

Position Paper

**URBANIZATION:
A RAPIDLY EMERGING
DEVELOPMENT ISSUE
FOR LAO PDR**

- An analytical input for the Common Country Assessment -

1. Introduction

The UN-Habitat World Cities Report (UN-Habitat, 2016) identifies the Lao PDR as experiencing the most rapid rate of urbanization in Southeast Asia. According to the 2015 Population and Housing Census (the census), approximately 33% of the Lao population lived in urban areas, the bulk of them in Vientiane Capital (Lao Statistics Bureau, 2015). While the total number of urban residents is low compared to neighboring countries, the UNDESA estimates that the urbanization level will reach 47.7 per cent by 2025 (Bosoni, Epprecht & Hayward, 2018), and the Lao Statistics Bureau projects Vientiane Capital's population will reach 1.4 million by 2045 (UN-Habitat, 2016). The rapid pace of urbanization is expected to create new development challenges for the Government of Lao PDR (GOL). To meet those challenges, and to build more **inclusive, safer, resilient and sustainable cities**, development programming in Laos must transition from a traditional focus on poverty eradication in remote, rural areas to one that also supports well-planned and well-managed urban spaces, societies and economies.

The purpose of this paper is to inform the United Nation's 2020 Common Country Assessment process for the Lao PDR. The paper outlines key drivers and trends of urbanization in Laos; identifies key development challenges and opportunities raised by the urbanization process; and proposes a number of potential entry points for UN agencies and other stakeholders to support improved visibility, coordination, research and implementation of urban planning and management in Laos.

2. Lao Context (social, economic, environmental, political)

The Lao PDR is a landlocked country in Southeast Asia, bordering China, Vietnam, Cambodia, Thailand and Myanmar. Its population of 6.5 million was 33% urban and 67% rural in 2015 (Lao Statistics Bureau, 2015, p. 8). Ethnic diversity is high, with 50 officially recognized ethnic groups. The Lao ethnic group comprises 53% of the population, and minority groups comprise the remaining 47% (Lao Statistics Bureau, 2015, p. 11). Less than two thirds of the population identify as Buddhist: the remaining one third are most likely to be animist. Men account for just over 50% of the population. The nation has the youngest population in Asia: the median age was 23.5 years in 2015 (Lao Statistics Bureau, 2015, p. 33). WHO estimates the prevalence of disability to be 12.7%, a proportion of which relates to UXO injuries (Lao Disability Network, 2014).

The terrain of Lao PDR is predominantly mountainous, which focuses population pressure on the limited agricultural land and lowland urban areas. The national stock of natural resources has been depleted in recent years by intensified commercial exploitation of minerals and timber, at the same time exposing weaknesses in environmental protection mechanisms. There is growing concern about air pollution, traffic congestion and ineffective solid waste management in urban areas, and the health and environmental effects of increasing use of chemicals in commercial farming. In addition, climate change effects pose an increasing threat to sustainable development across the country, with hazards (such as storms, flooding, draughts, and landslides, among others) causing significant damage to livelihoods, health and shelter.

The Lao PDR is a one party state, ruled by the Lao People's Revolutionary Party (LPRP) since 1975. It has close relations with Vietnam and China, and became a member of ASEAN in 1997. Its policy of friendship, peace and neutrality has facilitated the receipt of development assistance from a wide range of donors over many decades.

Laos' economic growth rate has slowed from an average 8% from 2000-2016 (World Bank, 2017, p.15), to 4.8% in 2019 (World Bank, n.d.) and is estimated to fall as low as 1% in 2020 due to the economic effects of the COVID-19 pandemic (World Bank, 2020). Growth had been driven by foreign and domestic investments in mining, hydropower, land concessions and timber extraction.

The World Bank classified the Lao PDR as a Lower-Middle Income Country in 2011, although it continues to be ranked as a Least Developed Country by the United Nations.

Pockets of wealth have emerged in urban areas, and poverty has become increasingly associated with rural and ethnic determinants. The spillover effect of such economic growth has contributed to the improvement of livelihoods in peri-urban and rural areas nearby at the time that, indirectly, migrants' remittances enhance the development of rural areas (Bosoni et. al., 2018, p.15). However, economic inequality has increased and is predicted to widen further in future years.¹ Despite the impressive economic growth rates, the GOL experiences high debt distress due to years of intense deficit financed growth and weak revenue collection. The poor economic situation is expected to be compounded by the effects of the COVID-19 pandemic.

3. Understanding the urban

3.1 Urbanization globally

Urbanization – the spatial concentration of people and economic activity – is a global trend. More than half of the world's human population currently lives in urban areas (UN Habitat, 2016, p.1), and is projected to increase to two thirds by 2050 (Bosoni et. al., 2018, p.9). Urbanization has been the engine for economic growth worldwide, and has enabled many millions of people to rise out of poverty. However, when urbanization has not been well-planned and well-managed it has contributed to the problems of urban poverty and inequality; environmental pollution; strained urban planning, management and financing systems; and inadequate infrastructure and public services (housing, water, sanitation, drainage, solid waste management, electricity, roads and transportation).

As UN-Habitat's World Cities Report (2016) asserts that well-planned and well-managed urban areas are essential to foster "social and economic advancement and improved quality of life for all." It observes that "many cities all over the world are grossly unprepared for the challenges associated with urbanization."² It promotes good governance; sound urban planning and management; effective and efficient infrastructure and service provision; financing and cost recovery; and measures that promote social and environmental sustainability to achieve Inclusive, safe, resilient and sustainable cities and urban areas.

3.2 Urbanization drivers and trends in Laos

The Lao PDR is experiencing rapid urbanization, although existing GOL and international research data is inconsistent due to the **lack of an agreed definition** of what constitutes an urban area (Bosoni, N., et. al, 2018, p.10; Roberts & Kanaley, 2016, pp. 190, 193). The GOL's definition, used in the 2015 census, focuses on provision of four infrastructure components (road, market, water, electricity) in addition to the village being part of a district or provincial municipality (or hosting government offices), which allows otherwise rural villages with access to such infrastructure to be classified as urban. On the other hand, newly established, unserviced settlements on the city outskirts, which do not yet have access to such infrastructure, are classified as rural. To counter this dilemma, researchers conducting urbanization studies in Laos often propose their own definitions (Bosoni et. al., 2018, pp.10, 37). For example, CDE supplemented the GOL's definition with satellite imagery to identify urban build-up and expansion, and used its own classification of urban settlements which disregarded smaller district towns.

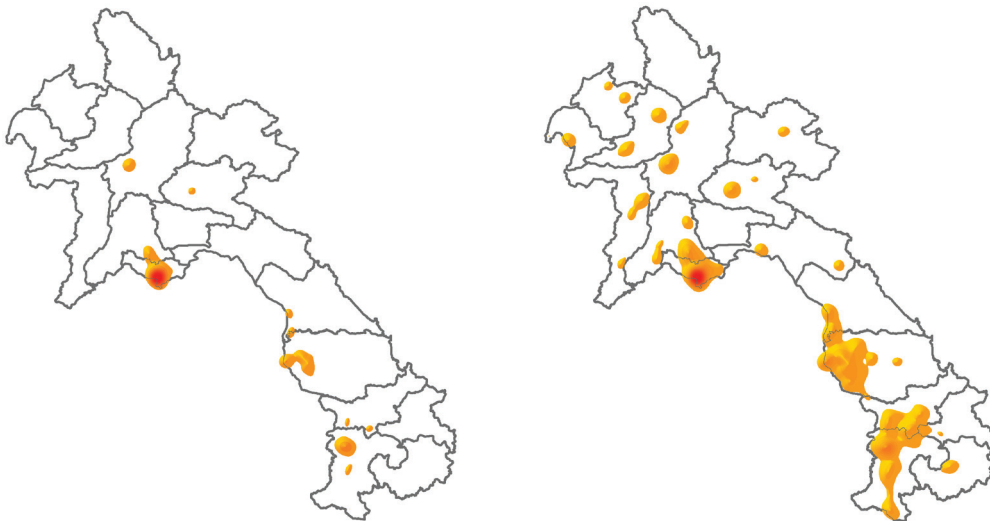
1 A GINI coefficient of 36.4 for 2012 is the latest figure available for Lao PDR. See <https://knoema.com/atlas/Lao-Peoples-Democratic-Republic/GINI-index> accessed on 17 July 2019.

2 Access to improved water supply increased from 40 to 76 percent, while access to improved sanitation increased from 21 to 74 percent between 1995 and 2015. See WHO & UNICEF Progress on Sanitation and Drinking Water Report, 2015.

The term '**informal settlements**' is not appropriate in the Lao context. All settlements within the Lao PDR are formal, and fall within the administrative unit of a village (*ban*). Each village is administered by a village committee led by a village chief, and is recognized by the district, provincial and central levels of government and party administration. Village boundaries are quite tightly delimited in inner city settings, but can be quite vague in more rural settings. While villages are divided into units (*nouay*), the existing literature does not mention any system of delimiting urban areas within a village boundary, in cases where part of the village area has urban characteristics and the remainder does not. As CDE notes, this has resulted in unplanned, low-density urban sprawl (Bosoni et. al., 2018, p.21).

The **key drivers of urbanization** in Laos are linked to 1) economic policy, notably the **New Economic Mechanism** policy introduced in the late 1980s which promoted growth of the market-based economy; 2) **rural-urban migration**; and 3) to a lesser extent, the GOL's **Sam Sang (Three Builds)** policy which, among other things, promotes the transformation of large villages into small towns (Ministry of Public Works and Transport, 2017, p.i.). Implementation of the Sam Sang policy has been hampered by shortfalls in GOL budgets since the early 2010s. The first two drivers could be considered to prompt spontaneous urbanization, while the third attempts to create urbanization directly engineered through policy.

A recent analysis developed by UN-Habitat in Lao PDR has found that nearly a quarter of Laos' population is concentrated in five high-density areas that, in addition to other high-density areas, gather almost half of the country's population (see Figures 1 and 2). At the same time, 50% of Laos' urban population is **concentrated in Vientiane Capital**, which is projected to grow by 67% and reach a population of 1.4 million by 2045.³ Urban growth of the three largest provincial towns is projected at lower rates over the same period: Savannakhet⁴ (43%), Pakse (35%) and Luang Prabang (16%) (Bosoni et. al., 2018). One must also be mindful that many areas classified as 'urban' by GOL definitions have otherwise rural characteristics, lending a **semi-rural setting** to urbanization in Laos.



Figures 1 & 2. Highest population density areas in Lao PDR and other high population density areas within the country
Source: UN-Habitat Lao PDR, based on Population and Household Census 2015

Urban expansion in Laos has been characterized by **poor land use planning and management**, including a **lack of zoning**, and has led to mixed residential/industrial environments. Most provincial and district towns have **urban development plans** prepared in the 1990s or 2000s, which do

³ The Ministry of Public Works and Transport was more optimistic, projecting a population of 2 million by 2030. See Ministry of Public Works and Transport, 'Urban Development Strategy (2016-2025)', pp.2,9.

⁴ The main urban area of Savannakhet province was officially named Kaysone Phomvihane City in 2005. However, the town is still commonly called Savannakhet in English.

not appear to be followed (Bosoni et. al., 2018, p.16). Significant amounts of agricultural lands and wetlands have been converted in urban and peri-urban areas for residential and economic developments. Increasingly, the Lao media documents cases of the **relocation** of urban residents to less attractive areas on the urban outskirts to make way for large-scale commercial, industrial or infrastructure developments, and of disputes about fair and just compensation.

Provision of basic infrastructure and services within the larger urban areas is already stretched, and not keeping pace with urbanization. For example, Vientiane is failing to keep up with the rapid increase in private transportation ownership and use. Vientiane's public transport system is underdeveloped, with a handful of bus routes. Vientiane has no operational wastewater system. While water supply and sanitation coverage have drastically increased⁵, drainage and solid waste systems struggle to be maintained, and are poorly positioned to cope with increased demand. There is not yet competition for scarce essential resources like water and energy (Rogers, 2020).

Environmental concerns are rising as urban areas expand with the influx of new residents and new economic activities. The unplanned and uncontrolled conversion of agricultural land and wetlands to residential and economic developments has drastically reduced green space and drainage, and increased the incidence of urban flooding. Poorly regulated construction, increasing traffic congestion, and reduced air quality are increasingly voiced concerns. There is limited evidence that **disaster risk and climate change** considerations are routinely incorporated into urban plans or actions.

Rural-urban migration has been increasing for decades.⁶ The vast majority of urban migrants are Lao; only 12% are foreigners (mainly Vietnamese, Chinese and Thai), according to the 2015 census. Migrants are predominantly **young men and women**, and include students, government workers, private sector employees and those seeking employment in the formal and informal economy. Vientiane attracts migrants from all provinces, but particularly the northern provinces. Therefore, one assumes the city is becoming more **ethnically diverse**. The GOL attempts to regulate internal migration through household registration books (*samano-khoua*), but it is not known how many urban migrants reside outside the area where they are currently registered.

Rural-urban migration can be attractive because it promises an escape from an agricultural livelihood. However, Vientiane's **labor market** has recorded negative growth in recent years, despite population growth (Bosoni et. al., 2018, p.14). Limited job opportunities in the formal sector mean that many migrants work in the informal sector. Businesses report a scarcity of skilled labor, and a poor match between education standards and workplace needs. Moreover, many young Lao people indicate they are reluctant to engage in skilled or unskilled manual labor. Vietnamese and Chinese migrant laborers fill these labor market gaps. The urban employment experiences of female and male migrants remains under-researched.

Urban poverty is expected to rise as the urban population increases, as a result of the trends listed above. Moreover, many urban migrants are likely to be **landless** in their new place of residence, and therefore more dependent on cash income than if they were living in their place of birth. Research to date has shown that **inequality** within Laos has grown, with Vientiane Capital recording the highest rate of inequality (Bosoni et. al., 2018, p.15).

Urban migrants often retain links with their rural places of origin through **remittances**. Growing urbanization has also been identified as creating **new markets for rural populations**: the production and supply of agricultural produce, as well as of construction materials (timber, stone, sand, gravel). These assumptions depend on cost-efficient production, transportation and marketing that is competitive with products from neighboring countries.

5 Access to improved water supply increased from 40 to 76 percent, while access to improved sanitation increased from 21 to 74 percent between 1995 and 2015. See WHO & UNICEF (2015) Progress on Sanitation and Drinking Water Report.

6 The national census of Laos was first conducted in 1985. Therefore, it is not possible to observe urbanization trends prior to 1985 with any certainty.

The **gender, ethnicity or inclusion/exclusion** aspects of urbanization in Laos are under-researched. Few GOL statistics are available, and limited research has been conducted through these lenses.

3.3 Legal and Policy Framework

The multi-sectoral characteristics of urbanization mean that a number of laws, policies, and plans are relevant to the planning and management of urbanization. The Lao laws most relevant to urbanization are the Law on Urban Planning (1999); Land Law (2019); Road Law (2016); Law on National Heritage (2013); Law on Environmental Protection (2012); Law on Local Administration (2003); and Law on Vocational Education (2014) (Bosoni et. al., 2018, p.18).

An Urban Development Strategy was prepared by the Ministry of Public Works and Transport in 2017, which presents the ministry's plan of urban development – mainly urban planning, infrastructure development, and heritage protection - although it states that a clear vision does not exist (pp. i., 9).

The GOL's 8th National Socio-Economic Development Plan (2016-2020) makes little explicit reference to the urban context, a shared characteristic of earlier NSEDPs (Roberts & Kanaley, 2016, p. 195). The upcoming IXth National Socio-Economic Development Plan (2021-2025) is anticipated to engage with the GOL's Green Growth strategy, and to promote green development in multiple sectors. It is unknown how the GOL intends to apply the Green Growth strategy to urbanization in Laos.

The GOL's existing plans and strategies acknowledge the Sustainable Development Goals (SDG), including SDG 11 on inclusive, safe, resilient and sustainable cities, although detailed engagement is limited. The New Urban Agenda (2016), supported by UN-Habitat, outlines principles of good urban governance which could help to structure and inform both the GOL's development plans and the UN's response to support the GOL in its efforts to guide urbanization to be of benefit to all residents, while at the same protecting the environment and addressing disaster risk and climate change concerns.

3.4 Key GOL Stakeholders

The key GOL stakeholders responsible for urbanization are the Ministry of Public Works and Transport, including its Public Works and Transport Institute (formerly the Urban Research Institute); the Ministry of Natural Resources & Environment; the Ministry of Labor and Social Welfare; the Ministry of Planning and Investment; the Vientiane Office for Management and Services; and the urban development authorities of Luang Prabang, Thakhek, Savannakhet and Pakse. These public sector organizations are supported technically and financially by a range of international DPs.

4. Challenges and Opportunities in Laos

Challenges:

There is no **comprehensive GOL strategy** for urbanization. It is unclear whether this reflected poor governance, badly coordinated institutions, weak institutions, competition between institutions, or a lack of willingness by GOL to engage with the complex issues raised by urbanization. Lack of a comprehensive GOL strategy also leaves the way open for bilateral and multilateral DPs to overly influence local priorities, based on the provision or withholding of technical and financial assistance.

Ineffective urban governance (planning and management) **and land management.** Weak mechanisms for planning, implementation and compliance, and limited evidence that

disaster risk and climate change considerations are taken into account in the planning and implementation stages;

Poor coordination between the multiple ministries responsible for various aspects of urban planning and management, and between central and local authorities is an ongoing challenge;

Limited awareness and research for policy dialogue on urbanization issues in Laos, including how they relate to gender, ethnicity, and inclusion in the local context. A related challenge is the inconsistent definitions of urban areas used in existing research on urbanization.

Opportunities:

There is an opening for **cross-sectoral coordination**, with new managers of key GOL departments.

There is much opportunity to conduct **awareness raising and research for policy dialogue**, given the limited initiatives and knowledge products produced to date.

GOL is interested to embark on vulnerability assessments and mapping exercises in urban areas nationwide to **improve urban planning**.

More effective coordination, awareness raising and research, and improved urban planning creates the potential for the development of a more coherent GOL strategy on urbanization.

5. Possible entry points through UN Partnership Framework

Support to urbanization-related development initiatives in Laos is potentially wide-ranging and ultimately, expensive undertaking. The entry points below were identified by UN-Habitat in Lao PDR and are strategic, influential, and resource-efficient.

Coordination, awareness raising and knowledge sharing to promote increased engagement by GOL ministries and local authorities in urbanization-related issues. The establishment of a **Lao National Urban Forum**, designed to provide a platform for representatives from multiple ministries to build partnerships and share knowledge, offers a pragmatic entry point to engage in informed discussion and exchange of experience on the cross-sectoral issues raised by urbanization in Laos. A regularly convened forum would contribute to improved awareness of urbanization issues, facilitate coordination between agencies, and assist the formulation of policies for inclusive, safer, resilient and sustainable cities.

Research and data analysis on the urbanization experience in Laos to inform policy discussions and policy formulation. At present, it is difficult to make persuasive arguments or responsive policies with the small amount of quality data and analysis available. New research and analysis, ideally conducted collaboratively, which addresses both general and specific concerns of the GOL, could make effective contributions to informing the awareness raising and coordination processes; and stimulating multi-stakeholder discussion about good urban governance.

Support to urban planning processes in both large and smaller urban areas. Vulnerability assessments and mapping provide an entry point. Such assessments would highlight the risk to infrastructure investments of potential **climate change** and other disasters, and encourage urban planners to mitigate or avoid the identified risks. Identified risks would be expected to include those caused by climate change, or impacting on urban security, environmental safety, social inclusiveness and social, economic and environmental sustainability. Ideally, such assessments would have in-built follow-up monitoring of compliance to achieve greater effectiveness.

5. Recommendations

It is recommended that implementation of any of the possible entry points identified above should be conducted with due attention to **gender, ethnicity and inclusion**. Topics of discussion, research, and urban planning/ vulnerability assessments should include those related to gender, ethnicity and inclusion. Just as importantly, all efforts must be made to ensure the GOL and advisory staff, and other stakeholders, also represent these various social groups (eg: women and men, various ethnicities, and various socio-economic classes and abilities/disabilities), and involve participatory, bottom-up approaches wherever feasible. The more that the make-up of GOL and advisory staff reflect the make-up of urban communities, the greater the potential for them to engage with those communities and to positively influence the quality of urbanization initiatives undertaken.

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