

# Laos's COVID-19 Recovery Pathways

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Paper presented at the ISEAS-Yusof Ishak Institute Conference, “Covid-19 in Southeast Asia, 2020-2022: Restriction, Relief, Recovery”, 28-29 July 2022.

DRAFT PAPER; DO NOT CITE WITHOUT THE AUTHOR’S PERMISSION.

## **Abstract**

The COVID-19 pandemic has caused significant damage to the socio-economic development in Laos. Therefore, the economic recovery pathway from the post-COVID-19 pandemic is the primary debate in Laos. This article aims to investigate the policy and strategy for economic recovery in Laos. This article makes a suggestion for the economic recovery: (1) It is critical to maintain macroeconomic stability. the devaluation of the domestic currency and inflation is a priority for Laos right now. (2). Avoiding the debt crisis is crucial.

The Lao government should implement a variety of restructuring measures, including privatizing state assets and renegotiating debt with donors. In addition, it is important to consider participating in international initiatives. (3) Maximizing the use of the Laos-China railway to increase exports and investment is crucial. (4) Improving the business climate to encourage export and investment is required. The final goal is to develop human resources, implement digital transformation, and protect natural resources and the environment. In addition, there are some suggestions from the expert survey. Promoting Foreign Direct Investment (FDI) and strengthening the public-private partnership (PPP) in the service sectors is essential for economic recovery. In addition, policy responses such as access to finance, tax exemptions, and reducing utility prices are also crucial elements for economic recovery.

Keywords: Covid-19, Economic Recovery, Lao PDR.

## **1. Introduction**

The Lao People's Democratic Republic (Lao PDR) aims to emerge from Least Developed Country (LDC) status and become a middle-income country by 2030 (Gol, 2020) through sustainable economic growth, eradication of poverty, and environmental protection. The government recognizes the vital link between sustainable economic development and the need to bring environmental considerations into the mainstream and includes action on climate change within economic development efforts (GoL, 2020).

Before the COVID-19 pandemic, Laos had maintained high economic growth for about two decades. Laos, on the other hand, faced a number of economic challenges, including high external debt, trade and fiscal deficits.

Over the past two years, the COVID-19 pandemic has resulted in the deployment of lock-down and social distancing techniques across the globe. This implementation of strict lock-down measures is highly associated with economic affairs and livelihood issues (Alam, 2020). Socio-economic activities have been affected and come to a halt, bringing to a close the collapse of the economy (Alam, 2020). The stringent travel containment measures have further aggravated several businesses badly damaged by the pandemic, leading to the closure of many firms in the countries, particularly in the service and service-related sectors. The inability of business owners in these sectors to sustain their operations leads to serious unemployment as many firms have to layoff their employees.

Lao PDR was also one country that was facing the socio-economic and health impact of COVID 19. Despite the fact that the number of overall transmissions was kept at a low rate compared to many countries, the global pandemic and its related international travel restrictions pose a serious impact on the Lao economy, education, and health care system, and has unavoidably exacerbated the socioeconomic impact.

To mitigate the damaging impact of the Covid-19 pandemic, the Government of Laos has implemented several policies, including fiscal and monetary responses.

However, those policies were the short term policies and they are not suitable for the urgent current economic situation of Laos. Therefore, this article aims to investigate the policy and strategy for economic recovery in Laos. We conducted the diagnostic studies on the Lao economy and conducted literature survey. In addition, we also did the expert survey to seek their opinion for economic recovery.

## **2. Recent Economic Development in Laos**

The Lao People's Democratic Republic (Lao PDR) is one of the countries that has experienced rapid economic development in recent decades. From 2001 through 2018, the average annual increase was over 7%. (Xaisongkham, Phonasa, Srithilat, and Yuan, 2019). The economy of Laos has evolved away from agriculture and towards services and industries. Agriculture's contribution to GDP has decreased from 46% in 1990 to less than 20% in 2019, while service and industrial

industries have taken its place. In addition, international trade in products and services has increased significantly. From 31% in 1990 to 80% in 2018, it has increased steadily (Table 1). This infers that the Lao economy is more interconnected with the global economy.

By 2030, the Lao People's Democratic Republic (Lao PDR) aims to shift from LDC to middle-income status (Gol, 2020). Poverty eradication and income equality are vital issues that the Lao PDR needs to address in order to achieve its sustainable development goals. Despite the fact that the poverty rate has dropped dramatically, the number of people living in poverty remains high, particularly in rural areas (Table 1-2). Over the last ten years, the poverty headcount rate has decreased by only 4%. It demonstrated that the growth had no effect on the bottom line (did not have a trickle-down effect). The resource sectors, which did not create jobs or revenue in Lao society, were responsible for the recent boom (Kyophilavong, 2016). Furthermore, the trend of inequality is rising (Table 1-3). Many studies have shown that high inequality has a negative impact on economic growth in the long run. As a result, addressing inequality is also a major concern in Laos.

Coupled with rapid economic growth fueled primarily by natural resources, Lao PDR faces a number of challenges as it strives towards long-term economic growth, poverty reduction, and environmental protection. As a result of the new era of economic growth and flame work, the Lao government has realized the new virtual link between sustainable development and the need to mainstream environmental concerns (GoL, 2020). Furthermore, Laos also faced budget deficits and trade imbalances, which have forced the country to borrow a large amount of money from outside sources, resulting in massive foreign debt (World Bank, 2020).

Table 2-1. Lao economic indicators

	2019	2020	2021	Projections		
				2022	2023	2024
<b>Real economy</b>	Percent Change yoy					
Real GDP Growth	5.5	0.5	2.5	3.8	4	4.2
Agriculture	1.2	3.2	2.3	2.2	2.5	2.6
Industry	5.6	4	7.6	5.2	4	3.4
Services	6.9	-3.5	-2.2	2.9	4.4	5.7
Inflation (Period average)	3.3	5.1	3.8	6	5.5	5
<b>Fiscal Account*</b>	Percent of GDP					
Revenues	15.6	12.7	13.9	14.1	14.6	15
Domestic Revenue	13.8	11.2	12.4	12.8	13.3	13.9
Taxes	10.9	9.2	9.6	9.9	10.4	10.9
Non-Tax	2.9	2	2.8	2.9	2.9	3
Grants	1.7	1.5	1.5	1.3	1.3	1.1
Expenditures	18.8	18	15.4	17	17.2	17.4
Current Expenditure	12.6	11.5	10.8	12.3	12.4	12.5
Wages	6.4	6.2	6	6	6	6
Non-Wage, Non-Interest Expenditure	4.5	3.8	3.6	3.7	3.7	3.7
O/W Interest Payment	1.8	1.5	1.2	2.7	2.8	2.8
Current Expenditure without Interest	10.9	10	9.5	9.6	9.6	9.7
Capital Expenditure	6.2	6.5	4.6	4.6	4.8	4.9
Domestic Finance	2.6	2	1.9	1.9	2	2.1
Foreign Finance	3.6	4.5	2.7	2.7	2.8	2.8
Fiscal Balance	-3.3	-5.2	-1.4	-2.9	-2.6	-2.3
Primary Balance	-1.5	-3.7	-0.2	-0.2	0.1	0.5
<b>Selected monetary Accounts</b>	Percent Change yoy					
Broad money	18.9	16.3	24			
Credit to the economy	7.4	4.3	11.5			
<b>balance of Payments</b>	Percent of GDP					
Current Account Balance	-12.1	-5.9	-3.2	-3.5	-4.9	-5.5
Trade balance	-7.9	-1.3	1.7	2.2	1.1	0.5
Export of G&S	37.6	35.2	42.1	48.6	50.2	50.7
Import of G&S	45.5	36.5	40.4	46.4	49.1	50.2
Primary Income: Net	-5.8	-5.9	-6.1	-6.9	-7.4	-7.4
Secondary Income: net	1.6	1.4	1.6	1.3	1.5	1.5
Gross International Reserves	997	1,319	1,263	1,282	1,313	1,334
Months of G&S Import Cover	1.4	2.3	2	1.9	1.8	1.7
<b>memorandum items</b>						
Nominal GDP (Billion kip)	162,657	171,741	182,572	197,126	213,587	231,641

Source: World Bank (2022).

Table 2-2. Poverty in Laos.

	LECS 1	LECS 2	LECS 3	LECS 4	LECS 5	LECS 6
	1992/1993	1997/1998	2002/2003	2007/2008	2012/2013	2018/19
<b>Laos</b>	64	39.1	33.5	28	24.6	18.3
<b>Urban</b>	27	22	20	17	7.9	7.00
<b>Rural</b>						
With road	43	32	31	30	31.4	23.8
Without road	61	51	46	43		
Lowland			28	20.5		
Midland			36.5	29		
Upland			34	33		

Note: LECS (lao expenditure and Consumption Census).

Source: World Bank and LSB (2009); LSB (lao statistics Bureau) (2004); World Bank and LSB (20220).

Table 2-3. Income inequality.

	LECS 1	LECS 2	LECS 3	LECS 4	LECS 5	LECS 6
	1992/1993	1997/1998	2002/2003	2007/2008	2012/2013	2018/19
<b>Laos</b>	30.5	34.9	32.6	35.4	38.5	56.1
<b>Urban</b>	30.9	39.7	34.8	36.3	37.51	55.2
<b>Rural</b>						
With road	29.3	32.1	30.3	33.2	32.52	38.7
Without road	27.5	30.9	29.4	33.3		
Region						
Vientiane	29.3	36.9	36	38		
North	26.9	34.5	30.7	35.2		
Cental	31.5	32.5	31	34		
South	32.3	32.4	31.4	32.2		

Note: LECS (lao expenditure and Consumption Census).

Source: World Bank and LSB (2009); LSB (lao statistics Bureau) (2004); World Bank and LSB (20220).

### 3. The impact of Covid-19

Laos was successful in controlling COVID-19. On May 23, 2022, Laos had accumulated 209,823 cases and 754 deaths. There were 59 new cases and no deaths. The first wave of COVID-19 occurred at the beginning of March 2020<sup>1</sup>. The first case in Lao PDR was confirmed in March 2020. As of June 3, Lao PDR has tested around 7,249 cases. There are 19 confirmed cases, of which 16 have been treated. Since then, Laos had no COVID-19 cases until the beginning of April

<sup>1</sup> The figure of total cases and death are shown in Appendix 3-1; 3-2; 3-3; and 3-4.

2021. The successful control of the COVID-19 was due to various measurements from the Lao government, including the nationwide lockdown and law-regulation enforcement<sup>2</sup>. The second wave of COVID-19 occurred in April 2021 (during the Lao New Year). This second wave had a high infection rate, causing the deaths. During this period, the Lao government applied various measures, including the party lockdown, travel restrictions, and others. The daily infection rate had declined by the end of February 2022. However, the Lao government could not control the infection rates of the first wave.

Moreover, the Omicron variant of COVID-19 has been rapidly infected around the world. Laos has confirmed a total of 27 cases of the Omicron variant of COVID-19, including the first infection in the community, the National Taskforce Committee for COVID-19 Prevention and Control said on February 23, 2022. The number of infection cases and the number of deaths have increased in the third wave. During these periods, the Lao government did not have lockdown measures and strict policies.

Increasing the vaccination rate is the key to controlling the infection rate. Rising vaccination rates may enable a gradual withdrawal of restrictions. On May 20, 2020, the completed vaccinations (% of population) was 68.09% and the number of people vaccinated (% of population) was 78.58%. The vaccination rate is slightly higher than in Indonesia and the Philippines but far behind Thailand, Vietnam, and Cambodia. However, the vaccination of children and vulnerable groups is concerning. In addition, the vaccination rates vary considerably across the provinces. At the end of 2022, the Lao government claimed to have vaccinated 80 percent of the population. Higher vaccination rates would allow containment measures to be gradually eased, which are now more harsh than in other nations. Some limitations, such as shortened quarantine times for some groups of visitors and home isolation, have lately been relaxed. Several other measures are still in place, though compliance varies greatly between them .

The pandemic COVID-19 has had a tremendous influence on the Lao economy. In 2020 and 2021, economic growth is expected to be approximately 3%. (World Bank 2020; NIER, 2021). Before the outbreak of the COVID-19 epidemic, hydropower, construction, and wholesale and retail industries all contributed considerably to GDP development, but their contributions have gradually eroded. At the same time, natural calamities and low productivity have impeded agricultural growth (Rasphone, 2020; World Bank 2020). Export industries such as garments and industrial parts are projected to have negative growth as a result of decreasing global demand. Furthermore, due to the impact of COVID-19 on tourism and related activities, the service sector is predicted to develop at a negative rate of -1.6 percent, down from roughly 9 percent in prior years. The hydropower and construction industries, on the other hand, are expected to grow at a rate of around

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<sup>2</sup> The End March–April (Nationwide lockdown) and Introduction social distancing and domestic lockdown during April 1–19, 2020 (PM order No. 6, March 29, 2020); lockdown extended to May 3, 2020 (- No travel to other localities or areas with infection or risk of infection- Closed all border checkpoints (only transports of goods are allowed)- Closed manufacturing factories (except consumer goods, medical equipment, producers) and large projects- Temporary suspended mining activity at one mine and power sector construction during the lockdown).

3.5 percent, more than offsetting the decline in other sectors, particularly the service industry (Rasphone, 2020).

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Since the beginning of the COVID-19 pandemic in early 2020, many micro and small businesses have lost revenue due to containment measures, resulting in layoffs and income losses across industries. According to an LNCC (2020) survey, 70% of entrepreneurs have laid off some employees; 40% have to lay off more than 50% of total staff, and 13% have to lay off more than 90%. Unemployment has left many families on the edge of starvation and poverty. UNDP (UNDP, 2020) predicts that 321,700 people lost jobs in Laos due to the COVID-19 pandemic. They include 191,200 domestic layoffs and 130,532 migrant workers. In 2020, unemployment will account for 23.4% of the total labor force of 2.16 million. Moreover, an increase in unemployment may force 361,000 individuals into poverty.

The COVID-19 crisis has exacerbated long-standing macroeconomic weaknesses. The Lao economy has struggled to manage huge fiscal budget deficits and current account deficits in recent years. Despite this, the Lao government continues to restrict its expenditure by decreasing overall spending from 20.2 percent in 2019 to 17.8 percent in 2020. However, annual revenue performance is likely to remain dismal owing to the second wave of the COVID-19 pandemic since April 2021. The Lao government's revenue decreased by 23% in the first half of 2020 as compared to the same time in 2019. A reduction in total income generates a greater budget deficit for the Lao government. Therefore, additional borrowing to cover the shortfall will raise overall public debt. According to the World Bank (2021a), the budget deficit was 5.2 percent in 2017 and is anticipated to decline to 4.7 percent in 2021. At the same time, overall public debt increased from 58.2% in 2019 to 62.1 % in 2020 and is expected to reach 66.4 % in 2021. (World Bank, 2021b).

The COVID-19 pandemic's macroeconomic impact, combined with continuing structural issues, has pushed the country into debt difficulty (World Bank, 2022). Due to a high debt service burden, inadequate tax collection, limited financing choices, and low foreign currency reserves, Lao PDR is experiencing liquidity and solvency issues. Debt service deferrals of approximately 3.6 percent of 2021 GDP provided short-term relief to fiscal and external imbalances in 2020–2021, but pressures remain severe (World Bank, 2022). The success of bilateral debt negotiations with major creditors continues to influence debt sustainability.

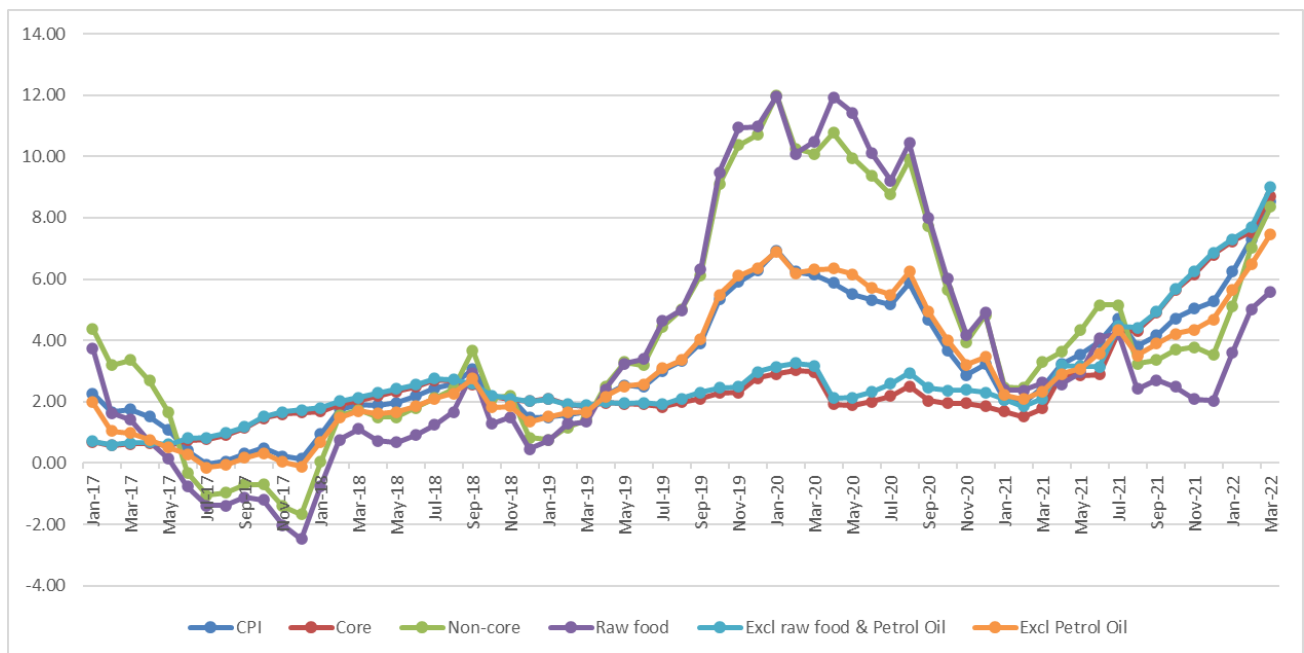
## 4. Priority for Economic Recovery

### 4.1 Maintaining the economic stability

The current COVID-19 outbreak has demonstrated the restricted containment measures have a negative impact on people's well-being and living standards. Large swings in economic activity, high inflation, currency devaluation, and financial market volatility might increase unemployment and poverty (UN, 2012), jeopardizing progress toward sustainable development and graduation from the least developed countries by 2026. Food prices, particularly meat prices, increased as a result of the lockdown and the rise in oil fuel prices during the COVID-19 pandemic. Food inflation rose from 2.4 percent in January 2021 to 6.25 percent in January 2022 (Figure 4-1). In addition, a shortage of foreign earnings resulted in the depreciation of the Kip currency against the US dollar and the Thai bath, which increased the cost of imported products and exacerbated inflation in the Lao PDR (Figure 4-2; 4-3).

Maintaining economic stability is a challenging task for Lao policymakers in order to achieve continuing and sustainable economic growth. The primary actors were price stability and external balance, which had an impact on aggregate demand and investment decisions. To achieve these intermediate goals, the Lao government will need policy space to deploy macroeconomic tools flexibly, including fiscal and monetary policy restrictions along with exchange rate regime management, as well as strong banking sector regulation and supervision <sup>3</sup>.

**Figure 4-1. Consumer Price Index (CPI), Dec 2015=1)**

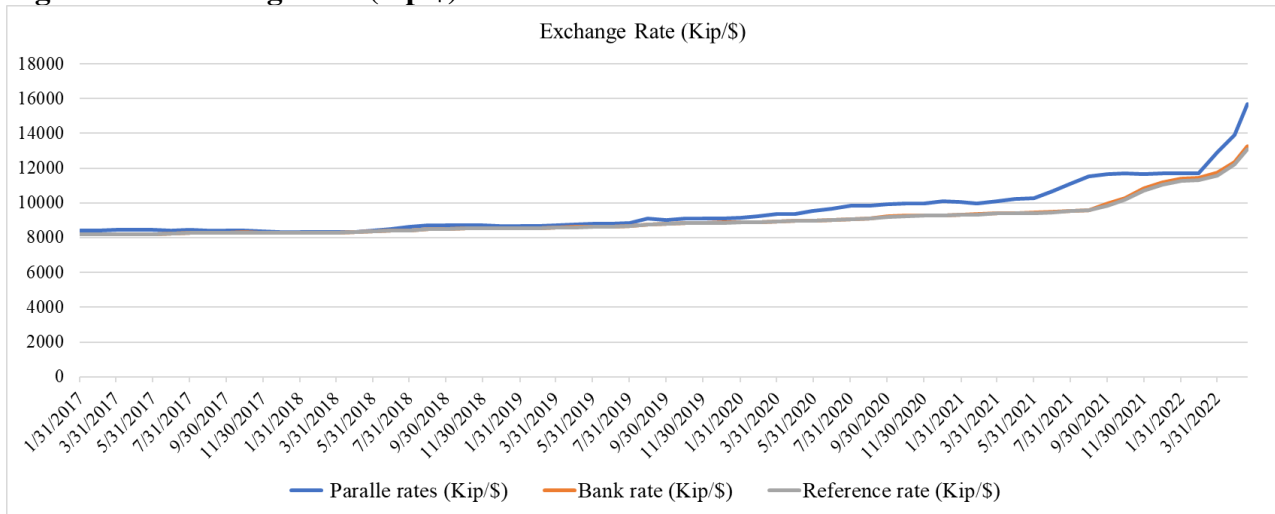


Source: IMF(2022).

<sup>3</sup> The problem of monetary policy and Covid 19 recovery were discussed by (Kyophilavong and Menon J, 2021)

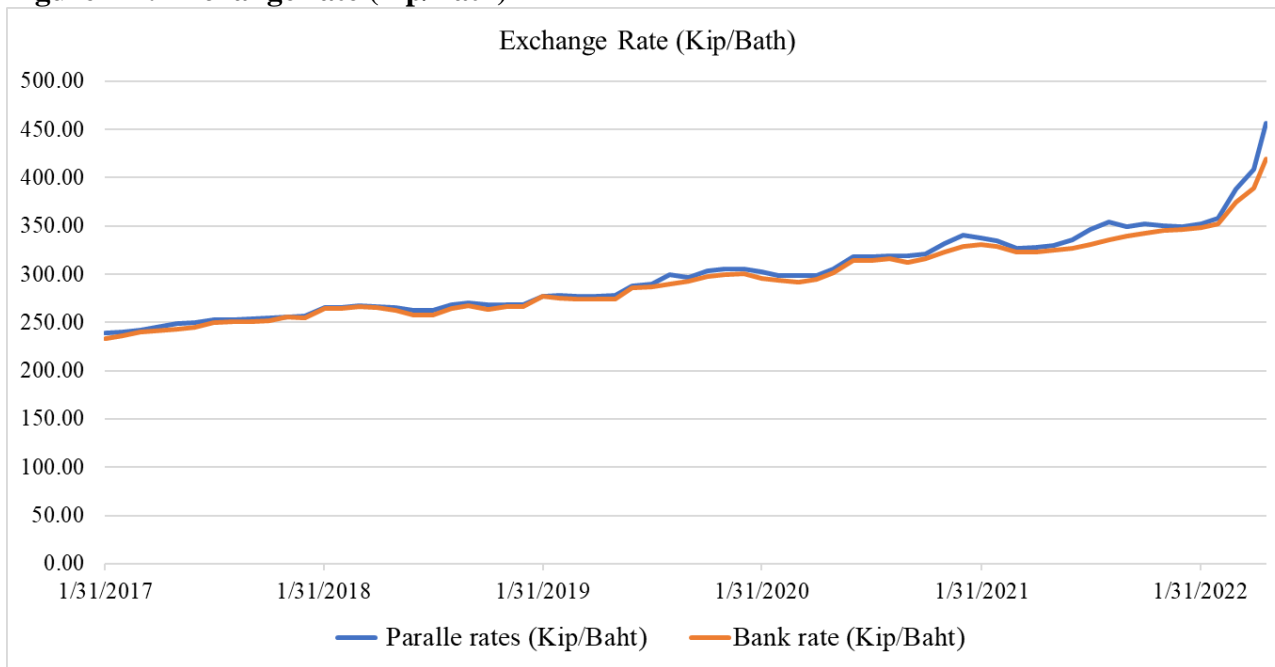


**Figure 4-2. Exchange rate (kip/\$)**



Source: IMF(2022).

**Figure 4-2. Exchange rate (kip/Bath)**



Source: IMF(2022).

## 4.2. Avoiding the debt crisis

Even before COVID-19, the World Bank and IMF (2019) identified Laos as a country with a high risk of debt distress in 2017<sup>4</sup>. The mismatches between the short-term maturity of debt obligations and the longer-term mobilization of state revenue were identified by the projection (IMF, 2019). Much of the debt is denominated in foreign currency, which exceeds Laos' foreign exchange reserves, putting the country's financial situation in danger (Barney and Souksakoun, 2021).

Laos' total external debt stood at \$16.9 billion in 2019, according to the World Bank (2020c, p. 93), with \$10.3 billion in public and publicly guaranteed (PPG) debt accounting for 88 percent and 54 percent of GDP, respectively. The liabilities of Laos' state-owned utility Électricité du Laos (EDL), which are estimated to be worth up to \$8 billion in 2020, or around 41% of GDP, have been investigated (AMRO, 2020;Reed, 2020).

The Lao People's Democratic Republic's goal of large infrastructure-led economic growth has been financed through significant financial leverage<sup>5</sup> and the accumulation of national debt (Barney and Souksakoun, 2021). According to Barney and Souksakoun (2021), the government is now in danger of defaulting on its debt. They investigated the origins of the debt issue during the last decade, focusing on the importance of hydropower and mega infrastructure. They claimed that Laos' debt problem stemmed from excessive loans to dam projects aimed at the domestic energy market. Souksakoun and Barney (2021).

The Lao government should implement a variety of restructuring measures, including privatizing state assets and renegotiating debt with China. Laos must also renegotiate or restructure its sovereign debt, as well as provide proposed policies focusing on energy sector reforms. The government should participate in the multilateral and bilateral COVID-19 support programs, and the IMF through its Rapid Credit Facility, G20 Debt Service Suspension Initiative, Chiang Mai Initiative Multilateralisation, and Access the ADB COVID-19 Active Response and Expenditure Support (Barney and Souksakoun, 2021). Moreover, the direct negotiations with China as the major bilateral creditor (including a China-Laos currency swap arrangement) are crucial.

## 4.3 Maximize use the high speed train

The priority strategy of the Lao government to transform from a landlocked to a landlocked country has been completely constructed and is operating at the end of 2021. The Lao-China Railway connects Laos to the entire network of the Belt and Road initiative (BRI), with lower cost and time, which has the potential to improve the comparative advantage of the Lao PDR <sup>6</sup>.

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<sup>4</sup> [Applied the Low-Income Country Debt Sustainability Framework \(International Monetary Fund. \(2020a, March 12\).](#)

<sup>5</sup> The financing infrastructure and its impact on macroeconomic stability were discussed by Kyophilavong and Lamphayphan (2014).

<sup>6</sup> The 414 km railway journey between Vientiane and Boten is expected to take less than four hours which four times less than by car.

Moreover, the Lao-China railway provides more opportunities to access the regional and global value chains, which could make a country more attractive to investors (World Bank, 2020).

The Laos-China railway could reposition Laos as the logistic hub in the region. Lower logistic costs and time-saving activities for Laos' neighboring countries to switch from using sea transport to the Lao-China railway. According to the World Bank report (World Bank, 2020), 5% of trade between China and Thailand, Malaysia, and Lao PDR <sup>7</sup> is transported by land, while the remaining 37% is transported by sea. The railway allows Lao PDR to capture the remaining proportion of bilateral trade with China as well as a small share of maritime trade with these three ASEAN countries. According to the Lao-China railway report in February 2022, the Lao-China railway has transported more than 500,000 tons of cargo, including 100,000 tons of gross-border goods. Thailand has now transported more than 1000 tons of rice to Chongqing in China using the Laos-China Railway. However, the transit trade via Lao PDR along the railway route might reach 3.9 million tons per year by 2030, with a 1.5 million ton shift from sea to railway. It could also expand trade between China and Lao PDR by 2 million tons, from 1.2 million tons in 2016 to 3.7 million tons in 2030. Increased transit trade would allow Lao PDR to enhance its logistics services business and adopt modern and integrated logistics methods (World Bank, 2020).

#### **4.4 Promotion of the digital transformation**

The promotion of the digital economy is a priority for the Lao government. The National Assembly approved the National Digital Strategy Plan 2021-2030 in November 2021 (MPTC, 2021). Moreover, the laws and regulations related to the digital economy have been approved (MPTC, 2021). The rapid spread of digital technologies disrupts production, trade, and investment, generating opportunities and challenges for sustainable development (UNCTAD (2019)). The promotion of the digital economy and technology adaptation have several possibilities. However, it is also facing challenges in developing countries, including Laos. There is more evidence that the promotion of the digital economy could promote economic growth (Rong and Gospodarik, 2021; Chakpitak et al., 2019; Murthy et al., 2021). Moreover, the digital economy can promote FinTech development (Chen et al., 2021). However, the main challenges are the infrastructure, human resources, new regulations, and firms' capacities to adapt to digital technology (MPTC, 2021). The digital economy could change trade structures, investment patterns, employment, and skills. This increases the risk of growing inequalities within countries and regions. Therefore, the promotion and implementation of the National Digital Strategy Plan 2021–2030 is a key priority for economic recovery from the COVID-19 pandemic.

#### **4.4 Improvement the ease of doing business climate**

As Laos becomes more integrated into regional and global economies through the ASEAN Economic Community (AEC), East Asia Free Trade Area, and World Trade Organization (WTO),

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<sup>7</sup> China's trade with Thailand, Malaysia, and Singapore reached 40.4 million tonnes, with only 2 million tonnes (about 5%).

competition with other member countries may increase. The improvement of the SME policy index in order to boost competitiveness and inclusive growth is quite low compared with the neighboring ASEAN countries (OECD/ERIA, 2018). The Lao government is trying to improve the business climate to promote SMEs and economic growth, but there are still challenges. Although the Prime Minister issued Decree 2 on improving regulations and coordination for the business sector in Laos in 2018, the ease of doing business remains poor. According to the most recent World Bank (2020) Ease of Doing Business Index, Laos is ranked 154th out of 190 countries. This reflects the country's complicated and opaque economic climate, which includes trade and integration hurdles that limit the country's attraction as an investment destination. Investors complain about excessive transaction costs and a lack of a transparent, dynamic, and simplified business environment. Overall, the economy remains inward-looking (only 2.9 percent of companies directly export), with little investment or innovation among local businesses. The improvement of the business climate is crucial for economic recovery.

#### **4.5 Fostering the human resource development**

Human capital is the engine of economic growth. The endogenous growth model identifies that the human capital accumulated through education facilitates technological progress—through improvements in existing technologies or new technologies (Romer, 1986, 1990; Lucas, 1988). However, according to the empirical study by Gylfason (2001), the resource-rich countries had a trend toward lower investment in human resources. As a result, resource-rich countries had low enrollment rates. This has far-reaching implications for long-term development.

Human resources development is relatively poor in Laos. According to the Human Development Index (HDI), Laos ranked 137<sup>th</sup> (0.613) in 2020, the lowest rank in the ASEAN countries (UNDP, 2020). In addition, Laos suffers from poor nutrition and school enrollment is relatively low. Despite increased consumption and reduced poverty, malnutrition remains a serious problem. In 2006, the percentage of underweight and stunted children under five was 37% and 40%, respectively, in 2006 (WB and DOS, 2009). These numbers show that nutrition is one of the most severe problems in Laos. Stunting (being too short for their age) has declined in recent years, from 44% in 2011 to 33% in 2017. However, there are significant regional differences. Stunting affects one out of every three children under five, and substantial regional disparities persist. In 2017, the capital of Vientiane had the lowest rate of stunting (13.8%), while Phongsaly had the highest (54%) (NIPN, 2020).

Therefore, fostering human resources is crucial for Lao economic development. In particular, supporting the poor to improve nutrition for children is one of the most important tasks facing Laos. The implementation of the pregnant woman's early children is the most important (Heckman et al., 2013; Belfield et al., 2006).

### **5. Recovery pathways from expert survey**

The economic recovery from the COVID-19 pandemic is a major concern for Lao policymakers and academia. Therefore, we did the expert opinion survey on Laos's COVID-19 recovery pathways. The respondents' target is the high level of government officers, academia, experts from

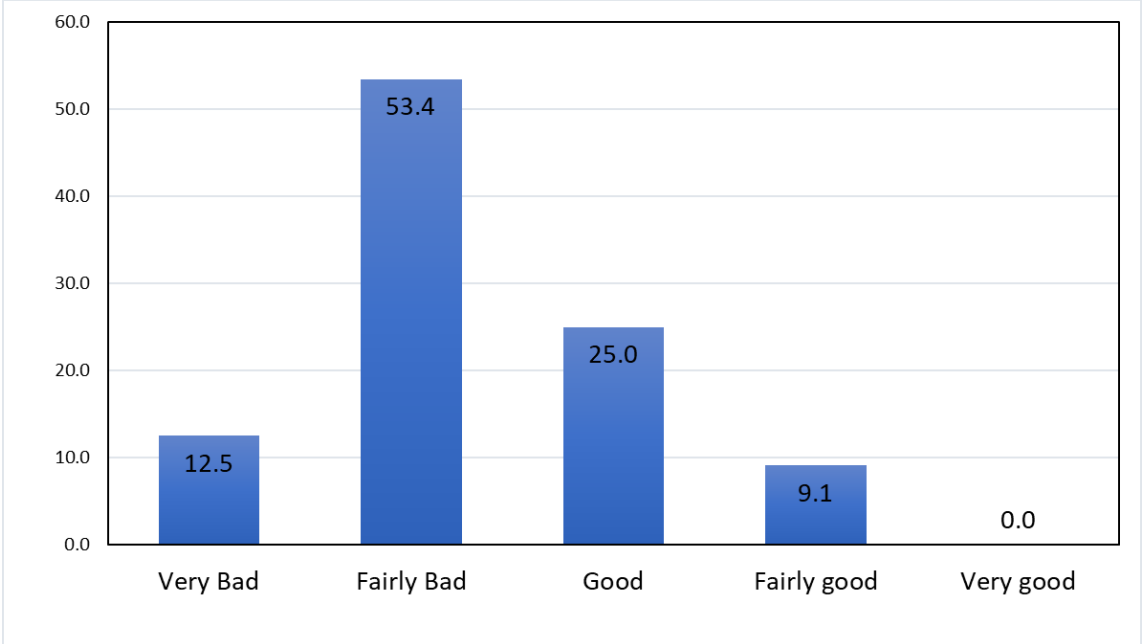
international development agencies, NGOs, and others. We collected more than 80 experts in Laos. The findings of the survey could be summarized as follows:

**5-1. Economic condition and government support.**

The government's support is crucial during the economic recession during COVID-19. However, the fiscal space is still limited. Laos faces large budget deficits and high external debts. We found that more than 50% of experts said that the economic condition is not good (Figure 5-1). It indicated that the COVID-19 pandemic caused a serious economic slowdown in Laos.

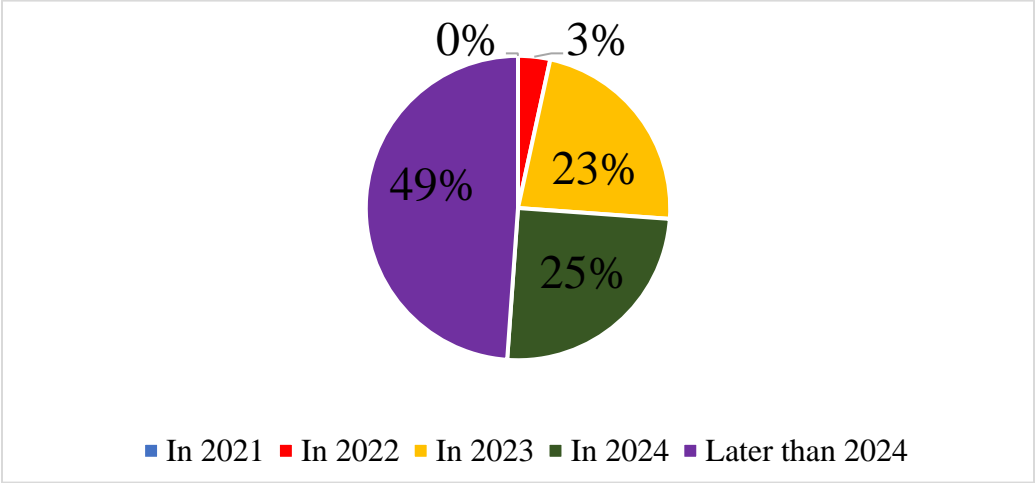
And Laos's economy is expected to recover no later than 2024 (Figure 5-2). This showed that it would take about three years to reach the same level. About 40% of experts think that the government should have more intervention to support the economy (Figure 5-3). About 50% of experts said that Laos's fiscal stimulus packages are small (Figure 5-4). It shows that Laos is facing a difficult situation dealing with the economic downturn from COVID-19. Therefore, it is important for the Lao government to seek support from international organizations, bilateral support, and private sectors.

**Figure 5-1. How would you rate conditions of the economy as of now?**



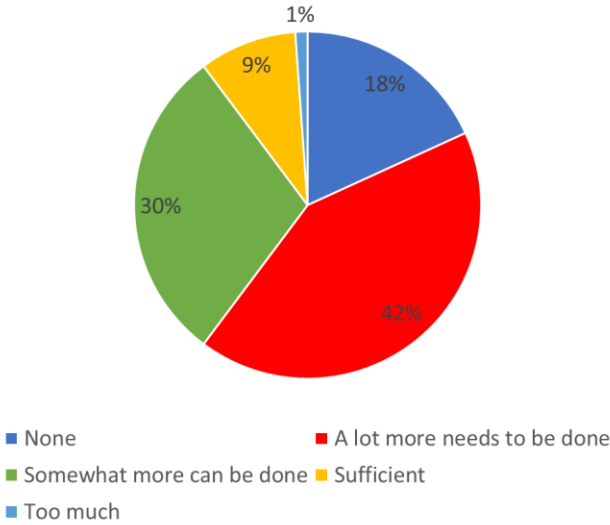
Source: The authors' summary from survey.

**Figure 5-2. When do you think is the likeliest year of Laos's economic recovery to pre-pandemic levels?**



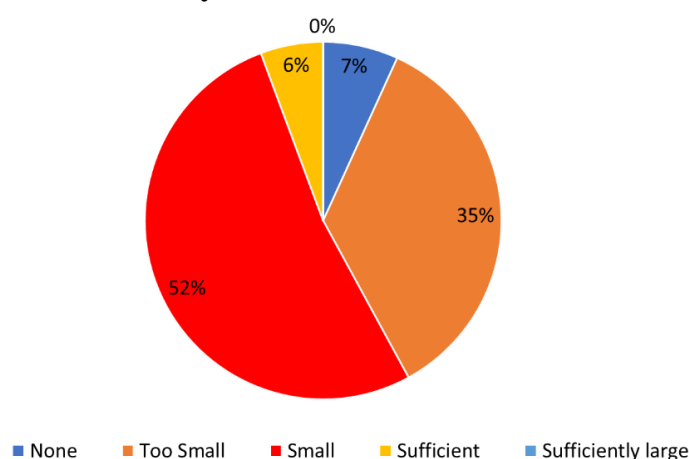
Source: The authors' summary from survey.

**Figure 5-3. Has the government intervened enough to support the economy since the COVID-19 outbreak?**



Source: The authors' summary from survey.

**Figure 5-4. What do you think about the Laos's fiscal stimulus packages?**



Source: The authors' summary from survey.

## 5.2. The risks from Covid-19

The Covid-19 pandemic also bring the serve risks to Laos. Experts also point out the risk such as household debt risks Sovereign debt, Commodity shock and, Youth unemployment (Table 5-1). Therefore, it is important for policy makers to find policy, strategy, and measurement to dealing with these risks.

**Table 5-1. How would you rate the following risks for Laos's economy in 2021?**

Risks	Likelihood of occurrence	Severity on the economy, society and geopolitics
A complete lockdown due to another wave of COVID-19 outbreak	3.50	3.92
A partial lockdown due to another wave of COVID-19 outbreak	3.99	3.78
Household debt crisis	3.90	3.92
Sovereign debt crisis	4.13	4.13
Increased overall prices due to expansionary fiscal and monetary policy	3.94	3.95
Property bubble	3.63	3.57
Commodity shocks	4.18	4.25
Youth unemployment	4.15	4.09
Erosion of social cohesion	3.27	3.39
Gender inequalities on wage, employment and access to other opportunities	3.22	3.16
Digital inequalities	3.43	3.20
Cybersecurity failure	3.19	3.15
Climate change and extreme weather conditions	3.35	3.36
Growing practices of protectionism (inward-looking policy agenda)	3.52	3.72
Healthcare breakdown in health facilities	3.50	3.67
Overburden of healthcare to households	3.67	3.76
Increase in education disparity	3.66	3.64
Overburden of education responsibilities to households	3.76	3.69
Others, specify	0	0

Source: The authors' summary from survey.

### 5.3. The policy response

The effective government response during the Covid-19 pandemic is crucial to mitigate the negative impacts on the economy. Experts said that the policy response should focus on Low-interest loans from SMEs, Income tax exemption, Reducing the electricity prices, and receiving the donation (Table 5-2).

Table 5-2. How are the following policy responses help recovery efforts?

Policy responses	Importance	Relevance	Viability
Cash transfers	3.5	3.3	2.6
Cash-for-work programs	3.8	3.6	3.0
Subsidies to business	3.5	3.4	2.6
Skills training programs	4.0	3.9	3.3
<b>Low-interest loans from SMEs Fund</b>	<b>4.1</b>	<b>3.8</b>	<b>3.3</b>
<b>Income tax exemption</b>	<b>4.2</b>	<b>4.0</b>	<b>3.7</b>
Profit tax exemption	4.0	3.9	3.5
<b>Duty fee exemption</b>	<b>4.1</b>	<b>3.9</b>	<b>3.8</b>
Deferring payment	4.0	3.9	3.6
<b>Reducing the electricity prices</b>	<b>4.3</b>	<b>4.1</b>	<b>3.6</b>
Unemployment allowance	4.0	3.8	3.0
Reducing administrative expense	3.8	3.7	3.5
<b>Receiving the donation</b>	<b>4.3</b>	<b>4.3</b>	<b>3.9</b>

Source: The authors' summary from survey.

### 5.3. Relevance sector and Public-Private Partnership (PPP)

Laos has limited financial sources. In order to make the recovery more resilience and sustainable growth, the attraction more the Foreign Direct Investment (FDI) is crucial for Laos. In the past, the FDI was mainly from the resources sectors such as mining and hydropower electricity development. Those investment did not help Laos to reduce poverty and sustain economy as expected. Experts showed the service sector such as ICT, finance-banking, logistic, health care, transportation etc for importance and relevance for the post-Covide-19 recovery (Table 5-3).

Public-Private Partnership (PPP) is crucial for response to COVID-19 ICT, roads, hospital sectors are the main sectors to ensure efficient and smooth COVID-19 recovery (Figure 5-5; Table 5-4).

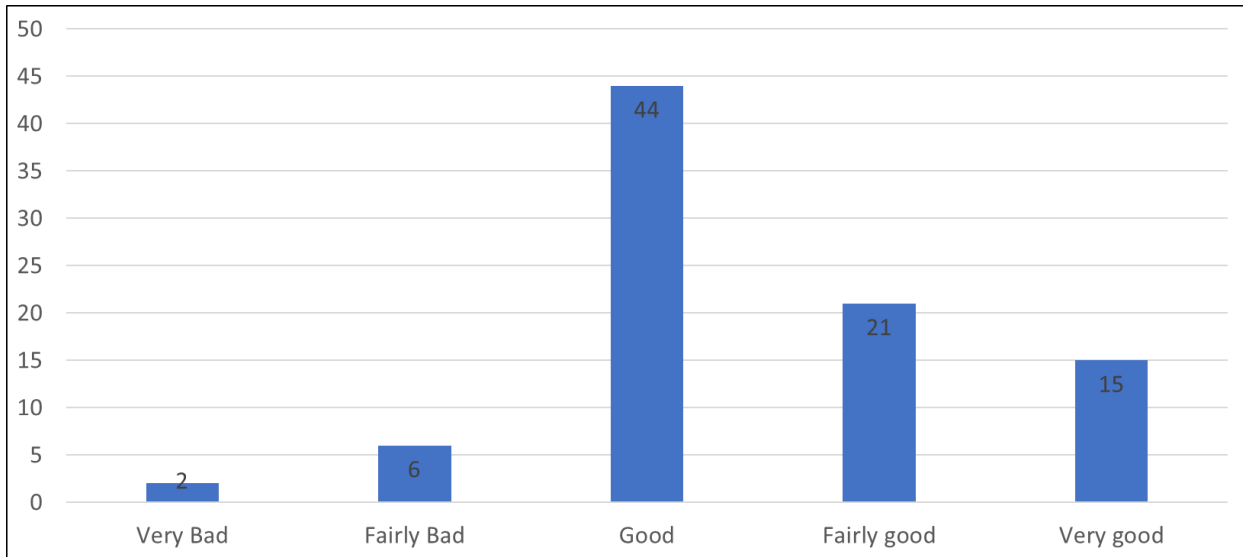


**Table 5-3. How would you rate the following sectors for its importance, relevance and viability for the post-COVID-19 recovery?**

Economic Sector	Importance	Relevance	Viability
Agricultural Sector	3.9	3.7	3.5
Industrial Sector	3.9	3.8	3.5
Manufacturing	3.6	3.5	3.2
Services	4.2	4.1	3.7

Source: The authors' summary from survey.

**Figure 5-5. How would you rate the Public Private Partnership (PPP) in response to COVID-19?**



Source: The authors' summary from survey.

**Table 5-4. How would you rate the level of PPP in the following sectors to ensure efficient and smooth COVID-19 recovery?**

PPP projects	Importance	Relevance	Viability
Airports	3.8	3.7	3.4
Electricity	4.3	4.3	3.8
ICT	4.4	4.3	4.0
Railways	4.2	4.0	3.9
Roads	4.5	4.3	4.0
Water supply	4.2	4.0	3.8
Hospital	4.6	4.5	4.1
School/university	4.4	4.3	4.0

Source: The authors' summary from the survey.

## 6. Conclusions

The Covid-19 pandemic has significant damages on the socio-economic development in Laos. Therefore, the economic recovery pathway from the post-Covid-19 pandemic is the primary debate in Laos. This article aims to investigate the policy and strategy for economic recovery in Laos.

In order to achieve the objective, we did survey on the literatures, discussing with key expert, and experts' opinion survey results. Firstly, due to COVID-19 pandemic and increasing the fuel prices, the domestic currency (Kip) has been increased the devaluation, and inflation has been increased. The controlling the devaluation of domestic currency and inflation is priority for Laos right now. Secondly, the avoiding the debt crisis is crucial. Laos has heavy external debt before COVID-19 pandemics. Adding the impacts of COVID-19 and increasing the fuel prices, avoiding the debt crisis is crucial for Lao government right now. Third is the maximizing the use of the Laos-China train. In order to doing that the improvement of the trade facilitation, reducing the NTB and liberalization of trade in services are important key. Fourth is improvement the doing business climate. The doing business climate is relative poor in Laos. By the improvement the doing business climate, it could promote trade and investment and increase the competitiveness of the country. The last is the fostering the human resources and preserve the natural resources and environment.

The key findings from expert survey are that Laos's economic recovery to pre-pandemic levels will take more time. A lot more needs to be done by the government to bring the Lao economy to the same level as pre-Covid19. There are also some risks that government should be reconsidered. Promoting the Foreign Direct Investment (FDI), strengthening the Public-Private Partnership (PPP) in service sectors is essential for economic recovery. In addition, the policy responses such as access to finance, tax exemption, reducing utility prices are also crucial elements for economic recovery

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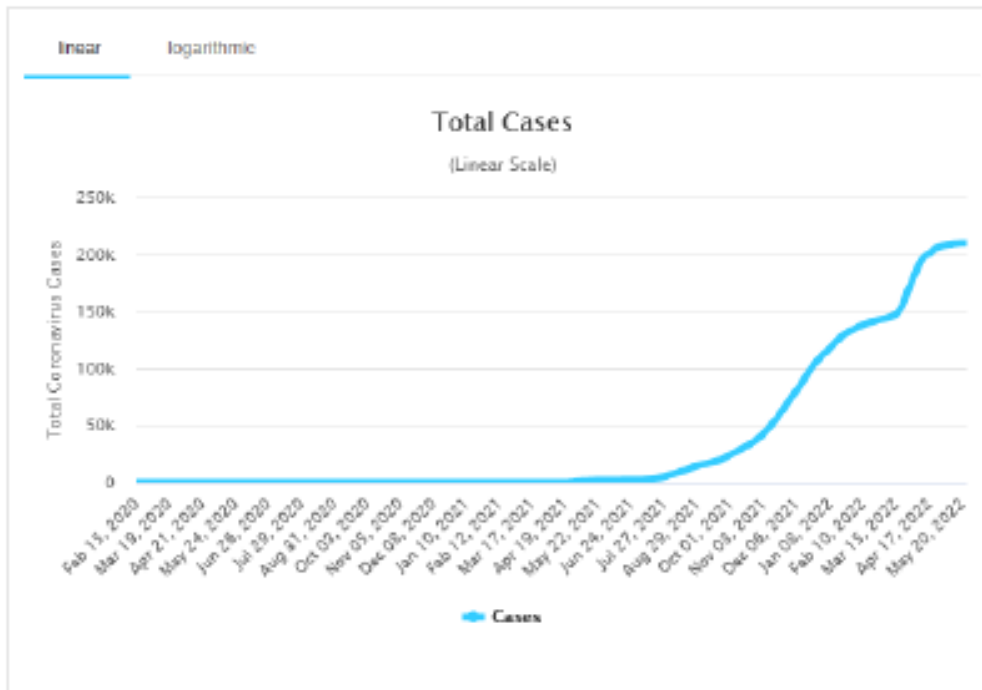
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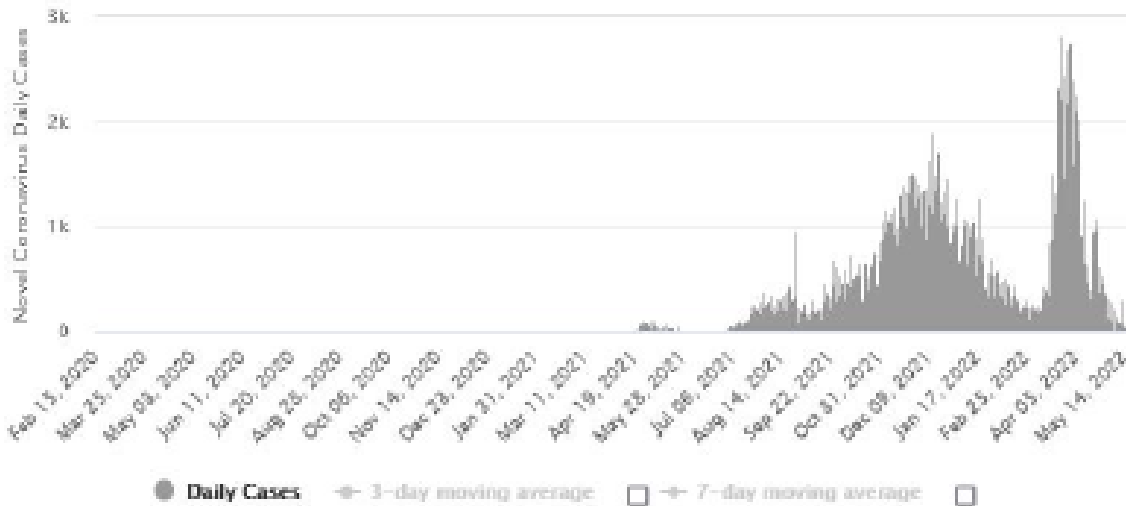
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### Appendix 3-1. Total Covid-19 cases in Laos



Source: World Meter (<https://www.worldometers.info/coronavirus/country/laos/>).

### Appendix 3-2. Daily new cases in Laos



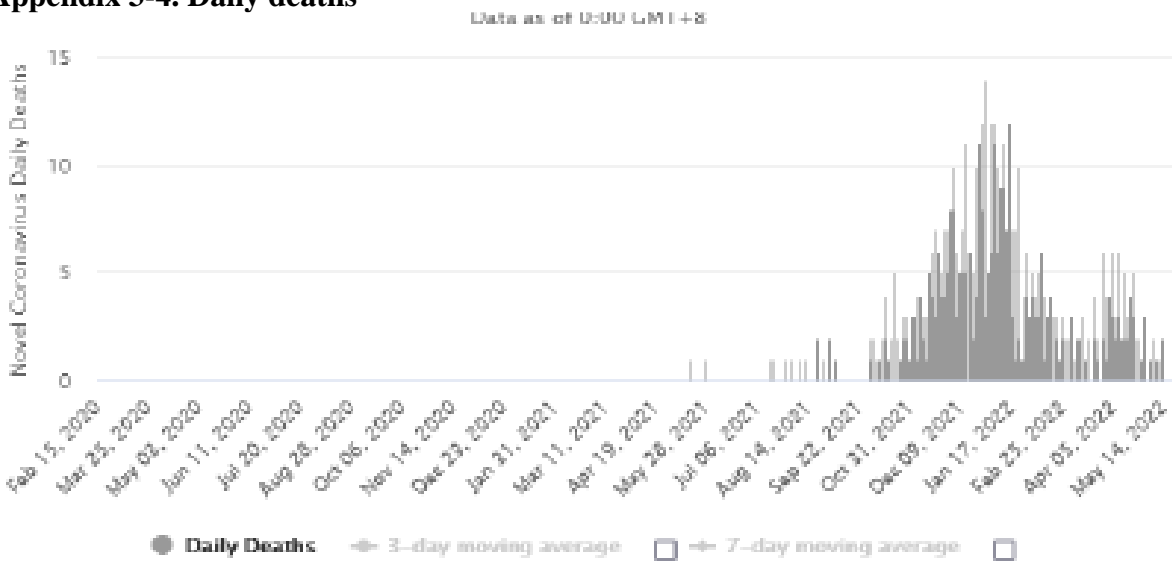
Source: World Meter (<https://www.worldometers.info/coronavirus/country/laos/>).

### Appendix 3-3. Total Covid-19 deaths in Laos



Source: World Meter (<https://www.worldometers.info/coronavirus/country/laos/>).

### Appendix 3-4. Daily deaths



Source: World Meter (<https://www.worldometers.info/coronavirus/country/laos/>).