BRI and SDGs progress in Lao PDR
(Work in Progress)

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At National Workshop on “The opportunities for the Lao PDR on trade promotion – Belt and road initiative and the ePing System”

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Health of Lao economy looks good but not fit

- Annual GDP growth more than 7%, high resource dependence: agriculture, mining and hydroelectricity.
- Several development indicators (SDGs) are comparatively poor in ASEAN.
- Also suffers the Unexpored Ordnace (UXOs)
- (SDGs target 16.4) Laos among the highest level of illicit financial outflows (IFFs) at 14.42% of the GDP (the average 4.8% of GDP for the 39 LDCs)
- BRI as the alternative fund but currently not well understood in Laos
- Especially its impact especially on SDGs.
Selected Countries – China-Backed Infrastructure Projects by Value as share of Nominal GDP in 2017

Combined value of the Vientiane-Boten Railway, the Savannakhet-Lao Bao Railway, and some of hydropower plants — exceeds $17 billion

Source: Fitch Solutions – Keys Projects Database.
Major Activities of BRI in Lao P.D.R

- **1st BRI: Policy cooperation**
- **2nd BRI: facility connectivity**
- **3rd BRI: Trade and investment**
- **4th BRI: Financial integration**
- **5th BRI: People to people connectivity**

### Lao-China railway Investment
- **Investment:** 5.8 billion USD or 33% of GDP in 2018
- **Construction period:** 2016-2021
- **Distance:** 414 km and Progress of more than 60%

- **2nd Rank of FDI:** 614 million USD annually (2011-2017), shared 23% of total (Thailand: 29%).

- Many investors especially Chinese investors are interested in the areas of tourism, agriculture, smart cities, logistics and SMEs along the route of railway.

- **Export-Import bank of China, China development bank**

- **The number of Lao students increased to more than 9,000 students in 2016 up from 723 students in 2013**

- **Training in China given to Lao authorities also increased from 532 in 2015 to more than 2,000 persons in 2018.**
Sustainable Development Goals (SDGs) in Laos

No One Left Behind

• Among the first countries to localize the SDGs into national plan until 2030 in the beginning of 2016.

• Including 8th Five Years of National Socio-Economic Development Plan (NSEDP) 2016-2020, 9th NSEDP (2021-2025) and 10th NSEDP (2026-2030).

• Lao PDR makes the Goal 18, lives safe from the unexplored ordinance (UXO) or Reduced Impact of UXO, as its own national sustainable development goal

• Still in the progress of SDGs localization in Laos: the baseline so far (Voluntary National Review 2018).

  • Already 72 targets (global 169 targets), 132 indicators (global 232 indicators)

  • But no identification of target and indicator for SDG Goal 12
# Summary of SDGs Progress in Laos

<table>
<thead>
<tr>
<th>SDGs with Poor Performance in the region</th>
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<tbody>
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<td>Goal 1: No poverty</td>
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<td>Goal 10: Reduced inequalities</td>
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**Source:** The initial assessment by the author based on information from the report by ADB (2018, pp. 30–65) and Government of Laos. 2018 “Voluntary National Review” for UXOs
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<th>SDGs</th>
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<tr>
<td><strong>Goal 1: No poverty</strong></td>
<td>High poverty rate compared countries in the region. In 2012, for instance, 22.7% of Population Living below the $1.90 a day especially population in rural (28.6%)</td>
</tr>
<tr>
<td><strong>Goal 2: Zero hunger</strong></td>
<td>Prevalence of stunting in children below the age of 5 years old was high, placing Lao PDR among the poorly performing countries in the region. In 2016, 43.8% for the children under five years old or almost half of all children had stagnated in nutrition growth.</td>
</tr>
<tr>
<td><strong>Goal 5: Achieving gender equality</strong></td>
<td>Indicator of empower women in the age of 20 to 24 years old is still challenging. This is because Lao PDR has more women getting married when they are still under the age of 18. The share was 35.4% in 2012 which is higher than several countries in the region.</td>
</tr>
<tr>
<td><strong>Goal 7: Ensuring access to the affordable and clear energy</strong></td>
<td>Only 5.6% of population in Lao PDR used clean fuel and technology in 2016, much lower than its neighbors of Cambodia (17.7%) and Myanmar (18.4%).</td>
</tr>
<tr>
<td><strong>Goal 9: Industry, innovation and infrastructure</strong></td>
<td>Manufacturing value added per capita in 2017, Lao PDR has a very low level of the value added per capita with 176 USD being as the lowest in ASEAN, and third from the bottom following Timor-Leste and Nepal who have the value below 50 USD per capita.</td>
</tr>
<tr>
<td><strong>Goal 10: Reduced inequalities</strong></td>
<td>By looking at the GINI indicator, it highlights that the trend of income distribution gap increased from 0.32 in 2002 to 0.36 in 2012.</td>
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### SDGs Progress with good performance

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<td><strong>Goal 3:</strong> Ensuring good health and well-being</td>
<td>On track since Lao PDR is among the countries who has a significant reduction of the under-five mortality rate. In 2016, the under-five mortality rate in Lao PDR was reduced by half (64 deaths per 1,000 live births) from 117 deaths per 1,000 live births in 2000.</td>
</tr>
<tr>
<td><strong>Goal 11:</strong> Sustainable cities and communities</td>
<td>Lao PDR was able to reduce the share of urban population residing in slums significantly for at least 20 percentage points permitting it considered as top performers in the region.</td>
</tr>
<tr>
<td><strong>Goal 12:</strong> Responsible consumption and production</td>
<td>There are 12 economies in the region including Lao PDR that could increase the level of consumption per capita with more than double during 2000 to 2015 indicating an additional achievement for this goal.</td>
</tr>
<tr>
<td><strong>Goal 18:</strong> Lives safe from UXOs</td>
<td>UXO causalities had been substantially reduced by 85% over the last decade. However, more attention of efforts is needed since only about 6.6% of the contaminated land is actually cultivable and UXO contamination from the Indochina wars still remains. Furthermore, addressing the needs of UXO survivors and victim is challenging.</td>
</tr>
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Source: The initial assessment by the author based on information from the report by ADB (2018, pp. 30–65) and Government of Laos. 2018 “Voluntary National Review” for UXOs
Linkage of BRI and SDGs

Five B&R Priority Areas

B&R 1: Policy coordination
B&R2: Facilities connectivity
B&R3: Trade and Investment
B&R4: Financial integration
B&R5: People-to-people bond

17 SDGs

Direct link
Indirect link

Source: Hong (2017)
Potential impact of BRI on SDGs

1st BRI: Policy cooperation

- **Indicator 17.9.1:** Dollar Value of Financial and Technical assistance committed to developing countries (constant 2016 $ million).

- **Indicator of 17.19.1:** Value of All Resources Made Available to Strengthen Statistical Capacity in Developing Countries (current $)

- In 2018, Laos received a grant of 6.57 billion Yuan or 950 million USD over 3 years. 5% of total contributed to capacity building. 45% of total to infrastructure.

- Therefore, 15 million USD per year added to 17.9.1 Financial and Technical Assistance.

- 47 million USD per year added to **Indicator 9.a.1:** Total Official International Support to Infrastructure (constant 2016 $ million) to LDCs, African countries and Islands.

Source: Author extracted from the report by ADB (2018, pp. 30–65)
Potential impact of BRI on SDGs

2nd BRI: facility connectivity

Goal 1, Goal 2, Goal 3, Goal 4, Goal 5, Goal 6, Goal 7, Goal 8, Goal 9, Goal 10, Goal 11, Goal 13, Goal 17

- **Indicator 9.1.2**: Increasing the volume of passenger and freight by road transport.

- **Target 11.1**: By 2030, ensure access for all with adequate, safe, and affordable housing and basic services, and upgrade slums could be exposed to

- The volume of freight for Lao exports to China by 60%

- The number of Chinese tourists expected to visit Lao PDR more with 380,000 to 1,150,000 persons annually.

- Dealing with the resettlement and compensation for local households.

- In the case of railway construction project, about 4,000 local households (or 99 million USD) and at 167 villages in 13 districts within 4 provinces are expected to be affected.
Potential impact of BRI on SDGs

3th BRI: Trade and investment

Goal 1, Goal 2, Goal 8, Goal 9, Goal 12, Goal 14, Goal 15, Goal 17

- **Indicator 8.1.1:** Annual Growth Rate of Real GDP per Capita.
- **Indicator 8.2.1:** Annual Growth Rate of Real GDP per Employed Person.
- **Indicators 9.2.1 and 9.2.2** related to the increase of manufacturing value added and employment
- **Goal 12:** Responsible Consumption and Production
- **Goal 15:** Protection of Ecosystems and Biodiversity

- By December 2018, there currently are 17,115 foreign workers and 4,032 local workers employed for the railway construction project.

- Already some investors mainly China in the areas of tourism, agriculture and urbanization development or smart cities along the railway’s route.

- Social and Environmental issue due to the pollution such as chemical, ash and waste released by factories and agricultural farms
Potential impact of BRI on SDGs

4th BRI: Financial integration

- **Indicator 17.4.1**: Debt Service as a Proportion of Exports of Goods and Services (%)

![Graph showing Debt Service as a Proportion of Exports of Goods and Services (%)]

- Since the investment such as infrastructure development under BRI is mainly financed by external fund through loans.
- The same as public debt because the level of public debt was already high at 66.7% of GDP in 2018.

Source: Author extracted from the report by ADB (2018, pp. 30–65)
Potential impact of BRI on SDGs

5th BRI: People to people connectivity

Goal 3, Goal 11, Goal 16, Goal 17

- **Target 3.3**: By 2030, end the epidemics of AIDS, tuberculosis, malaria, and neglected tropical diseases; and combat hepatitis, water-borne diseases, and other communicable diseases
- **Target 11.1**: By 2030, ensure access for all to adequate, safe, and affordable housing and basic services, and upgrade slums
- **Target 16.1**: Significantly reduce all forms of violence and related death rates everywhere

- A large number of foreign labor mainly China are vulnerable to the expansion of disease such as AIDS, other communicable diseases, and security.
- In December 2018, there were 17,115 foreign workers working for the railway construction project.
- An increase of scholarships especially PhD program to Lao student should contribute to the **indicator 9.5.2: Researchers** (Full-Time Equivalent) (per million inhabitants)
- Only 3 students graduated for the doctoral degree from China in 2018.
- However, 25 departing to China for PhD program.
Potential impact of BRI on SDGs

Goal 18: Lives Safe from UXO

- Despite potentially to link to the second (Infrastructure) and the third priority (trade and investment)

- About 140 UXO booms and related 335,217 pieces had been cultivated during the construction of Lao-China railway up to April 2018

- But 80 million bombs remain unexploded and many people who lives in the outside of investment areas under BRI

- **Target 18.1:** Zero annual casualties from UXO accidents

- **Target 18.2:** UXO contamination cleared from high priority areas and villages

- **Target 18.3:** identified UXO survivors’ health and livelihoods needs met
Pushing forward BRI to support SDGs in Laos

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Top National Policies for Long Term Strategy

Vision by 2030:
Lao PDR becomes an upper middle income developing country following knowledge-based, green and sustainable socio-economic direction.

Seven Priorities of 10 Year Strategies (2016-2025):
1. Strategy on continued economic development in a quality, balanced, sustainable and green direction
2. Strategy for meeting the criteria for graduation from the Least Development Countries (LDCs) by 2020 and implementation of Sustainable Development Goals (SDGs).
3. Strategy on human resource development
4. Strategy for sustainable, efficient and green-direction protection and use of natural resources
5. Strategy on improving enforcement of the rule of law
6. Strategy on regional and international integration and connectivity
7. Strategy on industrialization and modernization
### Summary of the potential link to SDGs

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<th>BRI Priority</th>
<th>SDGs</th>
<th>General Observation</th>
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<td>1</td>
<td>Policy coordination</td>
<td>● Goal 17</td>
<td>● The influence’s China in designing the policy.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>● Not include the implementation of SDGs explicitly in the cooperation framework</td>
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<tr>
<td>2</td>
<td>Facilities connectivity</td>
<td>● Goal 1, Goal 2, Goal 3, Goal 4, Goal 5,</td>
<td>● Creation of employment, income, local business generation and the growth of</td>
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<td></td>
<td></td>
<td>Goal 6, Goal 7, Goal 8, Goal 9, Goal 10,</td>
<td>manufacturing industry Proposed.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Goal 11, Goal 13, Goal 17</td>
<td>● Projects raises questions about their suitability for the market and risky</td>
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<td></td>
<td></td>
<td></td>
<td>business environments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>● Resettlement and compensation</td>
</tr>
<tr>
<td>3</td>
<td>Trade and Investment</td>
<td>● Goal 1, Goal 2, Goal 8, Goal 9, Goal 12,</td>
<td>● Creation of employment, income, local business generation and the growth of</td>
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<td>Goal 14, Goal 15, Goal 17</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>● Social and Environmental issue</td>
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<tr>
<td>4</td>
<td>Financial integration</td>
<td>● Goal 17</td>
<td>● High debt and debt service</td>
</tr>
<tr>
<td>5</td>
<td>People to people connectivity</td>
<td>● Goal 3, Goal 11, Goal 16, Goal 17</td>
<td>● Social security issues from large inflow of foreign employees.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>● Widespread of communicable diseases</td>
</tr>
</tbody>
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Source: Hong 2017, p.7 but the potential impacts are based on the view of the author.
Conclusion

• Firstly, the activities of BRI under 5 key areas have been changed rapidly over time.

• Secondly, the policy formulation related to BRI and its activities are mainly driven by Chinese counterpart due to the weak capacity of Lao side. The cooperation framework should include the SDGs explicitly.

• Thirdly, there are some potential impacts of on-going and planned activities of BRI on the achievement of SDGs including SDGs goal 18-reduce impact of UXO (the national SDG goal). There are risks and opportunities. The risks are mainly embedded with the social, environmental and debt sustainability whereas the potential opportunities could primarily be in the areas of poverty, economic and capacity building.

• The information and the analysis of BRI activities in Lao PDR especially on SDGs need to update from time to time.
Thank you