



► ILO Brief

August 2024

An analysis of the mid-term review of the National Social Protection Strategy in Lao People's Democratic Republic

Key points

- The COVID-19 pandemic and economic challenges impacted the initial phase of implementation of the National Social Protection Strategy (NSPS), but significant progress has been made in enhancing coordination across legislation, policies and institutions.
- The Lao economy is growing steadily and the economic outlook for the coming years is positive, but government expenditure on social protection remains insufficient.
- Commendable progress has been made through legislative reforms to enhance coherence, coordination and implementation.
- The current governance structure is based on a vertical model, where ministries take the lead and local administrations are expected to implement the Strategy, with support from other sectors and development partners.
- The National Social Protection Committee (NSPC) and its Secretariat play a vital role in promoting the NSPS.
- The ad-hoc involvement of subnational administrations in the targeting process for various programmes creates a situation where eligible beneficiaries may not have access to all the programmes they are entitled to.
- It remains uncertain whether the proposed management information system (MIS) will solely be used for managing the NSPS or if it will also provide support for the implementation of the programmes outlined within the NSPS. It is also uncertain how the MIS will be rolled out and supported in the long-term.
- The monitoring and evaluation (M&E) system has not been fully operational since the start of the NSPS, with consequences on both accountability and learning.
- Increasing the funding envelope is a necessary step for the effective and efficient implementation of the NSPS.
- The country's public spending as a percentage of GDP is significantly low compared to regional standards and to income levels in the country.
- The NSPS implementation relies heavily on external financing, especially in the areas of social welfare and human resource and infrastructure development.
- The National Health Insurance (NHI) scheme reduces financial barriers to accessing healthcare and is a significant step towards achieving universal health coverage, but faces severe underfunding.

Background

The Government of the Lao People's Democratic Republic recognizes the role of social protection in reducing poverty

and inequality and in promoting socio-economic development and social cohesion in a sustainable manner. It is committed to gradually achieving universal social protection coverage, taking into account available

resources and the socio-economic context, and constructing a much-needed social protection floor that protects all Lao people from socioeconomic shocks, natural disasters and other vulnerabilities.

The National Social Protection Strategy – Vision 2030, Goal 2025 was adopted in 2020 and aims to expand and improve social protection in the Lao People's Democratic Republic and contribute to human capital development, while also contributing to the goals of other sectoral and socio-economic development plans. To achieve these, the NSPS states its vision until 2030 and defines three goals on: (i) health insurance; (ii) social security; and (iii) social welfare. By developing the social protection system, the NSPS is expected to effectively contribute to the redistribution of economic growth to all groups in society, to social harmony and cohesion, to poverty and inequality reduction, and to long-lasting, resilient growth that benefits all.

The objective of this mid-term review is to evaluate the progress of the NSPS implementation to date, in order to inform the strategic direction for the next phase of implementation and to provide insights for development partners to consider when providing assistance. The review compares the actual implementation to what was planned in the NSPS and assesses the activities in relation to the intended outcomes.

This review utilizes a mixed method approach relying on qualitative and quantitative data. The analysis is based on data from primary and secondary sources. The findings were triangulated to draw valid and reliable conclusion.

Key findings

The COVID-19 pandemic and economic challenges impacted the initial phase of implementation of the NSPS, but significant progress has been made in enhancing coordination across legislation, policies and institutions. The National Social Protection Committee, established under the NSPS, is responsible for implementing and monitoring the progress of the Strategy. The four main implementing agencies are the: (i) Ministry of Labour and Social Welfare (MOLSW); (ii) Ministry of Agriculture and Forestry (MAF); (iii) Ministry of Education and Sport (MOES); and (iv) Ministry of Health (MOH). The NSPC, located at the MOLSW, plays a central coordinating role. The NSPS also establishes local level committees in each province, which are chaired by the Vice-Governor, with the Department of Labour and Social Welfare as Vice-Chair,

and composed of members from relevant local departments.

The Lao economy is growing steadily and the economic outlook for the coming years is positive, but government expenditure on social protection remains insufficient. Efforts to enhance social protection are hampered by a lack of long-term sustainable financing. In comparison to other regions, the expenditure on social protection remains extremely low in the Lao People's Democratic Republic, due to the ineffective utilization of domestic resources, among other reasons. Hence, it is vital to maximize the available resources for social protection by seeking synergies and enhancing efficiency wherever feasible. There is also limited financial planning and no medium-term expenditure framework for social protection. Although the mid-term review does not provide all the answers, it does present various recommendations that could aid the NSPS in achieving more with the current resources or in adapting its programming approaches to enhance efficiency during the second phase of this Strategy.

Commendable progress has been made through legislative reforms to enhance coherence, coordination and implementation. The enactment of Decree No. 655/PM resulted in the establishment of the National Social Protection Committee, which plays a crucial role. It is further supported by the implementation of Decree No. 02/NSPC, which established the Secretariat of the National Social Protection Committee, operating at both the central and provincial levels. Furthermore, Decree No. 03/NSPC played a vital role in clarifying the roles and responsibilities of the NSPC, ensuring effective governance. At the provincial level, the establishment of Provincial Social Protection Committees has been a significant development.

The current governance structure is based on a vertical model, where ministries take the lead and local administrations are expected to implement the Strategy, with support from other sectors and development partners. The NSPC coordinates activities, collaborates with development partners and monitors implementation, but there are shortcomings in the governance structure and accountability. Implementation is fragmented and heavily reliant on local administrations, which do not receive the necessary funding to implement the Strategy. This has led to missed opportunities. It is clear that there is a need to revise the governance structure or

to allocate more resources to the local administrations in order to improve effectiveness and accountability.

The NSPC Secretariat plays a vital role in promoting the implementation of the NSPS. Sector stakeholders, including line ministries, civil society organizations and development partners, acknowledge this role and consider the NSPC Secretariat as the central point of engagement for addressing policy and operational issues. However, the NSPC Secretariat faces several limitations in convening the larger line ministries implementing social protection programmes under the NSPS.

Both the national and subnational levels have a role to play in social protection. Subnational committees are important in helping to implement national social protection programmes and monitoring their effectiveness. They also provide valuable information that can be used to improve national-level policies. However, there are difficulties in regard to communication and coordination between the central and subnational levels concerning their roles and responsibilities.

The ad-hoc involvement of subnational administrations in the targeting process for various programmes creates a situation where eligible beneficiaries may not have access to all the programmes they are entitled to. This fragmented approach to targeting can result in missed opportunities in relation to vulnerable individuals and households benefitting from social protection programmes. Moreover, eligibility for these programmes can be influenced by a variety of considerations at the subnational level, potentially leading to inclusion and exclusion errors and a dilution of resources that should be directed towards low-income and vulnerable households. There are limited mechanisms and opportunities for coordination between subnational administrations and central ministries.

It is uncertain whether the proposed MIS will solely be used for managing the NSPS or if it will also provide support for the implementation of the programmes outlined within the NSPS. It is also uncertain how the MIS will be rolled out and supported in the long term. The Government plans to establish an MIS for the NSPC. This MIS will be hosted by the MOLSW and will serve as a central hub for all of the information generated on social protection and the NSPS across the country. However, there are questions regarding the technical and financial capacities of the NSPC Secretariat and MOLSW to host the MIS over the long term.

The M&E system has not been fully operational since the start of the NSPS, with obvious consequences on both accountability and learning. While reporting has continued to take place at an individual programme and project level, the ambition of the NSPS is to harmonize such reporting systems and to come up with a sector-wide reporting mechanism that would replace fragmented systems. Consolidation of indicators and data that are generated under individual programmes is not happening on a regular and systematic basis. It is not fully clear why the M&E system did not materialize as envisaged. The clarifications put forward are mainly related to lack of human resource capacity within the NSPC Secretariat.

Increasing the funding envelope is a necessary step for the effective implementation and coordination of the NSPS. Implementing the NSPS requires a long-term financing plan. Expanding social protection can have a significant impact on poverty reduction, but would require a substantial increase in resource allocation, which would need to be sustained over a long period. The NSPS proposes a gradual increase in social welfare that should not impose an unmanageable burden on public finances. Currently, the critical concern is macroeconomic instability, which threatens the living standards of Lao families due to high inflation, economic recession and reductions in social spending.

The country's public spending as a percentage of GDP is significantly low compared to regional and income-level standards. This is mainly due to low and weak domestic resource mobilization, which limits the amount of money available for public expenditures. Unfortunately, social protection is given a small share of public expenditure, and there has been a decrease in spending on education and health in recent years.

The NSPS implementation relies heavily on external financing, especially in the areas of social welfare and human resource and infrastructure development. The spending on social protection reflects the fragmented nature of its implementation, including the Government's involvement, the source of financing and institutional responsibility. It is left to individual ministries and often to subnational levels to find their own donors, as allocations from the centre are very low. Expenditures on social welfare are also not recorded properly in the national Chart of Accounts (COA) system, with some financial flows being on-budget and others off-budget. As a result, it is difficult to calculate a comprehensive and accurate figure for social spending.

The National Health Insurance scheme reduces financial barriers to accessing healthcare and is a significant step towards achieving universal health coverage, but faces severe underfunding. The NHI has extended its coverage all over the country, except Vientiane Capital, which represents a significant expansion in coverage since its establishment. However, the NHI has also always faced severe underfunding, which has had a major impact on the ability of health facilities to deliver quality services and meet the increasing demands of patients.

Recommendation for consideration

Central-level implementation

- It is important to develop a collaborative planning cycle in order to effectively plan and monitor the NSPS. For smooth and efficient implementation of the NSPS, it is crucial for all stakeholders to agree on the implementation road map, which outlines key milestones, timelines, deliverables, and responsibilities of each stakeholder in the implementation process.
- The NSPC Secretariat and development partners should conduct a costing of social welfare programmes and utilize it, along with other documents, in prioritizing their work and planning the implementation of the NSPS. This will enable sustainable and balanced domestic financing based on priorities. The priority should be on ensuring sufficient financial support for existing programmes.
- It is necessary to improve dissemination of the NSPS priorities to the subnational level and continue annual monitoring of the road map implementation to highlight areas where there are blockages or barriers preventing completion of activities.
- The involvement and support of the NSPC Secretariat in the activities of existing Sector Working Groups (SWGs) or subcommittees is crucial for effective policy alignment and coordination. The NSPC Secretariat should actively engage with the SWGs at a technical level to ensure better alignment with the Strategy.
- Since social protection is a cross-cutting topic where many ministries play a role in designing and implementing programmes, the Government could explore the possibility, with an analysis of the pros and cons, of situating the NSPC at a higher level, such as the Prime Minister's Office or the Ministry of Finance. This may help in attaching higher priority to social protection and thereby prioritizing it in budgetary decision-making processes.

Subnational-level implementation

- It is recommended to assign an NSPS focal person for each province and district, and for these focal persons to be provided with clear roles and responsibilities. These individuals should have a comprehensive understanding of the whole Strategy and should be the contact point within their province or district for the central level Secretariat or SWGs or subcommittees.
- It is important to increase awareness of the NSPS at the district level and instil a practice of using NSPS priorities in regular work planning. This would partly be addressed through the above point, but additional measures are needed. Dissemination of a summarized version of the key parts of the Strategy for use at the subnational level would help.
- Continued support from the NSPC Secretariat and development partners is needed to build capacity on social protection by actively applying the Training of Trainers (TOT) Toolkit at the subnational level.
- Development partners should align their support to the NSPS's implementation, starting with jointly monitoring the alignment of the resource allocation and partners' support, including noting any gaps and building a platform for joint data-based planning, budgeting and negotiation.

M&E framework and its implementation

- In order to address the challenge of underutilization of M&E tools, it is imperative to put the recommendations of the M&E framework review into practice.
- To enhance learning and accountability, biannual progress reports that align with the M&E framework can be generated. These reports will serve as valuable resources for assessing the performance of the NSPS and for identifying areas that require improvement. By following a regular reporting schedule, stakeholders will have access to up-to-date information on progress, enabling them to make informed decisions and adjustments as needed.
- The subcommittees or Secretariat need to review the NSPS indicators on progress towards the Strategy's objectives and integrate any new indicators into the M&E framework. There is also a need to establish routine data collection and to strengthen the utilization of social protection data for evidence-based planning.

- An M&E focal point in each ministry and department should be defined to strengthen regular monitoring.
- Update the MIS reporting form and related indicators in line with requirements in the revised M&E framework, and work with the MOLSW Statistics team to roll out a comprehensive refresher training on these revisions.

Financing social protection

- To overcome these obstacles and ensure long-term sustainable financing for social protection, the Government, specifically the MOLSW, should consider working with development partners to mobilize funding for rights-based social protection programmes that have a longer-term focus. One potential solution is to create a pooled social welfare fund that consolidates resources and offers a unified financing approach. By establishing such a fund, donor funding can be streamlined, duplication of efforts and administrative costs can be minimized, and programmes can be better aligned with national priorities.
- The implementation of the NSPS faces many challenges due to the Government's insufficient budget, funding and capacity. To address these challenges, it is essential for the Government to be actively involved in the development and strengthening of the social protection system. The NSPS should be integrated into the sectoral action plans of different line ministries and effectively communicated at the local level, ensuring that provinces and districts have a clear understanding. Government funding should be the main source of financing, with support from development partners, to establish the required infrastructure for implementing the Strategy.
- Mapping of development partners' budgets supporting the implementation of the NSPS is essential. This process allows for a clear understanding of the financial resources allocated to various social protection initiatives, facilitating better planning and coordination of efforts. This process also helps identify any gaps or overlaps in funding, ensuring that resources are allocated efficiently and effectively to support social protection initiatives.
- At the national level, it is imperative to develop a comprehensive Chart of Accounts that is in line with international standards, government regulations and the NSPS. This will enable precise tracking and reporting of social protection expenditures.
- It is recommended that MOH engages with the Ministry of Finance (MOF) to ensure that the MOF prioritizes the NHI's financial sustainability and increases the public budget allocation to the NHI.
- It is also essential to conduct comprehensive reviews to better understand the risks and problems involved in merging the healthcare benefits under the NHI and the National Social Security Fund (NSSF), so as to better inform the implementation of such a policy measure and to take the necessary reform steps.
- It is also recommended to prioritize the formalization of enterprises and workers and to increase their enrolment in the NSSF through stronger enforcement of the law and better coordination with other government sectors and databases. Increased enrolment and efficient administration of the social security scheme, in alignment with international standards, would help to better protect people while also reducing the burden on the public budget. By implementing these approaches, the Lao People's Democratic Republic can make significant progress in developing a sustainable and effective social protection system that reduces inequality and promotes inclusivity.



The ILO Brief is authored by Chansy Samavong and Loveleen De and based on *the Report of the mid-term review of the National Social Protection Strategy in the Lao People's Democratic Republic*. The report contains the full findings of the mid-term review of the National Social Protection Strategy, conducted in response to the Government's request. The findings are intended to form the basis for decisions on reforms and adjustments to the planning, coordination and implementation of the Strategy going forward. We acknowledge the valuable support provided by the Ministry of Labour and Social Welfare and the National Social Protection Committee towards the preparation of this report. We also gratefully acknowledge the financial support provided by the People's Republic of China.

International Labour Organization
8th floor, Kolao Tower – II
23 Singha Road, Vientiane
Lao People's Democratic Republic

T: +856 20 9999 1173
E: thongleck@ilo.org
E: del@ilo.org

<https://doi.org/10.54394/YUJJ3696>