

NUTRITION BUDGET BRIEF 2020-2022

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Key Takeaways

- 1 Addressing malnutrition is a key priority of the Government of Lao PDR (GoL)** as indicated by the National Nutrition Strategy 2016–2025 and the National Plan of Action on Nutrition (NPAN) 2021–2025.
- 2 Lao PDR has already invested US\$ 186.17 million in nutrition over a three-year period** (2020–2022) representing a continuous commitment from the GoL and stakeholders to brighten the national nutritional picture.
- 3 On average, almost 91 per cent of total nutrition spending in the country came from external development partners during this three-year period.** An over reliance on donor funds invites uncertainty around long-term funding for nutrition-related activities. The GoL is encouraged to look for ways to increase domestic resources for nutrition and provide strategic guidance to maximize the use of external resources and avoid duplication.
- 4 Its multisectoral nature makes it challenging to reach a common agreed understanding of nutrition.** Critically, with a rise in the multi-pronged approach to tackle nutrition, this division is becoming more blurred with the risk of defining every development, health, agriculture and education intervention as nutrition-related.
- 5 Since nutrition is not a standalone sector, related finances are included in the line items of sectoral ministries.** This directly affects budget transparency, spending, efficiency, and equity of nutrition spending, making it extremely challenging to measure. While there has been progress in updating the chart of accounts, a significant issue still exists with the absence of a comprehensive and integrated functional classification, programme or organizational classification, including district codes.
- 6 Nutrition stakeholders should provide more insights to realize a convergent process and provide guidance towards maximizing the multi-sectoral approach to nutrition.** This emphasizes the necessity of strengthening sectoral and inter-governmental planning and budgeting in accordance with nutritional interventions within the National Nutrition Strategy and NPAN.
- 7 Earmarking and ringfencing of nutrition budget support** should be considered to avoid reallocation of nutrition funding to other sectors and non-nutrition expenditures.



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INTRODUCTION

This brief examines the nutrition budget and spending in Lao People’s Democratic Republic (Lao PDR). The Government of Lao PDR (GoL) developed the National Nutrition Strategy (NNS) 2016–2025 to provide an overall framework for implementation of nutrition actions across the country and the Nutrition Plan of Action on Nutrition (NPAN) 2021–2025 to guide the national response to malnutrition. The data used in this brief comes from a combination of publicly available sources, data reported by the government (health, agriculture and education) and donor partners, including international agencies, from interviews and authors’ estimates. Additionally, the data reported in the brief could be an overestimate of actual nutrition spending. Incomplete data from government and development partners¹ and the limited reporting from the latter were challenges in compiling this brief and confidently outlining nutrition spending in Lao PDR between FY2020–2022. This full NPAN 2020–2025 budget brief report provides more information on the methodology, limitations and challenges.

WHY INVEST IN NUTRITION?

An analysis of the economic consequences of malnutrition in Lao PDR reveals that the country is losing approximately US\$481.66 million annually, representing 2.66 per cent of gross domestic product (GDP). The biggest loss, just over half, is caused by anaemia in children and women of reproductive age. This accounted for a total economic loss of US\$241.7 million in 2020. Out of the estimated economic losses due to malnutrition, stunting accounted for nearly one-third (28 per cent). If the target of 25 per cent or less prevalence of stunting by 2025 outlined in the National Nutrition Strategy is to be met, Lao PDR must invest in stunting reduction strategies.²



1 Development partners include only those that provided information on nutrition spending, including European Union, United States Government, World Bank, Catholic Relief Services, Food and Agriculture Organization, World Vision International and UNICEF.

2 Centre for Socio-Economic Science and Policy Research (CSPR) and National Institute of Economic Research (NIER). 2021. Economic Consequences of Malnutrition in Lao PDR. Accessed from: <https://nipn.lsb.gov.la/wp-content/uploads/2021/12/UNICEF-Lao-Economic-Consequences-Report-FINAL-WEB.pdf#page=16&zoom=100,0,0>

OVERVIEW OF NUTRITION IN LAO PDR

Lao PDR has made notable progress in improving maternal and child health outcomes over the last decade, including a 25 per cent decline in the prevalence of stunting in children under-five from 2011 to 2017.¹ The preliminary results of the recent Nutrition Sentinel Surveillance conducted in 2022 confirms a decline in underweight and wasting among children and underweight women of reproductive age compared to levels in 2019. However, stunting rates among children have risen and minimum dietary diversity among children and women declined during the same period.² Some underlying causes of malnutrition in Lao PRD – such as limited access to food, household food insecurity, and high costs of nutritious foods – have been exacerbated due to the COVID-19 pandemic and threaten these achievements. For example, as of May 2022, most households (65 per cent) had experienced some level of food insecurity, and the prevalence of severe food insecurity has increased since the end of 2021.³ Reductions in government revenue due to the health crisis have also constrained the government's ability to increase spending on nutrition in key sectors.

This is a critical time to invest in improved nutritional outcomes in Lao PDR. By analyzing government and development partner budgets and expenditures on nutrition interventions over time and comparing these figures to estimates of resource needs (costs), it is possible to identify key nutrition priorities and areas for improvements in allocative efficiency and to hold funders accountable to budget commitments.

Previous analysis of nutrition budgets in Lao PDR from 2016 to 2019 found that the country is still reliant on donor funding for nutrition, with external financing support estimated at 90 per cent of total nutrition investment. Moreover, there is a lack of budget data available specifically for nutrition and high-impact nutrition interventions remain underfunded, while lower-impact interventions continue to receive financial support.⁴ There have been significant changes since the last budget analysis was completed, including the

COVID-19 pandemic, post COVID-19 and development of a new five-year NPAN 2021–2025. This brief provides an update on previous analyses to examine more recent nutrition investments in Lao PDR. The purpose is to understand nutrition investment levels and priorities among government and key development partners since the onset of the pandemic. This brief will serve as a useful resource to advocate for increased budget allocations and expenditure on high-impact nutrition interventions to improve the health of infants, children, adolescents, and adults, which in turn will support a more rapid and inclusive economic recovery from the pandemic.



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1 Lao Statistics Bureau. 2018. *Lao Social Indicator Survey II 2017, Survey Findings Report*. Vientiane, Lao PDR: Lao Statistics Bureau and UNICEF.

2 Between Round 1 in 2019 and Round 3 in 2022, the percentage of wasting children decreased from 10 to 7 per cent, underweight children decreased from 20 to 18 per cent and percentage of underweight women fell from 10 to 8 per cent. Similarly, percentage of stunted children increased from 24 to 33 per cent and percentage of women with minimum dietary requirements fell from 32 to 27 per cent.

3 World Bank Group. 2022. *Monitoring Household Welfare in Lao PDR: Report No. 5*. World Bank Group. Available at: <https://thedocs.worldbank.org/en/doc/0540059f3d8e2a7bac78b780c428eba4-0070062022/original/WBLaoPDRSurveyBriefC19ImpactHHR5.pdf>.

4 UNICEF. 2020. *Nutrition Budget Brief 2016 -2019: Lao People's Democratic Republic*. Available at: <https://www.unicef.org/laos/media/7026/file/Nutrition%20Budget%20Brief%202016-2019%20-%20LAO%20PDR.pdf>.

NUTRITION FINANCING

Macroeconomics and Nutrition

Between FY2020–2022, the GDP of Lao PDR decreased, attributed to the fall in government revenue-generating capacity due to COVID-19 and the recovery phase. This resulted in overall reduction in national budget from US\$3,941.8 million to US\$2,849.90 million. Similarly, the volume of national expenditure reduced from US\$3,407.86 million in FY2020 to US\$2,661.81 million in FY2022. However, the government’s spending capacity is observed to have improved from 86 to 93 per cent within the same period.

Table 1: Macroeconomic and nutrition indicators over years (US\$)

Indicators	2020	2021	2022
Nominal GDP (million)	19,097	18,982	16,094
National budget (million)	3,941.80	3,241.01	2,849.90
National expenditure (million)	3,407.86	3,027.95	2,661.81
Nutrition budget (million)	46.73	88.57	62.94
Nutrition expenditure (million)	45.56	82.20	58.41
Nutrition spending as a percentage of national expenditure	1.34	2.71	2.19
Per capita nutrition spending in current terms	6.33	11.26	7.89
Per capita nutrition spending in constant terms (base price fixed at 2012)	4.94	8.49	6.03
Population in number	7,214,000	7,314,000	7,417,116

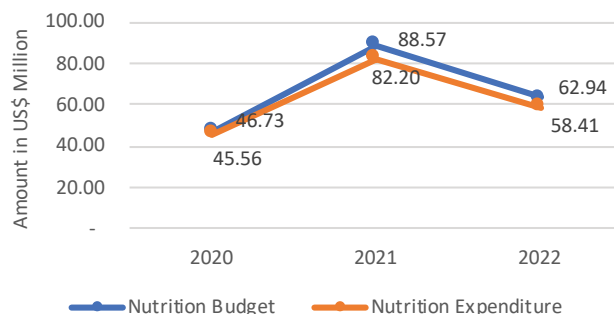
Source: Nominal GDP from AMRO Annual Consultation Report, Lao PDR – 2022, National Budget from State Budget Plan, Ministry of Finance, Lao People’s Democratic Republic, FY 2020 – 2022, Nutrition budget & expenditure—Authors calculation based on data from GoL and Donors, GDP deflator base year 2012 from key Indicators for Asia and the Pacific 2022, Asian Development Bank (ADB), 2022 authors estimate Population-Lao Statistics Bureau, 2021; 1US\$=9,005 Kip in 2020, 1US\$=9,745 Kip in 2021, Lao Statistics Bureau and Annual Economic Report 2021, Bank of the Lao PDR, 1US\$=14327.5 Kip in 2022 https://www.bol.gov.la/en/External_Sectors.

Size and Trends of Nutrition Spending

A total of US\$198.24 million was budgeted for nutrition during FY2020–2022 in Lao PDR. The nutrition budget allocation increased from US\$46.72 million in FY2020 to US\$88.57 million in FY2021, before dipping in FY2022 to

US\$59.61 million. This could be due to project closures and ones in early inception phases.

Figure 1: Trend in budget allocation and expenditure

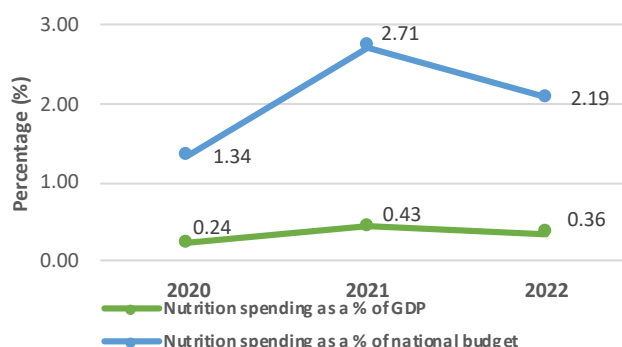


Source: Data reported from Government and DPs and authors estimate

A total of US\$186.17 million has been spent across FY2020–2022 in nutrition in the Lao PDR. Nutrition spending increased from US\$45.56 million in FY2020 to US\$82.20 million in FY2021. Compared to FY2021, a decline in nutrition spending is recorded at US\$58.41 million in 2022, due to a reduction in overall budgetary allocation.

Around 0.24 per cent of GDP was spent on nutrition in FY2020, which climbed to 0.43 per cent in FY2021. In FY2022, it dropped to 0.36 per cent. This suggests that the proportion of nutrition spending by GDP remains low in Lao PDR. Between FY2020–2022, the share of nutrition against total national expenditure ranged from 1.34 per cent to 2.08 per cent.

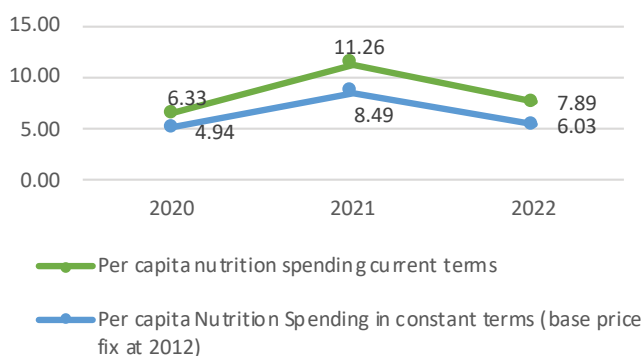
Figure 2: Trend in nutrition expenditure against GDP and national budget



Source: Data reported from Government and DPs and authors estimate

Between FY 2020–2021, per capita nutrition spending was US\$6.33 to US\$11.26 in current prices, whereas in constant prices¹ (base price fixed at 2012) it ranged from US\$4.94 to US\$8.49.

Figure 3: Trend in per capita nutrition expenditure in current and constant prices (US\$)



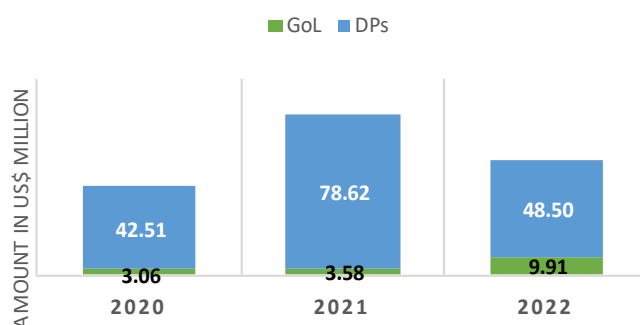
Source: Data reported from Government and DPs & authors estimate

COMPOSITION OF NUTRITION SPENDING

Nutrition Spending by Source of Financing

Figure 4 shows nutrition spending by source of financing during 2020–2022. The GoL spent² US\$3.06 million in FY2020 which increased to US\$3.58 million in FY2021, and US\$9.91 million in FY2022. Between FY2020 and 2022, government spending on nutrition climbed from 7 to 17 per cent. The rise in education-related nutrition interventions in FY2021 and agriculture-related nutrition interventions in FY2022 is the key reason for the increase in government spending in these years. This rise in government spending post COVID-19 reflects the GoL’s commitment to prioritize nutrition.

Figure 4: Source of Nutrition Funding



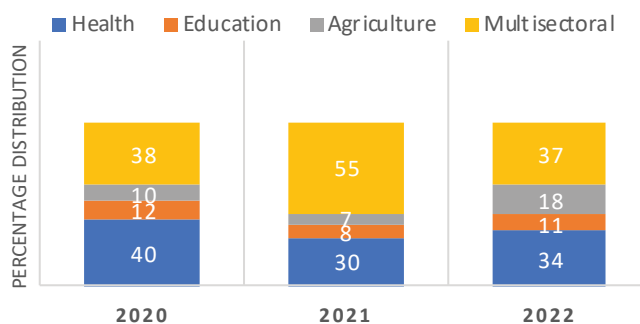
Source: Data reported from Government and DPs & authors estimate

Development partners’ share in nutrition spending in FY2020 was 93 per cent, in FY2021 it was 96 per cent and in FY2022 it was 83 per cent. The strong dependence on external funding makes nutrition financing is a concern. In response, the GoL needs to prepare a plan of action to increase domestic funding for nutrition as well as provide strategic guidance to maximize the use of external resources through synergy and limiting duplication of efforts.

Nutrition Spending by Sector

Figure 5 spotlights nutrition spending by percentage across sectors over the years. In FY2020, 40 per cent of total nutrition spending was made in the health sector, with 38 per cent multisectoral. By FY2021, 55 per cent of total nutrition spending was multisectoral followed by 30 per cent in the health sector. In FY2022, 37 per cent of total nutrition spending was multisectoral, followed by the health sector (34 per cent).

Figure 5: Percentage Nutrition spending by sector amount in million (US\$ million)



Source: Data reported from Government and DPs and authors estimate

1 Current prices for each year are in the value of the currency for that particular year. For example, current price data shown for 1990 are based on 1990 prices, for 2000 are based on 2000 prices, and so on. Constant series show the data for each year in the value of a particular base year. Data reported in constant prices is fixed for base year 2012. Current series are influenced by the effect of price inflation. Constant series are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation.
 2 GoL spending includes expenditure from domestic sources only. ODA channeled through budget support and direct spending is accounted for in development partners’ spending.

Due to the convergent approach many projects now take, the landscape of nutrition spending has shifted to multisectoral in recent years. This may reflect a priority among stakeholders to tackle nutrition through a coordinated, and multi-pronged approach.

Nutrition spending in the health sector: Over the three-year period, an estimated US\$62.28 million was spent on nutrition in the health sector, with a jump from US\$18.25 million in FY2020 to US\$24.44 million in FY2021, then a dip to US\$19.60 million in FY2022. Implementation of USAID’s Maternal and Child Health Nutrition Activity project in 2021 may have contributed to the rise. The government’s share of nutrition spending in the health sector accounted for 4.93 per cent in FY2020, 2.80 per cent in FY2021 and 3.21 per cent in FY2022.

Nutrition spending in the education sector: Over the three years, US\$18.48 million was spent on nutrition through the education sector, a rise from US\$5.33 million in FY2020 to US\$6.61 million in FY2021 and US\$6.55 million in FY2022. The government’s share of nutrition spending in the education sector accounted for 11.76 per cent in FY2020, 28.91 per cent in FY2021 and 19.62 per cent in FY2022. The completion of USAID’s project Learning and Engaging All in Primary School (LEAPS) II in 2021 may have contributed to the rise in the government’s share of nutrition spending in education.

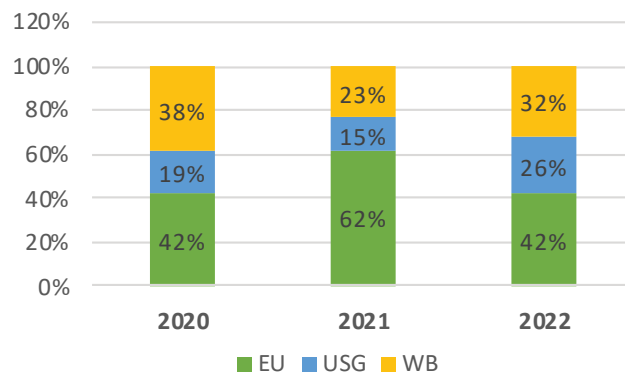
Nutrition spending in the agriculture sector: During the focus period, US\$20.83 million was spent on nutrition through the agriculture sector, with a rise from US\$4.46 million in FY2020 to US\$5.72 million in FY2021 and US\$10.65 million in FY 2022. The government’s share of nutrition spending in the agriculture sector accounted for 34.26 per cent in FY2020, 17.11 per cent in FY2021 and 75.06 per cent in FY2022. The rise in the government’s share of nutrition spending in agriculture needs further exploration.

Nutrition multisectoral spending: Multisectoral spending on nutrition amounted to US\$17.52 million in FY2020 to US\$45.42 million in FY2021 and US\$21.61 million in FY2022. No government multisectoral spending was recorded. The rise in multisectoral spending in FY2021 could be attributed to the European Union (EU), as its multisectoral support jumped from US\$11.37 million in FY2020 to US\$40.22 in FY2021. In FY2022, the dip could be attributed to completion of several EU and United States Government projects.

Nutrition Spending by Donors

The EU, World Bank, and USAID were the major donors making significant contributions to nutrition in Lao PDR.

Figure 6: Nutrition spending by donors over the years in percentage



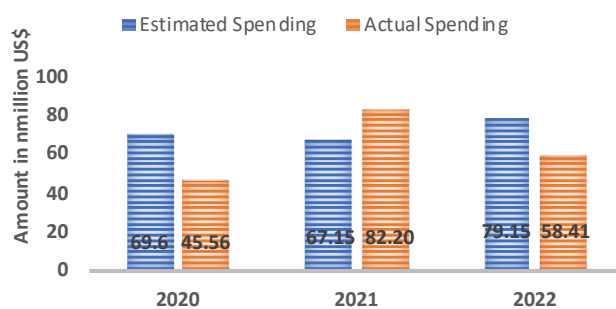
Source: Donor Report from EU, WB and website search for USG

Over three years, the EU was the largest contributor to nutrition spending in Lao PDR followed by the World Bank and United States Government. The EU channeled EUR4.8 million in FY2020 and EUR12.4 million in FY2021 as nutrition budget support to the GoL.

Nutrition Spending by NPAN 2016–2020 and NPAN 2021–2025

NPAN 2016–2020 estimated US\$419 billion to implement over a five-year period and the resource estimation for FY2020 was US\$69.6 million. However, only US\$45.6 million could be spent in FY2020. Clearly, a resource gap of 35 per cent was observed in FY2020.

Figure 7: Nutrition spending by NPAN costing



Source: NPAN 2016-2020 & NPAN 2021-2025 and authors calculation on spending

The latest NPAN 2021–2025 estimated a cost of US\$394.4 million over five years to implement a set of prioritized interventions. It forecast US\$67.2 million in FY2021, and US\$79.2 million in FY2022. Nutrition spending surpassed the estimated resource requirement by 22 per cent in FY2021 (estimated cost US\$67.2 million whereas actual spending was US\$82.2 million). However, in FY2022, a resource gap of 30 per cent was observed (estimated cost US\$79.2 million, whereas actual spending was US\$58.4 million).

Caution is needed when making literal comparisons of spending with the estimated cost of implementing NPAN 2016–2020 and NPAN 2021–2025. This is mainly because little information on the methodology is available from the previous NPAN. At the same time, NPAN 2021–2025 has estimated costs for implementing prioritized interventions only. Additionally, spending reported in this analysis could be an overestimate mainly because all the expenditure reported under nutrition is used in the calculation. A proper resource gap analysis could not be performed due to challenges in obtaining data and limitations in the methodology.

Nutrition Spending by Intervention

Disaggregation of nutrition spending by intervention provides important information in terms of determining the spending focus. Previous budget briefs (2016–2019) reported that 42.6 per cent of total nutrition expenditure was on high-impact interventions. The data structure limited the capacity to further disintegrate spending by intervention. Further research is required to shed light on spending by interventions.

Equity-based resource allocation

In Lao PDR, the nutritional outcomes differed by province. The variations at provincial level point to various funding requirements for nutrition programming. Furthermore, disparities in the total number of stunted children within a particular province may be hidden by provincial prevalence rates. Of the 18 provinces, 11 indicated high rates of stunting (30 per cent). Further investigation will be required to comment on the distribution of resources per province-specific needs to address stunting and wasting.



RECOMMENDATIONS

Nutrition leadership and governance

- Nutrition should remain a priority for the GoL and the current level of funding must be sustained from both domestic and external resources.
- There is a need to standardize definitions and facilitate common understandings related to nutrition interventions (nutrition specific and nutrition sensitive) across stakeholders to accurately account for nutrition spending. This should also include agreeing on weights associated with nutrition sensitive and enabling environment budget lines/projects based on the proportion of budget line likely allocated to nutrition-specific activities.
- Improve nutrition governance through mandatory arrangements requiring development partners and government to report on their nutrition spending.
- The National Nutrition Committee (NNC) secretariat should take a leading role in developing an annual multi-sectoral plan to align sector plans with NPAN 2021-2025. It should include nutrition objectives, targets, activities and costs into sectoral and sub-sectoral strategies, plans and budgets.
- Strengthen the organizational and human resource capacity of the Centre of Nutrition (NC), including the nutrition secretariat at various ministries to appropriately plan and estimate resource requirement to implement sectoral nutrition interventions.
- Provide guidance and support to the Ministry of Planning and Investment and Ministry of Finance on appropriate planning, budgeting and expenditure tracking for nutrition to strengthen their role in the NNC.
- Earmarking and ringfencing of nutrition budget support should be considered to avoid reallocation of nutrition funding to other sectors and non-nutrition expenditures.

Improved evidence generation and use

- Institutionalize the new nutrition expenditure tracking tool developed by the EU across government agencies to allow for improved routine expenditure tracking across all levels of government and financing sources.
- Utilize allocative efficiency models, such as “Optima Nutrition”¹, to make informed decisions on how to spend limited resources on nutrition to achieve greater impacts. Improve the enabling environment for effective nutrition financing.
- The GoL should standardize budget guidance, particularly budget template formats and key assumptions on activity costs, across sectors to allow for easy comparability of budgets for nutrition activities.
- Capacitate ministries to progressively negotiate for increased resource allocation to nutrition interventions. Annual resource requirements should be reflected in the costed sectoral plans and budget.
- Nutrition stakeholders should provide more insights into a convergent approach and guidance towards maximizing the multi-sectoral approach to nutrition.
- The GoL should determine ways to foster multi-sectoral collaboration and coordination with development partners to increase budget support for nutrition interventions and ensure that programmes and activities are aligned with prioritized NPAN interventions and key sectoral priorities.
- Consider piloting new and expanding existing approaches for raising revenue for nutrition and improving the efficient use of nutrition resources, including leveraging the private sector and linking additional fund disbursement to nutrition programmes and activities based on performance.

¹ Optima Nutrition is a quantitative tool that can provide practical advice to governments to assist with the allocation of current or projected budgets across nutrition programmes. The model contains a geospatial component to determine funding allocations that minimize stunting, wasting, anaemia or under-five mortality at the national and regional levels. For more details, please see [Optima | Nutrition | Home \(optimamodel.com\)](https://optimamodel.com)