



LAO PEOPLE'S DEMOCRATIC REPUBLIC

PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

PERMANENT MISSION OF THE LAO
PEOPLE'S DEMOCRATIC REPUBLIC
TO THE UNITED NATIONS

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The Permanent Mission of the Lao People's Democratic Republic to the United Nations presents its compliments to the Committee for Development Policy, and with reference to the letter from the Chair of CDP, dated 20 January 2020, has the honor to transmit herewith, a written Statement by the Government of the Lao PDR before CDP Plenary to be held on 22-26 February 2021, to further express its view and perceptions regarding the possible recommendation for LDC graduation, particularly on its request to seek a longer preparatory period of at least 5 years, taking into account the current impact of Covid-19 pandemic, should the Lao PDR meets the thresholds for graduation at the upcoming review.

The Permanent Mission of the Lao People's Democratic Republic to the United Nations avails itself of this opportunity to renew to the Committee for Development Policy the assurances of its highest consideration.

New York, 5 February 2021

Committee for Development Policy,
409 east, 42nd Street, Room- 2978
New York, NY 10017



**Additional Written Statement of the Government of Lao PDR to the Committee for
Development Policy (CDP) Plenary on LDC Graduation**

1. The Lao People's Democratic Republic (Lao PDR) is a landlocked country, located in the Indochinese Peninsula, surrounded by five countries namely, China to the North, Vietnam to the East, Cambodia to the South, Thailand to the West, and Myanmar to the Northwest. With the total population of approximately 6.5 million people, the country has the total area of 236,800 square kilometers, about two-thirds of which is mountainous.
2. Lao PDR was included in the list of Least Developed Countries (LDCs) in 1971. This made LDC graduation a long-term objective for the Lao government. Since 2000, Lao PDR has emphasized its strong commitment and set its ambitious target to graduating from LDC status by 2020. This over-arching goal has been set out and mainstreamed into its Five-year National Socio-economic Development Plans (NSEDP). This includes the incorporation of the Istanbul Programme of Action (IPoA) for LDCs for the decade of 2011 - 2020 into its 8th NSEDP for 2016 - 2020, aiming to achieve an ambitious goal of LDC graduation. Throughout the years of implementation of NSEDP, Lao PDR has made significant progress in some of the IPoA's priority areas, focusing on the three criteria for LDC graduation and three dimensions of sustainable development.
3. The 2018 triennial review found that the Lao PDR met the thresholds for the LDC graduation for the first time, by meeting two out of three criteria for graduation on Gross National Income (GNI) and Human Asset Index (HAI). GNI in Lao PDR increased from about US\$ 350 in 2006 to US\$ 1,996 in 2018. HAI increased from 46.4 in 2003 to 72.8 in 2018. Irrespective of the progress made in GNI and HAI, Economic Vulnerability Index (EVI) has remained short to succeed the threshold despite a decrease from almost 60 in 2009 to 33.7 in 2018.
4. Lao PDR's exposure to economic vulnerability has continued to be challenging as some indicators under EVI scored nearly twice above the set values. The indicator on Remoteness, for instance, was precisely on point. It reflects Lao PDR's landlocked geographic characteristics which presents a challenge for access to the world markets, causing high transportation costs, limiting the possibility for economic diversification, and thereby reducing the ability to respond to trade shocks. However, considering its major nearby trading partners such as Thailand, China and Vietnam, Lao PDR has managed this to a certain extent and is now investing heavily in the expansion of its infrastructure to support greater regional integration.

5. In addition, the indicator on the Share of Agriculture in Gross Domestic Product (GDP) must be well taken note of. The agricultural sector, which employs nearly 70 per cent of the labor force, contributes to only 16 per cent of GDP. Meanwhile, the natural resource sector, which employs less than 1 per cent of the total employment, shares the most of total exports and the largest portion of GDP. This indicates that the country has heavy reliance on resource-driven and capital-intensive economy, which could possibly pose threats to the sustainability of the economic growth. This is due to the fact that natural resource sector has limited stock, is vulnerable to commodity price and climate change fluctuations, leading to unstable and unsustainable economic growth. Therefore, diversifying Lao PDR's economy and lessen its dependence of the natural resource sector, by promoting agriculture, manufacturing and service sectors, is a necessity. Economic diversification is an integral element in the new NSEDP together with the strengthening of regional integration as a key strategic orientation to promote a sustainable and inclusive process of structural transformation.
6. As an LDC, Lao PDR has significantly relied on official development assistance (ODA) for socio-economic development. In light of the declining ODA in recent years, it has further posed challenges for Lao PDR to redefine other sources to mobilize funding and to maximize strategic allocations of development finance from different sources, namely foreign and domestic private investment as well as from financial institutions, to support for the implementation of each NSEDP and sectoral development plans. Previously, Lao PDR has enjoyed an access to concessional loans from bilateral and multilateral sources as well as part of the preferences for LDCs. Given this, LDC graduation might affect Lao PDR's access to grants and concessional loans. Plus, the debt situation has become more serious as the high level of indebtedness is also considered as a threat to smooth and sustainable graduation. Hence, Lao PDR is working with its creditors on long-term debt rescheduling. As outlined in the new 9th NSEDP, the Government is also determined to adopt policies that reduce the debt burden and ensure macroeconomic stability.
7. The EVI indicator on Victims of Natural Disasters clearly showed that Lao PDR did not perform well when it comes to dealing with natural shocks, in particular the human impact of natural disasters associated with such shocks as floods, landslides, storms, and droughts. Lao PDR and its development partners are working to advance alternative development patterns to build the country's resilience to a broad range of disasters and to reverse environmental degradation, restoring and preserving natural resources and rural livelihoods that depend on them. Green growth features strongly in the 9th NSEDP, as does disaster risk management. Lao PDR also joined other nations at the recent Climate Ambition Summit in announcing strengthened NDCs in our joint commitment to reverse the effects of climate change.

8. Apart from the existing challenges, the ongoing unprecedented health crisis caused by the COVID-19 pandemic has further imposed a serious threat to revert our decade-long progress and increased our country's vulnerability. Despite strong growth over the last decade leading to significant poverty reduction, inequalities have grown. Against the backdrop of COVID-19, during which this inequality is likely to have further increased as has been the case globally, a strong emphasis is given to the elaboration and adoption of fiscal and development policies aimed at reducing existing rural/urban and other inequalities in Lao PDR. Many countries around the world have been under lockdown, which severely disrupted social and economic activities. The pandemic has caused volatile commodity price shocks, supply chain disruption, loss of export earning, reduced investment and remittances, and higher unemployment, among others. For Lao PDR, the service sector, especially tourism, is one of the sectors that generates significant sources for income and employment of the country. The number of tourist arrival at the pre-COVID-19 pandemic is at the average at 4.5 million per year, but in 2020 the country has received only around 800 thousand tourists at the first few months before the lockdown, about 80 per cent decline compared to 2020, resulting in USD700 - 800 million loss. Export was drastically affected, with consequences of 15 per cent declining in the first 7 months of 2020 in comparison with the same period in 2019 due to the decreased market demand, limit on export and transportation, and lack of productive capacity. Regarding external financing, foreign investments in mega projects, such as hydropower and mining, have been halted for some time by the lack of labors and strict measure on travelling. Remittances has been severely declining since a large number of around 300 thousand migrant workers returned to the country, and the unemployment rate abruptly rises from 9.4 per cent to 23.4 per cent.
9. Moreover, external debt remains a big challenge and the impact of the pandemic further exacerbated the existing financial constraints. As a result, it has created unfavorable effect on our financial situation, from losing revenue to wider budget deficit and increasing pressure on debt sustainability. These uncertainties will definitely continue at least in the next few years which is implied a setback in all three dimensions correspond to the review for LDC graduation.
10. Looking at the country datasheet that compiles the key statistical data up to 2019 used by the CDP to assess progress made by the country in preparation for the 2021 triennial review, Lao PDR is probably on track to meet all three graduation criteria. This is, somehow, also attribution to the result of the refinement in the EVI with the change from one indicator to another that helps Lao PDR to meet the threshold. As a matter of fact, the EVI index of the Lao PDR remains high, among others, the natural disasters which occurred more frequent and severe in recent years.

11. Taking into account these circumstances, it is crucial to bear in mind that, graduation from LDC status should not be an end in itself. Lao PDR is of the view that quality and smooth graduation must be ensured so that the graduating country will not slip back to LDC after graduation. In this respect, the 2021 triennial review is going to be convened in an unfortunate time of the prolonged global pandemic, while the LDC criteria will incorporate only data up to 2019, just before the pandemic. It, therefore, raises some serious concerns and questions that we ask ourselves are whether the outcome of the evaluation can truly reflect the situation on the ground; whether it can ensure a smooth graduation; and whether under these circumstances, graduation of these countries will not compromise their development prospects, both by the COVID-19 consequences and the loss of LDC-specific support measures; and whether a graduating country will be able to maintain its development progress while addressing huge COVID-19 impacts and working towards its graduation and its achievement of SDGs at the time when international support measures are not enhanced but rather declining.
12. As such, Lao PDR is of the view that the committee should seriously take into account the impact of the ongoing pandemic in its review process; that the committee may also consider extending longer preparatory period for those countries found eligible for graduation in the 2021 triennial review. In addition, the UN Country-team and international community should seriously commit and enhance their support and assistance to a graduating country during the preparatory period while making sure that graduated countries continue to enjoy LDC-specific support in some critical areas of their economy for a period consistent with their development situations and needs.
13. Nonetheless, Lao PDR reaffirms its determination to graduating from LDC and with quality. Should it meet the threshold for graduation at this upcoming review and be recommended for graduation by the Committee, Lao PDR will accept it. However, given the serious ongoing impacts of the COVID-19 pandemic, Lao PDR would like to seek a longer preparatory period of 5 years and also counts on the CDP to actively monitor progress during the preparatory period and make recommendations regarding any appropriate adjustments to the preparatory period as new information becomes available. Lao PDR highly values longer preparatory period that will allow our country to best position for the smooth, sustainable, and irreversible graduation.
