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# DEVELOPING A SHOCK-RESPONSIVE NATIONAL SOCIAL PROTECTION SYSTEM TO RESPOND TO THE **COVID-19** CRISIS IN LAO PDR



BRIEFING NOTE PREPARED BY THE UN COUNTRY TEAM FOR THE GOVERNMENT OF LAO PDR

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# CONTENTS

Executive Summary	2
Social and economic impact of COVID-19 in Lao PDR	5
Why is social protection essential in responding to the COVID-19 crisis?	8
A system-strengthening approach to crisis response	10
Financial management and sustainability	13
Administrative arrangements for delivery of social protection	15
Social protection in Lao PDR	18
Proposed policy options	22
Costs of policy options	24
Key takeaways	26
Annex	27



# EXECUTIVE SUMMARY

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Beyond the tragic loss of human life, the COVID-19 crisis will likely inflict a tremendous human cost in other ways, increasing poverty and inequality, and affecting even more those who are already vulnerable. All over the world, the crisis is affecting the socially and economically vulnerable the most, as they have limited coping strategies at their disposal. This highlights the need for a strong and coordinated policy response.

**Domestic and global measures taken to control the pandemic are impacting the economic situation in the country.** The economic shock and impact on employment are likely to be significant in 2020, and may even continue into the long term. Tourism, manufacturing, and state revenue collection are in decline. GDP is expected to contract in 2020. Some projections indicate contraction of GDP in 2021 as well. To mitigate the health, income and employment challenges, support livelihoods and cushion the impacts of economic downturns, social protection measures will be indispensable.

**The existing social protection system leaves a large part of the population unprotected. Recent years have seen important developments in Lao PDR.** Coverage of the National Health Insurance scheme has expanded significantly. Still, when the income protection component of social protection is considered, 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.

**Many Lao households rely on family members seeking higher-paid employment in cities and centres of economic activity.** As a direct impact of COVID-19, many global value chains have stalled, in turn affecting worker and household incomes. It can likely be assumed that the post-COVID-19 market demands will (at least initially) be lower than before, while the regional production networks and global value chains may change completely.

**The impact of this situation is reinforced by the fact that many Lao households are dependent on remittances from cross-border migration.** Lao migrant workers in Thailand are predominantly employed in low-paid jobs in the tourism, hospitality, domestic work, agriculture, and industrial sectors, and are less likely to be able to cope with the adverse impacts of the crisis. The lockdown in Thailand led to massive increases in unemployment, loss of income of the most vulnerable, and queues of returning migrants at points of entry.

**The loss of livelihoods due to COVID-19 can push households into poverty** and subject children and adolescents, especially from poor families and ethnic backgrounds, to multiple deprivations that can have long-term consequences for productivity and human capacity development. Women are also disproportionately represented among the poor and the vulnerable. They tend to be confined to more casual, insecure, and hazardous forms of work and self-employment, particularly in the informal economy, with no or limited access to social protection. With schools temporarily closed, many women had to take care of their children, further limiting their income generation ability.





**Expansion of social protection coverage is increasingly recognized as a critical strategy for poverty reduction and inclusive growth.**

Allocating domestic resources to the establishment and expansion of social protection programmes, such as non-contributory cash transfers, can ensure that such programmes are sustainable and help people in need. Moreover, social protection can significantly help to stabilize the wider economy and instil social stability. This calls for swift action and strong economic and social policies, which can have a considerable positive effect on the economy, acting as a powerful economic and social stabilizer.

**Lao PDR is undertaking a set of measures to deal with the crisis.** An amount of 10 billion Lao kip (LAK) (slightly less than 1 per cent of GDP) has been allocated for prevention and control measures. In response to return of migrant workers in massive numbers, quarantine centres have been established in provinces where official points of entry are located. Free testing and treatment are provided to those affected by COVID-19 or displaying symptoms. The Government is also providing training for medical personnel and concerned officials, in addition to procuring medical and protective equipment.

**The Government is planning to launch a cash transfer programme to cover expectant mothers and children under the age of 3 in poor districts.** As mentioned in the National Social Protection Strategy 2025, the programme aims to ensure necessary nutrition during the first 1000

days of a child's life. This can help the poorest from the negative effects of the crisis. Rapidly implementing this social protection measure as well as immediately providing a monthly allowance to informal economy workers would allow to limit the negative social impact of the crisis and protect those in need.

**Unemployment insurance has been among the instruments used by the Government to support those who have lost their jobs.** However, its coverage is limited to those working in the formal sector and unfortunately many of those working in sectors affected but not covered by the Lao Social Security Organisation (LSSO) do not have any form of protection.

**This briefing note explores some social protection options to limit the social and economic impact of the COVID-19 crisis on Lao people and to support the economic recovery.** Considering that the social and economic impact of the crisis is expected to continue into the long term, the options proposed largely build on existing programmes or focus on the development of programmes which are planned as key pillars of the social protection system, particularly those identified under the recently approved National Social Protection Strategy. The approach is to use the crisis response as an opportunity to reinforce the existing plans, instead of using the limited available resources in alternative or temporary plans, focusing instead on the principle of building back better.



**The initial set policy options proposed by the UN Country Team are listed below.** The objective of this briefing note and the list of policy options is to be a first step towards a detailed policy discussion. These options do not exhaust all the potential solutions and the team is aware that in order to ensure that no one is left behind other interventions might be required.

**The UN team remains available to work with the Government and interested development partners and provide additional technical assistance to explore in detail some of the options in the list.** The note also includes a preliminary costing. Likewise, the UN Country Team is available to further discuss with the Government and adjust the parameters of the policy options, and together support the Government in its resource mobilization efforts.

POLICY OPTION	ONE-TIME OR CONTINUOUS SUPPORT	IMMEDIATE, MEDIUM OR LONG TERM
<b>SOCIAL WELFARE</b>		
Provide a cash transfer to expectant mothers and children aged 0-2 years, starting in select poor or most-affected districts.	Continuous	Immediate implementation
Extend the National School Meal Programme to guarantee adequate nutrition for children and households, gradually expanding to more districts.	Continuous	Immediate implementation
Conduct a needs assessment of migrant workers. Provide a cash transfer to returning migrant workers linked with re-skilling and job search measures.	One-time / once a month for 3 months	Immediate to medium-term implementation
<b>SOCIAL INSURANCE</b>		
Extend unemployment benefits to active LSSO contributors who have been affected by the crisis by increasing the amount and duration of benefits and consider eliminating the waiting time of 30 days.	Continuous	Immediate implementation
Provide partial unemployment benefits or wage subsidies to active LSSO contributors (workers on leave-without-pay in temporarily closed companies), particularly those in the tourism and garment sectors. Also, create linkages with cash for work in upgrading facilities, re-skilling and job search.	One-time / once a month for 3 months	Immediate to medium-term implementation
Provide an allowance to inactive LSSO contributors and non-LSSO-members in occupations affected by the economic slowdown (the allowance should be lower than any benefits for active LSSO members).	One-time / once a month for 3 months	Immediate implementation
<b>ACCESS TO HEALTH CARE</b>		
Enable access to essential health care for all, including migrants, by temporarily granting universal access to essential health care, regardless of health insurance membership status. Also, extend a waiver on co-payments to all for whom co-payments apply.	For 3 months	Immediate implementation
Intensify prevention messages against COVID-19, including in rural and remote areas.	Continuous	Immediate implementation
Continue to invest in and improve preventive health care services, to deal with normal health care challenges (besides COVID-19).	Continuous	Immediate implementation

# SOCIAL AND ECONOMIC IMPACT OF COVID-19 IN LAO PDR

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The unfolding COVID-19 crisis will most likely affect the entire population of Lao PDR, but global analysis shows that the crisis is affecting the socially and economically vulnerable the most, as they have limited coping strategies at their disposal. The needs of vulnerable groups must be addressed as a matter of priority and urgency.

Governments around the world face complex policy challenges in responding to the impacts of the COVID-19 crisis. COVID-19 has had unprecedented impacts on income generation that are the result of the (at least) partial stoppage of national economies – the unintended fall out of measures to reduce public contagion by limiting mobility, as well as the fall in local and global demand due to confinement policies. In a world of economic globalization, Lao PDR will not remain isolated from the impacts of the crisis. Domestic and global measures taken to control the pandemic are impacting the economic situation in the country. The economic shock and impact on employment is likely to be significant in 2020, and may even continue into the long term. Tourism, manufacturing, and state revenue collection are in decline, according to the National Institute for Economic Research. The Lao national GDP is expected to contract significantly, by 4.8 per cent in 2020 and 1.1 per cent in 2021 as estimated by World Bank. This may decline further in the case of a protracted economic crisis. The National Institute for Economic Research has estimated a loss of 30 per cent in targeted revenue collection due to the COVID-19 pandemic.<sup>1</sup> Despite the fiscal constraints, in order to mitigate the health, income

and employment challenges, support livelihoods and cushion the impacts of economic downturns, social protection measures will be indispensable.

**Most of the Lao workforce is in informal employment**, which has a share of 82.9 per cent in total employment. This share is slightly higher among women (85.9 per cent) than men (79.9 per cent).<sup>2</sup> High informality presents a significant administrative and financial challenge for the extension of social insurance coverage. This is because workers in the informal economy have irregular and unrecorded incomes, and tax and social security compliance is difficult to enforce even for formal sector workers.

**Lao PDR is primarily an agrarian country.**

Around 4.9 million people (70.5 per cent of the population) live in rural areas. An estimated 551,000 people (35.8 per cent of the labour force) work in agriculture, forestry and fishing, almost all of it being in the informal economy. An additional estimated 1.5 million engage in subsistence agriculture. This leads to low and irregular household incomes, greatly depending on environmental and climate conditions, with most households active in both farm and non-farm work

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<sup>1</sup> <https://laotiantimes.com/2020/04/23/laos-to-experience-stunted-economic-growth-amid-coronavirus-pandemic/>

<sup>2</sup> Labour Force Survey, 2017.



during the year. People living in rural areas are characterised by low incomes, poor income security and working conditions, and no social protection should they lose their incomes, fall sick, or are in self-quarantine.

**Many Lao households rely on family members seeking higher-paid employment in cities and centres of economic activity.** Many workers are employed in regional production networks, which serve the market demands emanating from European, American and advanced Asian countries. This input of “external capital” is the key factor that contributes to household purchasing power in the form of disposable income. There are many risks associated with this dependence on external labour markets and which also create challenges in extending social protection – the majority of domestic and international migrant workers do not have access to any social protection measures. As a direct impact of COVID-19, many of these global value chains have stalled, in turn affecting worker and household incomes. It can probably be assumed that the post-COVID-19 market demands will (at least initially) be lower than before, while the regional production networks and global value chains may change completely.<sup>3</sup>

**Many Lao households are dependent on migrant remittances.** To illustrate, remittances sent home by Lao migrants in 2018 equalled USD 118 million and accounted for 1.3 per cent of national GDP.<sup>4</sup> In 2014, 11.5 per cent of the adult population received international remittances, varying from nearly 20 per cent in the south to 2.7 per cent in the north.<sup>5</sup> It is estimated that there are around 900,000 Lao nationals living abroad, of whom 183,460 work in

Thailand under a Memorandum of Understanding on Employment Cooperation. Of these workers, 51 per cent are women.<sup>6</sup> Lao migrant workers in Thailand are predominantly employed in low-paid jobs in the tourism, hospitality, domestic work, agriculture, and industrial sectors, and are less likely to be able to cope with the adverse impacts of the crisis. The lockdown in Thailand led to massive increases in unemployment, loss of income for the most vulnerable, and thus, the long queues at points of entry into Lao PDR as people tried to return to their home country.

There are inherent structural causes of inequality and poverty which are augmented in crisis situations, most notably in financing, human resources, capacity, and public participation. The Government recognises the need to effectively address these challenges to tackle the persistent geographical disparities based on gender, age, ethnicity, language, educational attainment, disability, and socioeconomic status.

The loss of livelihoods due to COVID-19 can **push households into poverty and subject children and adolescents, especially from poor families and ethnic backgrounds, to multiple deprivations** that can have long-term consequences for productivity and human capacity development. The 2017 Lao Social Indicator Survey II shows that infants and children younger than 5 years were already vulnerable to malnutrition as reflected in prevalent anaemia (over 60 per cent), stunted growth (33 per cent), and being underweight (21 per cent). These rates are significantly higher among poor families and ethnic groups and in rural areas – children in the poorest

<sup>3</sup> United Nations Capital Development Fund Background Note: Social Protection in Lao PDR.

<sup>4</sup> <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=LA>

<sup>5</sup> Country Analysis Report. Analysis to inform the Lao PDR – United Nations Partnership Framework 2017-2021. [www.undp.org/content/dam/laopdr/docs/Reports%20and%20publications/2015/Country%20Analysis%20Report%20Lao%20PDR%202015.pdf](http://www.undp.org/content/dam/laopdr/docs/Reports%20and%20publications/2015/Country%20Analysis%20Report%20Lao%20PDR%202015.pdf)

<sup>6</sup> TRIANGLE in ASEAN Quarterly Briefing Note. [www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/genericdocument/wcms\\_735106.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/genericdocument/wcms_735106.pdf)



households are 3.5 times more likely to be stunted than those in the richest households.

The lock down and the subsequent loss of livelihoods and/or household incomes can further perpetuate abuse and the risk of violence on children and women, endangering their lives and mental health and well-being in the long-term. The adolescent birth rate in Lao PDR is 83 births per 1,000 adolescent girls 15–19 years, which is the highest in the region. The Survey also shows that 23.5 per cent of adolescent girls aged 15–19 years are married/in-union and 41.8 per cent of adolescent girls in the same age group are out of school. It is expected that COVID-19 related disruptions will result in a significant rise in unintended pregnancies. Furthermore, 42.4 per cent of girls and 43.2 per cent of boys aged 5–17 years were involved in child labour, and 41.8 per cent of girls aged 15–17 years were not in school.<sup>7</sup> The COVID-19 pandemic has put adolescent girls and boys, especially from ethnic groups and poor households, at risk of dropping out of schools and engaging in economic activities as child labourers.

**Women are disproportionately represented among the poor and the vulnerable.** They tend to be confined to more casual, insecure, and hazardous forms of work and self-employment, particularly in the informal economy, with no or limited access to social protection. In Lao PDR, almost 70 per cent of front-line health-care workers (including medical doctors, nurses and midwives) are female, are more likely to be exposed to the virus, and will have a double burden of care and require specific support to simultaneously take care of their children during the school closures. Projections on the COVID-19 impact show that maternal deaths in Lao PDR could increase from 286 to 546 (best case scenario) or even to 684

(worst case scenario) in 2020. Over 38 per cent of maternal deaths occur among young women aged 15–24 years.

**Elderly people and people with disabilities are more likely to be at risk of adverse outcomes if exposed to the virus,** together with people having underlying health issues. This vulnerability is compounded by a high incidence of poverty, poor mobility, and large gaps in social protection coverage. Many elderly people live in multigenerational households and are cared for by their family members. Such households may not have space to isolate to stop the spread of the virus.

Efforts to contain the spread of COVID-19 **threaten disruptions in the production and supply of basic necessities** and are already having an impact on supply chains. Food stockpiling, staff shortages and quarantine measures pose risks to the free movement of food supplies. Without immediate measures “to protect the most vulnerable, keep global food supply chains alive and mitigate the pandemic’s impacts across the food system”, a food security crisis may occur.<sup>8</sup> Countries around the world are battling a range of secondary shocks while struggling to contain the spread of the virus. In these circumstances, global shortages of necessities such as food can perpetuate conflict and social divisions in fragile economies, provoking worse economic and social impacts than anticipated.

<sup>7</sup> Lao Bureau of Statistics, UNICEF. 2018. Lao Social Indicator Survey II (LSIS II).

<sup>8</sup> [www.fao.org/2019-ncov/q-and-a/impact-on-food-and-agriculture/en/](http://www.fao.org/2019-ncov/q-and-a/impact-on-food-and-agriculture/en/)



# WHY IS SOCIAL PROTECTION ESSENTIAL IN RESPONDING TO THE COVID-19 CRISIS?

Social protection systems, designed with a gender perspective, address three main dimensions of the COVID-19 pandemic and its economic and social implications:

- **Income security and poverty prevention:**

Global experience in the crisis response has demonstrated that cash transfers made through state systems to low- and middle-income population groups can be effective in preventing reduction in household consumption, as such people are likely to use a large portion of the transfers on basic necessities.<sup>9</sup> Unemployment benefits, wage subsidies, sickness benefits, non-financial allowances such as agricultural tools, crops and livestock, and other cash transfers cushion the adverse financial impacts of the crisis and provide job and income security for those most affected, thereby contributing to increasing their resilience and alleviating poverty and informality, while mitigating the negative impacts of lost income. Effective social health protection, including access to essential care such as family planning and maternal health care, also ensures that those infected do not face catastrophic health

expenses that push them into financial hardship and poverty. Previous crises have highlighted the need to combine effective health interventions with social protection measures in any adequate government policy response.

- **Stabilizing the wider economy and social stability:**

The supply and demand shocks resulting from the pandemic, both in domestic and international markets, are likely to have serious and long-term social and economic impact. This calls for swift action and strong economic and social policies, with focus on the poor and vulnerable. Social protection should be seen as an investment, not a cost. Most countries, even low-income ones, can afford social protection programmes<sup>10</sup>. Well-designed and implemented social protection schemes generate social impacts, contribute to human capacity development, have the potential to boost local economic growth and foster higher labour productivity.<sup>11</sup> Evidence from previous crises shows that social protection had a significant positive multiplier effect on the economy, acting as a powerful economic and social stabilizer.<sup>12</sup> When a particular set of

<sup>9</sup> ILO 2020. 'Social Protection Responses to the COVID-19 Crisis: Country Responses in Asia and the Pacific'. Bangkok and Geneva: International Labour Organization. [www.ilo.org/asia/publications/issue-briefs/WCMS\\_739587/lang-en/index.htm](http://www.ilo.org/asia/publications/issue-briefs/WCMS_739587/lang-en/index.htm)

<sup>10</sup> For additional references please see the section on 'Financial management and sustainability'.

<sup>11</sup> [www.fao.org/policy-support/policy-themes/social-protection/en/](http://www.fao.org/policy-support/policy-themes/social-protection/en/) ILO World Social Protection Report 2017–19.

<sup>12</sup> For example, the expansion of social protection programmes in the United States after the financial crisis in 2008–09 was estimated to have a significant multiplier effect on output, and Australia's fiscal stimulus package with strong social protection components was instrumental in preventing a contraction in economic growth of 1.3 per cent between 2008 and 2009. [www.ilo.org/wcmsp5/groups/public/@ed\\_norm/@relconf/documents/](http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/)



conditions are met, social transfers can ensure that low- and middle-income households continue to spend money on basic needs, thereby boosting aggregate demand and charting a solid path to recovery.

- Containing the pandemic and reducing mortality:** Ensuring effective access to affordable health care is central to responding to any pandemic, contributing to better government capacity to monitor and contain the pandemic, and ensuring that infected people can receive treatment. This should be done while maintaining normal health care services to the population. Health system preparedness will be critical in the case of a second wave of the COVID-19 pandemic. Other measures such as unemployment benefits, sickness benefits or paid sick leave, and other cash transfers ensure income security in cases of job loss or sickness, thereby protecting individuals from the risk of infection and not causing financial distress while they isolate. Thus, they also play a role in curbing the spread of the virus.

Shock-responsive social protection systems are an important part of any adequate crisis response. During the Ebola outbreak in West Africa in 2014, more people died from the interruption of social services and economic breakdown than from the virus itself.<sup>13</sup> Shock-responsive social protection systems can contribute to building household resilience to shocks – which could include natural disasters, pandemics, economic crises and conflict – to reduce their impact and support people in the aftermath of the shocks. Social protection can also address the economic barriers to allow poor households to transition to more productive, climate-sensitive and sustainable livelihoods.<sup>14</sup>

For social protection measures to effectively deliver the potential outcomes presented here, some crucial conditions should be met, which clearly calls for a system-based approach.

meetingdocument/wcms\_160210.pdf

<sup>13</sup> UN framework for the immediate socio-economic response to COVID-19.

<sup>14</sup> As part of the joint ASEAN-UN project, “Strengthening the capacity of ASEAN Member States to design and implement risk-informed and shock-responsive social protection systems for resilience (2018)”, WFP has prepared a regional synthesis report and a case study on shock-responsive social protection in Lao PDR, which provides recommendations on the way forward. As part of the second phase of the project, WFP will conduct a gap analysis in Lao PDR. [www.la.one.un.org/media-center/publications/496-lao-pdr-case-study-strengthening-the-capacity-of-asean-member-states-to-design-and-implement-risk-informed-and-shock-responsive-social-protection-systems-for-resilience](http://www.la.one.un.org/media-center/publications/496-lao-pdr-case-study-strengthening-the-capacity-of-asean-member-states-to-design-and-implement-risk-informed-and-shock-responsive-social-protection-systems-for-resilience)



# A SYSTEM-STRENGTHENING APPROACH TO CRISIS RESPONSE

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The UN response framework for the immediate socioeconomic impact of COVID-19 consists of five inter-connected streams of work. This can help countries to recover and “build back better”, and be better prepared to address future shocks, including pandemics.<sup>15</sup>

1. Protecting existing health services and strengthening health systems’ capacity to respond to COVID-19;
2. Helping people cope with adversity, through social protection and basic services;
3. Protecting jobs, supporting small and medium-sized enterprises, and informal sector workers through economic recovery programmes;
4. Guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses; and
5. Promoting social cohesion, recovery and investing in community-led resilience and response systems.

A system-strengthening approach to social protection during and after the COVID-19 crisis can have two dimensions. The first is to focus on the development of the social protection system itself to ensure the effective and efficient delivery of the first and second streams of work. The second dimension is on the relationship of social protection with the larger spectrum of policy measures – this

relates to the remaining streams of work. This section will briefly touch upon both dimensions.

**Dimension 1: Development of social protection systems and basic services.** Lao PDR is in the process of establishing its national social protection system with the National Social Protection Strategy 2025 as the central reference. It states the national vision for 2030 and defines goals, strategic objectives, and activities for developing the national social protection system. By doing so, the National Social Protection Strategy can effectively contribute to redistributing the fruits of economic growth to all groups in society, building social harmony and cohesion, reducing poverty and inequality, protecting people from natural and man-made disasters, and establishing a long-lasting and resilient growth that benefits all. A central feature of designing a social protection system must be its ability to build resilience to shocks – not just the present COVID-19 crisis, but also future economic crises and climate-related disasters, which are becoming more frequent with time and with greater global and regional integration.

Thus, the establishment of the system has to be kept in mind while designing and implementing COVID-19 response measures. This is vital to respond to future shocks and natural disasters. In this regard, it is important to ensure: (i) whether the design and implementation of existing programmes can accommodate rapid alterations of eligibility criteria; (ii) how easily and quickly new instruments

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<sup>15</sup> Based on UNCDF Background Note: Social Protection Proposal Lao PDR.

can be introduced; (iii) plans are in place to protect fiscal allocations for existing social protection provisions; and (iv) if the system has the ability to scale up and flex to accommodate new needs, such as scalability of delivery and targeting systems, increased capacity of administering institutions, and availability and release of funds.<sup>16</sup> Lao PDR has one of the lowest levels of exposure to natural disasters in the ASEAN region, but is highly vulnerable due to the lack of capacity to cope with the impact of disasters.<sup>17</sup> Storms and flooding have occurred most frequently in the last decade.<sup>18</sup> Developing and maintaining a shock-responsive social protection system can help in rapidly protecting

people from the effects of natural disasters, pandemics and economic crises in future.<sup>19</sup>

Developing the national system implies laying the foundations of the institutional frameworks, and planning for and allocating domestic and other resources to the system, and designing and implementing social protection measures in line with the long-term national vision expressed in the National Social Protection Strategy 2025. The COVID-19 response measures should be easily absorbed or expanded into the national system after the crisis.

## INTERCONNECTED ELEMENTS OF A COMPREHENSIVE SOCIAL PROTECTION SYSTEM<sup>20</sup>

<b>LEGAL FRAMEWORK</b>	<b>STRATEGY</b>	<b>FINANCIAL MANAGEMENT</b>
<ul style="list-style-type: none"> <li>✓ clear mandate to the state</li> <li>✓ regulatory framework serves and a solid and consistent guidance on implementing mechanisms</li> <li>✓ based on consultation with all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>✓ states the national vision</li> <li>✓ defines objectives</li> <li>✓ defines activities</li> </ul>	<p><b>Involves:</b></p> <ul style="list-style-type: none"> <li>✓ planning and realising national budget processes</li> <li>✓ collection or mobilization</li> <li>✓ investment management</li> <li>✓ M&amp;E of public expenditure</li> </ul>
<b>GOVERNANCE</b>	<b>ADMINISTRATION</b>	<b>MANAGEMENT INFORMATION SYSTEMS</b>
<ul style="list-style-type: none"> <li>✓ important to set and maintain performance standards in management and support functions</li> <li>✓ affects institutional, organizational and programme level structures</li> </ul>	<ul style="list-style-type: none"> <li>✓ backbone of a social protection system</li> <li>✓ involves several processes</li> <li>✓ Administrative systems should be compatible with existing resources and capacities</li> </ul>	<ul style="list-style-type: none"> <li>✓ pivotal role central to all the social protection scheme processes, i.e. targeting, payments, complaints and grievances, M&amp;E</li> <li>✓ allow for better decision making</li> <li>✓ increase effectiveness and efficiency</li> </ul>
<b>COORDINATION MECHANISMS</b>	<b>MONITORING &amp; EVALUATION</b>	
<ul style="list-style-type: none"> <li>✓ it is sharing of information, resources, responsibilities</li> <li>✓ leverages complementarities between programmes, avoids fragmentation and inefficiencies</li> <li>✓ takes place among national and subnational levels, and between them</li> </ul>	<p><b>Helps to:</b></p> <ul style="list-style-type: none"> <li>✓ safeguard compliance with existing legislation</li> <li>✓ ensure transparency and accountability</li> <li>✓ improve service delivery</li> <li>✓ build a basis for continuous improvement of social protection systems</li> </ul>	

<sup>16</sup> [www.opml.co.uk/files/Publications/a0408-shock-responsive-social-protection-systems/srsp-literature-review.pdf?noredirect=1](http://www.opml.co.uk/files/Publications/a0408-shock-responsive-social-protection-systems/srsp-literature-review.pdf?noredirect=1)

<sup>17</sup> WFP and Oxford Policy Management, 2018. Strengthening the capacity of ASEAN Member States to design and implement risk-informed and shock-responsive social protection systems for resilience – Lao PDR Case Study.

<sup>18</sup> The floods in September 2019 caused widespread destruction and are estimated to have displaced around 100,000 people and affected around 580,000 people.

<sup>19</sup> United Nations Capital Development Fund Background Note: Social Protection in Lao PDR.

<sup>20</sup> TRANSFORM: Leadership and Transformation Learning Package on Building and Managing Social Protection Floors in Africa.





**Dimension 2: The relationship of social protection with other policy areas.** The latter are essential for the success and sustainability of the system. Of note is the explicit linkage between social protection and basic service delivery. Hence, in the context of Lao PDR, social protection should be viewed with applicable nuances and not as a stand-alone measure, verifying the need for innovation within this area of work.

In the context of Lao PDR's overarching development vision to become a 'land-linked' hub, one notable consideration relates to the advent of de-coupled global value chains and regional production networks, creating opportunities to reconnect economic systems in new ways. Policymakers are increasingly recognising that the conversion of the regional production networks to a more local/intra-territorial model has the potential to: (i) transform local and national economies; (ii) create new space for circular models that address the need for environmental sustainability; (iii) promote "building back better – leaving no one behind; and (iv) in-build better preparedness to address future shocks including pandemics. Social protection can make an important contribution to such a transition particularly in a situation

where public sector investments are limited. Social protection can be leveraged through strategic linkages and implementation practices to help shape and form new circular economies that centre on communities. This type of innovation can promote the retention of social protection financial transfers in local economies, driving sustainable local economic development and in turn supporting the sustainability of social protection policies themselves.

Considering the nature of the crisis, it is also important that the social protection response is complemented by other services, such as support to micro and small enterprises at local level, including business development services, access to credit lines, access to employment services for those looking for job opportunities, and vocational training to readapt skills to the new needs of the economy.

# FINANCIAL MANAGEMENT AND SUSTAINABILITY

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In a context in which global and national economic developments are difficult to predict, it is generally accepted that some once key drivers of economic growth in Lao PDR (construction, tourism, financial services and energy) will be strongly affected by the crisis, which will most likely impact the overall economic performance and the capacity of the government to generate revenues. Considering the already tight fiscal situation, the additional investment required in social protection will require a combination of different policy measures which might include re-allocation of public expenditures, a more accommodative macroeconomic policy, increase of budget efficiency, potential adoption of debt relief packages, and most likely access to additional official development assistance (ODA) in the form of grants and concessional loans. Consideration of provisions under debt cancellation programmes could be an opportunity to provide much-needed fiscal space.

These options are aligned with the 8th 5-year Lao National Socio-Economic Development Plan that calls for utilising low-interest, long-term credit from international organizations for social development and poverty reduction, seeking private sector investment, and using resources to the maximum efficiency and preventing leakages. The National Social Protection Strategy also calls for continued mobilization of development aid as well as to use public funding, including a combination of tax funding and worker and employer contributions.

For funding of social welfare programmes, the National Social Protection Strategy plans the creation of a capitalised Social Welfare Funding Mechanism, which is expected to be funded from a combination of domestic resources, capital markets and ODA. Resources are also planned to be mobilized from the private sector, civil society organizations and other non-governmental actors. It is planned to explore innovative sources of financing and advocate for higher government budget allocation to social protection. If the Government of Lao PDR opts to fund the COVID-19 response using the Social Welfare Funding Mechanism, the UN can facilitate the discussion with development partners to develop an inclusive and coherent funding solution. It would be advisable to relate ongoing or future discussions on possible budget support and debt-relief initiatives with the discussion on allocation of additional budget resources to social protection measures.

At the same time, it is necessary to keep exploring the development of long-term funding options from domestic sources, to ensure the future sustainability of the social protection system. Increasing budget and expenditure efficiency, increasing tax compliance and adopting progressive tax rates are potential strategies to mobilize additional public resources without necessarily sacrificing other spending priorities. However, new taxes improve government revenues only when designed and executed well. There is therefore a need to strengthen the efficiency of tax collection



methods and overall compliance in tandem with strengthened anti-corruption measures.<sup>21</sup>

From a public finance management perspective, the government has developed and implemented both monetary and fiscal policy responses. It is within these policy environments that the development of the social protection system needs to be considered. In Lao PDR, the public sector budget expenditures apply a Chart of Accounts code for all expenditures in alignment with the national budget law. However, there are key issues to be addressed in the Chart of Accounts and public sector budget formulation and allocation processes. The present Chart of Accounts does not allow for the clear allocation of a budget code for, or recording of, social protection expenditures. Without the system in place, all social protection interventions are generally off-budget. This would suggest limited public ownership and transfer of ownership of any system, social protection interventions being fully reliant on external finance, and limitations in terms of scalability and sustainability. A balanced approach should provide critical expenditure descriptions so that explicit Chart of Accounts codes can be allocated to each distinct social protection component.<sup>22</sup>

Finally, crisis measures should be guided by the principles underpinning international social security standards, including equity, financial and social sustainability, solidarity and social dialogue. In relation to the contributory pillar, while the urgent needs require an immediate answer, the policy decisions should also consider the impact on LSSO funds. Two main financial impacts are expected. Firstly, the increase in benefits paid out (particularly unemployment insurance benefits) will be significant. Secondly, there will be a reduction in contribution revenue from the lower number of insured members, lower salaries as well as the deferral of part of the LSSO contributions. The State has the general responsibility to ensure sustainable social security financing. In addition, in its role as employer, the government should continue to pay contributions to LSSO during the crisis, in order not to undermine the financial sustainability of the fund. This is especially important in a context where social protection systems need to increase expenditure to meet increased demands, while facing a deterioration in public finances in the coming year.

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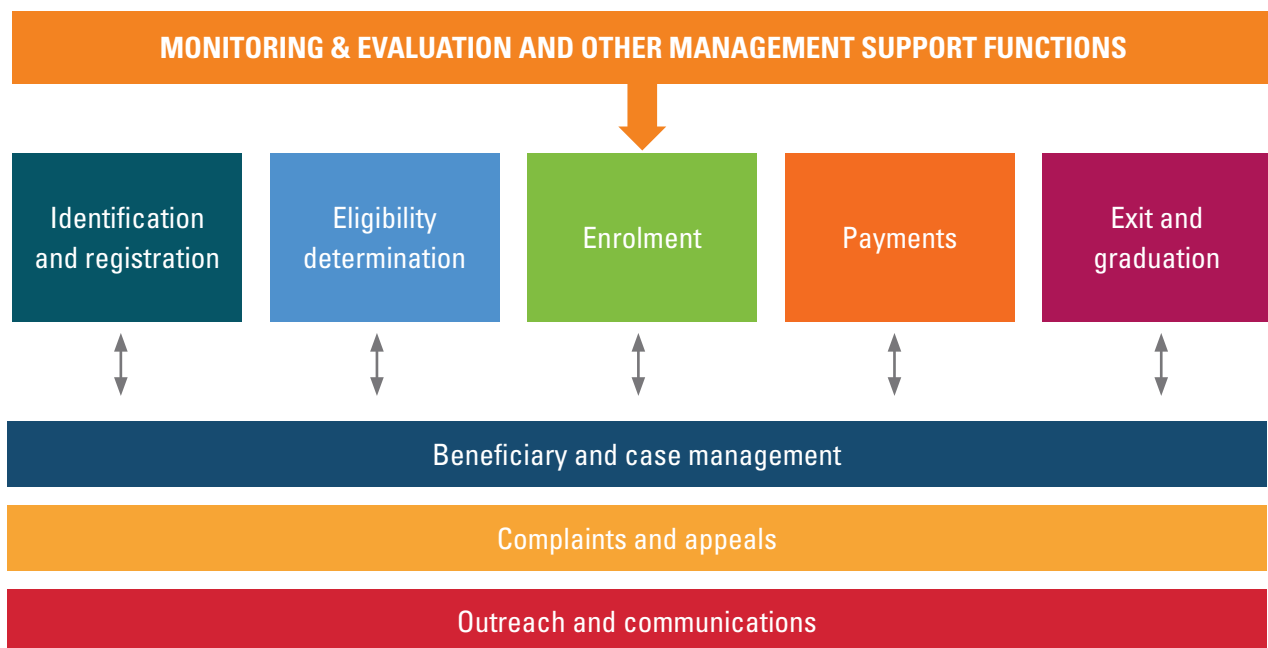
<sup>21</sup> Isabel Ortiz, Matthew Cummins, Kalaivani Karunanethy. "Fiscal Space for Social Protection: Options to Expand Social Investments in 187 Countries". ILO. 2015.

<sup>22</sup> United Nations Capital Development Fund Background Note: Public Sector Budget Expenditures in the context of Social Protection in Lao PDR.



# ADMINISTRATIVE ARRANGEMENTS FOR DELIVERY OF SOCIAL PROTECTION

A DEPICTION OF ADMINISTRATIVE PROCESSES AND UNDERLYING SUPPORT SYSTEMS<sup>23</sup>



Considering the current operation capacity, the delivery of social transfers as part of the COVID-19 response will require the use of existing and new systems, including management and information systems (MIS). To provide an effective response, it is essential to adopt simple and effective solutions,

while observing social distancing and other safety measures that minimize the spread of the virus. The response measures can be organised into two categories, based on their feasibility or possibility to implement quickly.

<sup>23</sup> TRANSFORM: Leadership and Transformation Learning Package on Building and Managing Social Protection Floors in Africa.



- Options based on existing programmes and registries. This will not require collecting new data and building a new database, which is time-consuming and requires significant resources. It can utilise existing databases. Some examples of existing registries are the database on poor beneficiaries identified by the District authorities and who are currently exempt from health-care co-payments; the Ministry of Labour and Social Welfare database of registered emigrant workers; and the LSSO database of active and non-active members.
- Options to provide benefits to people not currently registered in any database can also be considered. This would require collecting new data on individuals and households, which would necessarily take some time and require additional resources. Local governments could play a leading role here and to the extent possible, data already recorded should be utilised. This would be needed for new programmes such as the cash grant for expectant mothers and children, pensions, or a cash transfer for agricultural workers.

The heart of effective crisis response lies in using existing structures at the national and sub-national level.<sup>24</sup> Local governments are leading the COVID-19 responses globally. Studies, testimonies and government responses from around the world have demonstrated that local governments' preparedness, infrastructure and human capital capabilities, access to emergency funds, and coordination and communication flows with central government are among the key measures to ensuring speedy recovery and providing essential services to the people. The

rationale for local government involvement is grounded in the overall logic of decentralized government: it leads to improved efficiency (as local governments have a better understanding of local needs than the central government), equity (as local governments are closer to the people and operate under more public scrutiny than the central government), service delivery (they have an information advantage and local knowledge in the context of limited resources), and legitimacy (which is the foundation of the social contract that ensures social cohesion and stability).<sup>25</sup> Local governments in Lao PDR cover all districts, even in isolated areas that have limited connectivity. They deliver essential services across all sectors, and receive regular incomes for service delivery and local capital investments through inter-governmental transfers. The local government institution is often represented by village elders or leading figures, helping to improve confidence and trust within the community.<sup>26</sup>

The local governments can act as distribution channels for social transfers, as they may have the best outreach to deliver payments to households and individuals in rural and remote areas. Their involvement can also serve the following areas: increasing the capacity of the local health-care system, enhancing the social service and psychosocial support system, raising community awareness and mobilization, enforcing public order and regulations to prevent and contain the infection, and continued provision of essential services and relief measures. Plans that have been generated by the communities, proposed by local governments to provincial structures, and approved by the provincial structures can be further utilized to develop community-based livelihood creation

<sup>24</sup> UN framework for the immediate socio-economic response to COVID-19.

<sup>25</sup> United Nations Capital Development Fund: Guidance Note for Immediate Responses to the COVID-19 Recommended for Local Governments.

<sup>26</sup> Based on United Nations Capital Development Fund Background Note: Social Protection in Lao PDR.



activities or public works programmes.<sup>27</sup> The UN agencies, especially those that actively work in the area of emergency response such as the World Food Programme (WFP), stand ready to provide technical assistance and capacity-building to the Government for an effective and efficient response.

At the same time, it is necessary to process the payments in a way that minimizes physical interaction. The government can encourage all institutions to use electronic transactions and to reduce direct interactions like paper form submissions and cash payments. Nevertheless, some level of physical interaction might be necessary for registration and payments, especially for those with lesser access to technology. In this context, registration and payment points can be designed to ensure social distancing.

For employment-related benefits, the system should build on the existing mechanisms available under LSSO. This includes the payment of benefits under the existing schemes, such as unemployment insurance, as well as to new groups of workers who could potentially be reached by LSSO, particularly those currently in informal employment in urban settings.

To ensure effective and efficient implementation, it is critical that social protection schemes are well monitored, have regular reporting and are evaluated. A monitoring and evaluation (M&E) framework articulates (i) institutional arrangement; (ii) needed data sources; and (iii) a reliable flow of information between and within the government and partners associated with a series of indicators that should be established for any social protection schemes. The capacity of technical staff to monitor and report the performance of social protection schemes should be built through a series of trainings and hands-on initiatives. A good M&E system will provide the requisite evidence to influence the horizontal and vertical expansion of programmes, increase benefit amounts and make significant reforms in increasing fiscal space for social protection.

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<sup>27</sup> Based on United Nations Capital Development Fund Background Note: Social Protection in Lao PDR.



# SOCIAL PROTECTION IN LAO PDR

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Lao PDR is at the initial stages of developing its social protection system. Coverage is extremely low by regional standards. 1.6 per cent of GDP is allocated to social protection – a mere 0.7 per cent if health (0.9 per cent) is excluded. To date, investment made by Lao PDR in social protection is the lowest in the region. Challenges for the further development of the social protection system identified in the UN Social Protection Floor Assessment-based National Dialogue report were: (i) fragmentation of the system; (ii) compliance problems/lack of enforcement in the formal economy; (iii) limited scope of social protection coverage; (iv) lack of social protection coverage in the informal economy; and (v) inconsistent and unclear financing of non-contributory schemes.

In order to answer these challenges, the Government of Lao PDR has recently approved the new National Social Protection Strategy (NSPS) 2025, which sets out a roadmap for the development of social protection in Lao PDR. It includes the establishment of a National Social Protection Committee which will be responsible for the general implementation of the NSPS, coordination among the various implementing bodies and of the various levels of the government administration: central, provincial and district, coordination with development partners, monitoring and evaluation of the NSPS implementation, and the assessment of the overall situation of social protection in the country including the identification of emergent issues.

The National Social Protection Strategy 2025 categorises social protection in Lao PDR into: social welfare (non-contributory benefits), social insurance (contributory benefits), and access to essential health care.

## SOCIAL WELFARE

In Lao PDR, social welfare programmes include cash and in-kind transfers and social services. They mainly consist of short-term in-kind assistance for unexploded ordnance survivors, victims of trafficking and orphans. One of the biggest social welfare programmes is the National School Meal Programme, under which students in primary and secondary schools in disadvantaged districts are provided with hot meals in their schools. The programme adapted to the COVID-19 crisis by providing take-home rations, which could be an avenue for development of the national shock-responsive social protection system. There is a technical and vocational education and training scholarship programme and a Poverty Reduction Fund – the latter aims to improve access to essential goods and services in poor communities through asset creation and livelihood promotion activities. At present, there are no regular, large-scale cash transfers in place which could be expanded to reach vulnerable people during the COVID-19 crisis.<sup>28</sup>

In accordance with the National Social Protection Strategy 2025, the Government of Lao PDR is planning to launch a cash transfer programme for children under the age of 3 in the poorest districts of the country. It aims to ensure adequate nutrition

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<sup>28</sup> Summary report assessment-based national dialogue on social protection Lao PDR, ILO 2017.



during the first two years of life and for pregnant mothers, therefore covering the first 1,000 days of life of poor and vulnerable children.<sup>29</sup> This is a policy instrument that can provide minimum income security to the most disadvantaged households. It could be a crucial step in the development of a comprehensive shock-responsive social protection system, to tackle the COVID-19 pandemic as well as other crises in future.

## SOCIAL INSURANCE

The social insurance scheme under the LSSO covers most of the public sector and, to a lesser extent, the formal private sector. The scheme covers workers for medical benefits, pensions, employment injury, occupational disease and non-work-related disease (including long-term disability), sickness, maternity, unemployment, and survivorship. However, the beneficiary group only accounts for a small part of the population, as the formal economy constitutes only 17.3 per cent of the workforce.<sup>30</sup> Indeed, the majority of the Lao workforce (83 per cent) comprises self-employed workers and workers in non-standard forms of employment and these categories do not therefore benefit from this protection.

**Unemployment protection:** participants in the LSSO who pay regular contributions are entitled to unemployment insurance benefits if they lose their

jobs due to the COVID-19 crisis. The benefit equals 60 per cent of the average insurable wage over the past six months. The duration of the benefit varies between 3 and 12 months depending on the length of the insured period. The benefit is paid after a 30-day waiting period subject to the payment of contributions for at least 12 months in the last 24-month period.<sup>31</sup> Currently, 184,747 public sector employees and 117,509 private sector employees are eligible for the benefits. For around 50 per cent of registered private sector enterprises, contributions are currently not being paid on behalf of workers. Therefore, whilst some members may meet these criteria, the majority would not be eligible for benefits.<sup>32</sup>

**Sickness benefits:** in Lao PDR, formal private and public sector employees are entitled to sickness benefits. Self-employed are not covered. Sickness benefits are paid only to those who have paid social security premiums for at least three months, thus excluding those who were only recently formally employed. Employers are responsible to pay full salary during sick leave for up to 30 days, after which sickness benefits are paid by the LSSO to active participants. The LSSO sickness benefit is paid for up to six months at 70 per cent of the insured wage. If the health condition is expected to improve, the benefit is extended by another six months at 60 per cent of the wage. Otherwise, the

<sup>29</sup> National Social Protection Strategy 2025.

<sup>30</sup> Summary report assessment-based national dialogue on social protection Lao PDR, ILO 2017.

<sup>31</sup> Summary report assessment-based national dialogue on social protection Lao PDR, ILO 2017.

<sup>32</sup> ILO Preliminary Financial Assessment, 2020.



worker is transferred to the long-term disability benefit

Modified contribution and tax payments: many countries, including Lao PDR, have announced postponing social security contributions and tax payments in response to the crisis. While this can provide much-needed relief to affected enterprises, it is essential that they are temporary and compensated by government allocations to LSSO. This is essential to not undermine the financial sustainability of government budgets and social security institutions, especially in times when social protection systems need to increase expenditures to meet increased demands. It is also important to ensure that the suspension of contributions does not affect future entitlements.

## ACCESS TO HEALTH CARE

Lao PDR has made laudable progress in expanding coverage to the majority of the population (94 per cent), through the National Health Insurance Bureau. Insured members are entitled to a comprehensive package of services, including hospitalization and first and second level services in intensive care units with a small co-payment ranging from LAK 5,000 to LAK 30,000. Expectant mothers, children under the age of 5, poor patients and LSSO contributors are meant to be exempt from the co-payments.<sup>33</sup> Nevertheless, most users continue to pay significantly more than the co-payments. Financial and other barriers mean that large inequities persist in access and financial protection, across income groups and by ethnicity.<sup>34</sup> Adequate resourcing and enforcement of existing policies are pre-conditions for access to health care in the context of COVID-19.

Lao PDR is facing a critical shortage and distribution of health-care workers (doctors, nurses and midwives) and laboratory technicians, especially in primary health facilities and rural areas. This will increase when the Ministry of Health has to provide services through different modalities, such as home visits, to those who cannot access routine care due to COVID-19. Insufficient numbers of and insufficiently skilled health-care workers, a limited national budget to recruit more health staff and provide sufficient and equitable salaries and incentives, limited management capacity, poor recruitment for work in rural areas, and lack of well-designed continuing education programmes for professional development are some of the major challenges.<sup>35</sup> In case of a second wave of COVID-19, health system preparedness to face an unprecedented demand for hospitalization – particularly oxygen therapy – is critical to limit preventable deaths. This implies providing immediate and significant additional financial and material resources to the health sector.

The forthcoming Health Financing Strategy 2021–2025 should include key elements for a COVID-19 response, to prepare for a possible second or third wave of the pandemic. The Ministry of Health should extend the health insurance benefit package to guarantee the provision of services linked to this public health emergency. Its budget needs to be increased accordingly. All user charges, including co-payments, should be suspended for services delivered during isolation or quarantine. Providers need to be compensated for the loss of this up-front source of revenue.

Incentives should be paid to frontline health care workers including village health volunteers, compensating them adequately for high-risk work

<sup>33</sup> Expansion of Lao PDR's National Health Insurance accelerates progress towards universal health coverage, ILO 2020.

<sup>34</sup> Financial protection and equity of access to health services with the free maternal and child health initiative in Lao PDR, World Bank, 2019.

<sup>35</sup> Challenges for strengthening the health workforce in Lao PDR: perspectives from key stakeholders, Yi Qian, Fei Yan, Wei Wang, Shayna Clancy, Kongsap Akkhavong, Manithong Vonglokhom, Somphou Outhensackda and Truls Østbye, 2016.

and long shifts. In the event of future outbreaks with wider, protracted community transmission, a strategy of engagement with the private sector may be necessary. As part of the broader health sector reform, the Ministry of Health could consider contracting with private facilities for testing, treatment and immunization. In the longer run, innovation in service delivery should be incentivised, including for home-based care, tele-consultation and other forms of e-health. These innovations will aim to minimize the risk of COVID-19 transmission and maintain the demand for and supply of other essential health services.

The **Government of Lao PDR has announced several measures to deal with the impact** of the COVID-19 pandemic:

- Free testing and treatment for those affected by COVID-19; increased trainings for medical personnel, volunteers, military, police and concerned officials; procurement of medical equipment, medication and protective gear; improved and increased venues for quarantining, isolating and treatment; budgeting for effective and efficient implementation of the work including extra budget for home visits and outreach; coordination with concerned agencies to mobilize necessary assistance and resources.<sup>36</sup>
- In response to return of migrant workers in massive numbers, the Government of Lao PDR has established several quarantine centres, located within provinces where official points of entry are located and in areas with large numbers of returnees. Local governments have the responsibility and accountability to ensure that these centres function effectively.<sup>37</sup>
- An amount of 52 billion kip (0.03 per cent of GDP) has been allocated for prevention and control measures.<sup>38</sup>
- Through Prime Minister's Order No. 6 dated 29 March 2020, a proposed 13-measure economic stimulus package was endorsed by the cabinet. Measures include establishing a special task force to address the economic impact of COVID-19.<sup>39</sup>
- Fiscal measures include income tax exemptions, profit tax exemption for microenterprises, duty fee exemption, deferment of tax collection from tourism-related businesses, and postponement of mandatory contributions to social security by affected businesses.<sup>40</sup>
- The Government is working with WHO, UNDP, UNICEF and UNFPA to conduct an assessment on the epidemiological, livelihood, economic and social impacts of the COVID-19 crisis.

<sup>36</sup> [www.norway.no/en/vietnam/norway-vietnam/news-and-events/order-of-laos-prime-minister/](http://www.norway.no/en/vietnam/norway-vietnam/news-and-events/order-of-laos-prime-minister/)

<sup>37</sup> [www.uncdf.org/article/5476/local-governments-on-the-forefront-of-covid-19-lao-pdr](http://www.uncdf.org/article/5476/local-governments-on-the-forefront-of-covid-19-lao-pdr)

<sup>38</sup> [www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#L](http://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#L)

<sup>39</sup> [www.vdb-loi.com/laos\\_publication/covid-19-the-lao-pdr-government-announces-new-economic-policy-measures/](http://www.vdb-loi.com/laos_publication/covid-19-the-lao-pdr-government-announces-new-economic-policy-measures/); [www.vientianetimes.org.la/freeContent/FreeContent\\_Stimulus\\_58.php](http://www.vientianetimes.org.la/freeContent/FreeContent_Stimulus_58.php)

<sup>40</sup> [www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#L](http://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#L)





# PROPOSED POLICY OPTIONS

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A list of initial policy options to respond to the COVID-19 crisis, while addressing system-building, are proposed below. The list is not exhaustive of all the policy measures available and required from a social protection perspective to deal with the impact of the crisis. Additional measures can be discussed to ensure that no one is left behind, looking at groups not covered by this list, such as adolescent girls.

## LEAVING NO ONE BEHIND

Leaving no one behind (LNOB) is the central, transformative promise of the 2030 Agenda and the Sustainable Development Goals. The 2030 Agenda is committed to leaving no one behind at the national level and reaching the furthest behind first. At its core, it incorporates the principles of equality and non-discrimination and a human rights-based approach to sustainable development, operationalized through a shared UN vision and framework for action.

Leaving no one behind means ending extreme poverty in all its forms, and reducing inequalities among both individuals and groups. The key to 'leaving no one behind' is the prioritisation and fast-tracking of actions for the poorest and most marginalised people – known as progressive universalism.

All people living in the country, particularly the poor and vulnerable, should be addressed in the design and implementation of social protection policy. This means paying special attention to children, adolescent girls and boys, people with disabilities, people living with HIV, elderly people, indigenous peoples, refugees, and migrants. While it may not be possible to reach all of them at once, social protection policies should be designed to progressively extend coverage to vulnerable groups over time as institutional and financial resources become available.

To take one example in Lao PDR, at-risk adolescents and teenage mothers face serious vulnerabilities, which it is expected the current crisis will heighten. The 2017 Lao Social Indicator Survey II showed that about a fourth of adolescent girls aged 15–19 were married/in-union, while about a sixth of adolescent girls and boys aged 11–14 were out of school. It is expected that economic disruptions and hardships related to COVID-19 may result in higher numbers of unintended pregnancies and school dropouts, coupled with an increase in child labour. Following the 'leaving no one behind' approach, it will be important to progressively provide social support measures for this vulnerable group – at-risk adolescents and teenage mothers – to ensure that they can access education and equal economic opportunities and have a promising future.



POLICY OPTION	ONE-TIME OR CONTINUOUS SUPPORT	IMMEDIATE, MEDIUM OR LONG TERM
<b>SOCIAL WELFARE</b>		
1. Provide a cash transfer to expectant mothers and children aged 0–2 years, starting in selected poor or most-affected districts.	Continuous	Immediate implementation
2. Extend the National School Meal Programme to guarantee adequate nutrition for children and households, gradually expanding to more districts.	Continuous	Immediate implementation
3. Conduct a needs assessment of migrant workers. Provide a cash transfer to returning migrant workers linked with re-skilling and job-search measures.	One-time / once a month for 3 months	Immediate to medium-term implementation
<b>SOCIAL INSURANCE</b>		
4. Extend unemployment benefits to active LSSO contributors who have been affected by the crisis by increasing the amount and duration of benefits and consider eliminating the waiting time of 30 days.	Continuous	Immediate implementation
5. Provide partial unemployment benefits or wage subsidies to active LSSO contributors (workers on leave-without-pay in temporarily closed companies), particularly those in the tourism and garment sectors. Also, create linkages with cash for work in upgrading facilities, re-skilling and job search.	One-time / once a month for 3 months	Immediate to medium-term implementation
6. Provide an allowance to inactive LSSO contributors and non-LSSO-members in occupations affected by the economic slowdown (the allowance should be lower than any benefits for active LSSO members).	One-time / once a month for 3 months	Immediate implementation
<b>ACCESS TO HEALTH CARE</b>		
7. Enable access to essential health care for all – including migrants – by temporarily granting universal access to essential health care, regardless of health insurance membership status. Also, extend a waiver on co-payments to all for whom co-payments apply.	For 3 months	Immediate implementation
8. Intensify prevention messages against COVID-19, including in rural and remote areas.	Continuous	Immediate implementation
9. Continue to invest in and improve preventive health care services, to deal with normal health care challenges (besides COVID-19).	Continuous	Immediate implementation

Depending on the willingness of the Government to further develop some of these (or other) options, the UN team is available to work on further design details through subsequent technical notes.

# COSTS OF POLICY OPTIONS

The table below presents the estimated costs of the policy options. The costs have been estimated using data from the costing model of the National Social Protection Strategy, the Labour Force Survey 2017, and the International Monetary Fund World Economic Outlook April 2020.

The figures below are preliminary estimations that we hope the Government of Lao PDR and UN agencies will be able to use in discussions on the way forward. The calculations can be modified and more accurate projections can be made if required.

POLICY OPTION	TRANSFER (LAK)	NO. OF BENEFICIARIES	TOTAL COST (LAK MILLION)	TOTAL COST (USD MILLION)	
1. Provide a cash transfer to expectant mothers and children aged 0-2 years, starting in selected poor or most-affected districts.	50% of poverty line: LAK 161,000 per month	Nong district	2,594	2,756	0.30
		Xonbuly district	5,449	5,790	0.64
		Phalanxay district	3,568	3,791	0.42
2. Extend the National School Meal Programme to guarantee adequate nutrition for children and households, gradually expanding to more districts.	LAK 800 per student per day	15,000	1,095	0.12	
3. Provide a cash transfer linked with re-skilling and job-search measures to returning migrant workers.	30% of minimum wage: LAK 330,000 per month	183,460	1,99,788	22.02	
4. Provide partial unemployment benefits or wage subsidies to active LSSO contributors (workers on leave-without-pay in temporarily closed companies) in affected sectors.	50% of minimum wage: LAK 550,000 per month	Tourism	2,094	3,800	0.42
		Garments	5,954	9,824	1.08
5. Provide an allowance to inactive LSSO contributors and non-LSSO-members in affected sectors.	30% of minimum wage: LAK 330,000 per month	Tourism	22,906	24,945	2.75
		Garments	64,046	69,746	7.69

**Notes:**

- The table presents the additional costs – over and above the expenditures that are already being incurred for existing programmes such as on school meals.
- For the purpose of this costing exercise, the Mother and Early Childhood Grant is assumed to be implemented in the three districts of Savanakheth province with the highest poverty headcount ratios, covering all pregnant women and children aged 0-2 years in the district. Furthermore, as it is designed to be a continuous programme and not an emergency response, its costs in 2021 have also been estimated. The costs range from LAK 5,327 million (USD 0.59 million) in Nong district to LAK 11,191 million (USD 1.23 million) in Xonbuly district.
- The cash transfer for returning migrant workers is assumed to cover all workers registered under the Memorandum of Understanding between Lao PDR and Thailand.
- Based on initial discussions with the Ministry of Labour and Social Welfare, tourism and garments have been identified as two highly affected sectors. Policy options 4 and 5 have been designed to cover all unemployed workers in these two sectors (4 covering active LSSO contributors and 5 covering all others).
- The policy option to extend unemployment benefits to active LSSO contributors was estimated through a rapid costing exercise and would benefit from further actuarial calculations. Based on the preliminary estimations, COVID-19 will lead to financing constraints for LSSO in 2020 due to the increase in unemployment benefits paid out and the reduction in contributions received. The estimated cost of unemployment benefit payments to contributing members is approximately LAK 220 billion in 2020 on a baseline scenario and LAK 300 billion on a pessimistic scenario. The likely reduction in contribution and investment income is approximately LAK 115 billion (or LAK 200 billion in a pessimistic scenario).
- Similarly, the health care policy options would require actuarial valuation and have not been costed in this preliminary exercise.

**Financing of the proposed policy options:** If the Government of Lao PDR opts to move forward with some of these options and additional resources need to be mobilized, the UN is available to support those efforts by facilitating the discussion with development partners and assess opportunities for additional resource mobilization for social protection. One of the options is the organization of a roundtable discussion of potential donors, which can be facilitated by the UN to develop an inclusive and coherent funding solution.

The UN team can further provide technical assistance to the development of the Social Welfare Funding Mechanism, as planned in the National Social Protection Strategy and the UN Joint Programme on Social Protection. Finally, it would be advisable to relate ongoing or future discussions on possible budget support, development grants, and debt-relief initiatives with the discussion on allocation of additional budget resources to social protection measures.



# KEY TAKEAWAYS

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- As Lao PDR is in the process of developing its national social protection system, the **establishment of the system has to be a central element while designing and implementing COVID-19 response measures**. This is vital to respond to future shocks. Developing the national system implies laying the foundations of the institutional frameworks, starting to allocate domestic resources to the system, and designing and implementing social protection programmes in line with the national vision and goals expressed in the National Social Protection Strategy 2025. The response measures should be easily absorbed or expanded into the national system after the crisis.
- The unprecedented health and economic crisis calls for an **immediate, large-scale and coordinated social protection response**. This is essential to protect households from income loss due to unemployment and under-employment caused by the COVID-19 pandemic as well as to limit the spread of the virus. Social protection and health system preparedness will also be critical in case of a second wave of the pandemic.
- Addressing the **needs of those who are hit hardest** by the crisis is priority. A large share of the population is not covered by social welfare or social insurance and is left highly vulnerable in the absence of income-generating activities.
- The proposed measures would **benefit a large number of people and are relatively redistributive**. Increasing or extending payments will inject cash into the economy and if well coupled with other measures have the potential to generate a strong multiplier effect particularly at the local level, benefiting the society as a whole.
- **Time is of the essence**. Implementing rapid social protection measures would allow Lao PDR to limit the social and economic impact of the current crisis. Other countries are constantly adding new income protection measures, as the global impact of the crisis is deepening.
- To go into operation immediately, emergency response requires **relying on existing structures, programmes and mechanisms as much as possible**. Any expansion of coverage must go hand-in-hand with extraordinary financial allocations and measures to ensure there is sufficient institutional and administrative capacity to deliver assistance.



# ANNEX: SOCIAL PROTECTION MEASURES TAKEN BY OTHER COUNTRIES IN THE ASIA-PACIFIC REGION<sup>41</sup>

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## SOCIAL WELFARE

- India announced a range of cash transfers for vulnerable people in the form of 500 Indian Rupees (INR) per month for three months to 204 million members of a financial inclusion scheme; a pension of INR 1,000 to 30 million senior citizens, widows and people with disabilities; a top-up of daily MGNREGA (public works programme) wages by INR 20 benefitting around 136.2 million families, among other measures.<sup>42</sup>
- In Thailand, between April and June, informal workers (temporary workers, contractors and the self-employed) will be eligible for a monthly allowance of 5,000 Thai baht (THB). The measure targets 3 million workers at a cost of THB 45 billion.<sup>43</sup>
- Malaysia announced the expansion of the Bantuan Sara Hidup (cash transfer for vulnerable households), paying benefits in anticipation. The recipients will also receive an additional grant in e-cash.<sup>44</sup>
- In Hong Kong Special Administrative Region, China, the welfare support package includes an extra one-month allowance of Old Age Allowance, Old Age Living Allowance, or Disability Allowance which are non-means-tested schemes. The amount of assistance payable per month of Old Age Allowance is 1,385 Hong Kong dollars.<sup>45</sup>
- Singapore will provide a one-off payment as a quasi-Universal Basic Income. As part of a 1.6 billion Singapore dollar (SG\$) Care and Support Package, all Singaporeans aged 21 and above will receive a one-off cash transfer of SG\$ 300 (US\$ 205.38), SG\$ 200 (US\$ 136.9) or SG\$ 100 (US\$ 61.5), depending

<sup>41</sup> Most of the measures listed here apply to citizens and in some cases, foreigners with a work permit. This leaves the majority of migrant workers outside the scope of social protection coverage.

<sup>42</sup> [www.narendramodi-in.cdn.ampproject.org/c/s/www.narendramodi.in/amp/finance-minister-announces-rs-1-70-lakh-crore-relief-package-under-pradhan-mantri-garib-kalyan-yojana-for-the-poor-to-help-them-fight-the-battle-against-corona-virus](http://www.narendramodi-in.cdn.ampproject.org/c/s/www.narendramodi.in/amp/finance-minister-announces-rs-1-70-lakh-crore-relief-package-under-pradhan-mantri-garib-kalyan-yojana-for-the-poor-to-help-them-fight-the-battle-against-corona-virus)

<sup>43</sup> ILO, 2020. 'Social Protection Responses to the COVID-19 Crisis: Country Responses in Asia and the Pacific'. Bangkok and Geneva: [www.ilo.org/asia/publications/issue-briefs/WCMS\\_739587/lang--en/index.htm](http://www.ilo.org/asia/publications/issue-briefs/WCMS_739587/lang--en/index.htm)

<sup>44</sup> ILO, 2020. 'Social Protection Responses to the COVID-19 Crisis: Country Responses in Asia and the Pacific'. Bangkok and Geneva: [www.ilo.org/asia/publications/issue-briefs/WCMS\\_739587/lang--en/index.htm](http://www.ilo.org/asia/publications/issue-briefs/WCMS_739587/lang--en/index.htm)

<sup>45</sup> Gentilini, Ugo, Mohamed Almenfi, and Ian Orton, 2020. 'Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures (Updated 27 March)'. [www.ugogentilini.net/wp-content/uploads/2020/03/Social-protection-responses-to-COVID19\\_March27.pdf](http://www.ugogentilini.net/wp-content/uploads/2020/03/Social-protection-responses-to-COVID19_March27.pdf)



on their income. Cash payments will also be made to families with children and elderly parents. Additionally, it will include a SG\$ 100 (US\$ 61.5) supermarket voucher to lower-income households.<sup>46</sup>

## SOCIAL INSURANCE

- Japan extended access to sickness cash benefits to persons who are in quarantine or diagnosed with COVID-19. It simultaneously waived the requirement for obtaining a medical certificate.<sup>47</sup>
- Singapore's Ministry of Manpower is providing cash support of SG\$ 100 to businesses and self-employed persons who are affected by Leave of Absence and Stay-Home Notice requirements due to COVID-19.<sup>48</sup>
- The Republic of Korea facilitated access to its employment retention subsidy programme. The wage subsidy for companies was temporarily increased if they keep their employees on paid-leave or leave of absence programmes, from 50 to 66 per cent of the wage for large companies, and from 66 to 75 per cent of the wage paid for small and medium-sized enterprises.<sup>49</sup>
- Thailand's Social Security Office will provide wage subsidies for people on leave without pay in companies temporarily closed down following the government instructions to prevent the spread of COVID-19.
- For 2020 and 2021, Thailand's Social Security Office is legislating an increase in unemployment benefits and their duration from 50 per cent and 180 days to 70 per cent and 200 days for cases of lay-off. For work cessation due to voluntary termination or end of contract, benefits will increase from 30 per cent to 45 per cent maintaining the 90 days limit.

## ACCESS TO HEALTH CARE

- Thailand extended financial protection against health expenses to nationals and foreign residents holding a work permit, through granting access to the Universal Coverage for Emergency Patients to COVID-19 patients. This measure enables COVID-19 patients to seek treatment at their nearest private or state hospital free of charge.<sup>50</sup>
- In Singapore, where public health care is provided through a combination of public and private providers, the Government has decided to pay the hospital bills in full for all suspected COVID-19 patients.<sup>51</sup>

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<sup>46</sup> Channels News Asia. 'Budget 2020: S\$4 Billion Support Package for Workers, Firms amid COVID-19 Outbreak'. [www.channelnewsasia.com/news/singapore/budget-2020-s-4-billion-support-package-for-workers-firms-amid-12446082?cid=h3\\_referral\\_inarticlelinks\\_24082018\\_cna](http://www.channelnewsasia.com/news/singapore/budget-2020-s-4-billion-support-package-for-workers-firms-amid-12446082?cid=h3_referral_inarticlelinks_24082018_cna)

<sup>47</sup> ISSA 2020. 'COVID-19 Crisis: A Renewed Attention to Sickness Benefits', 2020. <https://www1.issa.int/news/covid-19-crisis-renewed-attention-sickness-benefits>

<sup>48</sup> [www.mom.gov.sg/covid-19/loasp](http://www.mom.gov.sg/covid-19/loasp)

<sup>49</sup> OECD 2020. 'Supporting People and Companies to Deal with the Covid-19 Virus: Options for an Immediate Employment and Social-Policy Response'. [https://oecd.dam-broadcast.com/pm\\_7379\\_119\\_119686-962r78x4do.pdf](https://oecd.dam-broadcast.com/pm_7379_119_119686-962r78x4do.pdf)

<sup>50</sup> The Thaiger, 2020. 'New Covid-19 Specialist Hospital to Open as Thai Government Steps up Response'. <https://thethaiger.com/coronavirus/new-covid-19-specialist-hospital-to-open-as-thai-government-steps-up-response>

<sup>51</sup> Min, Ang Hwee, 2020. 'COVID-19 Outbreak: What You Need to Know about the Public Health Preparedness Clinics', 2020. [www.channelnewsasia.com/news/singapore/covid-19-phpc-public-health-clinic-need-to-know-subsidies-where-12441664](http://www.channelnewsasia.com/news/singapore/covid-19-phpc-public-health-clinic-need-to-know-subsidies-where-12441664)



- Australia, China, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore and Thailand have channelled additional fiscal resources into the health care system through their COVID-19 stimulus packages.<sup>52</sup>
- The Philippine Health Insurance Corporation (PhilHealth) released 30 billion Philippine peso (PHP) in advance to accredited hospitals. It uses its interim reimbursement mechanism to provide health-care providers with liquidity to respond adequately to the increased demand. As of 19 February 2020, the PhilHealth package includes COVID-19 testing, referral and isolation packages.<sup>53</sup>

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<sup>52</sup> ILO, 2020. 'Social Protection Responses to the COVID-19 Crisis: Country Responses in Asia and the Pacific'. Bangkok and Geneva. [www.ilo.org/asia/publications/issue-briefs/WCMS\\_739587/lang--en/index.htm](http://www.ilo.org/asia/publications/issue-briefs/WCMS_739587/lang--en/index.htm)

<sup>53</sup> PhilHealth, 2020. 'OFFICIAL STATEMENT COVERAGE ON TEST FOR COVID-19'. Manila: PhilHealth. [https://www.philhealth.gov.ph/news/2020/covid19\\_stmnt.php](https://www.philhealth.gov.ph/news/2020/covid19_stmnt.php)



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