory, and Agro Forestry Project under the Forestry Investment Program. IFC continues to actively contribute to the dialogue under PRSOs.

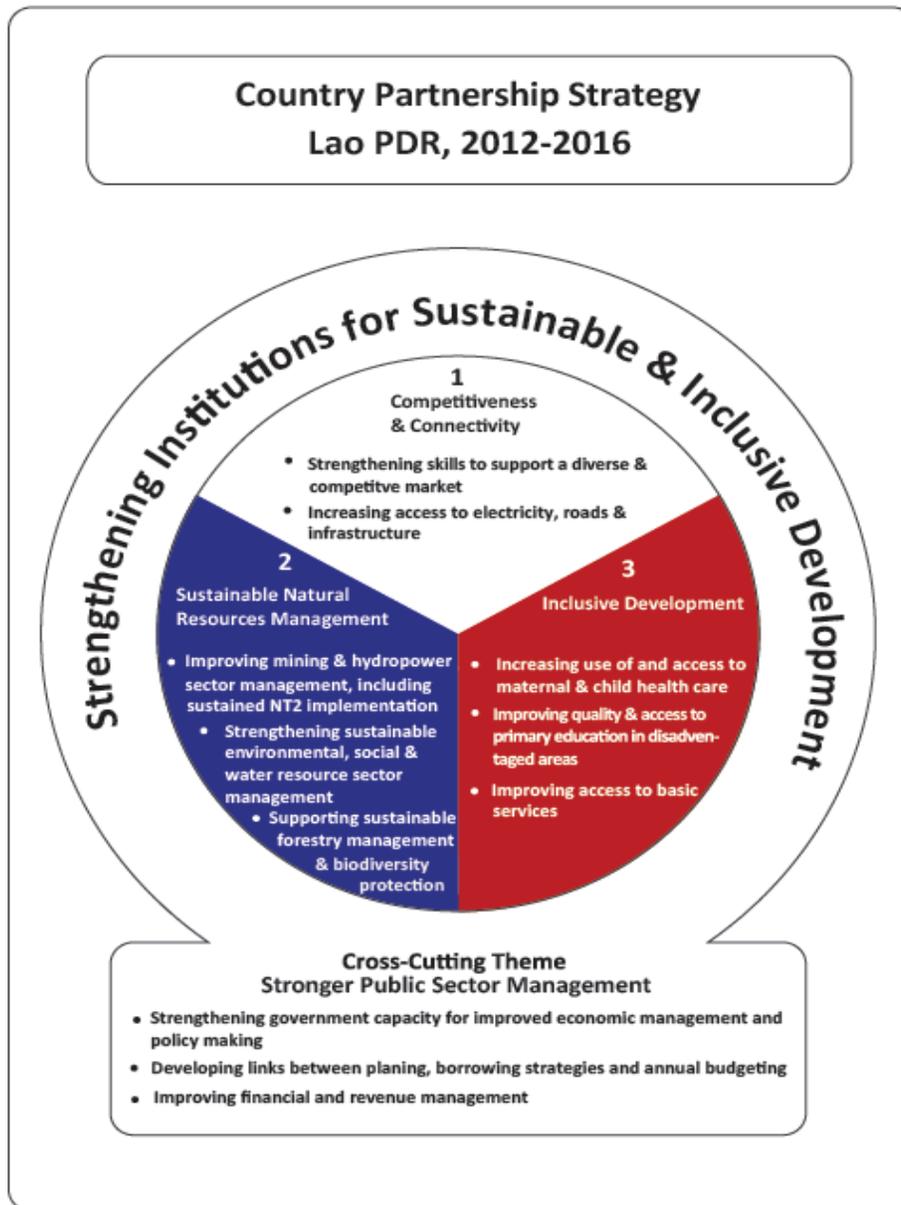
For the remainder of this CPS period, continued and further enhanced collaboration is expected in areas such as the banking and financial sector as well as in the energy and hydropower sector. In particular, the Bank and IFC jointly supported the Lao authorities in developing the Second Action Plan for Financial Sustainability of EDL and the Lao PDR Power Sector, covering the period 2013–2017. This has paved the way for the creation of a working group comprising officials from the Ministry of Finance, the Ministry of Energy and Mines, and EDL. WBG collaboration will be further enhanced by the opening of the new WBG office building in Vientiane in 2016.

IV. Progress towards CPS outcomes

20. Overall, the World Bank Group CPS program has been implemented largely as anticipated. Progress towards achievement of CPS outcomes has been mixed—with concerns about macroeconomic policies and public financial management. Good progress in achieving the outcomes of the first three themes of the CPS has been supported by strong performance in the delivery of new financing, satisfactory performance of the overall IDA portfolio, a high disbursement rate, and successful completion of a range of important knowledge products. At the same time, progress towards achieving the CPS outcomes for the cross cutting theme of stronger public sector management has been off track. The risks associated with natural resource management are also increasing as the pressures to exploit them increase from within and outside the country. While most of the 27 indicators in the CPS results matrix are on track to achieve their targets, three indicators for the stronger public sector management theme (budget deficit to GDP, CPIA macro cluster and fiscal transparency) as well as one indicator for natural resource management (benefit sharing mechanism) are off track and require close monitoring and deeper engagement. As discussed earlier, the country's overall macroeconomic and fiscal positions have deteriorated partly as a result of weak public financial management and macroeconomic coordination over the past 18 months. More recent developments have seen strengthened engagement with the Bank on aspects of public financial management especially on the budget law, the fiscal strategy and the cash management system, and

there is a reasonable expectation that the targets will be met. Annex 1 details progress towards results under each CPS outcome.

Figure 2: World Bank Group Country Partnership Strategy in Lao PDR 2012-2016



Theme 1: Competitiveness and Connectivity

21. The location of Lao PDR – landlocked and surrounded by countries with significant economic potential (China, Cambodia, Myanmar, Thailand and Vietnam) -- underscores the importance of the competitiveness and connectivity theme to make the country land-linked. Its relevance has been and will be increasing with the ASEAN Economic Community 2015 on the horizon.

22. Good progress has been made on the competitiveness and connectivity theme. Lao PDR's formal accession to WTO in February 2013 was a landmark achievement. The country has become much more closely integrated into the regional and global economy as measured by a substantial increase in trade in goods and services (annual average growth rate of 21% during 2010 to 2013). The first National Trade Facilitation Strategy and Action Plan was approved and implemented. All the CPS outcome indicators for strengthened government capacity to support growth diversification and competitiveness are broadly on track, although implementation of the modernized automated customs system (ASYCUDA) and the Enterprise and Investment Promotion Laws face challenges.

23. The Bank has been supporting the Government's trade agenda through PRSO 8 and 9, the second phase of the Multi-Donor Trust Fund for the Trade Development Facility (which also includes an IDA contribution) and Additional Financing for the Customs and Trade Facilitation Project, and through AAA work including an investment climate assessment and trade policy notes.

24. While good progress has been made towards achieving CPS objectives in competitiveness theme, the overall investment climate for private sector development remains challenging. Lao PDR ranks 159 out of 189 countries in Doing Business 2014. While several new laws and regulations which would help improve investment climate have been issued in the past several years, their implementation has not been consistent or effective. Going forward, the Bank Group will continue its support to the Government in implementing commitments made as part of Lao PDR's WTO accession, improving customs efficiency and effectiveness and preparing for the AEC 2015 through continued successful implementation of the TDF2 and Customs and Trade Facilitation Projects. The Bank Group also expects to work with Laos PDR, through the ongoing operations, to support improvements in the business environment including for example on the process to establish a business, the construction permitting procedures and taxation simplification for small businesses.

25. A second Lao Development Report on Lao PDR's workforce, which was developed through active participation of the Government and therefore contributed to policy debate, is nearing completion. The report highlights a number of challenges that could impede Lao PDR's continued growth. First, there is a clear "skills problem": too many workers are functionally illiterate. Second, seventy percent of the workforce remains in agriculture, a sector whose growth per worker since 2000 has been the lowest in the region. Moreover, investment in machinery remains elusive in the manufacturing sector, holding back labor productivity growth. The report recommends a three-pronged approach: boosting agricultural productivity, creating more attractive off-farm jobs; and ensuring basic literacy skills. Special attention will be paid to the dissemination of this Report.

26. Connectivity objectives in terms of the road network are making good progress with the milestones being met and progress on outcome indicators broadly on track. Road maintenance requires more resources and improved management by the Government especially with the recent tightening of the budget. Additional financing was approved for the Road Sector Project and it continues to be implemented satisfactorily. The Bank and IFC are also working together on support to the preparation of a public private partnership (PPP) initiative for the expansion and maintenance of the national backbone highway (Road 13 North and South) in Lao PDR. During the first phase, IDA and PPIAF are supporting the feasibility study of the PPP whereas IFC is providing transaction advice to the government. In the second phase, IDA and IFC will explore financing possibilities for the PPP. The success of this project will be important in highlighting the differences between well-designed and problematic PPPs (for example unsolicited bids for public investment projects) and

how well-designed PPPs can be of great benefit to the development of the country. The number of electrified households under the now completed phase 1 of the Rural Electrification Program exceeds the target. Furthermore, after some delay in implementation, the number of electrified households under the on-going phase 2 has caught up and could meet the end-project target.

27. IFC and the Bank are working together to help strengthen the financial sector and improve the environment for SMEs and the private sector in Lao PDR. An Access to Finance for SME project was approved by the Board in June 2014. IFC has provided trade guarantees and commercial loans to SMEs and has made further investments in manufacturing, tourism and banking in Lao PDR. IFC has also continued to provide Advisory Services on investment climate and access to finance complementing support being provided by the Bank. Under the IFC Investment Climate program, two projects in the area of improving value-added tax/ SME taxation scheme and support to reforms in business regulatory framework are being implemented. IFC has also provided support in many areas such as development of the legal framework for secured transaction including an establishment of the electronic collateral registry system which enables enterprises to pledge moveable assets as collateral, development of legal framework for the national payment system, and development and improvement of the credit information bureau at the Bank of Lao PDR.

Theme 2: Sustainable Natural Resource Management

28. Lao PDR is rich in natural capital. Forests, agricultural land, water and hydropower potential, and mineral resources comprise more than half the country's total wealth. While there have been important benefits to the rapid growth in natural resource based economic activities, especially in hydropower and mining, there are also significant risks. The World Bank Group is supporting the government to address these risks; in the hydro and mining sectors, the Bank's and IFC's complementary TA activities are making some progress in building government capacity to manage hydro and mining development. Additional financing for the Bank financed Hydro and Mining TA project has just become effective.

29. Good progress has been made under the IFC's Lao Hydro Environmental and Social Standards Advisory program. The program supports capacity building in crucial areas such as cumulative impact assessment and management; performance standards and negotiation; revision of the National Water Resources Strategy and Action Plan; revision of the Policy on Sustainable Hydropower Development; and the on-going revision of the Water Law. In Dec 2013, IFC signed an MOU with the Lao National Chamber of Commerce and Industry (LNCCI) to support the Hydropower Developers' Working Group (HDWG) to bring about greater transparency and accountability. IFC has also strengthened relations with banks investing in Lao PDR and recently held a training workshop for Vietnamese banks investing in cross-border hydropower projects.

30. The Bank continues to monitor implementation of the Nam Theun 2 (NT2) Project – a transformative project supported by IDA, MIGA and other IFIs. Social well being of resettled households have improved significantly. However, several issues are proving to be challenging and need urgent government attention, including revenue management, the enforcement of laws and regulations related to fisheries and forestry on the Nakai plateau, the conservation of the biodiversity of the watershed, and ensuring optimal development of the downstream areas. For the revenue management, tax and dividend components (in addition to royalty) of the revenues still need to be allocated to the priority programs and the timeliness of reporting and audits needs to be improved.

Beyond NT2, the Bank Group continues to explore opportunities to support public and private investment in well designed and environmentally and socially responsible hydropower projects that will not dam the mainstream of the Mekong.

31. In addition to supporting enhancement of government capacity to manage the hydro and mining sectors, the Bank is working to improve natural resource, environment and social management capacity more broadly as well as to help with the sustainable management and protection of forests, protected areas and biodiversity. The Bank Group's support builds on the first Lao Environment and Social (LENS) Project (closed in June 2013) and includes the Mekong Integrated Resource Management Project, Scaling up Participatory Sustainable Forest Management (a joint effort of IFC, IDA and ADB) in collaboration with a Finnish Technical Assistance project, and the Protected Areas and Wildlife Project, all approved under the current CPS. A second LENS project is also under preparation for FY15 Board. In these areas, while good progress is being made with regard to CPS milestones, the overall governance of the forestry sector is deteriorating. Lao PDR's forests continue to be exploited in an unsustainable way. Logging, both authorized and illegal, is considered high, as is cross-border trafficking of high-value timber to neighboring countries. Deforestation from shifting agriculture is pervasive in many provinces, which compromises the long-term sustainability of the landscape and the livelihoods of rural communities. Sustainable natural resource and forest management remain critical if the country is to translate growth into development.

Theme 3: Inclusive Development

32. The ultimate goal of the Lao CPS 2012-2016 is to support Lao PDR to translate the economic growth supported by the themes of Competitiveness and Connectivity and Sustainable Natural Resources into inclusive development and poverty reduction.

33. Good progress has been made on the theme of inclusive development in terms of CPS outcomes, which includes increased utilization of essential maternal and child health services, expanded access to primary education in targeted support for disadvantaged districts, and improved access to basic services and markets and enhanced community participation. All the intermediate milestones set out in the results matrix for this theme have been met and all the CPS outcome indicators are expected to be met. The Government's focus on development of the country's poorest districts and the support provided by the Bank and Development Partners for those efforts is paying off with the overall poverty rate in those districts falling more rapidly than for the country as a whole, as previously discussed. The performance of a range of ongoing projects in health and education as well as the Poverty Reduction Fund and the Khammoune Development Project (which received additional financing in FY12) remains satisfactory and new financing has been approved for Early Childhood Development education in April 2014. The Bank also completed AAA work on health financing.

34. While good progress has been made toward achieving CPS outcomes, major challenges remain in both the education and health sectors. More students are enrolling in school but many of them are not learning to read: an Early Grade Reading Assessment (EGRA) conducted in 2012 found that over one-third of Grade 2 students cannot read a single word correctly. The problem is even worse among children who do not speak the Lao language at home. Moreover, an assessment of adult literacy skills carried out in Lao PDR and five other countries showed that Lao PDR had the

highest rate of adult illiteracy with 33 percent of adults functionally illiterate in urban areas and 66 percent in rural areas (STEP Household Survey 2012). More focus needs to be placed on the quality and learning outcomes of primary education.

35. Under-nutrition in Lao PDR continues to be a major issue with child stunting at 44 percent. The Bank's support in the Community Nutrition Project piloted conditional cash transfers, the first time in Lao PDR, to pregnant women and women with new born babies. This has made a difference in terms of the utilization of pre-and post-natal care. The Poverty Reduction Fund Project is also addressing malnutrition through the Livelihood Opportunities and Nutritional Gains (LONG) pilot. Starting with the formation of self-help groups, the project is initiating new livelihood activities that have strong links to nutrition in the poorest and most remote areas where stunting and malnutrition is most prevalent. The pilot is also introducing village nutrition centers, where pregnant and lactating mothers and young children come together for a nutritious meal and village wide capacity building activities around nutrition and well-being. Such an intervention needs to be brought to scale. Similarly the maternal mortality rate (MMR), while falling, remains high at 220 death per 100,000 live births. Lao PDR also continues to have some of the worst maternal outcome indicators both globally as well as in the East Asia and Pacific region.

36. During the remaining years of the CPS, the Bank expects to provide further financing for education, health and the Poverty Reduction Fund, to prepare the third Lao Development Report (LDR) on poverty, and assess options for strengthened community and local development. Engagement in education will focus more on quality of primary education in targeted, disadvantaged districts as well as on early childhood education which is critical to continuing primary education and achieving learning outcomes. The third LDR on poverty will draw upon the recent data from the Fifth Lao Expenditure and Consumption Survey (LECS5). This will be a critical product and input to the Systematic Country Diagnostic (SCD) and new Country Partnership Framework (CPF). As in the previous LDRs, the process of developing a LDR is equally critical to the product itself; the Bank team will involve the Government and other partners in the preparation and analysis of data as it develops a LDR3.

Cross-cutting theme: Stronger Public Sector Management

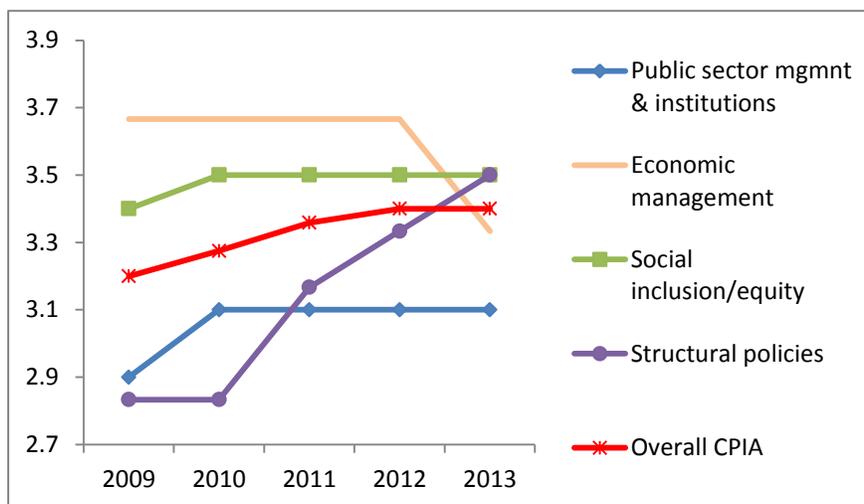
37. As noted above, the achievement of development results in Lao PDR will depend fundamentally on more effective public sector management. The Bank has been focusing on strengthening government capacity for macroeconomic policy coordination, stronger links between planning, fiscal policy and borrowing strategies and annual budgeting, and improving public financial management. This includes providing guidance and oversight support to the Government on the implementation of its financial and reporting obligations under the Nam Theun 2 (NT2) Revenue Management Arrangements.

38. While it is difficult to pinpoint the underlying causes of recent macroeconomic vulnerabilities, it is fair to say that a lack of appropriate technical tools (in particular, medium term fiscal framework and wage bill modelling) and weak coordination between and among the Ministry of Finance, Bank of Lao PDR, the Ministry of Planning and Investment, and the Ministry of Home Affairs have contributed to policy decisions such as unsustainable consecutive salary increases.

39. The CPIA macro management cluster score declined from 3.7 in 2012 to 3.4 in 2013. The dialogue between the Ministry of Finance and the Bank on public financial management weakened with the result that no agreement was reached on a new Public Financial Management Project in 2013 and the preparation of the next PRSO10 has been delayed. Despite these difficulties, work at a technical level continued through on-going projects (PRSO 8 and 9, Lao Statistical Capacity Building Project). Also, policy and technical assistance was provided to the authorities in finalizing the MOF's comprehensive Fiscal Strategy, amending the State Budget Law, and further consolidating government accounts under the Treasury Single Account (TSA). There has been a more recent request to engage with the authorities on public financial management (PFM) work, and technical discussions have commenced to identify substantive re-engagement areas within the PFM system.

40. Recent macroeconomic vulnerabilities and stresses underscore that stronger public sector management will be essential to Lao PDR's development progress. Effective and timely action to address the fiscal challenges as well as deeper structural issues will be essential. Drawing lessons from the past engagement, the World Bank will intensify its focus on support to the government in strengthening public financial management and overall macroeconomic management.

Figure 3: Country Policy and Institutional Assessment rating 2009-2013



41. The Government has acknowledged the issues and the importance of restoring macroeconomic stability as quickly as possible. In September 2013, the Government established a special high level task force to address macroeconomic challenges. Major changes have been made in the leadership of the Ministry of Finance with the appointment of new Minister and three new Vice Ministers in March 2014, and an important initial set of decisions with respect to restoring macro-stability has been made. The Government has also requested renewed support from the Bank along the lines already set out in the CPS, and the Bank will work with the authorities to proceed expeditiously with discussions on the overall policy agenda and longer term reform strategy, and to reconfirm priority areas with the MOF that require continued technical support in the immediate term.

Planned and actual WBG deliveries

42. The IDA commitments during IDA16 (FY12-14) amounted to US\$207.9 million (including regional projects). This delivery represents the full achievement of the indicative FY12-14 WBG program in CPS with little modifications. The consolidation and selectivity of the country program has also improved over the first two and a half year of CPS implementation. Twelve new IDA projects committed during FY12-14 consist of four Additional Financing projects, three second-phases of existing projects, two budget support operations, two regional projects, and one IDA-IFC joint project.

43. During FY12-14, IFC Advisory Services programs delivered two projects in the area of Access to Finance, six other projects are being implemented in the areas of Access to Finance, Investment Climate, Sustainable Business Advisory, and Public Private Partnership. On the investment side, three investment projects were committed in banking and manufacturing.

Portfolio Performance

44. Total IDA active portfolio increased from US\$189.9 million in FY12 to US\$333.7 million at the end of FY14. Overall portfolio performance has been satisfactory, with the pro-activity index for Lao PDR in FY14 at 100 percent. The strong proactivity index reflects efforts by task teams which included restructuring of three projects (GMS Power Trade Project, Rural Electrification Project, and Health Services Investment Program).

45. Lao PDR has a strong track record in disbursement ratio which has been consistently above 30 percent in FY12-FY14, the highest in EAP and above the Bank-wide target of 20 percent. The average net commitment per investment project is US\$22 million in FY14, up from US\$17 million in FY12 reflecting a trend toward fewer, larger projects.

Table 2: Key Portfolio Indicators

Comparator	Proactivity (%)			Disbursement Ratio (%)*			Average Age of IPF (years)			Average size of IPF (\$m)**		
	FY12	FY13	FY14	FY12	FY13	FY14	FY12	FY13	FY14	FY12	FY13	FY14
Bank	69	66	70	21	21	21	3.9	3.9	3.8	103	107	109
EACTF	100	67	100	27	30	31	4.4	4.5	3.4	25	22	31
Lao PDR	100	50	100	33	48	33	4.1	4.0	4.0	17	19	22
<i>* All product lines</i>												
<i>** Average size of an IPF = total net commitments/# of active projects</i>												

46. IFC's Advisory Services portfolio grew from US\$2.7million to US\$11.6 million during FY12-FY14 with focus on SME, climate change and infrastructure. IFC's committed investment portfolio grew from US\$25.4million to US\$38.6million during the same period. All investment projects have continued to perform well with the exception of the trade finance program with a commercial bank where the use of IFC trade line was less than expected.

47. There has been increasing focus on monitoring and evaluation in the portfolio particularly through greater rigor in the formulation of results frameworks and measurable indicators. M&E capacity building has been provided to counterpart ministries, implementing agencies and task teams focusing on design of results frameworks, routine monitoring functions, and impact evaluation.

Knowledge

48. In terms of analytical work, focus areas covered all four pillars of the CPS and included deepening understanding of issues and challenges in trade; investment climate, gender, macroeconomic monitoring, health and education and protected area management. The “flagship” analytical work for Lao PDR during FY12-14, the second Lao Development Report on Skills/Human Resource Development used a multi-sectoral and cross-country comparison approach to shed light on the key human resource development issues and recommended policy actions with an active participation of the government and stakeholders. The Bank and IFC provided complementary advisory support in the areas of the financial sector development and public-private partnership (PPP) development in the transport sector.

Gender

49. Gender is fully mainstreamed in the Bank’s interventions and incorporated across the breadth and depth of the country program. Progress has been made in addressing the most significant gender disparities on access to and quality of maternal healthcare and primary education for girls through, among other things, the introduction of a Free Maternal and Child Health policy and the School Block Grants program. However despite gains, Lao PDR still lags behind comparator countries on key indicators, and further progress is at risk given macro-fiscal pressures.

50. A Country Gender Assessment (with the Asian Development Bank) was completed in 2013, adopting the framework of the 2012 World Development Report on Gender. The Bank Group also adopted a Country Gender Action Plan in 2012, setting out how gender issues are addressed during the implementation of the 2012-16 CPS. During the CPS period, 100 percent of new IDA lending activities have been gender informed on at least one dimension (analysis, specific interventions and results monitoring), and in FY14, 100 percent of new IDA lending activities were gender informed across all three dimensions, exceeding corporate commitments.

Climate Change

51. Global and regional climate change projections suggest that natural disasters in Lao PDR are likely to intensify and increase in frequency. Indeed during the first phase of the CPS implementation, Lao PDR was affected by typhoons and resulting floods and landslides. The project to support the government with disaster risk management is making good progress. The Department of Forestry of the Ministry of Agriculture and Forestry is implementing the program of independent certification of forestry and mitigation efforts through the Forest Carbon Partnership Facility and the Forest Investment Program. Efforts to address climate change issues will continue to be mainstreamed in the CPS and overall portfolio.

Partnerships

52. The Bank Group continues to work closely with Development Partners, the private sector and NGOs - especially environment-related NGOs. The CPS 2012-2016 was developed through a joint consultation process with the ADB. A majority of the IDA-financed projects are co-financed or parallel-financed by other partners, including, ADB, Australia, EU, Finland, Germany, Ireland, Japan, SDC, USAID. The Bank co-chairs Sector Working Groups on Infrastructure (with ADB and Japan), Macroeconomics (with ADB), and Natural Resource Management and Environment (with Germany).

V. Moving Forward: FY15-FY16

Overall Strategy

53. The Bank Group's current CPS remains highly relevant to Lao PDR's current circumstances and the Bank Group should maintain its focus on the three themes and the cross-cutting theme of the CPS during the remaining two years of implementation. But a sharpened focus on the program is necessary, particularly in the areas of public sector and macroeconomic management and natural resource management. Additional analytic work will also be undertaken, including the next LDR on poverty, to help further understand the dynamics of the Lao economy and options for promoting greater poverty reduction and inclusive growth.

54. The final two years of CPS implementation is expected to help establish the analytical basis for the Bank Group's next program of assistance to Lao PDR, and to help further align this assistance with the Bank's twin goals and in support of the Government's development priorities and the preparation of the eighth NSEDP. This would begin with the Systematic Country Diagnostic (SCD), which, through a comprehensive inventory of analyses produced by the government, the Bank Group and others, will advance understanding of, who are the poor and bottom 40 percent of income earners in Lao PDR, and what are the critical constraints and opportunities in reducing poverty and promoting shared prosperity. This analysis, which will include outreach to and input from Lao PDR civil society and its development partners, will underpin preparation of the Country Partnership Framework (CPF), which will succeed the current CPS. The CPF will use the SCD as the starting point for a priority setting process that balances these priorities with the country's own development vision, the WBG's comparative advantage and the feasibility of change to identify focus areas for WBG support. It is expected that preparation of the SCD will begin in mid CY2015, with the CPF to be completed in FY16.

Implementation

55. The Bank Group will focus on continued implementation of all three themes and cross-cutting theme of the current strategy with a sharpened emphasis on public sector and macroeconomic management and natural resource management. With respect to public sector management, there is an increasing high-level political focus on the risks associated with fiscal deterioration and recognition that adjustments are required. Some of these measures have already been announced. Engagement with the authorities on these issues is expected to provide the basis both for the next PRSO as well as for a possible new public financial management support project depending on the outcomes of the ongoing re-engagement on PFM reforms. In order to deepen understanding of the challenges facing the financial sector, the Bank Group is in discussions with the Government on the importance of undertaking a financial sector review.

56. With respect to natural resource management, close attention will be paid to the initial implementation phase of the recently approved projects including the Protected Area and Wildlife project and the Scaling-up Sustainable Forestry for Rural Development and Additional Financing of the Hydro-Mining Technical Assistance Project. The Nam Theun 2 project also requires continued careful monitoring and implementation support in view of the significant remaining risks to environmental and social issues. Furthermore, gaining deeper insight into the political economy surrounding the governance challenges in natural resource and environment management as well as

increasing the evidence base on the status of natural resources and environment through satellite imageries and systematic data collection will be critical.

57. The indicative envelope for the IDA17³ period for Lao PDR is SDR130 million which is a 30 percent increase from the IDA16 initial indicative envelope. These resources are expected to be committed to projects in power grid improvement; a roads PPP (together with IFC); environmental management; maternal health and nutrition; PRF additional financing; PRSO 10 and 11; and public financial management. In addition Lao PDR is expected to receive resources from the Global Partnership for Education. More details on expected new operations are provided in Annex 4.

58. During FY15-16, IFC advisory services programs plan to expand two Access to Finance projects into second phases and to rollout some additional projects under Access to Finance and Sustainable Advisory Services programs at the company level. On the investment side, IFC will continue exploring investment opportunities in hydropower, tourism, agribusiness, and banking sectors.

Managing Risks

59. Weaknesses in the Government's management of the macroeconomic framework, public finances, and Lao PDR's natural resource and environmental treasures are salient risks to the full achievement of the development outcomes of Bank Group's support indicated in the CPS. An assessment and the confirmation, based on up-to-date data, of adequate macroeconomic policies is a prerequisite for PRSOs. The recent fiscal crunch of the Government has put pressures on sustaining operational budgets especially in the social sectors. As discussed earlier, the Government is taking actions to address the macroeconomic issues especially on the fiscal side, and the Bank team will remain vigilant in helping the Government to follow through the actions to address these risks. The World Bank Group and the IMF will collaborate to strengthen the dialogue around the financial sector to address the weaknesses and risks in the sector and support the government's policy objectives for inclusive growth.

60. There are some risks that continue to compromise the impact from the World Bank Group's intervention on development of private sector. Despite the fact that several new forward-looking laws and regulations have been revised and issued along the WTO accession process, a major risk is still clearly observed in relation to the effectiveness and consistency in the implementation of those laws and regulations across concerned authorities along horizontal and vertical lines. IFC has continued to face some challenges in expanding its investment program in this market as the funds available from other sources are considered easier to obtain although they usually do not adhere to important international practices, especially on the environmental and social standards. The World Bank Group will leverage its combined resources to support the Government on investment climate legislation and regulation.

³ IDA allocations are determined on a yearly basis. The final allocation for each FY during the IDA17 replenishment period will depend on: (i) the total IDA resources available; (ii) the country's performance rating, per capita GNI, and population; (iii) the terms of IDA assistance (grants/credits); (iv) the performance, other allocation parameters, and IDA assistance terms for other IDA borrowers; and (vi) the number of IDA-eligible countries.

61. The pressures to exploit natural resources from within and outside have been increasing rapidly, and risks associated with governance of natural resource management are also increasing. To help address these challenges, the Bank Group is stepping up its support and enhancing the Group collaboration to help Government increase its capacity to collect and analyze data, prioritize projects which are environmentally and socially sustainable and make policies based on evidence. The Bank Group is also supporting the National Assembly to enhance its oversight capacity in natural resource management. As indicated above, the World Bank Group intends to expand its dialogue with Government on these critical issues, while continuing to work intensively to strengthen technical capacities at both central and local government levels.

Annex 1: Country Partnership Strategy Results Matrix (as of July 31, 2014)

Strategic Objective 1: Competitiveness and Connectivity				
<i>Result Areas 1.1: Strengthened government capacity to support growth diversification and competitiveness</i>				
CPS Outcome Indicators	Status	Progress	Milestones [Status]	World Bank Group Program
<p>More predictable, lower compliance cost regulatory environment that is supportive of diversification and competitiveness, with significant improvements in the following illustrative investment climate indicators related to regulations, taxes, permits, licenses, and trade:</p> <p>1. <i>Mean number of days to import (number of days from arrival of goods to customs release)(Source: ES)</i> Baseline: 5.7 (2009) Target: 2.0 (2015)</p> <p>2. <i>Percentage of inbound cargo subject to physical inspection (Source: LCD)</i> Baseline: 100 (2011) Target: 40 (2015)</p> <p>3. <i>Mean number of days to obtain an operating license (Source: ES)</i> Baseline: 26.1 (2009) Target: 15 (2015)</p>	<p>3.3 (2012)</p> <p>60 (2013)</p> <p>17.7 (2012)</p>	<p>On track</p> <p>On track</p> <p>On track</p>	<p>A modern, predictable regulatory regime for trade is established, consistent with international norms: - WTO accession achieved. [Achieved in Feb. 2013] - ASEAN commitments implemented [On-track]</p> <p>Reformed trade and private sector related regulatory procedures are put in place, reducing private sector compliance costs: - ASYCUDA customs system fully operational. [Ongoing: ASYCUDA fully deployed nationwide from May 2013, but further system development and procedure reforms required] - Enterprise Law fully implemented. [Ongoing: Partial implementation, still many compliance issues]</p> <p>An informed strategy on diversification is put in place: - Investment Law fully implemented. [Ongoing: New Investment Promotion Law in place, but still issues on full implementation]</p>	<p><u>LENDING</u> Ongoing and closed during CPS period: - Trade Development Facility 1 – <i>Closed FY 13, ICR delivered</i> - Customs and Trade Facilitation Project</p> <p>Delivered: - Customs and Trade Facilitation AF - PRSO 8-9 - Trade Development Facility 2 - Access to SME Finance (including IDA-IFC Risk Sharing Facility) - IFC Trade Guarantee and Commercial Loans to SMEs - IFC investment in manufacturing</p> <p>Preparation in progress: - PRSO 10</p> <p><u>AAA</u> Delivered: - Investment Climate Assessment - Competitiveness analysis - Lao Development Report II on Skills</p> <p>Ongoing: - IFC TA on Investment Climate (VAT/ SME Taxation, and Business Licensing)and Access to Finance (Secured Transaction, National Payment System, and Credit Information Bureau)</p> <p>Dropped: - Competitiveness and economic diversification watch</p> <p>Partners: DFAT, EU, GIZ, Ireland and USAID</p>

Result Areas 1.2: Increased access to improved infrastructure services in transport and energy				
Indicator	Status	Progress	Milestones [Status]	World Bank Group Program
Improved road services and sustainability of road investments as measured by:				<u>LENDING</u>
4. <i>Km of upgraded national roads</i> Baseline: 0 (2011) Target: 171 (2015)	130 (2013)	On track	<i>Km of upgraded national roads (cumulative)</i> Baseline: 0 (2011) Targets: 30 (2013) 80 (2014) 171 (2015) [On-track: 130km achieved in 2013]	Ongoing and closed during CPS peirod: - Rural Electrification Program – Phase 1 Rural Electrification Program - Phase 2 - GMS Power Trade - Road Sector Project - Public-Private-Partnership (PPP) for Road Projects – Preparation Stage. WBG (IDA, IFC, PPIAF)
5. <i>% of provincial roads in good and fair condition</i> Baseline: 46% (2010) Target: 60% (2015)	51% (2013)	Needs acceleration	<i>% of provincial roads in good and fair condition</i> Baseline: 46% (2010) Targets: 50% (2012) 53% (2013) 55% (2014) [Ongoing: 51% in 2013]	Delivered: - Road Sector Project Additional Financing
Increased access to electricity by rural households in villages in project provinces, as measured by:				Preparation in progress: - Power Grid Improvement Project - WBG (IDA, IFC, PPIAF) support for Public-Private-Partnership (PPP) for Road Projects
6. <i>Number of new households electrified (grid and off grid)</i> REP I Target: 65,250 (2012) REP II Baseline: 0 (2010) Target: 37,700 (2015)	66,780 (REPI) 19,660 (REPII)	On track	<i>Number of new households electrified (grid and off-grid; cumulative)</i> REP I Reported value: 66,879 (2012) [Achieved] REP II Baseline: 0 (2010) Reported value: 19,660 (2013) [Ongoing]	Partners: DFAT, GEF, NORAD
Strategic Objective 2: Sustainable natural resource management				
Result Areas 2.1: Strengthened governance and management of hydropower and mining sectors, including sustained Nam Theun 2 implementation				
CPS Outcome Indicators	Status	Progress	Milestones [Status]	World Bank Group Program
Governance and management of hydro and mining sectors strengthened as indicated by:				<u>LENDING</u>
7. <i>Core standardized terms and conditions for hydropower and mining investment agreements adopted.</i> Baseline: Current system characterized	Draft terms and conditions prepared and under review	On track	# of qualified specialists and skilled works in hydropower and mining sectors. Baseline: 0 civil servants and 0 students and teachers (2012) Targets: At least 350 civil servants and 3,461 students and teachers receive training and benefit from the learning program (2015).	Ongoing and closed during CPS peirod: - Lao Environment and Social Project (LENS) – Closed FY13 ICR delivered - Hydropower and Mining Technical Assistance Project - Nam Theun 2

<p>by concession agreements unique to each project which differ significantly in terms and conditions (2011)</p> <p>Target: Government puts in place policies and regulations that provide for core standardized conditions within concession agreements (2015)</p> <p>Sustained NT2 implementation as indicated by:</p> <p>8. <i>NT2's resettlement implementation program successfully concluded by 2015</i></p> <p>Baseline: Relocation of all resettlers completed in 2008; livelihood support programs underway.</p> <p>Target: All resettler household incomes reach NT2 target of rural poverty line by 2014.</p>	<p>Socio-economic monitoring conducted in 2012 indicated that 97% of resettler households meet Household Income Targets specified in the CA</p>	<p>On track</p>	<p>[Achieved: 900 civil servants from MEM and PDEM (20% female); and 4,000 students and teachers from educations institutes have been benefited from the learning program (2013)]</p> <p>Sustained NT2 implementation:</p> <p>Continued implementation of regular socioeconomic monitoring activities for resettled people.</p> <p>[On-track: The final assessment of the Resettlement Implementation Period will be undertaken by the Resettlement Committee in 2015]</p>	<p>- IFC Environment and Social Standards in the Hydropower Sector Advisory Services</p> <p>Preparation in Progress</p> <p>- Lao Environment and Social Project II Project (FY15)</p> <p>Dropped:</p> <p>- Nam Ngum 3 (IFC)</p> <p>- IFC Off-grid Village Hydro</p> <p>Partners: DFAT</p>
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Result Areas 2.2: Sustainable environmental, social and water resource management

CPS Outcome Indicators	Status	Progress	Milestones [Status]	World Bank Group Program
<p>Improved natural resource, environment and social management capacity as indicated by:</p> <p>9. <i>Provincial departments of NRE (PONRE) established and functioning in selected provinces:</i></p> <p>Baseline: 0 (2011)</p> <p>Target: 5 (2015)</p> <p>10. <i>% of Concession Agreements for hydropower projects signed after the effectiveness of the new EIA decree (March 2010) that include standardized environmental and social requirements</i></p> <p>Baseline: 0 (2011)</p> <p>Target: 60% (2015)</p>	<p>PONRE established in 17 provinces and started "functioning" (2013)</p> <p>~80% (June 2013: as per LENS monitoring report 4 out of 5 CA signed)</p>	<p>Achieved</p> <p>Achieved</p>	<p>ESIA disclosure system established and functioning by 2014 [Achieved in 2013]</p> <p>Simplified Social and Environmental SESO for hydropower under development</p>	<p>LENDING</p> <p>Ongoing and closed during CPS period:</p> <p>- Lao Environment and Social Project (LENS) – Closed FY13 ICR delivered</p> <p>Delivered:</p> <p>- Mekong Integrated Water Resources Management Project (IDA Regional)</p> <p>- IFC Environment and Social Standards in the Hydropower Sector, Advisory Services</p> <p>Preparation in Progress</p> <p>- Lao Environment and Social Project II Project (FY15)</p>

11. <i>Water Law (1996) revised and approved by 2015.</i>	Revision to water law ongoing	On track	New Water Law approved by 2015 [On track: First round of revision completed, National Assembly requested further elaboration. Consultation at the provincial level with National Assembly is on-going until July 2014.] River Basin Committees established in Xebangfai and Xebanghieng (2015). [On Track: Preparatory works transferred to the provinces and started. RBC (or equivalent establishment) is expected in 2015]	Partners: DFAT																																	
Result Areas 2.3: Sustainable management and protection of forests and biodiversity																																					
CPS Outcome Indicators	Status	Progress	Milestones [Status]	World Bank Group Program																																	
<p>12. <i>Number of management plans developed and approved at national level for National Protected Areas(NPA) and Production (PFA) and Protection Forest (PF) Areas:</i></p> <table border="0" data-bbox="142 662 514 755"> <tr> <td></td> <td style="text-align: center;">NPA</td> <td style="text-align: center;">PFA</td> <td style="text-align: center;">PF</td> </tr> <tr> <td>Baseline: (2011)</td> <td style="text-align: center;">1</td> <td style="text-align: center;">16</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Target: (2015)</td> <td style="text-align: center;">3</td> <td style="text-align: center;">20</td> <td style="text-align: center;">2</td> </tr> </table> <p>13. <i>Number or percent of co-management / community agreements signed and acknowledged at national government level:</i></p> <table border="0" data-bbox="142 906 556 998"> <tr> <td></td> <td style="text-align: center;">NPA</td> <td style="text-align: center;">PFA</td> <td style="text-align: center;">VFO⁴</td> </tr> <tr> <td>Baseline: (2011)</td> <td style="text-align: center;">0</td> <td style="text-align: center;">62</td> <td style="text-align: center;">723</td> </tr> <tr> <td>Target: (2015)</td> <td style="text-align: center;">50%*</td> <td style="text-align: center;">105</td> <td style="text-align: center;">800</td> </tr> </table> <p>14. <i>Benefit-sharing mechanisms designed and implemented:</i></p> <table border="0" data-bbox="142 1091 514 1183"> <tr> <td></td> <td style="text-align: center;">NPA</td> <td style="text-align: center;">PFA</td> </tr> <tr> <td>Baseline: (2011)</td> <td style="text-align: center;">0</td> <td style="text-align: center;">8</td> </tr> <tr> <td>Target: (2015)</td> <td style="text-align: center;">50%*</td> <td style="text-align: center;">20 villages</td> </tr> </table> <p>* 50% of villages inside 2 NPAs</p>		NPA	PFA	PF	Baseline: (2011)	1	16	0	Target: (2015)	3	20	2		NPA	PFA	VFO ⁴	Baseline: (2011)	0	62	723	Target: (2015)	50%*	105	800		NPA	PFA	Baseline: (2011)	0	8	Target: (2015)	50%*	20 villages	<p>1 (NPA), 16 (PFA), 0 (PF) [2013]</p> <p>0 (NPA), 65 (PFA), 723 (VFO) [2013]</p> <p>0 (NPA), 8 (PFA)</p>	<p>On track (according to revised target)</p> <p>On track (according to revised baseline and target)</p> <p>Off track</p>	<p><i>Policy, legal and incentive frameworks enable expansion of PSFM and REDD+ throughout the country.</i></p> <p><i>Participatory Sustainable Forest Management is applied in priority State Forest Areas in a total of 13 Provinces and Village forest areas are demarcated and allocated following PLUP/LFA in 3,000 villages. (2015)</i></p> <p><i>Biodiversity baseline completed for 4 National Protected Areas.</i></p> <p>Baseline: 1 NPA(2011)</p> <p>Targets:</p> <p>Survey design agreed (2012)</p> <p>Survey TA procured (2013)</p> <p>3NPA Surveys initiated (2014)</p> <p>4 NPA surveys completed (2015)</p> <p>[Status: On 2 additional NPAs; Survey design agreed, Forest cover survey completed, wildlife survey not yet started]</p> <p><i>Lao Monitoring, Reporting and Verification System established and operational (2015)</i></p>	<p>LENDING</p> <p>Ongoing and closed during CPS period</p> <ul style="list-style-type: none"> - Sustainable Forestry for Rural Development (SUFORD) Project – Closed in FY12 ICR delivered - Lao Environment and Social (LENS) Project - Closed in FY13 ICR delivered - IFC Forestry Advisory Project under Forestry Investment Program (FIP) <p>Delivered:</p> <ul style="list-style-type: none"> - Scaling Up Sustainable Forestry for Rural Development (SUFORD-SU) Project - Protected Area and Wildlife Project - REDD Readiness Implementation Grant <p>Preparation in Progress</p> <ul style="list-style-type: none"> - Lao Environment and Social Project II Project (FY15) <p>Partners: ADB, Finland, GIZ, JICA, UNEP</p>
	NPA	PFA	PF																																		
Baseline: (2011)	1	16	0																																		
Target: (2015)	3	20	2																																		
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Baseline: (2011)	0	8																																			
Target: (2015)	50%*	20 villages																																			

⁴ Village Forestry Organization (VFO) is the umbrella term that encompasses Village Forestry Committees (VFC) and Village Forestry Association (VFA)

Strategic Objective 3: Inclusive Development

Result Areas 3.1: Increased utilization and quality of essential maternal and child health services

CPS Outcome Indicators	Status	Progress	Milestones [Status]	World Bank Group Program
<p>Increased utilization and quality of health care, particularly for poor women and children in rural areas in provinces targeted by the project as evidenced by:</p> <p>15. <i>Percentage of births attended by trained health personnel</i> Baseline: 16% (2005) 35% (2010) Target: 50% (2015)</p>	42% (2012)	On track	<p><i>Percentage of deliveries occurring in a health facility</i> Baseline: 17% (2006) [Status: 38% (2012)] Targets: 45% (2015)</p>	<p><u>LENDING</u> Ongoing and Closed during CPS period:</p> <ul style="list-style-type: none"> - Health Systems Improvement Project and Additional Financing - Community Nutrition Project – closed in FY14, ICR delivered - Avian Flu Influenza Project – closed in FY13, ICR delivered <p>Preparation in Progress:</p> <ul style="list-style-type: none"> - Maternal and Child Health and Nutrition Project <p><u>AAA</u> Delivered:</p> <ul style="list-style-type: none"> - Evaluation of the Community Nutrition Project - Gender-dimension in the provision of maternal health services - Health financing study <p><i>Partners:</i> ADB, JICA, LuxDev, WHO</p>

Result Areas 3.2: Expanded access to and improved quality of primary education in targeted, disadvantaged districts

CPS Outcome Indicators	Status	Progress	Milestones [Status]	World Bank Group Program
<p>Increased access by children in rural communities in priority districts, as indicated by:</p> <p>16. <i>Primary completion rate in 56 targeted (disadvantaged) districts:</i> Baseline: 54.2 (2008-9) Target: 64.0 (2012-13)</p>	63.6 (2012-13)	Achieved	<p><i>Number of new classrooms constructed/rehabilitated in targeted districts</i> Baseline: 0 (2011) Target: 2,742 (2015) in 275 schools (2012) in 193 schools (2013), Actual: 239 in 156 schools (2014). Actual: 204 [Achieved]</p>	<p><u>LENDING</u> Ongoing and Closed during CPS period:</p> <ul style="list-style-type: none"> - Education Development Project II – closed FY14, ICR delivered - Education for All – Fast Track Initiative (EFA/FTI) – closed August 2013 - <p>Delivered:</p> <ul style="list-style-type: none"> Early Childhood Education Project – Board approval April 2014 <p>Preparation in progress:</p>

<p>17. Number of students enrolled in primary education in targeted districts. Baseline: 314,044 (2008-9) 326,389 (2010-11) 339,216 (2011-12) Target: 353,000 (2012-13), of which 47% are female.</p> <p>Actual Improved systems to assess quality of primary education as indicated by:</p> <p>18. System for Learning Assessment fully operational by 2013.</p>	<p>321,620 (2012-13)</p> <p>System in full operation in 2013</p>	<p>Mostly achieved</p> <p>Achieved</p>	<p>System for learning assessment designed and instruments tested and revised (2011). Learning assessment data collection completed (2012) [Achieved]</p>	<p>- Education for All/Global Partnership for Education 2 - FY15</p> <p>AAA</p> <p>Delivered:</p> <ul style="list-style-type: none"> - Early Grade Reading Assessment - School Based Management <p>Partners: DFAT, EU, JICA, UNICEF</p>
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Result Areas 3.3: Improved access to basic services and markets and community participation in rural areas

CPS Outcome Indicators	Status	Progress	Milestones [Status]	World Bank Group Program
<p>Improved access to basic services and markets and livelihood opportunities as indicated by:</p> <p>19. Number of direct beneficiaries of targeted programs Baseline: 0 (2011) Target: 57,000 (2015) [KDP only]</p> <p>Improved livelihoods as indicated by:</p> <p>20. Increased production of rice seed (R1, R2 and R3) in participating areas from Baseline: 5,000 tons (2010) Target: 6,000 tons (2013)</p> <p>Enhanced local participatory planning processes as evidenced by:</p> <p>21. # of communities able to plan, implement and monitor their activities Year 1: 182 (2012) [PRFII only] Year 2: 270 (2013) [PRFII only]</p>	<p>See milestones</p> <p>6,700 (2012)</p> <p>See milestones</p>	<p>On track</p> <p>Achieved</p> <p>On track</p>	<p># of completed subprojects Baseline: 39 (2011) [KDP only] Target: 282 (2012) [333 PRF II and 84 KDP] 375 (2013) [435 PRF II and 123 KDP] 380 (2014) 270 (2015)</p> <p># of direct beneficiaries Target: 22,000 (2012) [Achieved:34,398 KDP only] 29,000 (2013) [Achieved: 108,230 KDP only] 32,850 (2014) [On-going: KDP only] 57,000 (2015) [KDP only]</p> <p>RPIP(2012) 150 villages adopted rice seed multiplication technologies LUFSSIP(May 2014) 342 Villages reached by project extension activities</p> <p># of villages where participatory planning processes have been implemented Baseline: 39 (2011) [KDP only] Target: 282 (2012) [Achieved: 319 PRFII & 84 KDP]</p>	<p>LENDING</p> <p>Ongoing and Closed during CPS Period:</p> <ul style="list-style-type: none"> - Poverty Reduction Fund (PRF) II - Khammouane Development Project (KDP) - Lao Upland Food Security Improvement Project - Rice Productivity Improvement Project – closed June 2012, ICR delivered - Livelihood Opportunities and Nutritional Gains Project <p>Delivered:</p> <ul style="list-style-type: none"> - Khammouane Development Project Additional Financing <p>AAA</p> <p>Ongoing</p> <ul style="list-style-type: none"> - Poverty analysis <p>Delivered:</p> <ul style="list-style-type: none"> - Lao Country Gender Assessment <p>Partners: ADB, DFAT, EC, GIZ, JICA, SDC</p>

Year 3: 270 (2014) [PRFII only] Year 4: 270 (2015) [PRFII only]			375 (2013) [Achieved: 842 PRFII & 123 KDP] 380 (2014) 270 (2015)	
22. Adoption of participatory planning processes by communities and district and provincial authorities. Baseline: Target 105 (KDP+AF) + 270 (PRFII) (2015)	See milestones	On track	<i>Number of villages in which feedback resolution mechanism is being implemented/functional</i> Year 1: 182 (2012) [Achieved 274 PRF II only] Year 2: 270 (2013) [Achieved 392 PRF II only] Year 3: 270 (2014) [PRF II only] Year 4: 270 (2015) [PRF II only]	

Cross Cutting Objective: Stronger Public Sector Management

Result Areas 4.1: Strengthened government capacity for macroeconomic management and policy coordination

CPS Outcome Indicators	Status	Progress	Milestones [Status]	World Bank Group Program
Quality of macroeconomic policies and management as indicated by:				LENDING
23. <i>Macroeconomic policies including debt management policy responsive to natural resources sector developments and coordinated in a way that maintain internal and external balances.</i> Target: budget deficit less than 5% GDP; Inflation below rate of economic growth.	Budget deficit 6% GDP	Off track	Budget deficit less than 5% GDP [Off-track for FY2012/13; but expected to be on track in FY2013/14]	Ongoing and closed during CPS period: - Public Financial Management Project – closed FY14 ICR delivered
	Inflation 6%	On track	Inflation less than rate of economic growth [On track]	Delivered: - Lao Statistical Capacity Building Project - PRSO 8-9
24. <i>CPIA Macroeconomic management cluster improves</i> Baseline (2011): 3.36 Target: (2015): above 3.7	3.3 (2013)	Off track	[Off-track: rating declined from 3.7 in 2012 to 3.3 in 2013]	Preparation in progress: - PRSO 10
				AAA
				Delivered: - Lao Economic Monitor – every 6 months - Budget brief - Investment Climate Assessment - Competitiveness analysis
				Planned: - Public Expenditure and Integrated Fiduciary Review
				Partners: ADB, EC, IMF, JICA

Result Areas 4.2 Strong linkages between planning, fiscal, borrowing strategy, and annual budgeting

CPS Outcome Indicators	Status	Progress	Milestones [Status]	World Bank Group Program
<p>25. <i>Ensuring NSDEP8 is anchored within a medium term budget framework</i> Baseline: (No medium term budget framework 2011) Target: NSEDP8 contains a medium term fiscal framework with a discussion of medium term macro-fiscal outlook (2015).</p>	MOF is preparing the long-term fiscal strategy	On track	<p><i>The Ministry of Finance has a rudimentary top-down medium term budget framework operational at the Budget Department.</i> Baseline (2011): Single Year Budget Framework</p> <p>Target (2015): Three Year Forward Looking Medium Term Budget Framework in place.</p> <p>[Status: MOF is working on the amendments of the State Budget Law and it is highly likely that a longer-term budget framework will be required as an attachment to the annual budget plan submission for the NA’s consideration and approval. In interim, MTBF is being used as a planning tool at the technical level]</p>	<p><u>LENDING</u> Ongoing and closed during CPS period: - Public Financial Management Project – closed FY14 ICR delivered</p> <p>Delivered: - Lao Statistical Capacity Building Project - PRSO 8-9</p> <p>Preparation in progress: - PRSO 10</p> <p><u>AAA</u> Delivered: - Lao Economic Monitor – every 6 months - Budget brief - Lao Development Report on Natural Resource Management – Hydro and Mining - Investment Climate Assessment - Competitiveness analysis - Tax Gap Analysis - Pay and compensation review</p> <p><i>Partners:</i> ADB, EC, IMF, JICA</p>

Result Areas 4.3: Improved financial management for appropriate revenue management

Indicator	Status	Progress	Milestones	World Bank Group Program
<p>Improve tax policy and administration as demonstrated by</p> <p>26. <i>Increase Revenue to GDP Ratio</i> Baseline (2010): 15 percent Target (2015): 18 percent or above.</p> <p>27. <i>Enhance fiscal transparency and external oversight</i></p>	<p>17.3% of GDP (2014)</p> <p>See milestones</p>	<p>On track</p> <p>Off track</p>	<p>Baseline: budget execution reports incomplete, published with more than 1 quarter lag (2010) Target: budget execution reports for central government and provinces published within one quarter of the end-of period (2015).</p> <p>[MOF is working on the IFMIS (L-FIS) system, but it is delayed. The budget data for FY13/14 was published 4</p>	<p><u>LENDING</u> Ongoing and closed during CPS period: - Public Financial Management Project – closed FY14 ICR delivered</p> <p>Delivered: - Lao Statistical Capacity Building Project - PRSO 8-9</p> <p>Preparation in progress: - PRSO 10</p> <p><u>AAA</u></p>

		<p>months after the beginning of FY.] The World Bank is providing technical support to review L-FIS deployment so that MOF can make appropriate adjustments.</p> <p>Baseline: Summary of Audit Report published but financial audit not comprehensive (2010) Target: Audit report for budget execution covers entire central government and provincial expenditures and published with key findings annually (2015).</p> <p>[SAO presents the audit findings of the annual budget execution covering the central ministries and provinces and in addition conducts audit of specific ministries/agencies and provinces as defined in its audit plan approved by the NA. The summary of the audit report on the budget execution is published in the local newspapers.]</p>	<p>Delivered:</p> <ul style="list-style-type: none"> - Lao Economic Monitor – every 6 months - Budget brief - Lao Development Report on Natural Resource Management – Hydro and Mining - Investment Climate Assessment - Competitiveness analysis - Tax Gap Analysis - Pay and compensation review <p><i>Partners:</i> ADB, EC, IMF, JICA</p>
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Annex 2: Changes made in the CPS Results Matrix

Original CPS Results Framework	Changes made at the time of CPSPR	Reason for change																																										
<p><u>Outcome 1.2</u> Indicator 6: Number of new households electrified (grid and off grid)</p>	Separated the targets for REP1 and REP2	To be consistent with the projects.																																										
<p><u>Outcome 2.1</u> Milestone for indicator 7. Number of qualified specialists and skilled workers in hydropower and mining sectors. Target: 50% increase in high level sector specialists to at least 1 2 year advanced level.</p>	Indicator 7 is unchanged. Changed the target of milestones to: “At least 350 civil servants and 3,461 students and teachers receive training and benefit from the learning program (2015)”	To be consistent with the project.																																										
<p><u>Outcome 2.3</u> Indicator 12: Number of management plans developed and approved at national level for National Protected Areas (NPA) and Production Forest Area (PFA) and Protection Forest Area (PF) -- Target (2015) for NPA: 4</p> <p>Indicator 13: Number or % of co-management/community agreements signed and acknowledged at national government level:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: center;">NPA</td> <td style="text-align: center;">PFA</td> <td style="text-align: center;">VFO</td> </tr> <tr> <td>Baseline: (2011)</td> <td style="text-align: center;">0</td> <td style="text-align: center;">723</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Target: (2015)</td> <td style="text-align: center;">50%*</td> <td style="text-align: center;">830</td> <td style="text-align: center;">TBD</td> </tr> </table> <p>Indicator 14: Benefit-sharing mechanisms designed and implemented.</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: center;">NPA</td> <td style="text-align: center;">PFA</td> </tr> <tr> <td>Baseline: (2011)</td> <td style="text-align: center;">0</td> <td style="text-align: center;">16</td> </tr> <tr> <td>Target: (2015)</td> <td style="text-align: center;">50%*</td> <td style="text-align: center;">20 villages</td> </tr> </table>		NPA	PFA	VFO	Baseline: (2011)	0	723	0	Target: (2015)	50%*	830	TBD		NPA	PFA	Baseline: (2011)	0	16	Target: (2015)	50%*	20 villages	<p>Changed the target (2015) for NPA to 3.</p> <p>Corrected the baseline values. Added the target value.</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: center;">NPA</td> <td style="text-align: center;">PFA</td> <td style="text-align: center;">VFO</td> </tr> <tr> <td>Baseline: (2011)</td> <td style="text-align: center;">0</td> <td style="text-align: center;">62</td> <td style="text-align: center;">723</td> </tr> <tr> <td>Target: (2015)</td> <td style="text-align: center;">50%*</td> <td style="text-align: center;">105</td> <td style="text-align: center;">800</td> </tr> </table> <p>Corrected the baseline value.</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: center;">NPA</td> <td style="text-align: center;">PFA</td> </tr> <tr> <td>Baseline: (2011)</td> <td style="text-align: center;">0</td> <td style="text-align: center;">8</td> </tr> <tr> <td>Target: (2015)</td> <td style="text-align: center;">50%*</td> <td style="text-align: center;">20 villages</td> </tr> </table>		NPA	PFA	VFO	Baseline: (2011)	0	62	723	Target: (2015)	50%*	105	800		NPA	PFA	Baseline: (2011)	0	8	Target: (2015)	50%*	20 villages	To be consistent with the project.
	NPA	PFA	VFO																																									
Baseline: (2011)	0	723	0																																									
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<p><u>Outcome 3.1</u> Indicator 15: OPD cases per capita at public health centers and district hospitals</p> <p>Milestones of Indicator 16: Percentage of births attended by trained health personnel</p>	<p>Drop the indicator.</p> <p>Drop the following milestones: Number of people assisted by HEF in project provinces Number of district implementing free deliveries and inpatient care for children under 5</p>	<p>This is not relevant to the CPS and outcome-oriented.</p> <p>There is no direct linkage between the indicator and these milestones.</p>																																										
<p><u>Outcome 3.3</u> Indicator 20 : Number of direct beneficiaries of targeted programs</p> <p>Indicator 22: % of poorest villages in participating provinces reached.</p>	<p>Add the target value: 57,000 (2015)</p> <p>Drop this indicator.</p>	<p>The target value was missing.</p> <p>PRF targeting is at <i>kumban</i> level and difficult to obtain data at village level.</p>																																										

**Annex 3: Lao PDR CPS Indicative FY12-FY14 Lending Program (Original CPS Annex B3 and B4)
and Its Progress**

Objective	CPS Indicative Program	Progress/Delivery
Competitiveness and Connectivity	<ul style="list-style-type: none"> Revenue Administration Project (IDA US\$8.6M) Risk Sharing Facility for SMEs (IFC-IDA) /Access to SME Finance (IDA) (US\$20M) Road Sector Project Additional Financing (IDA US\$21M) Integrated Provincial Infrastructure Project Second Trade Development Facility (MDTF/IDA US\$4M) IFC Trade guarantee and commercial loans to SMEs IFC investment in manufacturing, tourism and banking 	<ul style="list-style-type: none"> (New title) Additional Financing Customs and Trade Facilitation Project. Delivered (FY13) Delivered (FY14) Delivered (FY13) Changed to PPP Road 13 South and North (IFC-IDA) Preparation ongoing Delivered (FY13) Delivered Delivered
Sustainable Natural Resource Management	<ul style="list-style-type: none"> Additional Financing - Hydropower and Mining TA(IDA US\$18.9M) Mekong Integrated Water Resource Management Project (IDA US\$18M) Lao Environmental Management Project 2/LENS 2 FIP Scaling Up Participatory Sustainable Forest Management (IDA US\$19M) Protected Areas and Wildlife (IDAS\$17M, GEFUS\$7M) IFC Nam Ngum 3 	<ul style="list-style-type: none"> Delivered (FY14) Delivered (FY12) To be delivered FY15 Delivered (FY13) Delivered (FY14) Dropped. Continue to explore other hydro project.
Inclusive Development	<ul style="list-style-type: none"> Education for All Fast Track Initiative/GPE 2 (Follow-on to Education Development Project II) - Early Childhood Education – (IDA US\$28M) Additional Financing - Khammoune Development Project (IDA US\$8.6M) 	<ul style="list-style-type: none"> To be delivered (FY15) Delivered (FY14) Delivered (FY12)
Stronger Public Sector Management	<ul style="list-style-type: none"> Poverty Reduction and Support Operations 8 (IDA US\$20M) Poverty Reduction and Support Operations 9 (IDA US\$20M) Public Financial Management Project Lao Statistical Capacity Development Project TF US\$8M) 	<ul style="list-style-type: none"> Delivered (FY13) Delivered (FY14) Not delivered. To be reconsidered (FY15/16) Delivered (FY13)
FY12-14 New Commitment	IDA16 Total: US\$207.9M (original IDA16 allocation US\$163.4M) Trust Funds Total (GEF, MDTF, Stat Cap): US\$25M	

**Annex 4: Lao PDR CPS Indicative FY12-FY14 AAA Program (Original CPS Annex B3 and B4)
and Its Progress**

Ovjective	CPS Indicative Program	Progress/Delivery
Competitiveness and Connectivity	<ul style="list-style-type: none"> • Trade Policy notes • Competitiveness watch • Investment Climate Assessment • IFC TA on investment climate and access to finance • IFC Tax Advisory 	<ul style="list-style-type: none"> • Delivered (FY12, 13) • Dropped • Delivered (FY12) • Ongoing • Ongoing
Sustainable Natural Resource Management	<ul style="list-style-type: none"> • Developing and Demonstrating Replicable Protected Area Management Models • Rice Sector Policy Note • IFC TA on Environmental and Social Standards in the Hydropower Sector 	<ul style="list-style-type: none"> • Ongoing • Delivered (FY13) • Ongoing
Inclusive Development	<ul style="list-style-type: none"> • The Second Lao Development Report on Skills • Health Financing Delivered • Study on decentralization • Poverty and vulnerability 	<ul style="list-style-type: none"> • Delivered (FY14) • Delivered (FY13) • Dropped • To be delivered FY15
Stronger Public Sector Management	<ul style="list-style-type: none"> • Lao Economic Monitor (LEM) • Tax Gap Analysis • Annual budget briefs (as part of LEM) • Public Expenditure and Integrated Fiduciary Review • Pay and Compensation Review • VAT implementation - Delivered 	<ul style="list-style-type: none"> • Delivered every 6 months • Delivered (FY13) • Delivered • To be delivered FY15 or 16 • Delivered (FY12) • Delivered (FY13)

**Annex 5: Lao PDR Indicative IDA, IFC and AAA, TA Program
for the Remaining of CPS (FY15-16)**

Strategic Objective	Lending	AAA, TA
Competitiveness and Connectivity	<ul style="list-style-type: none"> • IDA Power Grid Improvement Project - US\$30M (FY15) • IDA-IFC PPP Road 13 North and South Maintenance and Expansion (FY16/17) 	<ul style="list-style-type: none"> • Investment Climate Assessment • IFC TA on Secure Transaction
Sustainable Natural Resource Management	<ul style="list-style-type: none"> • IDA Environmental Management Project (LENS2) – US\$15M (FY15) • IFC investment in hydro 	<ul style="list-style-type: none"> • Agricultural Land Concession (as part of Lao Economic Monitor) • EITI • Lessons Learned from NT2 Implementation Experience • IFC E&S Standards
Inclusive Development	<ul style="list-style-type: none"> • Global Partnership for Education/GPE2 - US\$16.8M (FY15) • IDA Maternal Health and Nutrition - US\$20-25M (FY16) • IDA Poverty Reduction Fund Additional Financing or III - US\$30-40M (FY16/17) 	<ul style="list-style-type: none"> • Lao Development Report III on Poverty • Community and local development options
Stronger Public Sector Management	<ul style="list-style-type: none"> • IDA Poverty Reduction Support Operations 10, 11 - US\$25M (FY15, 16) • IDA Public Finance Management (FY16) 	<ul style="list-style-type: none"> • Lao Economic Monitor, every 6 months • Programmatic AAA/TA Support for PFM • IDA-IFC Programmatic AAA/TA Support for the Financial Sector Stability and Review

Annex 6: IFC Projects during FY12-14

Advisory Services (AS) Projects

Project Name/Partner	Program	Project Cost (US\$m)	Remark
Secured Transactions / Ministry of Finance	Access to Finance	1.1	1 st phase delivered, 2 nd expected to start beginning of FY15
Credit Information Bureau / Bank of Lao PDR	Access to Finance	1.3	1 st phase delivered, 2 nd phase to start from Jun 2014
National Payment Systems/ Bank of Lao PDR	Access to Finance	0.5	On-going
Tax Simplification Project for SMEs/ Ministry of Finance	Investment Climate	1.9	On-going
Lao Business Regulatory Reform/ Ministry of Planning & Investment	Investment Climate	0.5	On-going
Lao Hydro E&S Standards/ Ministry of Natural Resource and Environment, Ministry of Energy and Mines/Lao National Chamber of Commerce and Industry	Sustainable Business Advisory	4.4	On-going
Lao Agro Forestry/ Ministry of Agriculture & Forestry, Oji Paper Co.	Sustainable Business Advisory	1.0	On-going
PPP project for road no. 13	Public Private Partnership	1.8	On-going
Total		12.5	

Investment Services (IS) Projects

Client	Sector	Committed Portfolio (US\$ m)
Essilor	Manufacturing	10.50
ACLEDA Lao Bank	Financial Market	8.00
BCEL Trade Finance	Financial Market	0.57
Total		19.07

Annex 7: Map of the Lao PDR

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