



UNITED
NATIONS
LAO PDR

SOCIO-ECONOMIC IMPACT ASSESSMENT OF COVID-19 ON LAO PDR



DECEMBER 2020

Foreword

The outbreak of the novel coronavirus, COVID-19, has triggered a global crisis of unprecedented scale, and risks undoing decades of progress made by developing countries, including Lao PDR, towards reducing poverty, achieving the Sustainable Development Goals (SDGs), and in the case of Lao PDR, graduating from LDC status by 2024.

The majority of nations on earth are struggling with high caseloads and daily death rates, along with rising unemployment, poverty, and food insecurity, with the impact on future generations compounded by the increasing prevalence of school dropouts, gender-based violence, and closing businesses.

The Government of Lao PDR was swift in enacting preventative measures, including an early lockdown and ongoing travel restrictions. This has helped keep the health crisis to a minimum, but it has not insulated the country from the extensive socio-economic impact as domestic and regional supply chains collapsed, along with household incomes and consumer demand.

Therefore, it is vital that we understand better the impacts and take clear and decisive action to foster recovery. In support of our collective efforts and understanding of the magnitude of the pandemic's impact, UNDP on behalf of the UN Country Team in Lao PDR with guidance from the Ministry of Planning and Investment and consultations with stakeholders, assessed the socio-economic impact on people, households, businesses, and sectors between April and August 2020. The evidence emerged from this assessment has already been highly valuable in guiding the Government's possible interventions as well as informing the development of the next five-year National Social Economic Development Plan (9th NSEDP). As a country, we are committed to seeking appropriate interventions and initiatives to prevent our people from hardship caused by the social and economic impacts of the COVID-19 pandemic and promoting an inclusive and equitable recovery. The pursuit of evidence in these reports to tailor our responses demonstrates that commitment.

On behalf of MPI, I would like to acknowledge the importance of the findings contained in this report prepared by UNDP and all our partners in the UN Country Team. We will continue to strengthen our partnerships to ensure that we address the most pressing issues caused by the pandemic in Lao PDR. Therefore, I encourage all respective ministries, departments, and agencies to take seriously into account their interventions towards addressing the findings of this report to mitigate the social and economic impacts of the pandemic and build a strong, sustainable, and green COVID-19 recovery for all.

H.E. Dr. Kikeo CHANTHABOURY
Deputy Minister of Planning and Investment



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LAO PDR

COVID-19 IMPACT ASSESSMENT REPORT

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This socio-economic impact assessment was prepared by a team of three researchers for the UN Development Programme, on behalf of the UN Development System in Lao PDR. It was led by Mana Southichack, Development Economist, with assistance from Phothong Siliphong, Community Development Expert, and Bounmy Inthakesone, Public Policy Economist. Guidance and editing were provided by Somsay Ouanphilalay, UNDP Economist, and Simon Dennett, UNDP Programme Analyst.

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The findings and conclusions of this assessment are those of the authors and do not necessarily reflect the views of the United Nations Development System in Lao PDR.

Designed to complement the other various assessments and investigations undertaken by the UNDS, the socio-economic impact assessment should be read in conjunction with the following:

- COVID-19 Risks and Vulnerabilities and Children, adolescents and their families in Lao PDR (UNICEF & UNFPA)
- Impact of COVID-19 on Food Security and Agriculture in Lao PDR (WFP & FAO)
- Lao PDR – Wood Processing Export Roadmap, results from the rapid assessment on COVID-19 (ITC)
- Lao PDR – Coffee Export Roadmap, results from the rapid assessment on COVID-19 (ITC)
- Rapid assessment of COVID-19 impact on Manufacturing of Lao PDR (UNIDO)
- Returning Migrants Survey – 26 June to 5 September (IOM)
- COVID-19 Related Vulnerability and Perceptions of Non-Lao Populations in Lao PDR – July to September 2020 (IOM)
- Impact of COVID-19 on settlements in Lao PDR (UN Habitat)

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Acronyms

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BCEL	Banque pour le Commerce Exterieur Lao Public
BoL	Bank of Laos
EU	European Union
ECCIL	European Chamber of Commerce and Industry in Lao PDR
ERIT	Economic Research Institute for Trade
EVI	Economic Vulnerability Index
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoL	Government of Laos
GEP	Global Economic Prospects
GNI	Gross National Income
HAI	Human Asset Index
ILO	International Labour Organisation
IMF	International Monetary Fund
IOM	International Organisation for Migration
ITC	International Trade Centre
LATA	Lao Association of Travel Agents
LBA	Lao Bus Association
LDC	Least Developed Counties
LHRA	Lao Hotel and Restaurant Association
LMFA	Lao Microfinance Institution Association
LNCCI	Lao National Chamber of Commerce and Industry
LECS	Lao Expenditure and Consumption Survey
LSB	Lao Statistics Bureau
LWU	Lao Women's Union
MoFA	Ministry of Foreign Affairs

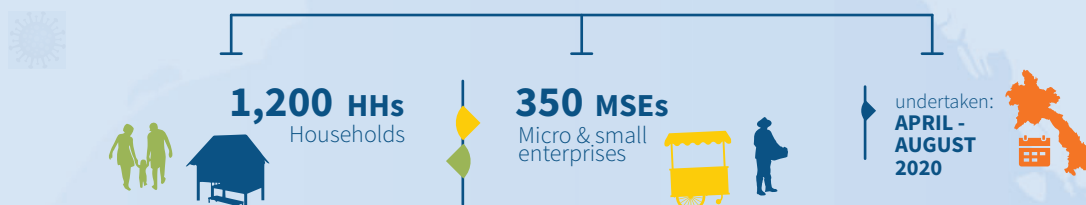
MoF	Ministry of Finance
MoIC	Ministry of Industry and Commerce
MoICT	Ministry of Information, Culture and Tourism
MPI	Ministry of Planning and Investment
MoLSW	Ministry of Labour and Social Welfare
MoPH	Ministry of Public Health
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium-sized Enterprises
NA	National Assembly
NIER	National Institute of Economic Research
NPLs	Non-Performing Loans
NSEDP	National Socio-Economic Development Plan
OOP	Out of Pocket
PMO	Prime Minister's Office
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SME	Small and Medium-sized Enterprises
SODA	Social Development Alliance Association
SBS	Southern Bus Station
UN	United Nations
UNDS	UN Development System
UNDP	United Nations Development Programme
UNDESA	United Nations Department of Economic and Social Affairs
UN-Habitat	United Nations Human Settlement Programme
UNICEF	The United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
WB	World Bank
WFP	World Food Programme
WHO	World Health Organisation

KEY FINDINGS



UNDP, AS TECHNICAL LEAD ON COVID-19 RESPONSE ON BEHALF OF THE UN COUNTRY TEAM, AIMED TO IDENTIFY WHO HAS BEEN WORST AFFECTED AND HOW.

THE ASSESSMENT COMPRISES A CONSOLIDATION OF EXISTING STUDIES, KEY STAKEHOLDER INTERVIEWS, AND SURVEYS OF:



48.9%
have reduced
FOOD SPENDING
or consumption

15.2% **UNABLE TO PAY**
FOR BASIC FOOD

8.3%
RISE IN FOOD PRICES
(Jan-May 2020)

1/4 OF **BUSINESSES**
REPORT
DROP 60% IN SALES

4.9%
REPORT INCREASED
household or
neighbourhood
VIOLENCE

EDUCATION OF 1.7 MILLION
people disrupted

THE FINDINGS, TOGETHER WITH THOSE OF OTHER UN PARTNERS, DIRECTLY INFORM THE SHAPE OF THE SOCIO-ECONOMIC RESPONSE PLAN OF THE UNDS IN LAO PDR.

23.4%
UNEMPLOYED

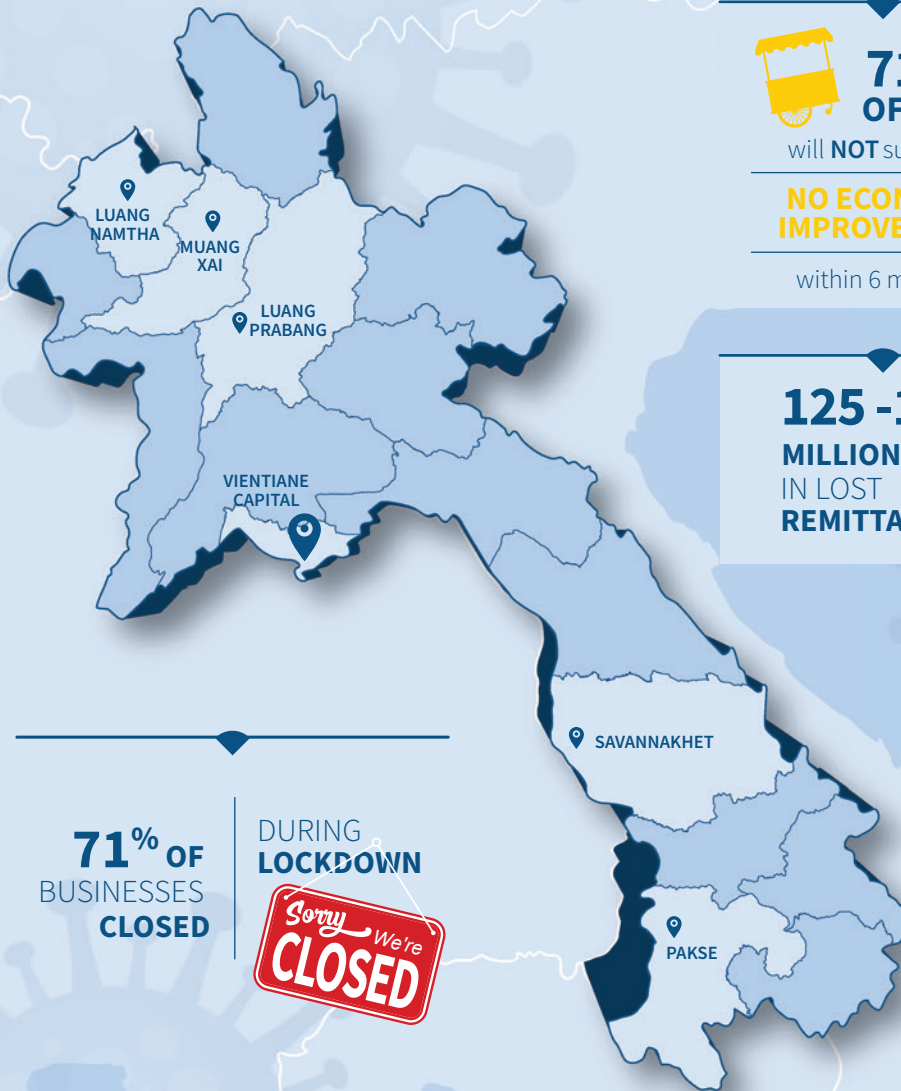


estimated in July 2020

LUANG PRABANG
LOST **80%**
TOURISM
INCOME



MORE THAN
300,000
PEOPLE COULD FALL
BACK INTO POVERTY



71%
OF SMEs

will **NOT** survive if

NO ECONOMIC
IMPROVEMENT

within 6 months

125 -136
MILLION 
IN LOST
REMITTANCES

71% OF
BUSINESSES
CLOSED

DURING
LOCKDOWN



 **320,000**
NEWLY
UNEMPLOYED

130,000 
RETURNING
MIGRANTS



only **16.5%**
OF HOUSEHOLDS
with children
able to access
ONLINE LEARNING

70%
of people without
HEALTH
INSURANCE



Methodology

This assessment is built on a combination of the key findings of rapid and other impact assessments conducted by several UN agencies since the start of the crisis, secondary data from reports and databases, and primary data from surveys and interviews.

The work of the assessment began by collating the key findings of the specialised rapid assessments that have taken place since the start of the crisis. This information was used not only to build an understanding of the situation so far, but to identify the gaps that require additional primary data and analysis.

Then a rapid review of secondary data was undertaken. Data are obtained from various sources including study reports and databases from national bodies and institutions, and major international organisations. Key stakeholder interviews with business associations, chambers of commerce and industry, and line ministries were also carried out to obtain up-to-date information and gain additional insight.

Primary data was then gathered on 16-30 June 2020 to build on the secondary data in targeted thematic areas, including livelihoods, tourism, access to education and healthcare, and gender inequalities, among others. Two surveys, one of households (1,200) and one of micro and small enterprises (350) were conducted across six provinces: Champasak, Savannakhet, Vientiane Capital, Luang Prabang, Oudomxay, and Luangnamtha.

The survey included both urban and rural areas, covering 120 villages within the sampling frame of the Lao Expenditure and Consumption Survey to ensure a broad national representation of the data. Other primary data was gathered, including qualitative data through interviews and consultations of relevant officials and local business owners. A rapid online survey of micro-finance institutions was also conducted.

The strengths of this assessment lie in its breadth and the speed with which the data has been collected and collated. However, this limited timeframe makes the scope narrower than it might have otherwise been. The time constraint also poses drawbacks in terms of the depth of detail in some areas and precipitates the use of the 'best possible' obtainable data in some cases. This reinforces the idea though that this assessment complements the other work done by UN agencies in the country.

In addition, the continually evolving nature of the pandemic worldwide means that much of the data collected, upon which tentative conclusions and recommendations are based, is subject to shift, sometimes rapidly and markedly.

6 PROVINCES SELECTED



LUANG NAMTHA



OUDOMXAY



LUANG PRABANG



VIENTIANE CAPITAL



SAVANNAKHET



CHAMPASAK



THEMATIC AREAS SURVEY TARGETED



TOURISM



EDUCATION & HEALTHCARE



LIVELIHOODS



GENDER INEQUALITIES

⊕ OTHERS

2

SURVEYS CONDUCTED

URBAN AREAS

RURAL AREAS

120 VILLAGES



1,200 HHs

Households



350 MSEs

Micro & small enterprises

DATA COLLECTION & SOURCES



Primary data
16-30 June 2020



Interviews & Consultations



Rapid online survey

THIS ASSESSMENT HAS **3** MAJOR CHAPTERS



CHAPTER ONE

The Human Impact of COVID-19

Focuses on the human impact of COVID-19 on Lao PDR, covering health, food security, a selection of vulnerable groups, and the impact on labour and employment, and poverty and inequality.



CHAPTER TWO

The Impact on Businesses and Sectors

Examines the impact of COVID-19 on businesses and sectors, such as MSEs, agriculture, tourism, manufacturing, and the Special Economic Zones.



CHAPTER THREE

The Economy and Progress towards LDC Graduation

Looks at the impact on the economy and the potential effects of the pandemic on Lao PDR's progress towards LDC graduation.



THE PAPER ENDS WITH A BRIEF CONCLUSION AND SOME TENTATIVE POLICY RECOMMENDATIONS, IN ALIGNMENT WITH THE SOCIO-ECONOMIC RESPONSE PLAN OF THE UN IN LAO PDR.

Introduction

The outbreak of the novel coronavirus, COVID-19, has triggered a global crisis of unprecedented scale, and risks undoing decades of progress made by developing countries, including Lao PDR, towards reducing poverty and the achievement of the Sustainable Development Goals (SDGs) more broadly.

The Lao Government was swift in enacting a nationwide lockdown early in the outbreak, meaning there have only been 23 recorded cases at the time writing. Therefore, the impact of COVID-19 on Lao PDR has so far been largely socio-economic as domestic and regional supply chains collapsed, along with economies and with them household incomes and consumer demand. The move to end lockdown measures by the Government in early May 2020 has only been met with a gradual revival of business activities rather than a dramatic rebound.

The impact on Lao PDR began before the country confirmed its first cases on 23 March 2020, largely due to the lockdown measures to contain and prevent the spread of the virus enforced by neighbouring countries. This led to a decline in travel and tourism, international trade, and caused delays to major investment projects, such as the Lao-China railway, property development projects, and in the special

or specific economic zones. Upon the discovery of the first cases in Lao PDR, the Government enforced a nationwide lockdown between 30 March and 18 May 2020, which dramatically increased the socio-economic impact of the virus.

The nationwide lockdown and the closing of international borders effectively halted the travel and tourism industry and paralysed virtually the entire economy¹. This has resulted in a sudden rise in unemployment, as most businesses had to temporarily cease operations. Many have remained closed since, and many of those that have resumed operations are working at a much lower capacity than before. More than 130,000 migrant workers returned from neighbouring countries between March and July, with more returning daily². Some Lao migrant workers are believed to have returned through unofficial channels. The unemployment situation has been exacerbated by these migrants who have returned, a situation further compounded by the subsequent loss in

¹ During the nationwide lockdown production and services allowed include farm activities, food production and food services for home delivery, markets selling food items and daily essentials, delivery of goods, pharmaceutical and medical services, financial institutions, electricity and water, and emergency services.

² More than 2,000 Lao migrant workers returned through immigration over 1-3 July 2020.

remittances by their families. The loss of income due to unemployment has put many young children and adolescents in low-income households at risk of food insecurity and malnutrition as families were pushed to the edge of poverty. The closure of schools has delayed children's education, especially for those in public schools where distance-learning tools are not in place.

On 18 May 2020, with an absence of reported cases, the lockdown measures were gradually loosened to allow travel within provinces and interprovincial travel. Domestic tourism started to emerge in a few locations later that month. Schools were allowed to open with certain limitations to avoid overcrowding and allow time for schools to better manage spacing and other health precautions. Most shops and establishments were permitted to reopen, along with the return of all sporting activities. However, bars and clubs had to remain closed until July, with some still restricted.

The economy continues to suffer heavily. Many workers who were ordered to stay home during the lockdown were not called back, especially in travel and tourism businesses where their supply chains have been severely interrupted and businesses earn a large proportion of their income from servicing visitors e.g., retail businesses, restaurants, massage parlours and spas. A plunge in demand has forced some businesses to remain closed beyond lockdown or to downsize, further worsening unemployment and falling incomes. This in turn leads to a fall in government tax revenues needed for paying salaries, pensions, and for social services. Children, adolescents, women, the elderly and the disabled, especially among low-income families, and ethnic groups are at most risk, and therefore any measures taken by the Government and its development partners must focus on these vulnerable groups first.



THE LAO GOVERNMENT
WAS SWIFT IN ENACTING
A NATIONWIDE LOCKDOWN
EARLY IN THE OUTBREAK

CHAPTER ONE

The Human Impact of COVID-19

This chapter explores the impact of COVID-19 on a number of disadvantaged groups such as women, children, ethnic groups, and people with disabilities. While everyone is affected directly or indirectly, some groups are more impacted than others. This differential impact in areas of income, employment, access to health-care, and learning, deepens pre-existing inequalities, and threatens to undo years of progress.

Health

Lao PDR has improved its public health-care in recent years and the share of the government budget allocation has also increased. Despite this, the country's health-care system remains underdeveloped and lags behind neighbouring countries. A swift intervention by the Government to limit the transmission of the virus allayed fears that the health-care system would be overwhelmed by an outbreak.

Despite the relative success in controlling and preventing the spread of the virus, the pandemic has created both temporary/short term and potentially long-term impacts on health-care, and access to quality health-care, especially by the poor and vulnerable groups.

In the short term, access to health-care for large parts of the population was

more difficult due to the suspension of transport services and the closure of provincial borders. For those living in isolated and poor rural areas this problem was most acute, compounded by long waiting times at poorly staffed facilities and unpredictable medical costs. For the wealthier in the population, the option of seeking higher quality health-care in neighbouring countries remains impossible because of international border closures. Due to lasting effects from the lockdown measures, as well as anxiety among health-care workers and people in the community, and limited PPE, there is evidence of a drop in demand for health services since the outbreak. Services like immunisation, which are heavily reliant on delivery through outreach, saw the biggest decline. The measles first dose coverage, which in January to June 2019 was 41.6%, fell to 37.3% during the same period this year. There was also a decline (14%) in the number of new users of modern contraceptives during the first half of this year compared to the same period last year³.

³ WHO, Maintaining essential health services: operational guidance for the COVID-19 context, June 2020

8.3%
**RISE IN
FOOD
PRICES**

(Jan-May 2020)

EDUCATION OF
1.7 MILLION
people disrupted


70%
of people without
**HEALTH
INSURANCE**



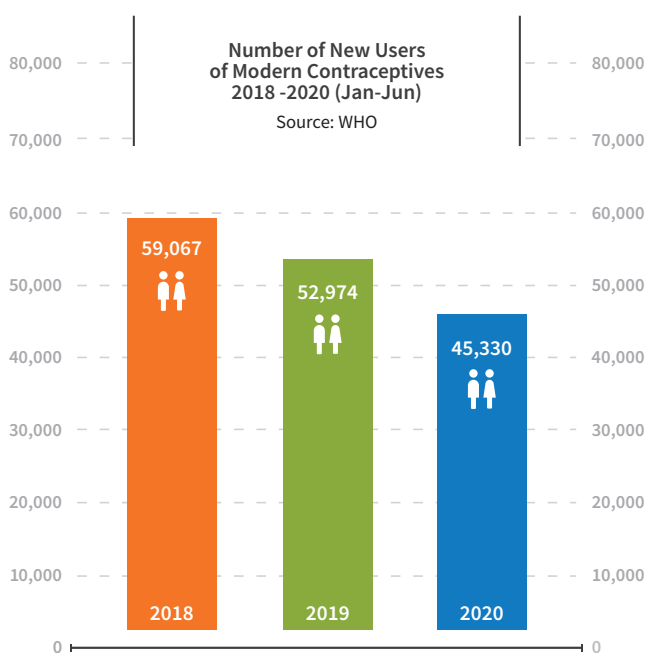
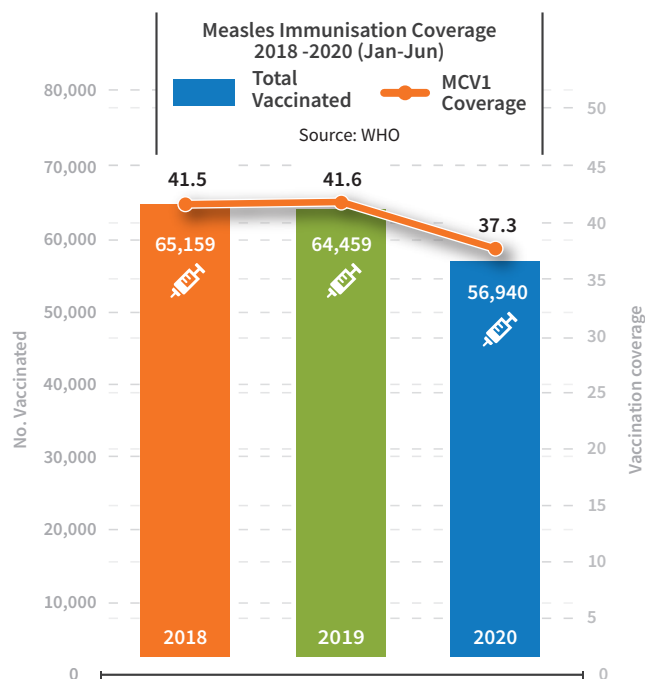

15.2% **UNABLE
TO PAY**

**FOR
BASIC FOOD**

 **4.9%**
**REPORT
INCREASED**
household or
neighbourhood
VIOLENCE


only **16.5%**
OF HOUSEHOLDS
with children
able to access
ONLINE LEARNING

Figure 1: Utilisation pattern of selected essential health services during the COVID-19 outbreak



The health impact on mothers and young children

Evidence suggests that consumption of nutritious food by pregnant and lactating women with children under two years of age is lower, adding to existing issues concerning the lack of awareness of nutrition at the community level⁴. This can have a permanent effect on children’s mental and physical development, as well as the mother’s overall health. Some mothers reported they discontinued breast-feeding out of fear of transmission of COVID-19⁵.

In line with the overall decline in demand for healthcare services, antenatal care visits, births at health facilities, and assisted home births were all down in Q1 2020 compared to previous years⁶. Restrictions on movement and fears about contracting the virus are causing fewer women to pursue this type of care⁷. This increases the risk of maternal, neonatal, and infant mortality, as well as birthing complications that can lead to physical and cognitive disability; areas where progress has been made in recent years.

Public finances and healthcare

The Government’s budget allocation for public healthcare has gradually increased, but the 5.4% figure from 2019 is still far short of the 9% target set

⁴ WHO, Maintaining essential health services: operational guidance for the COVID-19 context, June 2020

⁵ Ibid

⁶ World Bank, Lao PDR Economic Monitor, Lao PDR in the Time of COVID-19, June 2020. Antenatal care visits in April of 2020 totalled 10,631, a reduction of nearly 2,000 visits compared to the same month in the previous year

⁷ UNICEF, Macroeconomic Challenges and Life Cycle Vulnerabilities in Lao PDR (conducted by EPRI), August 2020

in the Health Sector Reform Strategy and Framework 2025. Of particular focus is out-of-pocket spending (OOP) on health. Due to a high rate of OOP spending – 41.2% of total health expenditure in 2018⁸ – the poor have difficulty accessing healthcare services, with the richest quintile spending 24 times more than the poorest quintile⁹. The economic effects of the pandemic look set to constrict fiscal space, and thus potential for further healthcare investment, even further.

Food security

An assessment conducted before the emergence of the virus found that 67,800 people in the northern and southern parts of Lao PDR would already be ‘food insecure’ from March 2020 following a drought in the north from May-December 2019 and heavy rainfall and flooding in the south in August-September¹⁰. 6.2% of households, approximately 430,000 people, have a ‘poor’ or ‘borderline’ Food Consumption Score. Moreover, 31.8% of households, or approximately 2.1 million people, experience mild, moderate, or severe food insecurity¹¹. Many Lao children are not well-fed and, as a

result, 33% of children under five years old are stunted, with a marked divide between the urban (21.5%) and remote rural (43.3%) areas¹².

COVID-19 adds to an already existing food security crisis that has been building up over the past two years. Rice yields have been much lower than usual due to exceptional droughts and floods of 2019. These effects, now commonly attributed to climate change, were worsened by severe pest outbreaks in northern Lao PDR¹³. Despite largely unchanged rates of agricultural activity, farmers have been unable to sell their produce at normal rates to middlemen/traders who have slowed operations as markets have been intermittently closed. As the pandemic reduces employment opportunities for daily laborers in the provinces, many will face acute rice shortages, hunger, and limited access to diversified food. As a result, they are likely to fall back to less diverse diets leading to increased rates of malnutrition.

Food shortages and malnutrition will be more prevalent in the poorest households, especially those in rural areas, those dependent on daily labour, and those of the Mon-Khmer ethnolinguistic groups¹⁴. Similar findings on consumption were observed

⁸ World Bank, June 2020

⁹ Lao Statistics Bureau, Lao Consumption and Expenditure Survey – 5, 2012–2013 (Ministry of Planning and Investment), 2014; Ministry of Public Health and World Health Organisation, Overview of Lao Health System Development 2009–2017, 2018 MOES, Lao PDR Education Covid-19 Response Plan, 2020

¹⁰ FAO and WFP, Special Report: 2019 FAO/WFP Crop and Food Security Assessment Mission (SFSAM) to the Lao People’s Democratic Republic, 2020

¹¹ LSB, Lao Consumption and Expenditure Survey – 6, (Ministry of Planning and Investment), 2020

¹² LSB, Lao PDR Social Indicator Survey 2017 (LSIS II), June 2018

¹³ WFP and FAO, May 2020

¹⁴ LSB, 2015 Lao PDR Food and Nutrition Security Survey, 2016; WFP and FAO, May 2020

among pregnant women, breastfeeding mothers, and small children; 29% noticed a change to consumption, with most reporting an inability to consume the five main food groups because of price increases and supply shortages of produce such as meats¹⁵. Our survey of 1,200 households found that 48.9% have reduced spending on food or have simply reduced food consumption; 15.2% expressed an inability to pay for basic food. Although remoter populations tend to be more self-sufficient, they are not so entirely, and certain agricultural inputs such as seeds still need to be purchased to replenish any wastage from stocks; this is the same for unhealthy livestock and worn tools.

Women and girls

In many aspects, the effects of COVID-19 have, and will, affect women and girls disproportionately. Greater exposure to the virus and the need for PPE is at the forefront of the imbalance. The greater the caregiving role that women and girls are expected to perform, the more they may be exposed to higher risks of infection. Women comprise 64% of health workers in Lao PDR, including midwives, nurses, pharmacists, and community health workers on the frontlines.

In terms of economic challenges, women often occupy the lower rungs

of the labour market, and in more vulnerable sectors, including as informal, unpaid family workers and small agricultural producers. Among women in the labour force in Lao PDR, 61% work as unpaid family workers with no paid sick leave or family leave, no health insurance, or social security. Others work mostly in sectors that have been the most seriously affected by the pandemic, such as tourism and garment manufacturing. Accordingly, our survey found that the proportion of the unemployed is higher for women (32.6%) than men (19.7%).

Other important aspects of the COVID-19 pandemic impact on women occurred in the home. The first Lao National Survey on GBV, released in 2016, revealed that one in three Lao women in a relationship had experienced physical, sexual, or emotional violence at the hands of their partner. Quarantine and isolation policies, coupled with financial stress on families, individuals, and communities, will exacerbate the conditions for women already vulnerable to domestic violence. Moreover, care and support to GBV survivors may be disrupted when health service providers are overburdened. In our survey of 1,200 households, 5.3% of men and 4.4% of women reported increased violence in their 'households of neighbourhood' during the lockdown. It was also reported that women faced disproportionately increased workloads during the lockdown, such as having to prepare more

¹⁵ WFP and FAO, May 2020

Table 1: School closures due to COVID-19¹⁸

Type of school	Levels	Closing	Reopening	Number of Students
Pre-school	All pre classes	23 March 2020	2 June 2020	240,384
Primary school	Grade 5/Final year	23 March 2020	18 May 2020	770,659
	Grade 1-4	23 March 2020	2 June 2020	
Lower Secondary	Year 4/Final year	23 March 2020	18 May 2020	442,856
	Year 1-3	23 March 2020	2 June 2020	
Upper Secondary	Year 7/Final year	23 March 2020	18 May 2020	216,994
	Year 5-6	23 March 2020	2 June 2020	
Vocational	Final year	23 March 2020	2 June 2020	72,493
	Other years	23 March 2020	15 June 2020	
University	Final year	23 March 2020	2 June 2020	41,567
	Other years	23 March 2020	15 June 2020	
Total students				1,784,953

meals each day because the whole family was restricted to the home¹⁶. Inequality of this kind reduces the time and energy women and girls can spend learning or engaging in activities to advance themselves.

Attention must also be paid to women sex workers – a vulnerable group at the best of times – who could become exposed to severe exploitation and financial strain exacerbated by counter-measures to the pandemic. Also, returning women migrants who must undertake the mandatory 14-day isolation in quarantine centres are vulnerable to sexual harassment due to weaknesses in the centres, including a lack of separate bathrooms¹⁷.

Children and education

School closures

The impact of the pandemic on children and education starts with school closures. After the emergence of the first cases, the Government issued an order for the temporary closure of all schools and educational institutions; schools remained closed from 19 March 2020 until the completion of a phased reopening on 15 June. It is estimated that this disrupted the learning of over 1.7 million children and young people, who were entering the last two-and-a-half months of the 2019-2020 school year.

¹⁶ A focus group discussion with women by the Social Development Alliance Association and CARE, Rapid Gender Analysis of COVID-19, Lao People's Democratic Republic, 2020

¹⁷ Lao Women's Union, LWU COVID Report, 2020

¹⁸ Ministry of Education and Sport, 2018-2019 Annual Statistics Report, 2020

Temporary school closures also negatively impacted children's nutritional intake as students did not access food provided by school feeding programmes. The WFP normally provides daily lunch to all 137,567 pre-primary and primary school students (49% girls) in 1,439 WFP-supported schools, including two special schools for students with hearing and visual impairments. The remaining 924 schools were scheduled to be handed over by mid-2021.

Limited and unequal access to digital learning

The temporary school closures exacerbated existing inequalities, highlighting that not all girls and boys have access to the internet, TV, radio, books and other education supplies, and in some cases may not have access to some of these resources at all.

To minimise the disruption to learning, several initiatives were launched. The Ministry of Education and Sport produced a new TV and radio programme to keep students up to speed with the syllabus and to create awareness of the risks of COVID-19 and ways to protect oneself¹⁹. However, the outreach effort was limited in its success because of the lack of academic content and the varying rate of TV and radio ownership in the country²⁰.

Meanwhile, some schools offered online learning programmes. However, while some private schools were successful in mitigating the disruption, most schools do not have the required resources to facilitate online distance-learning. Additionally, many Lao families, especially those in rural communities, do not have the required resources (computers, tablets, and access to the internet) to engage in online distance-learning. Only 1.7% of households have internet at home, and only 13.5% of households have at least one computer²¹. The children of ethnic groups were particularly disadvantaged; 17.8% of Lao Tai households have a computer, compared to 8.6% of Hmong-Mien groups, 7.3% of Chinese-Tibetans, and only 3.3% for Mon-Khmer households²². As a result, our survey found that 16.5% of households with children of school age accessed online learning sessions during the lockdown (22% of urban, 12.5% of rural). The findings of the LSIS 2017 suggest that there may have been a disparity between boys' and girls' access to online learning, as only 7.1% of women use a computer at least once a week, compared to 10.6% of men²³.

School dropouts

Our survey found that 11 households (1.6%) of the 704 in the sample with school-aged children have withdrawn

¹⁹ MOES, Lao PDR Education Covid-19 Response Plan, 2020

²⁰ Only about 20% of households have a radio, with 22.1% in urban areas and 14.9% in rural areas without roads. 79.3% have a TV, with 94% in urban areas and only 49.4% rural areas without roads (LSB, LSIS II, 2018).

²¹ Ibid. Landline internet may be a decreasingly useful measure for internet access because most people access internet through their mobile phones, the signal from which can be shared and linked to computers or tablets.

²² Ibid.

²³ Ibid.

their children from school since the pandemic began. While the number is not high, the survey period only runs up to late-June 2020; the longer and deeper economic malaise faced by the country the more families might be left with no choice but to withdraw their children from school to help the family work. Households that are not able to educate their children at home are more likely to require children to work on the farm or pursue seasonal labour (boys) or help with domestic chores (girls).

Children in Lao PDR are at risk of child labour. Girls especially tend to enter the labour force at an early age, and many find employment in garment factories, restaurants, and hotels. As these industries are undergoing a phased reopening in a context of depressed demand, the economic hardship many households experience due to the pandemic increases the risk that many children will have to pursue paid work to support their families instead of going to school.

Ethnic groups

For many ethnic groups, who mostly live in rural and relatively isolated areas, earning from daily labour may be the most important source of cash income for their families. Our survey and a rapid assessment by WFP and FAO found that day labourers in agriculture and non-agriculture were significantly affected. In our survey, during the lockdown ethnic groups were found to have higher unemployment rates relative to the Lao Tai majority ethnic group, which experienced a 62.8%

unemployment rate. The Mon-Khmer ethnic group has the highest unemployment rate at 76.9%. While the sample size for some ethnic groups is small, the results give a sense of the situation (see Figure 2). A knock-on effect of this situation is decreasing food security for these groups, particularly the Mon-Khmers.

Figure 2: Unemployment rates during lockdown by main ethnic group

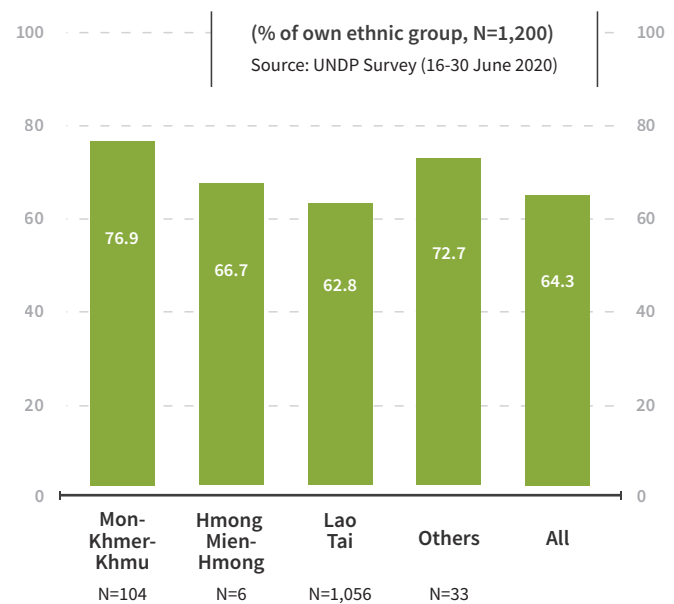


Table 2: An estimate of COVID-19 impact on unemployment in Lao PDR

Category	2017 Survey	2020 No COVID	COVID Impact	Total 2020
Working age population (x1,000; increases 1.5%/yr)	4,758.0	4,977.0		4,977.0
Labour Force Participation Rate	40.8%	40.8%		43.4%
Labour Force (x1,000)	1,941.3	2,030.6		2,161.1
Unemployed Domestic (x1,000)	183.3	183.3	191.2	374.5
Unemployed Migrant Workers Returned (x1,000)*			130.5	130.5
TOTAL Unemployed (x1,000)				505.0
Unemployment Rate (3 July 2020)	9.4%	9.0%		23.4%

* This estimate was completed one week before receiving our household and enterprise survey data, which suggests a 27% unemployment rate. In 2019, there were 280,962 registered Lao migrant workers in Thailand. Up to 3 July 2020, 130,532 migrant workers returned from abroad, based on data gathered from immigration check points, quarantine centers, and coronavirus tests for returned migrants. Data Sources: Estimated based on Lao Labour Force Survey 2017 and on data gathered from Lao National Taskforce Committee for Covid-19 Prevention and Control, Ministry of Health; reports by ILO, IOM, UN Thematic Working Group on Migration in Thailand, various other rapid assessments and surveys; interviews of interviews of business associations and SEZs.

People with disabilities

The 2015 National Housing and Population Census identified 176,857 people with disabilities, accounting for 1.4% of the population. The lockdown increased barriers to accessing health services by these people as travelling was more difficult, combined with a lack of medical equipment or transport, health providers' lack of adequate knowledge and skills, and stigmatisation. People with disabilities often have limited access to important news or information about relief packages distributed by the Government and NGOs²⁴.

78% of the 180 people sampled reported a loss of income to their household and a decrease in personal income, which resulted in interruptions to medical and other assistance during the lockdown²⁵. Other important issues included: i) food insecurity, with 80% of respondents highlighting that price increases and supply shortages were an issue; ii) insufficient food stocks of more than two weeks (82%); and iii) insufficient stocks of hygiene items, including masks, soaps, sanitary pads, catheters, and adult nappies. The need for mental health and psychosocial support in this situation was, and remains, considerable.

²⁴ For example, the Government has a daily TV broadcast on COVID-19, but not always with sign language.

²⁵ Humanity & Inclusion Lao PDR, Rapid Needs Assessment – Views from persons with disabilities: Leaving no one behind in response to COVID-19 in Lao PDR, 2020.

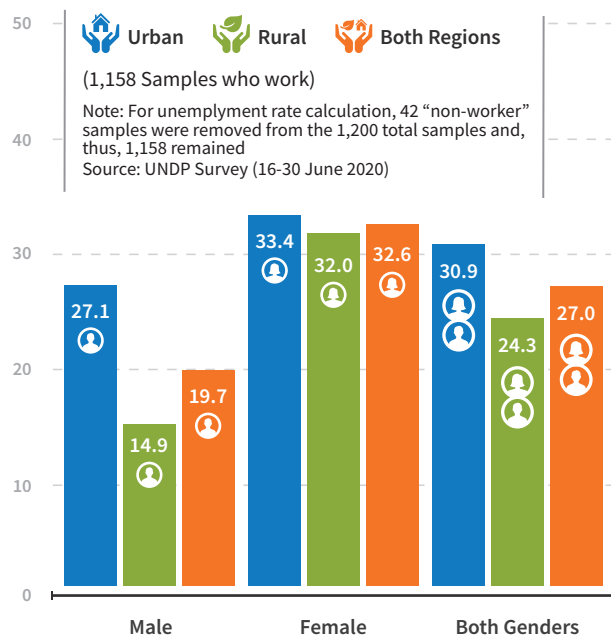
Labour and employment

Lao PDR remains a largely agrarian society, with about 80% of the population relying on agriculture²⁶. Agriculture is the main livelihood in rural areas, with an estimated 72% of the working population engaged primarily in subsistence agriculture²⁷.

In 2017, Lao PDR had a total of 4.76 million men and women who were considered in the working age population, with 1.94 million of those in the labour force²⁸; a participation rate of 40.8%²⁹. Individuals remaining outside the labour force include those engaged in own-use production, full time students, retirees, and prisoners. Unemployment was 9.4% or 183,300 people, with a lower rate for women (7.8%) than for men (10.8%).

Most employment was in the service sector (49.2%), followed by ‘Agriculture, forestry, and fisheries’ (35.8%), and industry (15%)³⁰. ‘Wholesale and retail trade, repair of motor vehicles and motorcycles’, a subset of the service sector, accounted for 21.4% of all employment. ‘Manufacturing’ and ‘Accommodation and food service

Figure 3: Survey findings: Unemployment during the last two-weeks of June 2020



²⁶ LSB, Population and Housing Census, 2015

²⁷ The term ‘working population’ is used to differentiate them from the term ‘labour force’ as defined in the 2017 Lao Labour Force Survey, which includes only individuals who are either currently working for a salary or profit, or those actively looking for job but who cannot find one. The working population includes the labour force as defined here as well as those working full time in subsistence activities; they will become part of the labour force when they start to look for work.

²⁸ This assessment, like the 2017 Lao Labour Force Survey, uses a new, more accurate method to determine unemployment whereby the labour force includes only individuals who are either working for pay or profit, or are actively looking for work. It excludes those – i.e. counts them as non-participants in the labour market – who are wholly or mostly engaged in subsistence farming, who have time during the dry season but are not looking for work.

²⁹ LSB, 2017 Lao Labour Force Survey, June 2018

³⁰ Industry includes “Mining and quarrying”, “Manufacturing”, and “Construction”. The service sector includes everything in the Annex table, except for “Agriculture, forestry, and fishery”, “Mining and quarrying”, “Manufacturing”, and “Construction”.

activities' accounted for 9.1% and 2.6% respectively. Women's participation in the labour force was lower than men's, at 36.5% compared to 45.2%, but women clearly outnumber men as a percentage of the labour force in a number of sectors, including human health and social work (68.2%), entertainment and recreation (66.7%), financial and insurance (63.6%), accommodation and food services (61%), manufacturing (58.6%), and wholesale retail and trade (57.1%). A full breakdown of the pre-COVID distribution of employment can be found in the Annex.

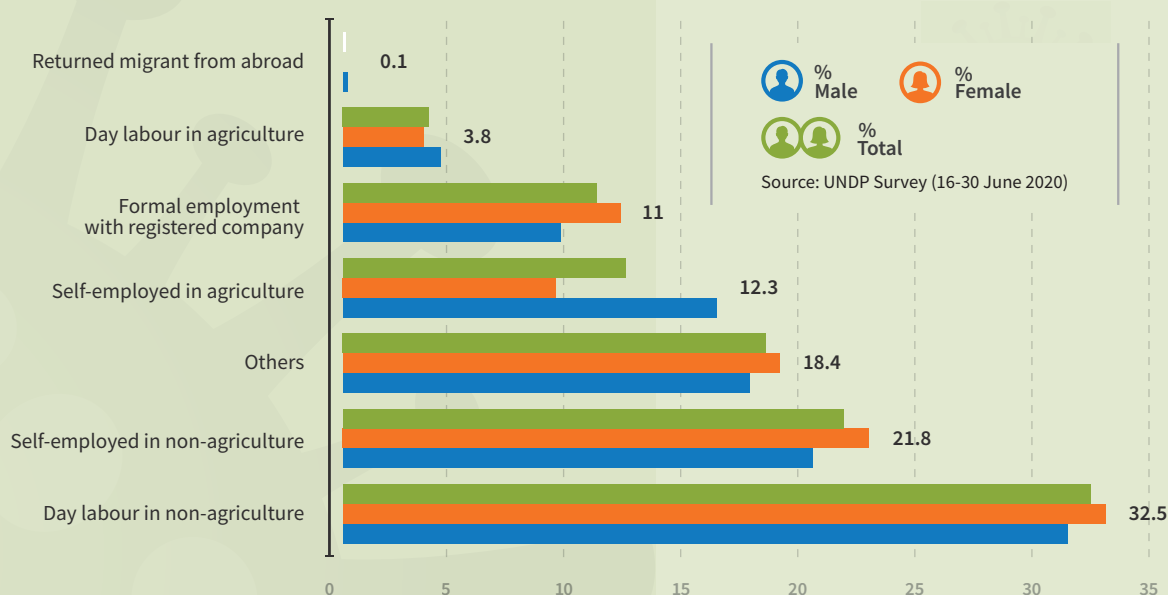
Impact on unemployment

Using the figures above from the 2017 Lao Labour Force Survey, it is estimated that approximately 505,000 people

were unemployed in early July 2020, meaning an increase of 321,700 due to the pandemic, and thus a rise in the unemployment rate from 9.4% to 23.4%. Of those who are newly unemployed, 191,200 have lost their jobs domestically, while another 130,532 are returning migrant workers who had returned by 3 July 2020³¹.

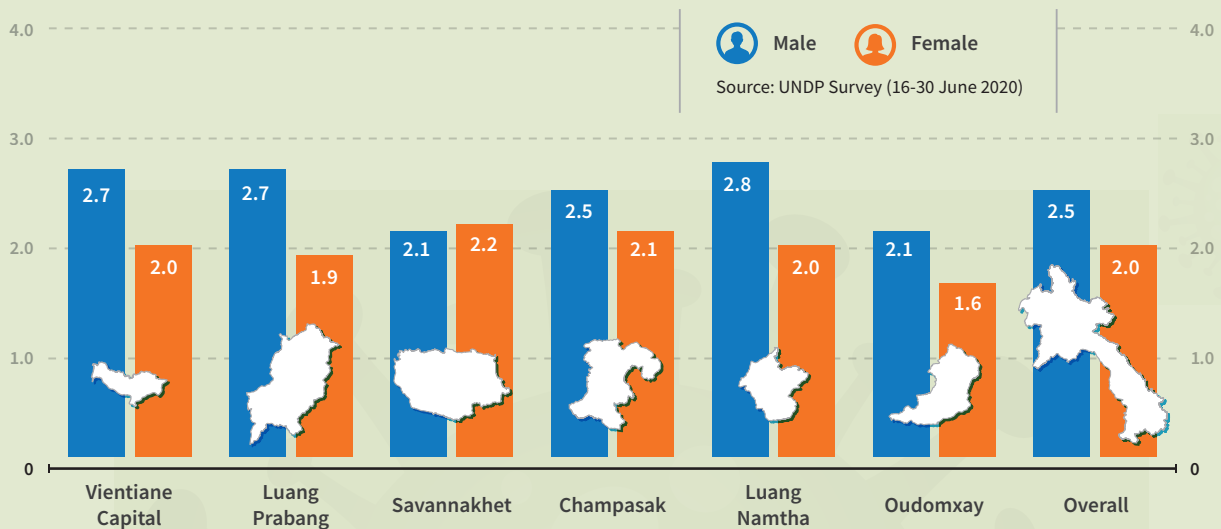
In terms of numbers of people laid off, there were 65,800 job losses in 'wholesale and retail trade, repair of motor vehicles and motorcycles', 46,000 losses in manufacturing, and 24,900 in construction. As a proportion of jobs lost in the sector, however, the picture is somewhat different. While many jobs were lost in 'wholesale et al', this accounts for 20% of the sector; in construction the figure is just 15%. For manufacturing the

Figure 4: Types of employment of main income earner in the family



³¹ The 130,532 returned migrant workers increased the labour force to 2.16 million, accounting for 43.4% of the country's estimated working age population in 2020, compared to 40.8% as reported in the 2017 Lao Labour Force Survey.

Figure 5: Average monthly income: Male versus Female (LAK million)



loss of 46,000 jobs means 32.6% of jobs were lost. In ‘accommodation and food service activities’, 17,000 or 42% of jobs were lost; in tourism (which is included under ‘other service activities’) the figure was 50%. Further details can be found in the Annex³².

The survey results show unemployment to be around 27%, which is slightly higher than in our estimate above (Table 2). Unemployment is higher in urban (30.9%) than in rural areas (24.3%). The impact on employment is much more significant on women (32.6%) than on men (19.7%), regardless of rurality, largely due to industries with high female employment being most affected.



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MIGRANT WORKERS.

³² It is assumed that the labour force was growing at the same rate the population, at 1.5% annually. Further, our estimate does not attempt to include the unknown number of migrant workers who returned from abroad through unofficial channels.

Figure 6: Gender Monthly Income Gap Based on Income Ranges (LAK million)

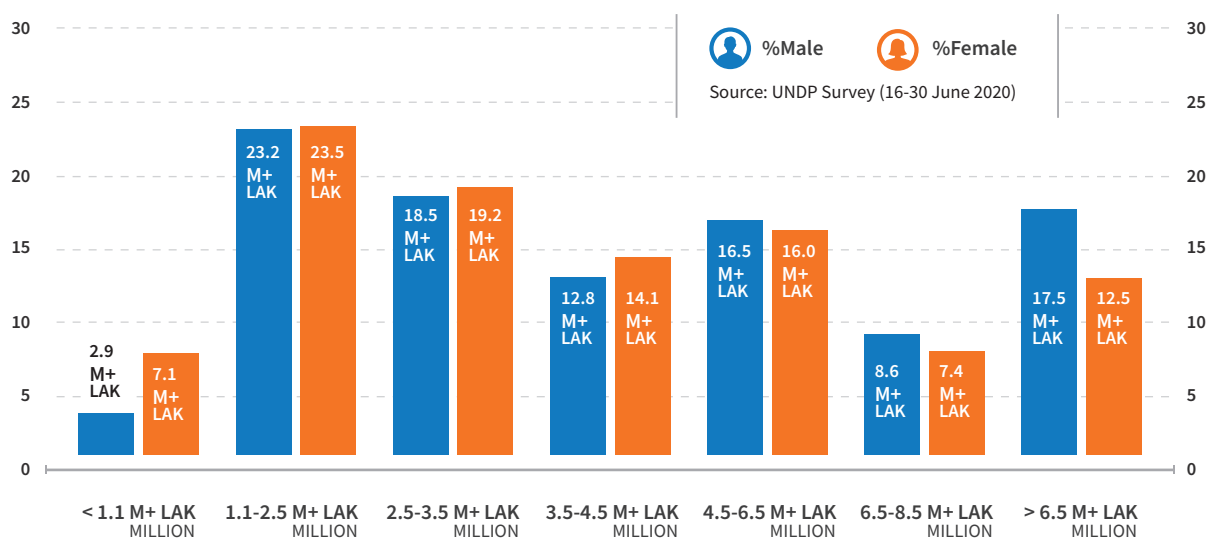


Table 3: Gender wage gap

Average Wage of Male versus Female (Kip, unless specified)			
Source	Female	Male	F/M
World Economic Forum 2016(\$)	365	495	0.74
LECS-5	1,125,177	1,453,781	0.77
Lao Labour Force Survey-National	1,600,000	2,000,000	0.80
Lao Labour Force Survey-Urban	1,700,000	2,000,000	0.85
Lao Labour Force Survey-Rural	1,500,000	1,860,000	0.81

Source: WEF 2016(\$) - World Economic Forum, 2016; all others, from LECS-5 2012/13 and Lao Labour Force Survey 2017, Lao Statistics Bureau.

However, during the lockdown in April 2020, unemployment was reported among the sample population to be 64.3%. This figure may include those who were paid the full or partial amount of their regular wages. Interviews with business associations suggest that a large proportion of workers went unpaid, and many were not called back to work when the lockdown measures were eased.

Among the 1,200 samples, only 11% of households' main income earner was employed formally with a registered company (12.1% women, 9.5% men). Day labourers make up 36.3% and self-employed in non-agriculture 21.8%, and those self-employed in agriculture a further 12.3%. Only 1 person or 0.1% of the entire sample was a migrant worker who was the main income earner of the family.

Gender wage gap

Based on the 2017 Lao Labour Force Survey, women on average earn 80% of what men do, a gap that narrows to 85% in urban areas (see Table 3, right).

Our survey findings are in line with this data. While the gender wage gap varies across our sample provinces, with women's earnings ranging from 69% of men's (Luang Prabang Province) to 103% of men's earnings (Savannakhet Province), the combined average has women earning 80% of what men do. The survey also finds that a similar percentage of women and men earn between LAK1.1 million and LAK8.5 million a month (Figure 6). However, the gender gap widens amongst the bottom and the top earners. In the cohort who earn below LAK1.1 million, a much higher percentage are women (7.1%) than men (2.9%). Meanwhile for those who earn above LAK8.5 million, only 12.5% are women compared to 17.5% for men.

Migrants and remittances

Migrants play a significant role in reducing poverty among the Lao population. About 9% of mostly poor, rural households receive remittances from family members or relatives working abroad, which accounts for 60% of their household income³³. In 2019, Lao PDR received \$254 million in remittances³⁴, which is equivalent to about 11 days of the country's imports.

Table 4: Returned Lao migrant workers through Lao-Thai Immigration checkpoints (as of 3 July 2020)

	March and April	May and June	July 1-3	Total
Number	113,404	14,869	2,259	130,532
Percent	86.9	11.4	1.7	100

Sources: Lao National Taskforce Committee for Covid-19 Prevention and Control, Ministry of Health (2020).

Table 5: Impact of COVID-19 on migrant workers and remittances

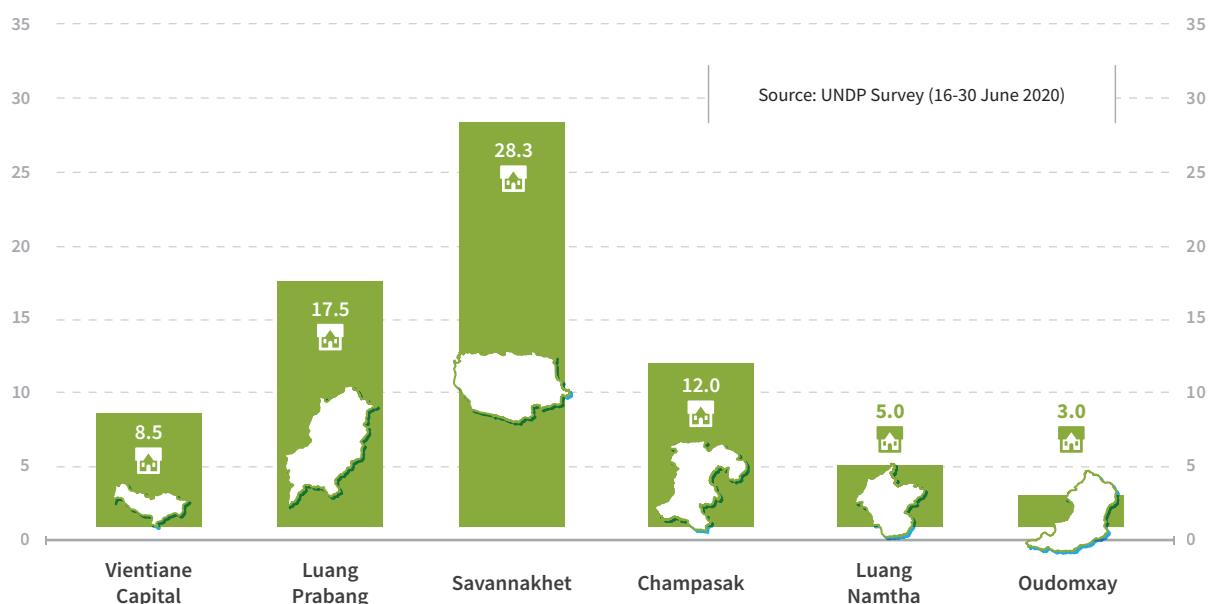
	Thailand Min. of Labor	Our estimate*	World Bank	Others
Lao registered migrant workers in Thailand (2019)	280,962			
Lao migrant workers returned		130,532	100,000+	180,000+
Loss in remittance (USD million)		136	125	

Notes: *Our estimate is based on data provided by Lao National Taskforce Committee for Covid-19 Prevention and Control, Ministry of Health. It accounts for only migrant workers who have returned through immigrations and those entered quarantine centers up to 3 July 2020.

³³ World Bank, June 2020

³⁴ ILO, Recruitment fees and related costs: What migrant workers from Cambodia, the Lao People's Democratic Republic, and Myanmar pay to work in Thailand, 2020

Figure 7: Households (%) with at least one family member migrated to work away from home



In 2019 there were at least 280,962 registered Lao migrants in Thailand³⁵. According to the 2019 Thailand Migration Report, a sample taken of 1,419 migrants from Cambodia, Lao PDR, Myanmar, and Vietnam suggests that only 48% had documents allowing them to work legally³⁶. This highlights the possibility that the total number of Lao migrant workers in neighbouring countries could be much higher than figures suggest.

The lockdown in Lao PDR's neighbouring countries at the start of the crisis led to significant increases in unemployment and a subsequent loss

of income amongst the Lao migrant population. By 3 July 2020, 130,000 Lao migrants had returned from abroad, with the potential for more to return³⁷. Considering the information in the above paragraph, and despite programmes such as the Thai Government's 'National Verification Programme' that encouraged migrants to register, it is possible that many more returned through unofficial channels.

This mass movement of migrants returning to the country has created significant pressure on front line immigration officials and has increased the risk of import of the virus. There was,

³⁵ ILO, TRIANGLE in ASEAN Quarterly Brief Note, 2020. Numbers vary, with UNDESA estimating the figure closer to 300,000 (World Bank, June 2020).

³⁶ Harkins, Benjamin, Ed., The Thailand Migration Report 2019, United Nations Thematic Working Group on Migration in Thailand, 2019

³⁷ According to the Lao National Taskforce Committee for COVID-19 Prevention and Control in the Ministry of Health, which managed immigration check points, quarantine centres, and COVID-19 tests for returned migrants.

and remains to a lesser extent, pressure on the quarantine facilities, which are reported to have limited capacity and accessible information on their operation³⁸, and poor WASH facilities. This includes a lack of separation between toilets for men and women, potentially exposing women to increased sexual harassment and abuse³⁹.

Not only does all of this place migrants themselves at great risk but it adds to the distress of poor households that rely on remittances for a large share of their income, and where households lack social protection options, savings, job opportunities, and affordable credit. Based on the figure of returnees so far – 130,532 – and those who are likely to have returned by the end of August, it is estimated that the loss in remittances in 2020 was around \$136 million.

Our survey found that 145 out of 1,200 households, or 12.1%, have at least one family member who has migrated for work. Savannakhet Province in the south has the highest rate (28.3%), while Oudomxay in the north has the lowest (3%). Among the six provinces sampled, all four located along the Mekong River (Vientiane Capital, Luang Prabang, Savannakhet, and Champasak) have relatively high rates of emigrants. These 145 households have a total of 241 family members who have migrated for work, either domestically or abroad. 124 of the households receive, on average, LAK11.06 million or \$1,224 in remittances each year.

Table 6: Household members receiving support in last 3 Months in 2017 (% , unless otherwise stated)

	Total	Female	Male
Number of household members	104,851	11,586	93,265
State authority for social security, social security organisation	3.3	2.5	3.4
Community-based health insurance, health equity fund, free mother and child health insurance	3.3	2.4	3.4
Free school fees	0.3	0.2	0.3
Any retirement pension	1.7	2.0	1.7
Any other external assistance program	0.7	0.6	0.7
School tuition or other related support for any household member age 5-24	4.7	3.2	4.9
Any social transfers or benefits	12.4	9.5	12.8
No social transfers or benefits	87.6	90.5	87.2

Source: LSIS II 2017

³⁸ ILO, COVID-19: Impact on migrant workers and country response in Thailand, 2020

³⁹ LWU, 2020 and Interview Note

Social protection and health insurance

Social protection coverage in Lao PDR is relatively low. Only 16.7% of the 4.76 million people of working age are covered by a scheme⁴⁰. The National Social Security Fund (now the Lao Social Security Organisation) constituted 72% of the coverage, followed by the National Health Insurance Fund at 21%. Of those receiving money, most are benefitting from health insurance coverage, maternity coverage, and survivors' pension benefits.

For example, Table 6 shows that during the last three months of 2017, only 3.3% of household members received supports from the state. There could be several reasons for the limited coverage of the health protection scheme, including the low level of public funding, a lack of health experts, sparse health facilities in the rural areas, low awareness of the entitlements available, and insufficient institutional and administrative capacity to deliver the assistance.

Table 7: Health insurance coverage

	Male		Female		Total	
	Count	%	Count	%	Count	%
Have Health Insurance Coverage	157	30.5	202	29.4	359	29.9
No Health Insurance Coverage	357	69.5	484	70.6	841	70.1
Total	326	100	446	100	772	100
	Count	%	Count	%	Count	%

Source: UNDP survey (16 -30 June 2020).

Table 8: Unemployed workers covered by social security

	Male		Female		Total	
	Count	%	Count	%	Count	%
Have Social Security Coverage	3	0.9	4	0.9	7	0.9
No Social Security Coverage	323	99.1	442	99.1	765	99.1
Total	326	100	446	100	772	100
	Count	%	Count	%	Count	%

Source: UNDP survey (16 -30 June 2020).



AN AMOUNT OF
10 BILLION KIP
 (slightly less than 1% of GDP)
HAS BEEN ALLOCATED
 FOR PREVENTION
 & CONTROL MEASURES.

⁴⁰ LSB, 2017 Lao Labour Force Survey, 2018

Among our survey of 1,200 households, 357 men (69.5%) and 484 women (70.6%) do not have health insurance. Overall, only 29.9% of respondents are covered, with no significant difference between genders (Table 7). Additionally, respondents were asked about their employment status. Nearly all respondents (99.1%) who were unemployed at the time of the survey did not have social security coverage (Table 8). It has also been reported that less than half of the 9,000 applicants for unemployment benefits have received their money.

Therefore, with COVID-19 creating a severe heightening of the need for social protection throughout society, a large number of people, especially workers in informal employment and households dependent on agriculture, are not protected. They have low incomes, poor income security and working conditions, and little to no social protection in case they lose their incomes or fall sick. The loss of remittances from family members working abroad, as documented above, makes the impact more acute. The Government is undertaking a set of measures to deal with the crisis. An amount of 10 billion kip (slightly less than 1% of GDP) has been allocated for prevention and control measures. Nevertheless, further action is needed to reach those who are most vulnerable, such as through emergency cash transfers as seen in many countries globally, as well as the extension of unemployment benefits and support for retraining.

Table 9: Social dimension of poverty in Lao PDR 2017

Selected indicators	National average	Areas		Wealth index quintile	
		Urban	Rural without road	Richest	Poorest
Children under age 5 who are stunted (%)	33	21.5	43.3	13.9	48
Under-five mortality rate per 1,000 children	46	24	62	23	63
Infant mortality rate per 1,000	40	20	56	19	56
Full immunisation coverage (%)	48.1	53.4	40.7	65.2	31.7
Antenatal care, at least 1 visit (%)	78.4	93.3	55.4	97.3	51.7
Skilled attendant at delivery (%)	64.4	89.7	34.1	96.8	32.6
Contraceptive prevalence rate, modern (%)	49	45.8	46.3	45.9	41.5
Hand washing facility with water and soap (%)	54.1	73.3	31	86.6	20.9
Use of improved sanitation facilities (not shared) (%)	71	91.2	50.8	98.5	23.2

Source: Lao Statistics Bureau (2018a). Lao PDR Social Indicator Survey 2017 (LSIS II). Ministry of Planning and Investment, Vientiane Capital, Lao PDR.

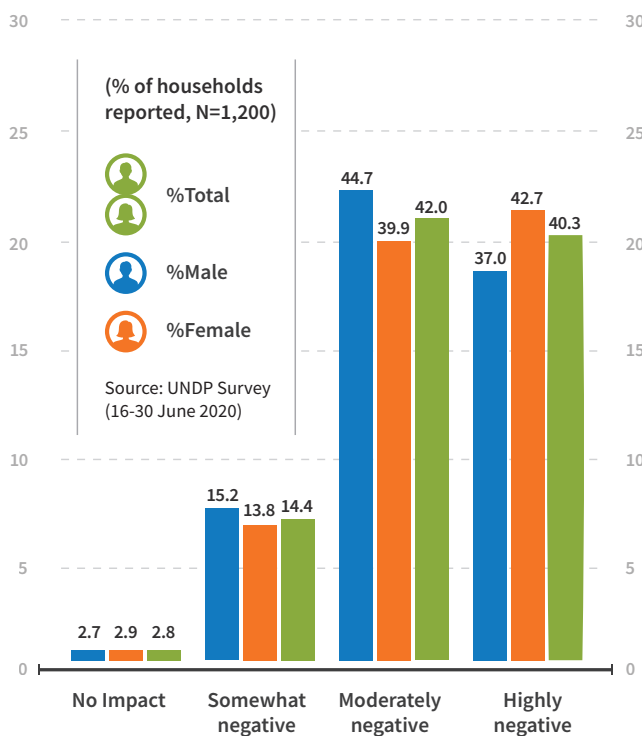
Poverty and inequality

Lao PDR has made significant progress on poverty reduction, with the national poverty rate dropping from 46% in 1993 to 18.3% in 2019. There is still a sizeable gap in the poverty rate between urban (7%) and rural (23.8%) areas⁴¹, and a further disparity between rural households connected by road (23.2%) and those without roads (55.2%)⁴². The under-five mortality rate was 24 deaths per 1,000 live births in urban areas compared to 62 per 1,000 in rural areas without roads⁴³.

Despite the declining poverty rate, 6.2% of households, or approximately 430,000 people, were found to have a ‘poor’ or ‘borderline’ Food Consumption Score⁴⁴. Children from the poorest households have stunting rates three times higher than those among children from the richest⁴⁵.

The mass unemployment caused by the COVID-19 pandemic and the measures taken to prevent its spread will be the main drivers of poverty in Lao PDR. Before the crisis, the numbers of people living in poverty was predicted to drop by 50,000 in 2020⁴⁶. Based on our figures above of 321,700 people becoming unemployed due to COVID-19, it is estimated that 361,000 people could fall back into poverty, adding

Figure 8: Households’ perception of COVID-19 impact on family



⁴¹ LSB, Poverty in Lao PDR: Key Findings from the 2018-2019 Lao Expenditure and Consumption Survey, July 2020

⁴² Ibid. Figures on rural with and without road from 2013.

⁴³ LSB, LSIS II, 2018

⁴⁴ According to 2018 LECS-6 survey, as cited in WFP and FAO, May 2020

⁴⁵ LSB, LSIS II, 2018

⁴⁶ World Bank, June 2020

Figure 9: Respondents' perception of how COVID-19 affected them most

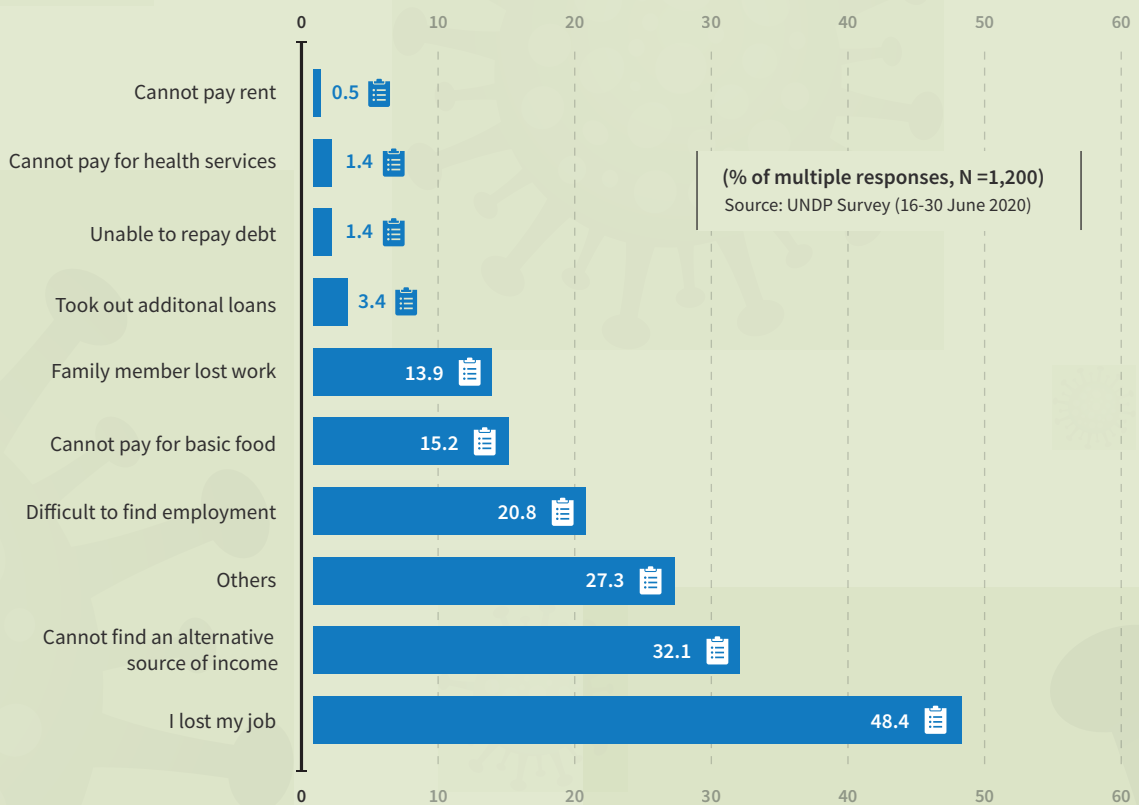
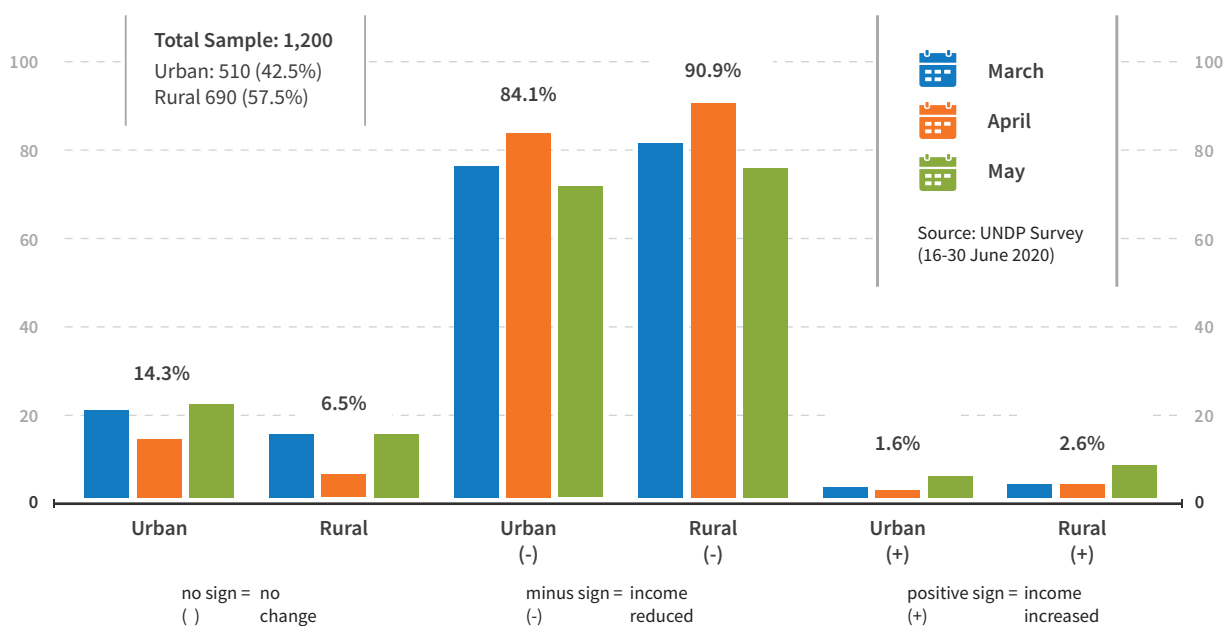


Figure 10: Households reported income change from March to May: Urban versus Rural



approximately 5.2% to the national poverty rate⁴⁷. The longer the pandemic continues, and the restrictive measures taken to limit its spread, the higher the number of people will be increasingly deeply affected, pushing thousands more into poverty, exacerbating existing inequalities.

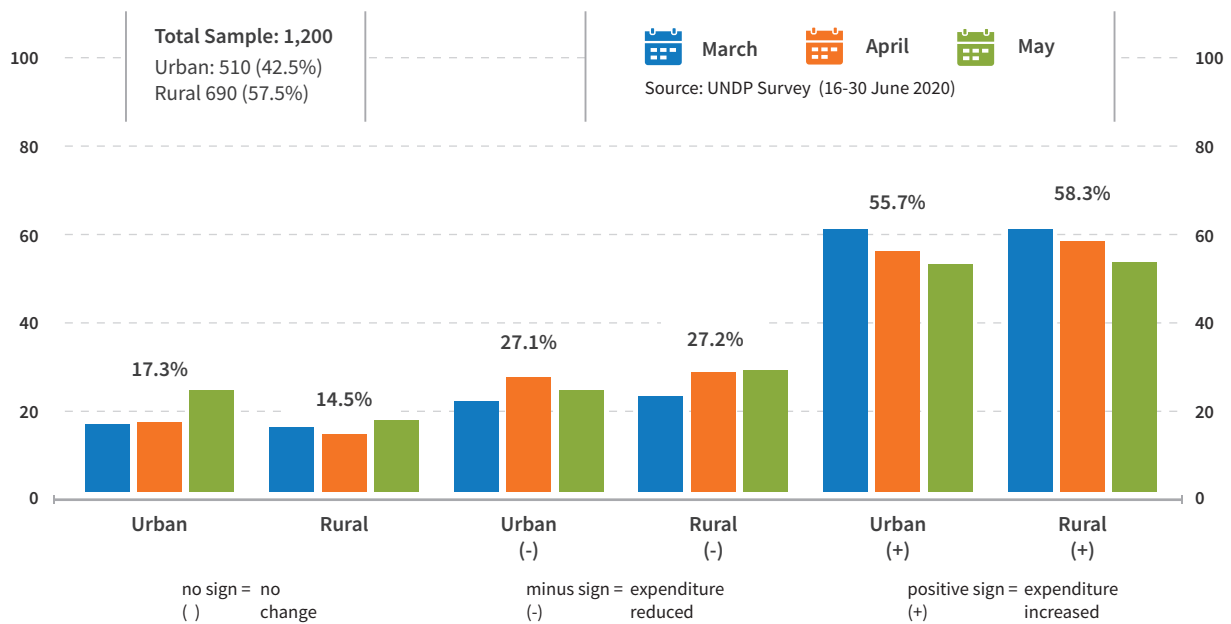
COVID-19 has also slowed the implementation of the Poverty Reduction Fund, which benefits 1 million people (20,000 families, in 1,500 villages, in 35 districts, in 10 target provinces). Under the Ministry of Agriculture and Forestry, the fund supports a range of activities, including small

infrastructure projects, food security and nutrition programmes, agricultural production promotion, and employment promotion.

Time poverty is an important factor contributing to material poverty, and to inequality between men and women in rural communities. The effects of the domestic burden on women's economic opportunities can be damaging but are often neglected in policies aimed at increasing female participation in productive paid employment. The time burden of rural women's unpaid domestic work and the lack of consistent burden sharing by the men of

⁴⁷ The results of our estimate are more severe than that of the World Bank's 'downside scenario', which predicts around 214,000 people falling back into poverty, raising the national poverty rate by 3.1%. This difference is mainly due to the time-period when the data was gathered; the World Bank's report used data from April-May 2020 while ours was gathered in late June-early July 2020. In that time, more people have been laid off and more migrants have returned, while economic activity has remained sluggish.

Figure 11: Households reported change in expenditure from March to May: Urban versus Rural



the household serve to limit women's choices in accessing paid employment. Moreover, this imbalance can contribute to unequal education outcomes which, in turn, hinder women from competing with men for more skilled, better-paid jobs. In 2012, women spent 1.8 hours a day on domestic work while men spent only 0.3 hours, which in turn meant women spent less time on eating, drinking, sleeping, and self-care than men⁴⁸.

Income and expenditure

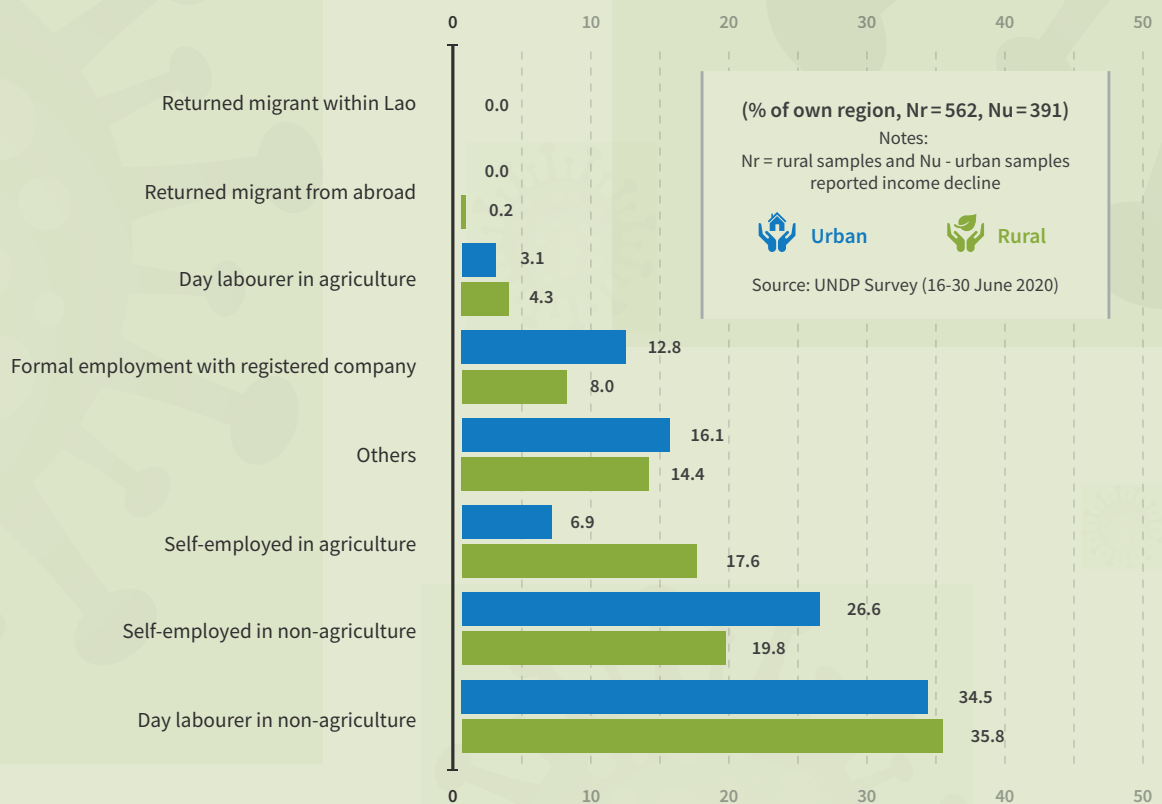
In line with the effects COVID-19 has had on labour and employment, household incomes and expenditure have similarly suffered. 48.4% of respondents said that the pandemic has resulted in

a job loss in the family, with 32.1% reporting that finding an alternative source of income is improbable. Our survey found that household income started to drop before lockdown measures were implemented in the country, with 76.7% of households affected in urban areas and 81.4% rurally (Figure 10). This is likely due to similar measures needing to be implemented sooner in neighbouring countries. During the lockdown, in April 2020, the figures had risen to 84.1% of households in urban areas and 91% in rural areas reporting income decline.

While household income has dropped, expenditure has risen (Figure 11). This is due to a

⁴⁸ LSB, LECS-5, 2012

Figure 12: Types of employment among 953 households reported income decline: Urban versus Rural



combination of price increases of foodstuffs and others and additional spending and stockpiling of COVID-related supplies, such as facemasks, cleaning alcohol, hand gels, and vitamin supplements. The Lao Statistics Bureau reports that the Consumer Price Index for food increased at an annualised rate of 8.3% between January and May, with rises of 10.5% in April alone. The CPI for healthcare, including medical items and services, increased 4.2% between January and May. Other consumer products that experienced price increases include household furnishing and maintenance (4.8%), communications (3.7%), and miscellaneous goods and services (6.8%).

Interestingly, our survey found that more households in rural areas (87%) reported a decline in income than those in urban areas, while households in urban areas reported higher levels of unemployment. Added to that is the assumption that remote rural communities rely more on outputs of subsistence farming than on paid employment

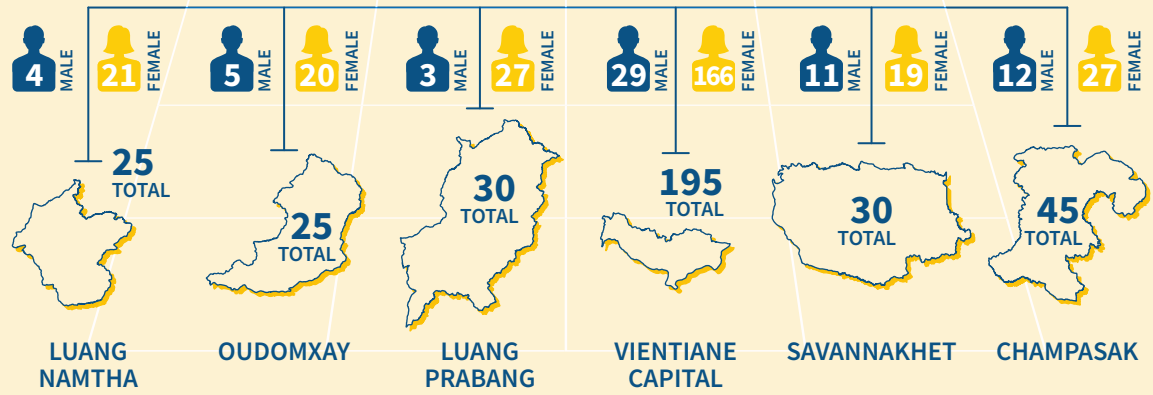
and thus could be expected to be affected to a lesser extent than their urban neighbours.

Disaggregating the data for those reporting a decline in income by area and type of employment found that rural households have a much higher proportion of people ‘self-employed in agriculture’ (17.6% versus 6.9%); they have not lost their jobs but they have seen their incomes decline nevertheless. Smallholders have also reported a decline in agricultural sales, especially for cash crops, vegetables, and gourds⁴⁹. Furthermore, rural areas also have more ‘day labourers’ in agriculture and non-agriculture, which have been affected heavily and more immediately than other types of employment more common to urban areas (see Figure 13). Overall, the negative impact on rural household incomes from lost day labour and reduced agricultural sales was more severe for more households than the negative impact of unemployment on the incomes of urban households.

⁴⁹ WFP and FAO, May 2020

MICRO AND SMALL ENTERPRISES

SAMPLE DISTRIBUTION BY GENDER AND PROVINCE



MORE THAN 80% OF ENTERPRISES IN LAO PDR

– formal or informal –

ARE MICRO AND SMALL ENTERPRISES (MSEs).

CHAPTER TWO

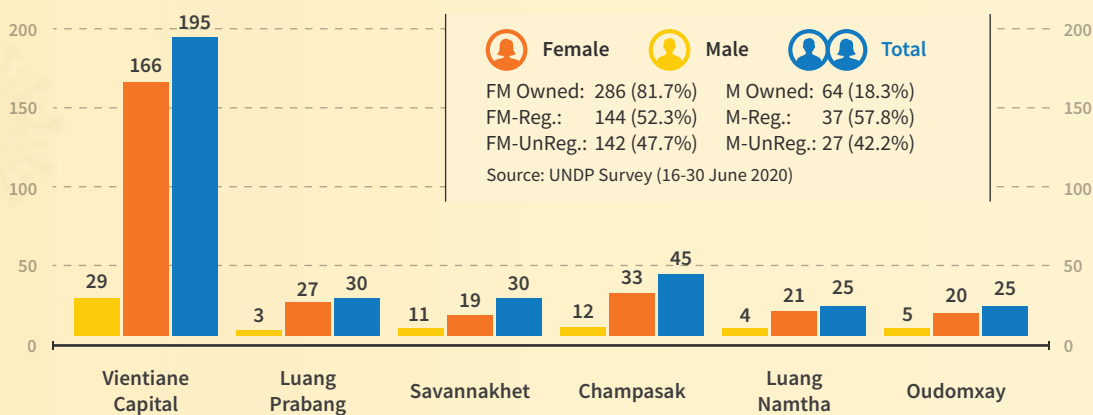
The Impact on Businesses and Sectors

This chapter examines selected businesses and sectors that have been most heavily affected by the COVID-19 pandemic so far, including agriculture, travel and tourism, and labour-intensive manufacturing. For each, a background is followed by a rapid assessment focusing on the current situation and impacts, with a focus on production, sales, employment, profitability, challenges, and survivability. Gender issues are also examined where relevant in each selected industry/enterprise.

Micro and small enterprises, and the informal economy

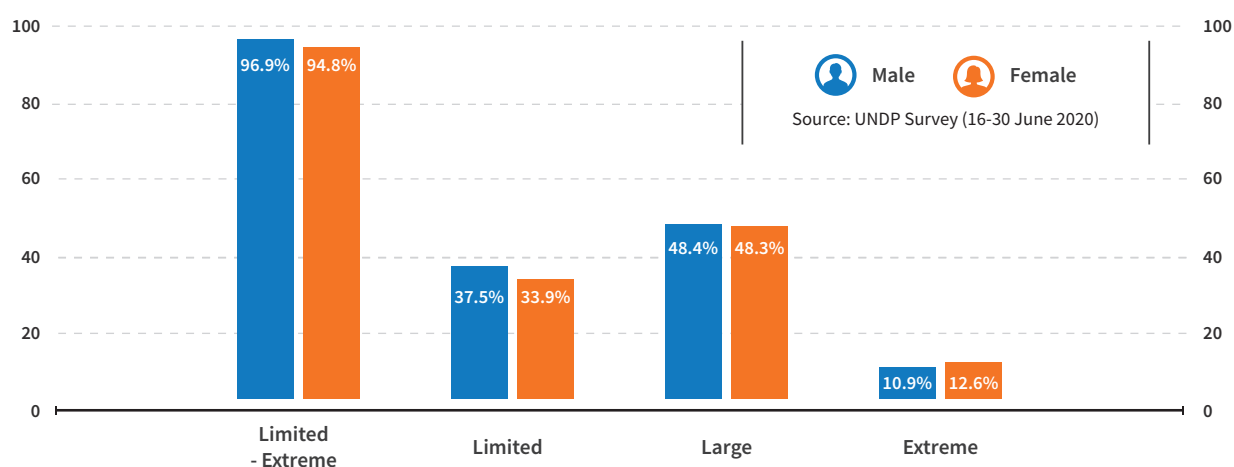
More than 80% of enterprises in Lao PDR – formal or informal – are micro and small enterprises (MSEs). The Ministry of Industry and Commerce’s National Enterprise Database reports that 66% of a total of 488,541 enterprises in the country do not have a business registration and, thus, are classified as informal⁵⁰. Most of these are labour-intensive and serve as an important, or the sole, source of income for given household. This assessment focuses on these enterprises as understanding the depth and intensity of the impact of COVID-19 here will help inform as to the wider picture, and unlike in other assessments, it includes those operating informally.

Figure 13: MSE Sample distribution by gender and province



⁵⁰ Ministry of Industry and Commerce, National Enterprise Database (www.ned.gov.la)

Figure 14: Perception on impact of COVID-19: Percent of own gender sample population



Characteristics of the sampled enterprises

48.6% (170) of the 350 sampled MSEs are in wholesale and retail businesses, with 17% in tourism and hospitality, and 8.6% in repair and maintenance, with the rest spread across eight business types (Figure A1 in the Annex). 56% of the samples are located in Vientiane Capital and had combined annual sales in 2019 of \$7.56 million. Most of the enterprises are classified as ‘micro’ (91.4%) and are owned by women (81.7%), a figure that is consistent with economic census gender distribution data⁵¹. Our survey also found that firms owned by women are much smaller in terms of number of employees compared to firms owned by men (Figure 13). Nearly half (48.3%) operate in the informal sector,

and proportionally more informal or unregistered enterprises are owned by women (49.7%) than men (42.2%). Most enterprises are home-based (54%), 33% use rented business space, and only 5.7% own the property where they operate.

Impact on MSEs

A vast majority of 350 MSEs surveyed (95%) reported they perceived their businesses to be adversely affected (see Figures 14 and 15).

The lockdown measures caused sales to drop for 81% of the 350 sampled enterprises (Figure 16). The second most prevalent impact was lack of customers (66%) followed by a lack of raw materials (41%) and transport (32%).

⁵¹ LSB, A Report of the 2013 Lao National Economic Census, October 2015

Figure 15: Lockdown impact on business operations (%)

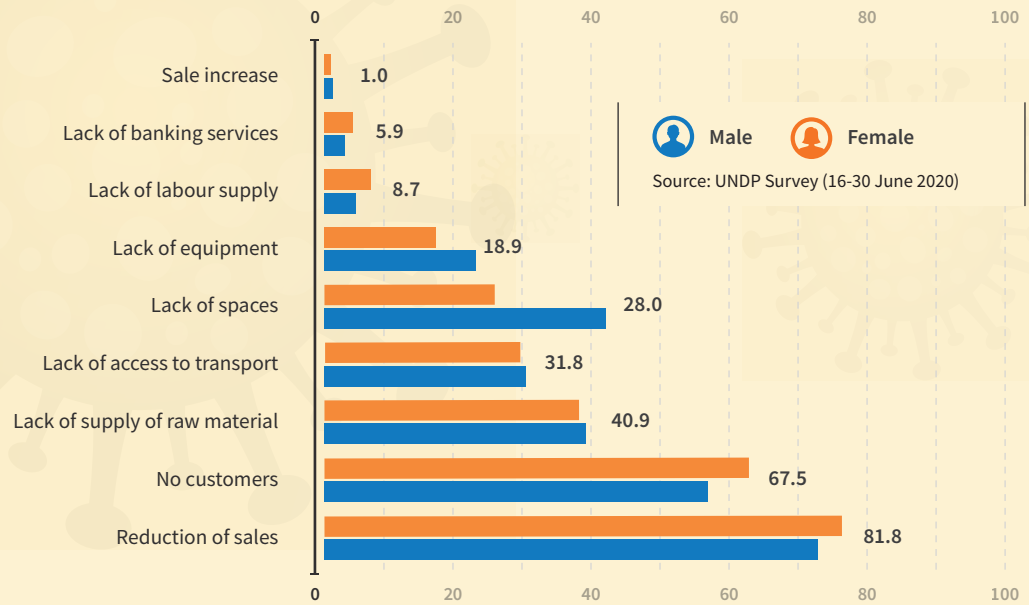


Figure 16: Enterprises' coping mechanism to deal with COVID-19 impact (%)

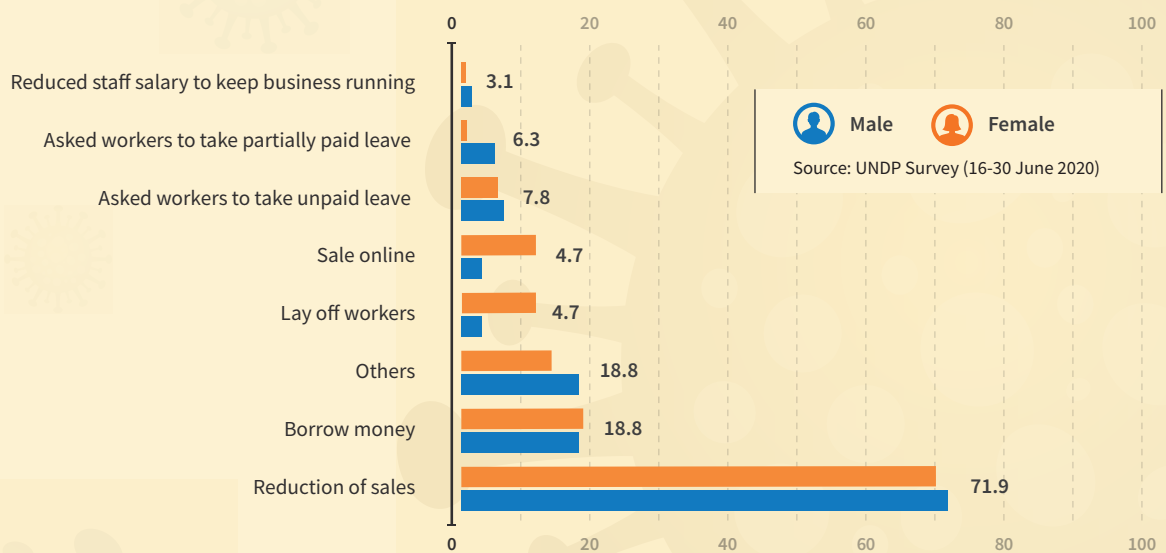


Figure 17: Enterprises' source of financing during the lockdown (%)

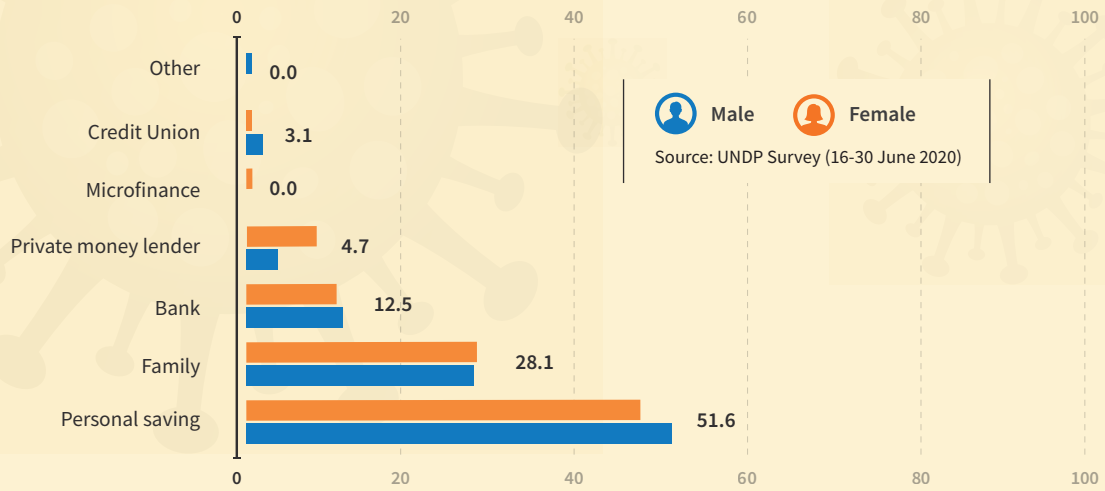
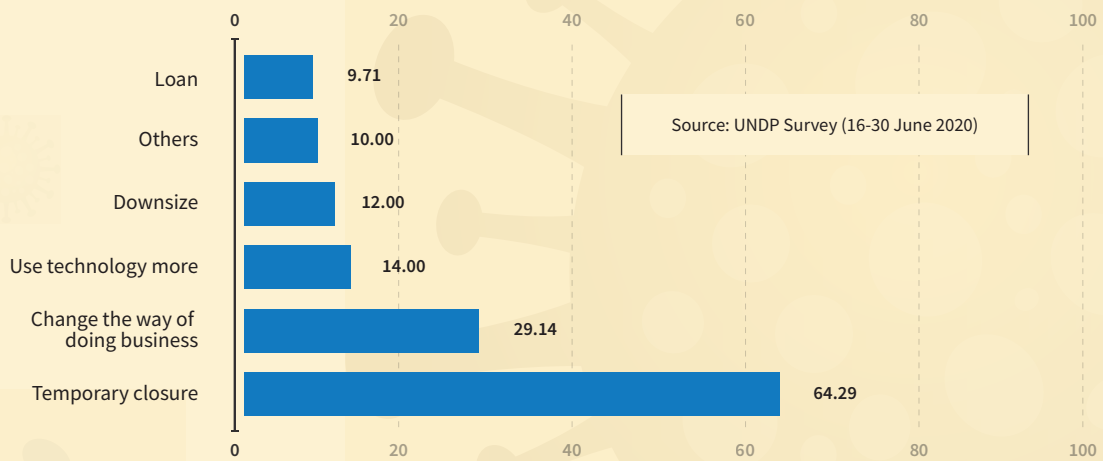


Figure 18: Enterprise survival plan for a second lockdown (%)



In April, when the lockdown measures were fully in place, over 80% of enterprises reported a drop in sales (Figure 15). A small percentage of businesses reported a positive impact, potentially due to new online sales. When comparing sales during January-May 2020 with the same period in 2019, 68.3% reported a drop in sales over 40%, with 27% reporting a drop of over 60% (see Figure A3, p57).

During the lockdown, most businesses, except for essential production and services, had to cease operations. Of the 350 sample enterprises, 71% temporarily closed. After the lockdown, many businesses remained closed and some remained closed as of September 2020. Businesses took various measures to mitigate the impacts of the COVID-19 lockdown, which are detailed in Figure 16. Women-owned enterprises were more likely to lay off workers but less likely to cut staff salaries or ask staff to take partial paid leave.

For micro and small enterprises, during the lockdown, the financing of the business was often done through personal savings (48.3%) followed by the family (28.3%). Based on the findings, women opted for the riskier option – due to the tendency towards high-interest loans – of private lenders, which could be down to the largely retail nature of their businesses, that give a quick return thus minimising interest costs (see Figure 17). Alternatively, women's preference for private borrowing, and also microfinance, could

be a reflection more limited financing options.

Respondents were also asked about their contingency plan for a possible future lockdown should a second outbreak occur. 64.3% will again temporarily cease operations, while 29% state they will change their way of doing business. Others will use more technology (14%) or downsize (12%) (see Figure 18).

If circumstances prompt a second lockdown in the country, 58% of women and 48% of men enterprise owners suggest their business would not survive. If the economic situation does not improve in the next 2-3 months, regardless of whether a second lockdown is imposed, 54% of respondents said their business would not survive. If things do not improve in the next 4-6 months, the number increases to 71%.

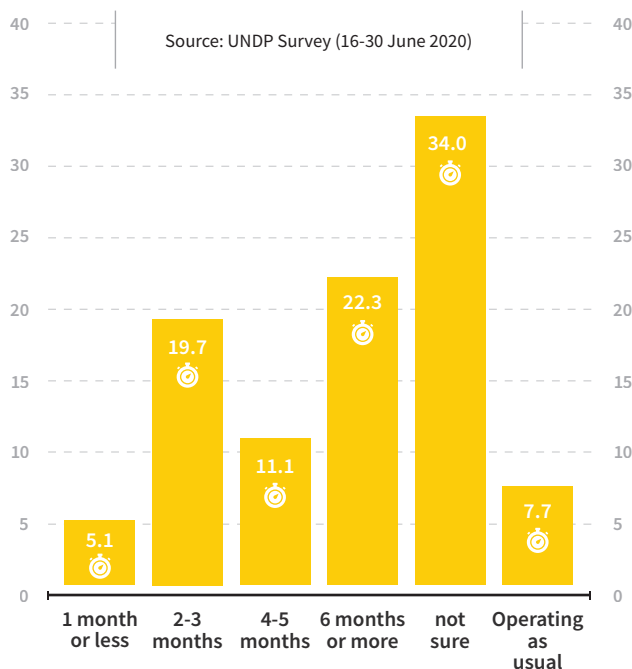
Our survey findings show that paying salaries is not a major issue for business survival because 91% of the sample are either self-operated MSEs or ones with few employees⁵². The ability to pay utility bills is, however, of serious concern to many MSEs. Amongst bigger enterprises, inability to pay staff salaries (60%) and debt repayment (59%) are the biggest concerns of business owners⁵³.

Furthermore, 34% of enterprise owners are unsure how long it will take for their businesses to recover. Of those who did know, 22.3% suggested it could take six months or longer, while 19.7% think it will take 2-3 months (Figure 19).

⁵² The official Lao definition of a micro enterprise is an enterprise with 1-5 employees

⁵³ LNCCI, Report on an outcome of a survey of COVID-19 impact on enterprises, 2020

Figure 19: How long an enterprise will take to resume business as usual (%)



Enterprise owners were also asked about government support measures and whether they would benefit their businesses⁵⁴. For all the measures, such as tax deferrals or exemptions, more respondents considered that they would not be helpful. 77.7% suggested that their businesses did not benefit from delays in loan repayments. For those who would benefit, 48.3% preferred tax exemptions for MSMEs, while 41% preferred an exemption on customs duties (Figure 20). These measures may have been beneficial to some people in the formal sector.

When asked what type of support was most needed to help businesses survive until the economy bounces back, 85.4% of enterprise owners stated that subsidies on utility bills would be most helpful. 38.6% preferred low interest loans, as fewer micro and small entrepreneurs prefer to carry debt. 33% expressed a need for delays in loan repayment. The diversity in needs by entrepreneurs highlights the challenge for the Government and its partners in tailoring sufficient responses to help businesses survive and recover (Figure 21).

Microfinance Institutions

A rapid online survey of microfinance institutions (MFIs) was also conducted to gauge changes to deposits, loans, and requests for assistance⁵⁵. Although some institutions experienced an increase in deposits, combined deposits at the end of June 2020 compared to December 2019 dropped by LAK21,172 million or \$2.3 million. Over the same period, lending increased by LAK32,632 million or \$3.61 million. All 12 MFIs that participated confirmed an increase in the number of requests for a delay in loan repayments. In response, MFIs allowed a postponement of 1-6 months, with three months typically granted. Two only allowed a postponement of one month.

⁵⁴ Suggested measures included: a tax exemption for MSMEs, exemption on custom duties, tax filing deferment, loan repayment delay, and deferral of compulsory social security contribution.

⁵⁵ The survey was conducted with members of the Lao Microfinance Institution Association (LMFA). Time constraints meant the collection of data from 12; eight deposit taking, and four non-deposit taking MFIs. Together, their operations cover six provinces, including operations in Vientiane Capital, Vientiane Province, Luangnamtha, Oudomxay, Xayabouly, and Savannakhet (with Vientiane Capital covering more than 70%). They serve 163,332 depositors, with LAK406,558 million or \$45 million, and a combined LAK222,106 million or USD25.6 million of loans to 24,604 borrowers.

Figure 20: Perception on Government support measures to cope with the COVID-19 Crisis

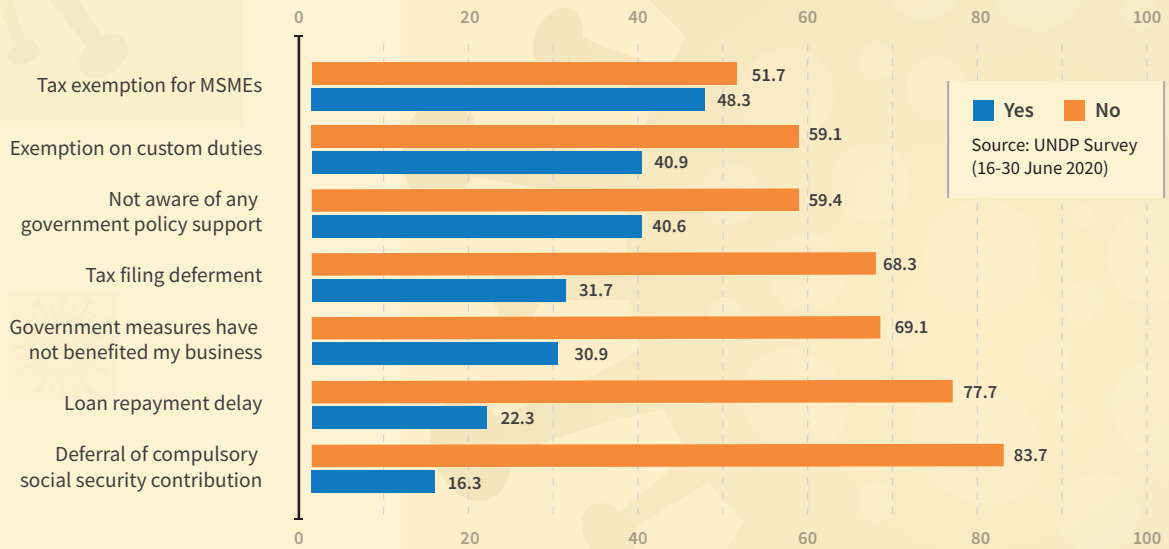
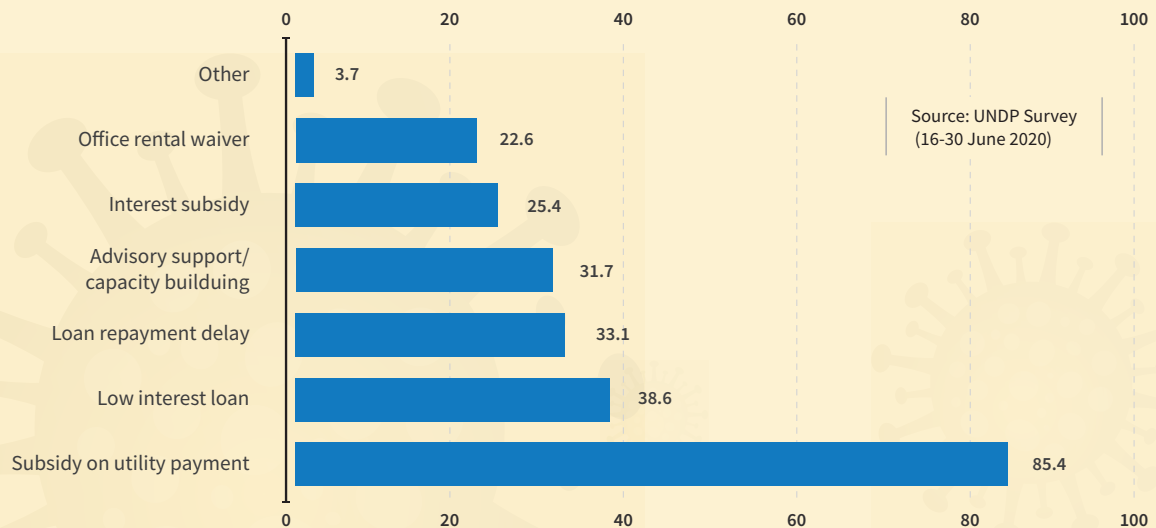


Figure 21: Types of support needed to keep business running until the economy goes back to pre-COVID pandemic situation



Agriculture

With roughly 70% of the population reliant on agriculture for their livelihoods, the sector is still central to Lao PDR. However, productivity is low as output accounted for just 16% of GDP in 2018. Agricultural productivity (value added per worker) for 2019 based on the 2010 constant price was \$827, which is 1.5 times lower than that of Cambodia, twice as low as that of Myanmar, and nearly four times lower than that of Thailand⁵⁶. Other issues of value addition include limited diversification of products (dominance of rice cultivation in lowland areas), post-harvest processing (produce is often exported for processing and imported back again), a lack of innovation and technology, under-employment (complicated by Lao PDR's highly informal workforce, estimated at 82.7%⁵⁷), and a reliance on imported agricultural inputs. In the case of the latter, some inputs have been found to cause extensive and adverse environmental impacts.

Impact on agricultural production and supply chains

The agricultural sector has been multi-dimensionally impacted by the COVID-19 containment measures, which have compounded the effects of floods and pest outbreaks in recent years.

In our survey of 1,200 households, 148 (12.3%) are self-employed in agriculture. These are smallholders with agriculture as their main livelihood and source of income. 85% reported a decrease in income in March-May 2020 compared to the same period last year (see Figure 22). This reflects others' findings that sales of agricultural goods in local markets were reduced and mobile buying activities by traders disappeared⁵⁸. These activities could remain lower than pre-COVID due to depressed household incomes and expenditure. Furthermore, cutting food purchases and consumption has been found to be one of the coping mechanisms households adopted to survive the crisis. Our survey of 350 MSEs contained only two agricultural enterprises, both of which reported significant drops in sales.

According to the Ministry of Agriculture and Forestry (MAF), the nationwide lockdown did not significantly reduce agricultural production, except for some cash crops in the north that are mainly exported to China and short-term culinary vegetables that supply hotels and restaurants⁵⁹.

However, sales of agricultural products, as well as the activities of middlemen in buying agricultural products in villages were observed to have decreased during the lockdown⁶⁰. In addition, agricultural exports were disrupted during the lockdown, particularly in the northern provinces. Vegetable and fruit growers

⁵⁶ World Bank: Agriculture Value Added Per Worker (Constant 2010 US\$).

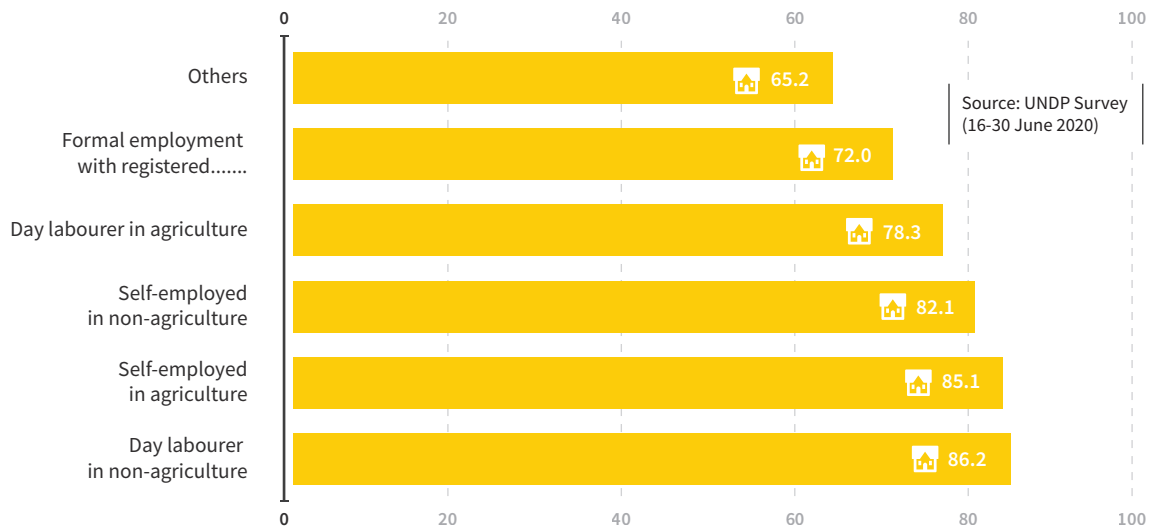
⁵⁷ LSB, 2017 Lao Labour Force Survey, 2018

⁵⁸ WFP and FAO, May 2020

⁵⁹ Sales of culinary vegetables and some fruits in Luang Prabang and Savannakhet, the two provinces sampled by MAF, have contracted 10-30%.

⁶⁰ WFP and FAO, May 2020

Figure 22: Percent of households reported income decline based on type of employment: March - May 2020 compared to same months in 2019



in, and around, Vang Vieng, a tourist hotspot in Vientiane Province, had similar experiences. Since the lockdown, growers of short-term cash crops have experienced low sales and thus lower production, in line with the struggles of the hotel and restaurant industries.

Supply chains were impacted, though unevenly across provinces. Disruption to the flow of essential material inputs, such as seeds, fertilisers, and equipment was worst in Luangnamtha province due to its remoteness and proximity to international borders, as well as to a lesser extent in Bokeo, Vientiane Capital, Bolikhamsay, and Savannakhet⁶¹. There were also reports of misinterpretation of the lockdown order by local officials, resulting in the holding of delivery trucks for days in Vientiane and some localities⁶².

Similarly, there were disruptions to labour because of misinterpretations of the lockdown order by local officials and by farm workers themselves, who were allowed to travel in groups smaller than ten for the purpose of agricultural activities under the order, which deemed this as essential production.

The impact on farming activities varied between farms, depending on the model of operation. For instance, farms operating under the contract model experienced few problems because workers are villagers working their own land. However, some larger farms that hire workers from elsewhere struggled with capacity as these workers perceived the lockdown order to restrict them from moving between districts and provinces⁶³.

⁶¹ Ibid.

⁶² MAF and MOIC interviews

⁶³ Interview with MAF

Meanwhile, the Lao Coffee Association (LCA) reported increased harvest and sales, as well as improved prices above the 2020 world price. Between January and May 2020, the LCA's exports totalled \$37.07 million, mainly to Vietnam (65%), Thailand, Japan, among others, evidently benefitting from efforts to reduce corruption in the tax collection process⁶⁴.

Tourism

Prior to the COVID-19 pandemic, the tourism sector was experiencing a positive upturn, fuelling rapid economic growth, and providing at scale domestic semi-skilled jobs. Tourism had become a key driver of the Lao economy, accounting for 13.7% of total GDP in 2017 alone⁶⁵. In 2019, Lao PDR received over 4.79 million visitors, a 14.4% increase on the previous year⁶⁶, generating over \$900 million in estimated direct revenue. The World Travel and Tourism Council estimated that tourism directly employed 54,000 workers, 63% of them women⁶⁷. Initiatives like the Visit Laos-China Year campaign helped boost Chinese visitors to over one

million in 2019, a figure set to rise with the imminent completion of the railway connection.

Impact on visitor numbers

While businesses across all sectors have been affected, the measures taken to restrict travel by the government and its international counterparts have affected the tourist businesses in particular. The effects were first felt before any reported cases in Lao PDR, as neighbouring countries began to close borders and airports. As the virus situation worsened, international tourists cancelled many of their outstanding reservations, before the nationwide lockdown barred travel across the country's international borders. In total, there were 886,447 international tourists that entered in January-March 2020, a drop of 16.6% from the same period in 2019⁶⁸. Lao PDR is still not issuing tourist visas and its international borders remain closed in December 2020.

Impact on transportation

According to passenger data from the buses⁶⁹, passenger numbers began to drop in February 2020, with significant

⁶⁴ The LCA also reported that there were still many checkpoints on the roads extracting bribes from vehicles. Though outside of the scope of this assessment, the rate of corruption and related practices during and since the lockdown is an area to still be examined.

⁶⁵ IMF Article IV 2008.

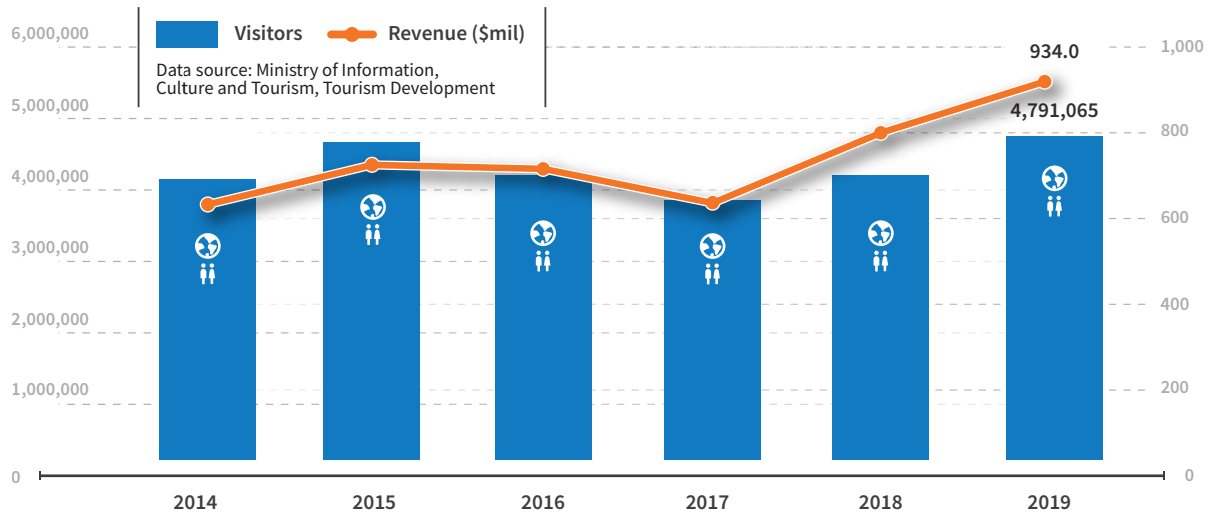
⁶⁶ ADB Briefs, 'The Impact of COVID-19 on tourism enterprises in Lao PDR: an initial assessment', June 2020.

⁶⁷ WTTC in ADB Briefs No. 141, The Impact of COVID-19 on Tourism Enterprises in the Lao People's Democratic Republic: An Initial Assessment, June 2020.

⁶⁸ There were 1,062,377 international visitors over 1st January – 31st March 2019, according to the Department of Tourism, MoICT.

⁶⁹ Data was provided by the Southern Bus Station (serving some provinces and major southern tourist destinations) and the Lao Bus Association (serving Vientiane Capital).

Figure 23: Total Number of international visitors to Lao PDR and revenue: 2014 - 19



and lasting decreases during and after the lockdown period. In May, there were just 1,431 daily passengers at the Southern Bus Station, compared to 10,710 passengers in January.

Both bus operators reported that, while no-one had been laid off, workers were only receiving 50-70% of their regular salaries. They suggested that it would take between six months and two years to recover, and that financial support is needed in the form of low interest loans to avoid bankruptcy.

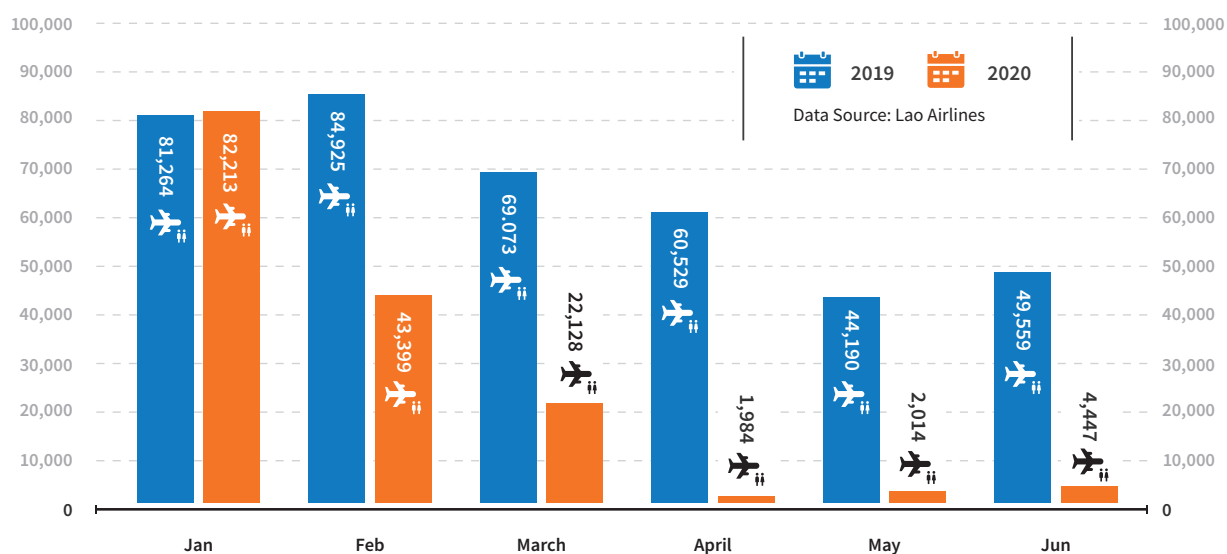
Lao Airlines also experienced a similar decline in passenger numbers in February 2020, and intensifying in the following months. Despite remaining in service for officials, returning Lao citizens, and international passengers deemed essential, monthly passenger numbers dropped by 66.5% in January-June 2020, translating to a 66.3% loss in revenue on the same period the

previous year. Passenger numbers plunged by 96.7% during the lockdown in April 2020. By June 2020, passenger numbers remained at only 9% of levels recorded at the same time last year (see Figure 24).

During the lockdown, the airline also avoided laying off any workers, but paid its employees 30% of their regular salaries, and encouraged staff to take leave without pay.

Taxi services were also severely affected, though reliable passenger data is harder to obtain. According to the Lao Taxi Association, 25 cars were seized because drivers did not have business, and therefore had no income to pay off the loan they took out to buy their vehicles. The Association estimated that around 70% of drivers – who typically earn about LAK300,000 daily – will continue to work if the economy does not recover by the end of 2020. If the pandemic and its

Figure 24: Lao Airline’s monthly passengers: Comparing same months in 2019 and 2020



effects continue into mid-2021, 50% of drivers are expected to go bankrupt. The Association suggested that an income tax exemption would help support the drivers at this time, along with more stringent rules on unregistered taxis and English class in preparation for the return of tourism.

Impact on travel agencies, tour operators, and hospitality

Travel agencies and tour operators have been affected heavily by the crisis, especially inbound agencies. Outbound agencies have been able to partially make up for their losses by organising domestic tours. Nevertheless, employees have still been taking leave without pay⁷⁰.

Tour activities in most places have been severely impacted, especially those catering to foreign tourists and for activities that require an entire day or longer. Some tours – especially those lasting less than four hours and those near main roads – have been able to target domestic tourists, either by adjusting their offer and dropping prices for the domestic market or maintaining their attractions and aiming for wealthier Lao visitors. Many tour operators also own hotels and restaurants, and have also discounted these prices by up to 70% to attract domestic visitors. However, the domestic market is concentrated on the weekends, meaning that fewer staff are needed; 30-60% of staff are on leave without pay.

⁷⁰ According to a July 2020 interview with the Board of Directors, Lao Association of Travel Agents (LATA). LATA has 70 members in all 18 provinces.

The impact of the lockdown and enduring effects on the tourism industry are also hitting hotels and restaurants hard. During the lockdown, income dropped to almost zero and more than 80% of workers were laid off for that time⁷¹. Since the lockdown ended and businesses began to slowly reopen, 40% have been put on leave without pay indefinitely⁷². For large hotels and restaurants, losses of up to 80% are possible considering the drop in guest numbers and lack of cultural events or wedding parties. While some banks have shown flexibility on loan repayments, some indebted hoteliers have expressed an interest in selling their hotels as debts grow. Adjusting to domestic consumers for hotels and restaurants is key, such as offering online orders for home delivery or discounting room rates by up to 70%. Nevertheless, substantial losses will be inevitable for most, and about 20% are at risk of bankruptcy by the end of 2020 without support or an improvement in the situation.

As a province, Luang Prabang has been affected most heavily. During the lockdown, businesses related to tourism lost around 80% of their income compared to the same period in 2019, a situation exacerbated by about 40% of hotel guests being asked to leave hotels at the start of the lockdown without payment⁷³. The Luang Prabang Tourism

Association estimates 80-90% of its members could go bankrupt without support or an improvement in the situation. They suggest a relief and recovery fund to assist SMEs would be beneficial in the short term, with investment in infrastructure, an emergency health centre, and a tourist safety system in the long term.

Manufacturing

In 2019, manufacturing accounted for 9% of GDP and employed 167,100 people⁷⁴. Some of Lao PDR's main manufactured produce includes basic metals, food and beverages, chemicals, and wood. A construction boom has fuelled the importance of construction materials in recent years. Food and beverage manufacturers employ 34,500 people (20.6% of the manufacturing workforce) and garment makers employ 22,860 people (13.7%)⁷⁵. Women make up 59% of total employment in manufacturing.

Since the outbreak of the pandemic, manufacturers have variously faced supply chain disruptions, which have caused difficulty in obtaining raw materials and in delivering exports, as well as a contraction in demand. Evidence indicates that most Lao manufacturers

⁷¹ Interview with Lao Hotel and Restaurant Association (LHRA), June 2020

⁷² Interview with LATA, July 2020

⁷³ Interview with the Luang Prabang Tourism Association, June 2020. The LPTA has 32 registered members, including hotels, restaurants, guesthouses, tour sites, boat services, elephant rides, organic farms, weavers, and souvenir producers.

⁷⁴ LNCCI, Report on an outcome of a survey of COVID-19 impact on enterprises, 2020

⁷⁵ Ibid. The number of workers employed by the garment industry as reported by LNCCI here is 666 more than the Lao Garment Association reported to us (in Table 10).

Table 10: Manufacturing Association interviews

Association	Corporate members	Total employment	Aggregate revenue in 2019 (USD)	Expected revenue loss in 2020 (%)	Operation during lockdown	Laid off workers
Lao Furniture Association	90	-	-	70-80%	80% Operating	30-50%
Lao Garment Association	77	26,000	177,102,392	80%	Shut down	40%
Lao Handicraft Association	125	1,295	520,000	50%	Some Operating	10-15%

Source: Interviews with representatives of associations in late June 2020.

have faced a sales contraction from the first quarter of 2020⁷⁶.

The garment industry, which is export-oriented and overwhelmingly employs women, was among the first and most heavily affected by the pandemic. 60% of its material inputs came from China, so when the outbreak began, some manufacturers reported difficulties in sourcing supplies, while others had to cease operations. 80% of exports are to Europe, so when the virus spread the problem was compounded by a decline in demand⁷⁷.

There were some exceptions. Exports of wood pulp (to China) and other non-resource products grew in the first quarter of 2020⁷⁸. However, this situation may have swayed since with the lockdown in April 2020. Electricity

exports, which were not affected by health measures, expanded 25% in the first quarter of 2020 and were expected to grow for the rest of the year, despite the potential tempering of that expansion by an economic contraction in Thailand, Lao PDR's biggest customer⁷⁹.

All three manufacturing associations⁸⁰ interviewed for this assessment reported sales contractions, operational disruptions, revenue decline, and the laying off of workers. It is expected that the garment and furniture industries will be hardest hit, with revenue in 2020 predicted to fall by 80% (Table 10).

Our survey of 350 MSEs contains 18 manufacturers, including nine food, six garment, and three wood producers. Only six are registered businesses. All 18 report the crisis has had a negative

⁷⁶ Evidence from interviews in late June 2020 of some manufacturers and rapid assessments by UNIDO, LNCCI, ECCIL, and ITC.

⁷⁷ World Bank, June 2020

⁷⁸ Ibid.

⁷⁹ Ibid.

⁸⁰ The three manufacturing associations represent 292 companies, which employ more than 27,000 people.

impact. During the lockdown ten enterprises ceased operation, 17 reported sales decreases, 12 reported a lack of raw materials, and six had to borrow money. Of the 17, all but one expressed a preference for assistance in the form of a subsidy on utility payments.

Export-oriented manufacturers with operations in the special economic zones (SEZs), which are discussed in the following section, report a broadly similar experience to manufacturers operating outside of the zones. Companies indicated growing financial difficulties, reductions in sales, and difficulty obtaining raw materials⁸¹. However, companies operating inside the SEZs expected to lay off only half the number of workers (21%) as those operating outside the zones (43%)⁸².

Special Economic Zones

Lao PDR's SEZs play a key role in attracting foreign direct investment, boosting manufacturing exports, and creating jobs. The first zone was established in 2000 and by 2019 there were 12; six industrial and six for services. In 2019, together these SEZs paid \$13.87 million in concessionary and service fees, lump-sum taxes from casinos, value added tax, salary tax, consumption tax, and profit tax. Prior to the COVID-19 pandemic, 55,834 people were employed

in the SEZs, 22.6% of which were Lao nationals. The six industrial SEZs accounted for 20.5% of total employment across the 12 zones, but of those 91.5% were Lao nationals, as opposed to just 4.9% in the service SEZs.

Impact on operations and employment in the SEZs







During the lockdown, operations were disrupted in the early period, but most SEZs were able to continue, as management was able to demonstrate that proper health precautions were effectively implemented. In some cases, workers were isolated in dormitories within the SEZ away from the community. The 'Savan-Seno' SEZ lost nine production days in April during the lockdown, according to the General Manager. During the lockdown, workers had to maintain physical distance and rotation was common. Some workers had their salary deducted.

Based on the data provided by the SEZ Management Authority, from the end of 2019 to June 2020, the 12 SEZs combined laid off 65% of their workers. However, the impact of COVID-19 on the operations of the companies in the SEZs varied across zones (Table 11). The industrial SEZs together had to lay off a total of 652 workers as firms experienced decreased demand combined with supply chain disruption, but the impact has been uneven across the SEZs. Meanwhile, the service SEZs were severely affected, altogether

⁸¹ UNIDO (June 2020) surveyed 102 manufacturers of food, low-tech products (apparel, leather, furniture, wood, recycling, paper), and med- and high-tech products (chemicals, plastics, metal and non-metal products, medical instruments, electric machinery, and machinery).

⁸² LNCCI, Report on an outcome of a survey of COVID-19 impact on enterprises, May 2020.

Table 11: Employment situation in the SEZs

Name of SEZs	Workers employed 2019	Workers employed Jan-Jun 2020	Changes	
			Number	Percent
 Industrial sectors				
Savan-Seno SEZ	5,002	4,550	-452	-9.0
Vientiane Saysettha Development Zone	1,945	1,945	0	0.0
VITA Park SEZ	3,364	3,553	189	5.6
Pakse – Japan SME SEZ	1,068	668	-400	-37.5
Phoukhyo SEZ	73	84	11	15.1
Luang Prabang SEZ	-	-	-	-
Total (Industrial)	11,452	10,800	-652	-5.7
 Trade and services sectors				
Boten Beautiful Land Specific EZ	2,871	1,437	-1,434	-49.9
Golden Triangle SEZ	40,565	6,200	-34,365	-84.7
That Luang Lake Specific EZ	109	121	12	11.0
Longthanh - Vientiane Specific EZ	682	548	-134	-19.6
Thakhek Specific EZ	144	153	9	6.3
Dongphosy - Vientiane Specific EZ	11	11	0	0.0
Total (Service)	44,382	8,470	-35,912	-80.9
Grand Total	55,834	19,270	-36,564	-65.5

Source: Source: SEZ Secretariat Office, June 2020.

laying off 81% of its 44,382 workers. The Golden Triangle SEZ, a zone dedicated to gambling and tourism, laid off 34,365 workers (85%). Overall, 318 Lao nationals who were employed in the service SEZs lost their jobs, accounting for 14.7% of the total Lao nationals employed in the six zones.

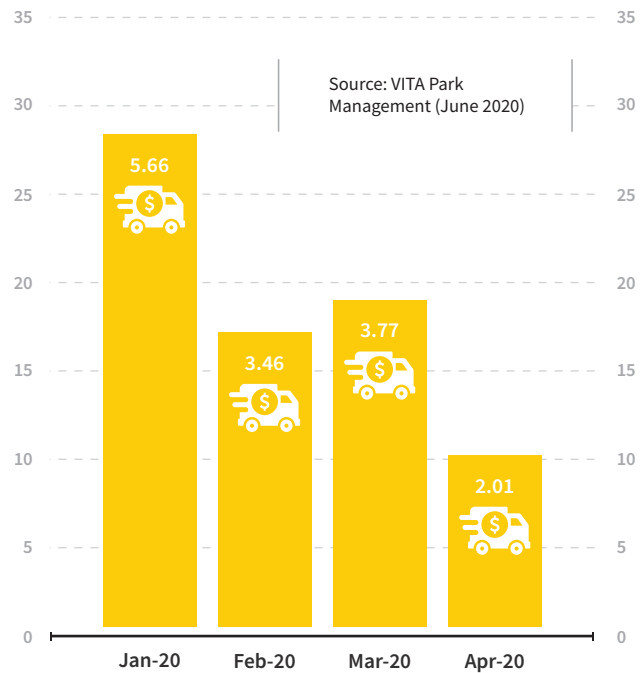
Impact on SEZ outputs and exports

According to interview data, exports from the Vientiane Industry and Trade Area (VITA Park) fell 64.5% in January-April 2020, with companies experiencing the same drops in demand and supply chain disruptions as elsewhere⁸³. 90% of manufacturers in VITA Park were strongly impacted during the lockdown, with 70% considering they would cease operations for a month, 10% for two months, and 20% for three months⁸⁴.

An interview conducted in June 2020 with an executive of a garment factory in VITA Park, whose exports totalled \$8.11 million in 2019, indicated that the manufacturer has lost 40% of sales compared to the same period in 2019. As well as a drop in sales, the company has faced difficulties in budget planning, high employee turnover, and shipment delays.

The SEZ Management Authority expects tax revenues from the zones to decrease by about 50% in 2020 and exports to fall about 40%. The SEZs had begun the

Figure 25: VITA Park exports: January - April 2020 (USD million)



year planning to expand operations; the industrial SEZs intended to hire 64% more workers than in 2019. However, with the pandemic and the associated economic downturn continuing, an expansion of employment and production will be challenging for the zone’s manufacturers in the near future.

⁸³ An interview with Vientiane Industry and Trade Area (VITA Park), Specific Economic Zone Vientiane-Non-Thong, with 13 companies producing, out of a total of 22 companies registered in the zone.

⁸⁴ Manolom, T., Policy Brief: A study of COVID-19 impact on manufacturing in the VITA Park Vientiane-Nonethong, Economic Research Institute for Industry and Trade, Ministry of Industry and Commerce, June 2020.

Table 12: Lao PDR's key macroeconomic indicators

Macroeconomic Key Indicators	2018	2019(e)	2020(f)	2021(f)	2022(f)
GDP Growth Rate	6.3	4.7	1.0	4.6	4.4
Agriculture	1.3	-0.9	3.2	2.9	2.9
Industry	7.8	4.7	2.9	6.6	4.5
Service	6.8	6.7	-1.4	3.3	4.8
Inflation Rate (CPI, annual average)	2.0	3.3	6.5	4.9	5.0
Fiscal Balance (%GDP)	-4.7	-5.1	-7.5	-6.7	-6.3
Broad Money Supply (%change)	8.4	18.9			
Credit to economy (%change)	2.8	7.4			
Current Account Balance					
In million USD	-2,059.9	-1,499.5	-2,001.5	-1,740.4	-1,683.3
In %GDP	-11.4	-8.0	-11.1	-9.4	-8.8
FDI					
In million USD	1,433	1,845	1,333	1,637	1,344
In %GDP	7.9	9.8	7.4	8.8	7.0
Exchange Rate (LAK/USD, annual av.)	8,401	8,680	9,750	10,335	10,955
Gross International Reserve (end of period)					
In million USD	873	997	500	600	680
In months of imports	1.3	1.5	0.8	0.9	1.0
Total Public and Public Guaranteed Debt (%GDP)	57.5	58.9	65.1	66.9	68.6

Notes: e - estimate; f - forecast. Data Source: WB (June 2020). Lao PDR Economic Monitor, Lao PDR in the Time of COVID-19, World Bank Group.

CHAPTER THREE

The economy and progress towards LDC graduation

The pre-COVID economy

Before the outbreak of the novel coronavirus, Lao PDR's Gross Domestic Product (GDP) has been forecasted to grow by 6.5-6.7% in 2020⁸⁵. It was forecasted that this growth would be fuelled by increased electricity production and export, major construction projects, a continued growth in tourism, and a revival of agriculture after severe flooding in 2018 and 2019.

However, a number of factors posed economic challenges before the arrival of the pandemic. For instance, the Government's fiscal deficit worsened in 2019 as spending increased to 5.1% of GDP to aid the recovery from severe flooding. The Lao kip, the domestic currency, had been depreciating against the US dollar and the Thai baht for the past four years⁸⁶. Furthermore, the country has persistently run a trade deficit, thus creating downward pressure on foreign exchange reserves required to maintain a stable domestic currency. These pressures coincided with the expansion of the money and credit supply and inflation, which rose from 2% in 2018 to 3.3% in 2019 (for key macroeconomic indicators, see Table

12, for other macroeconomic information see the Annex).

The impact of COVID-19 and the outlook

The World Bank has projected that GDP growth in 2020 is likely to fall to its lowest rate since 1990, with estimates ranging from growth of 1%, to a contraction of 1.8% depending on domestic and regional developments and policy responses in the remainder of the year⁸⁷. The IMF has projected 2020 economic growth of 0.7%⁸⁸. The ADB forecasts a contraction of 0.5% in 2020⁸⁹.

⁸⁵ The World Bank's forecast is 6.5% and the IMF's, 6.7%.

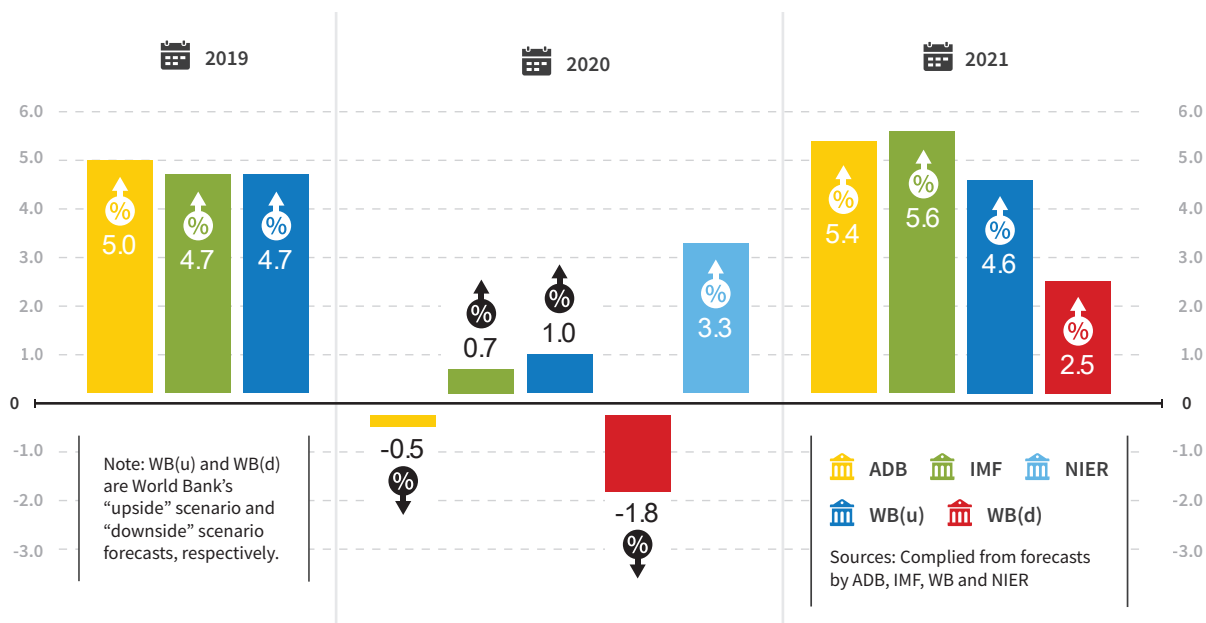
⁸⁶ The annual average exchange rate was LAK8,245/dollar in 2017. By 2019, the kip-dollar annual average exchange rate increased to LAK8,680/dollar (ADB, 2020 Asian Development Outlook, June 2020; World Bank, June 2020).

⁸⁷ World Bank, June 2020.

⁸⁸ IMF, World Economic Outlook, April 2020.

⁸⁹ ADB, 2020 Asian Development Outlook, June 2020.

Figure 26: Lao PDR's GDP growth forecast: 2019 -21



The National Institute of Economic Research (NIER) is more optimistic, projecting 2020 growth of 3.3%, although this still represents a marked slowdown from recent years.

The World Bank provides two possible scenarios, with a 1.0% growth rate for the "upside" scenario, down from the earlier estimate of 3.6%, and a 1.8% contraction for the "downside" scenario⁹⁰. These figures, as well as those of the ADB, IMF, and NIER are illustrated in Figure 26, above.

As the pandemic continues, many businesses will inevitably face growing difficulty repaying loans, and rates of business closures will also rise. This

pushes the banking sector into more vulnerable territory as non-performing loans (NPLs, as a percentage of total gross loans) in certain commercial banks, especially in some state-owned commercial banks, were reported to be much higher than that of the nationwide average of 3.04% at the end of Q4 2019. While Lao PDR's national average rate of NPLs is relatively low globally, it is higher than that of the ASEAN average of 2.2%; with government constricted by a shrinking fiscal space, a high NPL rate makes the situation more difficult⁹¹.

By May 2020, government tax revenue fell by 32.9% compared to the same period in 2019⁹², and total government

⁹⁰ World Bank, June 2020

⁹¹ For Lao PDR's NPLs, Bank of Lao PDR, www.bol.gov.la (accessed 13th June 2020); for ASEAN average NPL, IMF, <https://data.imf.org/regular.aspx?key=61404589> (accessed 10th August 2020).

⁹² Vientiane Times Newspaper, 28 May 2020

Table 13: Lao PDR's LDC graduation prospects by 2024

LDC Graduation Criteria Details	2018 Review		Note
	Lao PDR	Threshold	
1. Human Asset Index GNI per Capita	1,996	1,230	
2. Human Asset Index	72.8	66.0	
Health Index			
Children aged five-and-under mortality rate (1/6)	67.3		Weak+
Percent of population undernourished (1/6)	79.8		
Maternal mortality rate (1/6)	83.9		
Education Index			
Gross secondary school enrolment ratio (1/4)	57.4		Weak-
Adult literacy rate (1/4)	79.6		
3. Economic Vulnerability Index	33.7	32.0	
Exposure Index			
Population size (1/8)	41.4		Weakness
Remoteness (1/8)	58.0		Weakness
Economic structure			
Merchandise export concentration (1/16)	13.9		
Share of agriculture, hunting, forestry and fishing (1/16)	31.5		Weak+
Environment			
Share of population in low-elevated coastal zone (1/8)	0.0		
Shock Index			
Trade Shock			
Instability of exports of goods and services (1/4)	24.0		
Natural Shock			
Victim of natural disaster (1/8)	79.7		Weak-
Instability of agricultural production (1/8)	19.4		

Notes: Weak indicators highlighted in yellow with a plus sign ("+") are those that have passed but remained close to the graduation threshold; those highlighted in red with a negative sign ("-") have not passed the graduation threshold. Source: <https://www.un.org/development/desa/dpad/> (accessed 27 June 2020).

revenue declined by 11%⁹³. The fiscal deficit is expected to increase from 5.1% in 2019 to 7.5% of GDP in 2020. Total public and publicly guaranteed debt is expected to rise from 58.9% in 2019 to 65.1% in 2020⁹⁴. This situation is highly likely to create pressure on the domestic currency and consumer prices.

Export-oriented manufacturing has also been affected by supply chain disruption and falling demand. Major construction projects, all of which are reliant to a degree on FDI, have been delayed. Foreign direct investment inflows, an important source of foreign exchange and economic growth, have slowed as investors reallocated investment resources.

The depreciation of the currency has accelerated in 2020, with a widening gap in the exchange rate between the official bank rate and the parallel market⁹⁵. The Lao kip is expected to deteriorate further this year to 9,750 LAK to the dollar due to the rising fiscal deficit, declining exports, and falling FDI inflows, and could drop as much as 10% by 2022⁹⁶. Lao PDR's Consumer Price Index rose 6.1% in the first five months of 2020, mainly because of food price increases of up to 10.5% in the same period, as well as prices of clothing and household goods. Food now accounts

for 46% of an average household's monthly expenditure.

To address the revenue shortfall, the Government has been working to obtain grants and loans from bilateral and multilateral partners, as well as negotiating deferrals on repaying foreign debt while it attempts tax collection reforms. China has so far granted a debt repayment deferral of one year⁹⁷. All major economies and Lao PDR's main trading partners, except for China and Vietnam, are expected to shrink in 2020 before rebounding. Thus, further efforts are being made to facilitate cross-border movements of investors, technical experts, workers, and materials to mitigate the impact of the pandemic.

COVID-19 and Lao PDR's LDC graduation

To graduate, an LDC needs to pass any two of the three structurally linked criteria or the income-only requirement twice successively in the triennial review. The criteria include per capita Gross National Income, Human Asset Index (HAI) gauging a country's level of human capital, and Economic Vulnerability Index (EVI) measuring

⁹³ Prime Minister's Office, Prime Minister's Report to the National Assembly on the implementation of socioeconomic development plan, fiscal budget plan and monetary plan, estimated first six months of the year and directions for focal points for the remaining six months of the year, June 2020.

⁹⁴ World Bank, June 2020

⁹⁵ On 30 June, a dollar was exchanged for LAK9,013 at the country's largest bank the Banque pour le Commerce Extérieur Lao Public and for LAK9,600 in the parallel market.

⁹⁶ World Bank, June 2020

⁹⁷ According to interviews with the Ministry of Planning and Investment.

a country's resilience to shocks and instabilities.

In 2018, Lao PDR met the LDC graduation criteria for the first time by passing the thresholds for GNI per capita and the Human Asset Index (HAI). In the 2018 review, Lao PDR's GNI per capita was estimated at \$1,996 and its HAI score was 72.8, considerably above the threshold of 66. The country did not pass the EVI criteria, although the country has made improvements. Table 13 shows the country's situation regarding graduation status in detail .

Lao PDR has strongly met the income graduation criteria, where it is expected to about double the graduation threshold and qualifies the country for graduating with the income-only criteria. Despite the pandemic's ongoing impact, Lao PDR is expected to consecutively pass for the second time in the 2021 triennial review and, after a three-year transition period, graduate in 2024⁹⁸.

However, weaknesses persist in the country's HAI and EVI scores. The increase in unemployment caused by COVID-19 and the resulting lack of

income risks gains made on the HAI being lost, such as through increased malnutrition, which could lead to higher infant mortality and ill health, which in turn could negatively affect school enrolment and learning rates. Downward pressures on household incomes could force poorer children to drop out of school to help their parents at the market, working the rice fields, or gathering food⁹⁹. The COVID-19 pandemic could increase Lao PDR's vulnerability to shocks and worsening the country's EVI.

Upon graduation, the country will potentially lose, or see a reduction in, its access to foreign aid flows provided to LDCs in the form of grants and low-interest loans, as well as preferential treatment in international trade. Once graduated, it has been estimated that Lao PDR could lose around \$108 million that is associated with preferential trade treatment from some developed countries¹⁰⁰. It will be crucial for the country to take effective action to gain duty-free access to the EU market under the Generalised System of Preferences and prevent export losses through market diversification and redirecting resources towards boosting products where Lao producers can be competitive¹⁰¹.

⁹⁸ The reasons for this are twofold: 1) Lao PDR has been making strong progress towards these criteria; 2) the data used for the review has a two-year time lag, meaning that information from 2017-2019 will be used primarily for the analysis.

⁹⁹ A lack of food has been one of the main reasons for Lao children in poor households to skip school WFP, 19 May 2020.

¹⁰⁰ Estimated by ITC as cited in Decreux, Y. and Spies, J., Trade implications of the Lao PDR's graduation from LDC status, undated

¹⁰¹ Ibid.

**THE UN IN LAO PDR STANDS READY TO
SUPPORT THE GOVERNMENT IN TAKING THE
NECESSARY STEPS TOWARDS BUILDING BACK
TO A BETTER AND STRONGER FUTURE.**

THE MAIN
IMPACTS
HAVE BEEN
SOCIO-ECONOMIC
AND HAVE TOUCHED
THE ENTIRE POPULATION.



**UNEMPLOYMENT
HAS RISEN**

9% - **23.4%**

estimated in July 2020

Luang Prabang

LOST

80%

**OF
TOURISM INCOME**



71%

OF SMEs

will not survive if
**NO ECONOMIC
IMPROVEMENT**
within 6 months

Conclusions

The COVID-19 pandemic has impacted everyone in Lao PDR and globally, directly, and indirectly. The pandemic has triggered an unprecedented crisis that is already rapidly undoing development progress. The impacts have been as wide as they have deep, affecting different groups, businesses, and sectors in different ways.

The crisis is at core a health crisis, but while Lao PDR has so far avoided a major outbreak, demand for regular healthcare services that help maintain a healthy population has dropped and is only slowly recovering. The main impacts have been socio-economic and have touched the entire population. It is estimated that unemployment has risen from around 9% a few years ago to 23-25%, threatening to push 383,000 people back into poverty and the national poverty rate up five percentage points. A slowing economy, caused by severely disrupted supply chains among other factors, is bringing hardship across all sectors; 71% of micro and small enterprises say they will not survive if there is no support or economic upturn in six months, further reducing jobs and opportunities for recovery. Tourism has been hit harder still, with 50% of jobs lost in some cases. Luang Prabang, the country's main tourist hotspot, has lost 80% of its income. All this is precipitating crises at the human level, exemplified by the fact that almost half of households sampled have reduced food spending or consumption; coupled with persistent and increasing environmental challenges, this could be disastrous for nutrition, especially for children, and in turn have serious knock-on effects for the potential of the Lao people.

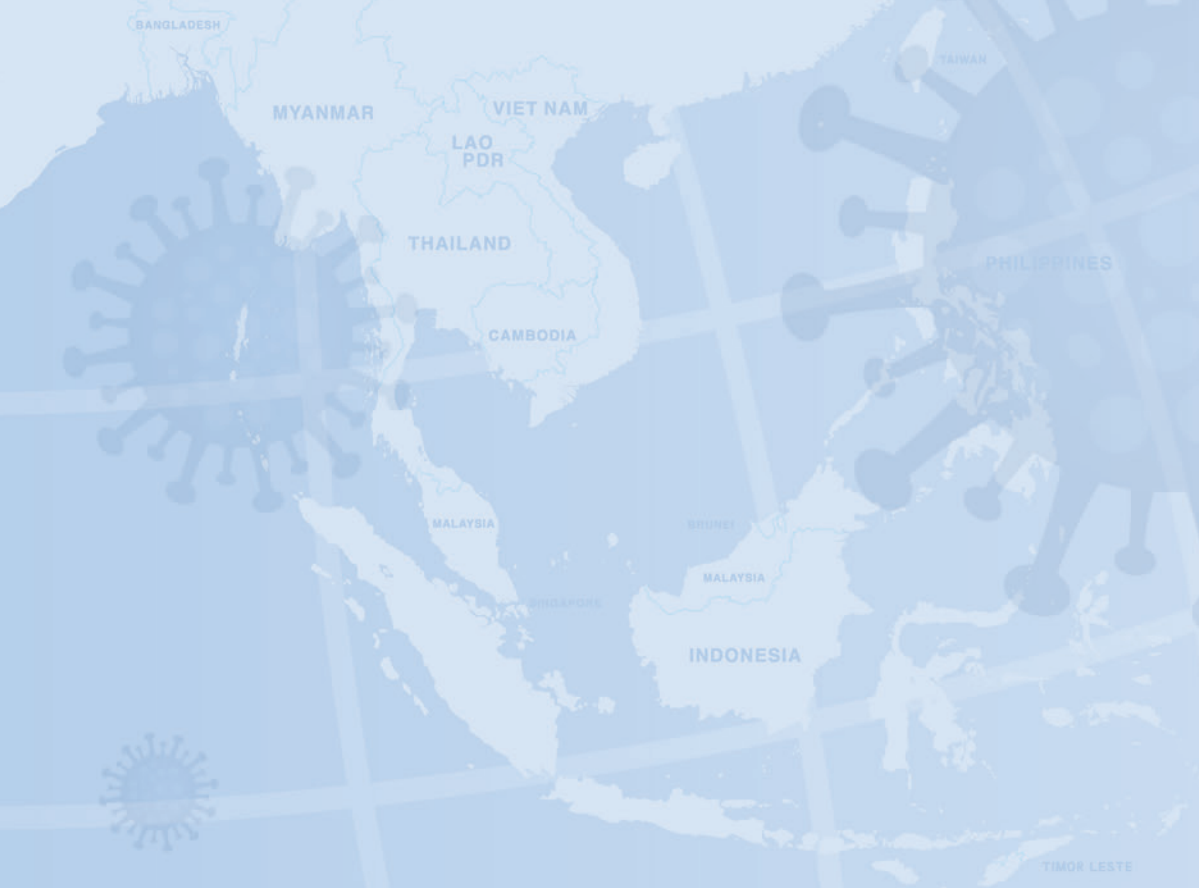
Therefore, strong, sustainable, and inclusive recovery measures are required, which relies on the Lao government, supported by its development and private sector partners, embarking on a new sustainable development pathway, simultaneously combining recovery actions with new longer-term directions to provide equitable opportunities, enhance resilience, and pursue a carbon-free future.

The Socio-Economic Response Plan of the UN in Lao PDR outlines proposals and measures based on the impacts discovered in this assessment and those which it complements. The Plan highlights the need for: 1) tailored decisions on the macroeconomic response and multilateral collaboration, including planning, the creation of fiscal space, and repositioning the economy; 2) improvements to key sectors such as agriculture and tourism to bolster the economic response and recovery; 3) the protection of health services for present and future crises, as well as maintaining essential health services; and 4) the protection of people and building of resilience, with a focus on key areas such as education, food security, social protection, psychosocial wellbeing, and gender-based violence protection.

ASIA & SOUTH EAST ASIA

CHINA

INDIA



ASIA, AUSTRALA
& SOUTH PACIFIC



NORTH AMERICA
& SOUTH AMERICA



EUROPE, AFRICA
& MIDDLE EAST



Annexes

Table A1: Lao PDR versus ASEAN member countries and major economies

ASEAN Economies	2019 (estimate)			2020 (forecast)			2021 (forecast)		
	ADB	IMF	WB	ADB	IMF	WB	ADB	IMF	WB
Brunei Darussalam	3.9	3.9	na	1.4	1.3	na	3.0	3.5	na
Cambodia	7.1	7.0	7.1	-5.5	-1.6	-1.0	5.9	6.1	6.0
Indonesia	5.0	5.0	5.0	-1.0	0.5	0.0	5.3	8.2	4.8
Lao PDR	5.0	4.7	4.7	-0.5	0.7	1.0	5.4	5.6	4.6
Malaysia	4.3	4.3	4.3	-4.0	-1.7	-3.1	6.5	9.0	6.9
Myanmar	6.8	6.5	6.3	1.8	1.8	1.5	6.0	7.5	6.0
Philippines	5.9	5.9	6.0	-3.8	0.6	-1.9	6.5	7.6	6.2
Singapore	0.7	0.7	na	-6.0	-3.5	na	3.2	3.0	na
Thailand	2.4	2.4	2.4	-6.5	-6.7	-5.0	3.5	6.1	4.1
Timor-Leste	3.4	3.1	3.4	-3.7	-3.0	-4.8	4.0	3.8	3.8
Viet Nam	7.0	7.0	7.0	4.1	2.7	2.8	6.8	7.0	6.8
Major Economies									
China	6.1	6.1	6.1		1.2	1.0		9.2	6.9
S. Korea	2.0	2.0		-1.0	-1.2		3.5	3.4	
Japan		0.7	0.3		-5.2	-6.1		3.0	2.5
India	4.2	4.2	4.2	-4.0	1.9	-3.2	5.0	7.4	3.1
United States		2.3	2.3		-5.9	-6.1		4.7	4.0
Germany		0.6			-7.0			5.2	
France		1.3			-7.2			4.5	
United Kingdom		1.4			-6.5			4.0	
Euro Area		1.2	1.2		-7.5	-9.1		4.7	4.5
World		2.9	2.4		-3.0	-5.2		5.8	4.2

Sources: ADB - Asian Development Outlook Supplement, Asian Development Bank, adb.org (accessed 28th June); IMF - International Monetary Fund, World Economic Outlook Update, June 2020, imf.org (accessed 28th June, 2020); WB - World Bank, Global Economic Prospects, June 2020, wb.org (accessed 28th June 2020).

Table A2: The number and percentage distribution of employment in 2017 by sex (1,000)

Categories	Both sex		Male		Female	
	x1,000	%	x1,000	%	x1,000	%
Agriculture, forestry, and fishing	551	35.8	287	34.7	264	37.1
Mining and quarrying	8	0.5	7	0.9	1	0.2
Manufacturing	140	9.1	58	7.0	82	11.5
Electricity, gas, steam, and air conditioning supply	10	0.7	9	1.0	2	0.2
Water supply, sewerage, waste management, and remediation activities	6	0.4	5	0.6	1	0.2
Construction	83	5.4	75	9.1	8	1.1
Wholesale and retail trade, repair of motor vehicles and motorcycles	329	21.4	141	17.1	188	26.4
Transportation and storage	39	2.5	35	4.3	4	0.6
Accommodation and food service activities	41	2.6	15	1.9	25	3.6
Information and communication	8	0.5	5	0.5	4	0.5
Financial and insurance activities	11	0.7	4	0.4	7	1.0
Real estate activities	0	0.0	0	0.0	0	0.0
Professional, scientific, and technical activities	4	0.2	2	0.3	2	0.2
Administrative and support service activities	11	0.7	4	0.5	6	0.9
Public administration and defence, compulsory social security	156	10.2	117	14.2	39	5.5
Education	85	5.5	41	5.0	43	6.1
Human health and social work activities	22	1.5	7	0.9	15	2.1
Arts, entertainment, and recreation	9	0.6	3	0.4	6	0.9
Other service activities	24	1.6	10	1.2	14	2.0
Activities of households as employers, and activities for own use	1	0.1	0	0.0	0	0.1
Activities of extraterritorial organisations and bodies	1	0.0	1	0.1	0	0.0
Total (15+)	1,758	100	939	100	818	100

Source: Adapted from the Lao PDR Labour Force Survey 2017, LSB.

Figure A1: MSE sample distribution by size and business type

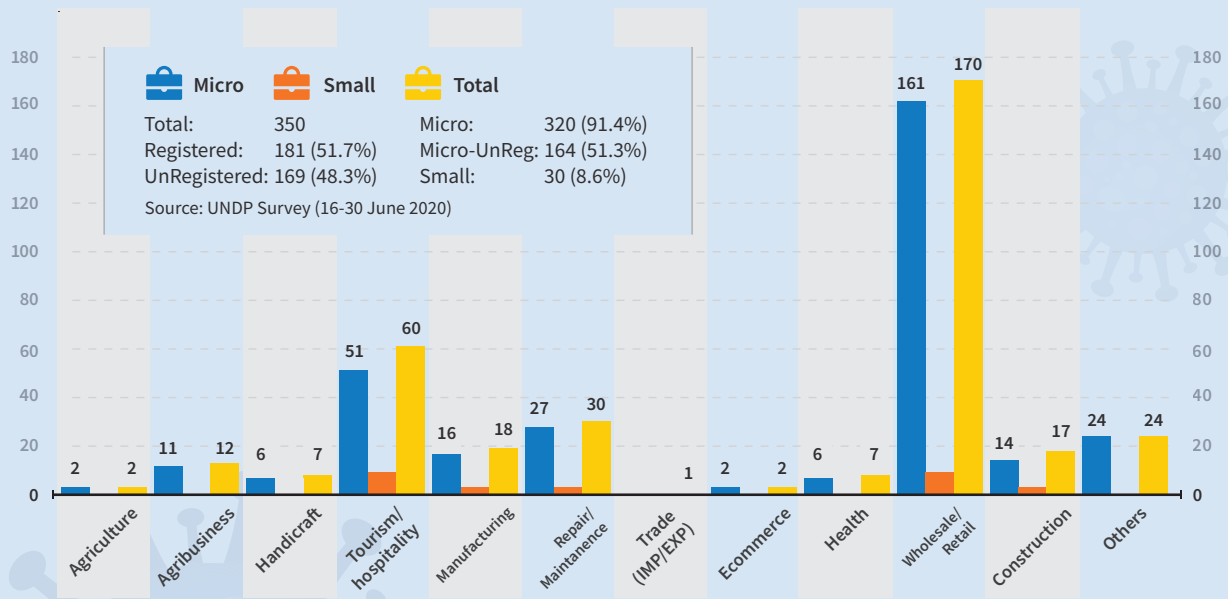


Figure A2: Impact on sales in April and May: Male owned versus Female owned enterprises

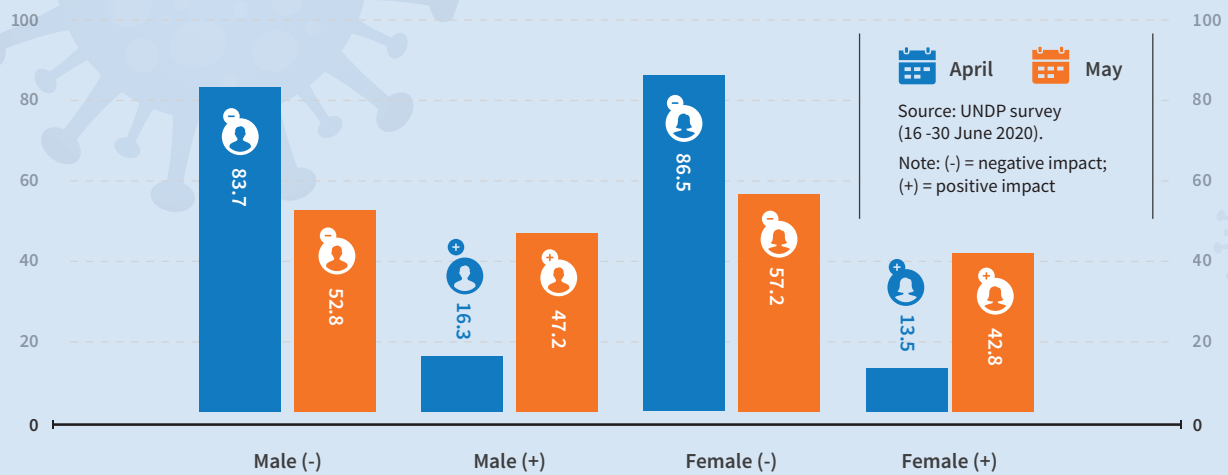
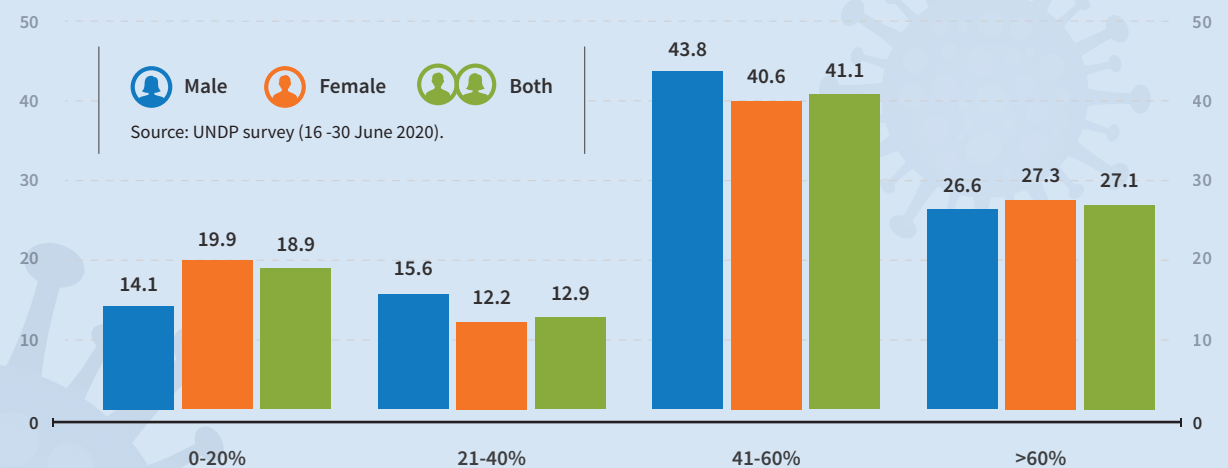


Figure A3: Sales drop at various ranges by gender of owner: January - May 2020 versus same period 2019 (%)





SCIO-ECONOMIC IMPACT ASSESSMENT OF COVID-19 ON LAO PDR



PREPARED & SUPPORTED BY UNDP



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