

## Key Messages:

- Creating a national blue economy framework for Lao PDR would allow for the sustainable advancement of the blue economy. It would establish investment priorities, bolster the abilities of stakeholders, and encourage Lao PDR's blue economy framework in conjunction with ASEAN cooperation.
- The priority sectors identified for investment include fisheries, forest carbon, inland marine connectivity, and hydropower development.
- A focus on responsible management of natural resources, environmental protection, and social inclusiveness is crucial for achieving sustainable economic growth that does not come at the expense of the environment.
- Stakeholder capacity building, policy and regulatory alignment, collaboration and alignment with ASEAN, information sharing, and development of regional/international agreements are necessary.

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*This policy brief discusses the development of a national blue economy framework for the Lao People's Democratic Republic (Lao PDR) to capitalise on the country's rich water and forest resources in a sustainable manner. The framework would promote sustainable development of the blue economy, identify priority areas for investment, enhance stakeholder capacity, and promote the Lao PDR blue economy. The priority sectors identified for investment include fisheries, forest carbon, inland marine connectivity, and hydropower development.*

## Introduction

The economy of the Lao People's Democratic Republic (Lao PDR) has been growing gradually over the years, with an average growth rate of about 6.5% between 2010 and 2019. However, much of this economic growth has been attributed to the development of the land-based sector, which has led to the depletion of natural resources and environmental degradation.

Lao PDR's economy is experiencing a range of challenges, including a sharp depreciation of the currency and high inflation. This is due to ineffective domestic economic reforms and an overall decline in the global economy. The service sector contributed significantly to economic activity, fuelled by the transport and logistics sector, especially the Lao PDR–China railway and the Thanaleng Dry Port. The mining and power sectors also made strides, while manufacturing and agriculture had mixed results. Within the manufacturing sector, the output of wood and paper products demonstrated resilience, whereas the production of electronic goods experienced a decline. As for agriculture, cassava and rubber exhibited good performance, while livestock experienced a decline in the same period (World Bank, 2022).

Lao PDR's commitment to sustainable and green development includes policies aimed at implementing the 9th Five-Year National Socio-Economic Development Plan (2021–2025), graduating from least developed country status by 2026, and achieving the Sustainable Development Goals – including clean water and sanitation, decent work and economic growth, and responsible consumption and production. The National Green Growth Strategy 2030 emphasises Lao PDR's commitment to economic growth, efficient use of natural resources, mitigating risks, and reducing emissions (Government of Lao PDR, 2019).

The Government of Lao PDR committed to promoting the blue economy in the Association of Southeast Asian Nations (ASEAN) Leaders' Declaration on the Blue Economy, adopted in October 2021 at the 38th and 39th ASEAN Summits (UNEP, 2022). However, the blue economy concept is relatively new and has not yet been incorporated in national development plans or policies. The development of a national blue economy framework presents the opportunity to capitalise on the country's rich water and forest resources and to use them in

a sustainable manner. This will not only promote economic growth and development, but also contribute to safeguarding the environment and preserving the natural resources that Lao PDR depends on. Considering the potential of the sector, successful development of the blue economy would have a considerable impact on the economy of Lao PDR, creating job opportunities through investment in various sectors including fisheries (aquaculture), tourism, renewable energy, and maritime-inland transport. The objectives of developing a national blue economy framework for Lao PDR are multifaceted and include sustainable development, priority areas for investment, stakeholder capacity building, and international cooperation.

### Promoting Sustainable Development of the Blue Economy

The first objective of developing a national blue economy framework for Lao PDR is to promote sustainable development of the blue economy. Sustainable development is the underlying principle that guides the framework's development, ensuring that economic growth is achieved without causing undue harm to the environment. To achieve sustainable development, the framework should emphasise sustainable management of natural resources, environmental protection, and social inclusiveness. Such a framework is in line with the 9th Five-Year National Socio-Economic Development Plan (2021–2025), which emphasises green and sustainable development, improving people's well-being, ensuring a well-balanced system for international trade and settlement, and ensuring smooth graduation from least developed country status (Government of the Lao PDR, 2021a). Lao PDR's 9th five-year plan includes a strong set of policy reforms to promote cleaner growth based on the National Green Growth Strategy 2030. This prioritises action on renewable natural resources, environmental pollution, and waste management, along with environmental fiscal instruments and nature-based tourism that can drive economic growth and help create green jobs.

### Identifying Priority Areas for Investment

The second objective of the framework should be to identify priority areas for investment. The blue economy presents significant opportunities for investment, and the framework could seek to identify the areas with the highest growth potential. Priority areas could vary from fisheries to renewable energy, with emphasis on investment in areas that are economically viable, socially beneficial, and environmentally sustainable.

Lao PDR has abundant water resources. Around 80% of the country's area lies within the Mekong River Basin; the remaining 20% drains through Viet Nam directly to the South China Sea. The water resources in Lao PDR are used in several economic activities, including (i) harvesting of living resources, (ii) extraction of nonliving resources and generation of new resources, (iii) commerce and trade in and around the rivers, and (iv) responses to environmental health challenges. These components could be conceptualised in the inland blue economy of Lao PDR.

**Table 1: Components of the Blue Economy of Lao PDR**

Type of Activity	Service	Established Industry	Emerging Industry
Harvesting of living resources	Fisheries	Fisheries	
		Aquaculture	
Extraction of nonliving resources and generation of new resources	Minerals	Mining	
	Energy	Hydropower	Floating solar
	Irrigation	Agriculture	
Commerce and trade in and around the rivers	Transport and trade	Port infrastructure and services	Dry ports
		Tourism and recreation	Tourism
			Urban development
Response to environmental health challenges	Watershed and forest management conservation	National protected areas	Forest carbon credit scheme

Source: Author.

As the blue economy sector is vast and includes several emerging sectors with significant growth potential, these sectors can provide new opportunities for investment and growth, while addressing environmental and social challenges such as promoting renewable energy, reducing carbon emissions, and enhancing food security. Potential emerging sectors for the Lao PDR blue economy include:

- (i) **Forest carbon:** Lao PDR attaches great importance to forest management, forestland, and forest resources. The government has developed important policies and goals for the next 10 years, including allocating 16.5 million hectares to forestland (accounting for 70% of the country's total area), setting a target to increase forest cover to 70% of the country's area, and assigning forestry staff to stations in local areas to improve forest management and to develop a strict legal management system. The Nationally Determined Contribution of Lao PDR identified forests as an important sector for emissions reduction (Government of the Lao PDR, 2021b). In 2008, to implement the government's policy on contributing to international commitments and to achieve the goal of reducing emissions from deforestation and forest degradation (REDD), the Ministry of Agriculture and Forestry initiated REDD+ programmes (Forest Carbon Partnership Facility Laos, n.d.). In 2021, Lao PDR signed an agreement with the World Bank's Forest Carbon Partnership Facility to provide up to \$42 million by 2025 to support such a programme (World Bank, 2021). It is crucial to recognise the interconnectedness of terrestrial and marine ecosystems to link forest carbon to blue carbon under the blue economy. Promoting sustainable forest management practices, reducing deforestation, conserving coastal ecosystems, and adopting integrated land–sea planning are essential steps towards achieving this linkage.

(ii) **Inland marine connectivity for China and ASEAN**

**Member States:** The Lao PDR–China Railway, which connects Lao PDR to the entire network of the Belt and Road Initiative, has transformed Lao PDR from a landlocked to a land-linked economy. The 414-kilometre railway connects the country capital of Vientiane with the city of Boten at the northern border with China. At Boten, the railway connects with the Belt and Road Initiative network at Kunming, China, through another 595-kilometre railway link. The railway presents a significant opportunity for Lao PDR to capture both the remaining share of the bilateral trade between China and the Lao PDR and a small portion of maritime trade between China and three ASEAN Member States – Thailand, Malaysia, and Singapore (World Bank, 2020). A blue economy framework for inland marine connectivity should involve an integrated approach to harnessing the benefits of both inland and marine resources while minimising their negative impacts. It should focus on integrating transport and logistics, promoting sustainability, improving infrastructure, and supporting capacity development, which are instrumental in driving the development of the blue economy.

(iii) **Hydropower development:** Hydropower development in Lao PDR is a significant contributor to the country's economic development, particularly in terms of export-generated revenue. The country has significant hydropower potential and is home to more than 70 hydropower projects, with a total installed capacity of more than 7,000 megawatts (Department of Energy Policy and Planning, Ministry of Energy and Mines, 2019). However, the rapid pace of development has raised concerns about the environmental and social impacts of hydropower projects in the country. The absence of effective environmental and social impact assessments has also been a cause for concern. In addition, there have been concerns about the potential for conflict regarding transboundary water management, especially with neighbouring countries. Despite these challenges, hydropower development remains a priority for the government, which has sought to develop a regulatory framework to promote sustainable and responsible hydropower development. To address these concerns, the government has set targets and envisions a future where hydropower production by 2030 will be based on the principles of sustainability, social responsibility, and social economic development. The country has shown commitment to engaging in regional and international dialogue and cooperation in transboundary water resources management.

### Enhancing the Capacity of Stakeholders in the Blue Economy Sector

As priority areas for investment in the Lao PDR blue economy involve the water and forest sectors, the key sectoral government stakeholders are the Ministry of Energy and Mines, the Ministry of Natural Resources and Environment, and the Ministry of Agriculture and Forestry.

Supporting cross-sectoral stakeholders involves five ministries – the Ministry of Planning and Investment; the Ministry of Industry and Commerce; the Ministry of Information, Culture and Tourism; the Ministry of Public Works and Transport; and the Ministry of Labour and Social Welfare – as well as the Lao National Chamber of Commerce and Industry and non-governmental organisations and associations in the private sector related to the three blue economy sectors.

Enhancing the capacity of stakeholders in the blue economy is important for promoting sustainable and responsible use of natural resources. Potential strategies to enhance stakeholder capacity in the Lao PDR blue economy include (i) training and education; (ii) knowledge sharing; (iii) capacity building through supportive policies; (iv) development of multisectoral partnerships amongst governmental, private business, and civil society organisations; and (v) research and innovation. By supporting stakeholder capacity building, the blue economy can create opportunities for all actors to gain a shared understanding of the sector and the steps necessary to promote sustainable and responsible development – balancing environmental, social, and economic viability.

### Promoting the Lao PDR Blue Economy Framework under ASEAN

Promoting the Lao PDR blue economy framework in the context of ASEAN cooperation could enhance sustainable and inclusive marine and freshwater economic practices across the region. Strategies to promote the framework under ASEAN include:

- (i) **Collaboration and alignment:** Aligning their policies and programmes with the Lao PDR blue economy framework, creating opportunities for multisectoral collaboration, dialogue, and sharing of expertise.
- (ii) **Policy and regulatory alignment:** The alignment of regulations and policies with ongoing key interventions can anchor efforts towards driving the development of the blue economy, increasing investor confidence, and promoting cooperation across different regions. Regional policies align with the principles of the blue economy framework to boost development. This involves eliminating trade barriers, facilitating favourable measures, and enhancing efficiency and transparency in regulations.
- (iii) **Information sharing:** AMS should encourage Lao PDR to share information on the Lao PDR blue economy framework's successes, challenges, and best practices in the ASEAN blue economy framework – aiming to promote accountability, efficiency, and adaptability across the region.
- (iv) **Development of regional/international agreements:** Developing regional/international agreements on sustainable fishing, marine resources management, and maritime security and safety could provide a pathway towards promoting the principles of the Lao PDR blue economy framework.
- (v) **Public–private partnerships:** There is a critical need for public–private partnerships (PPPs) in promoting the

Lao PDR blue economy framework under ASEAN. PPPs could enhance innovation and sharing of expertise, and improve the efficiency of implementing blue economy development initiatives.

- (vi) **Raising awareness and stakeholder engagement:** Raising awareness on the principles of the Lao PDR blue economy framework, using advocacy activities, could catalyse continued and supportive engagement with stakeholders. The engagement of stakeholders is vital in creating ownership and self-sustaining environments for achieving the principles of the Lao PDR blue economy framework.

## Policy Recommendations

The following policy recommendations could help develop the Lao PDR blue economy framework:

- 1. Prioritise sustainable development:** The framework should emphasise responsible management of natural resources, environmental protection, and social inclusiveness to ensure that economic growth is achieved without causing undue harm to the environment. It could subsequently be developed into strategies and action plans, and integrated into the next five-year National Socio-Economic Development Plan (2026–2030).
- 2. Identify priority areas for investment:** The framework should identify areas with the highest potential for growth and investment while prioritising sectors that are economically viable, socially beneficial, and environmentally sustainable.
- 3. Enhance stakeholder capacity:** Stakeholder capacity building should be a priority in promoting sustainable and responsible use of natural resources. Strategies such as training and education, knowledge sharing, capacity building through supportive policies, development of multisectoral partnerships, research, and innovation could enhance stakeholder capacity in the Lao PDR blue economy sector.
- 4. Promote the Lao PDR blue economy framework under ASEAN cooperation:** AMS could collaborate with Lao PDR to align and select their related policies and programmes for Lao PDR's blue economy framework. AMS could also set up collaboration mechanisms to share information on Lao PDR blue economy framework's successes and challenges, develop regional/international agreements around sustainable natural resources management, promote PPPs, and raise awareness on the principles of the Lao PDR blue economy framework using advocacy activities that could catalyse continued and supportive engagement with stakeholders.

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