

Nutrition Budget Brief 2016-2019

Lao People's Democratic Republic

KEY MESSAGES

Government of Lao PDR's high rate of investment in nutrition between 2016–2019 is indicative of the commitment to programme improvement.

- 1.** The **nutrition situation in Lao PDR has improved over the years, but malnutrition remains high** at 33 per cent nationally with significant disparities across some provinces, reaching as high as 54 per cent. Altogether 21 per cent of children are underweight and 9 per cent of children aged under 5 suffer from wasting or acute malnutrition.
- 2.** The **Government of Lao PDR has invested US\$141.9 million in nutrition over a four-year period**, representing around 34.5 per cent of the costed National Plan of Action for Nutrition (NPAN) 2016–2019 which is indicative of the Government's commitment to nutrition.
- 3.** **Dependency on development partners remains high** with a contribution of about 90 per cent of the total nutrition investment in the country. Over-reliance on donor funds introduces a large degree of uncertainty on longer-term funding for nutrition-related activities. The Government should initiate and establish a country-based pooled funding mechanism to support NPAN implementation. Pooled funding also ensures that funding is earmarked and ringfenced for nutrition use only.
- 4.** **Nutrition is not a sector on its own and related budgets are subsumed under other line items of sector ministries.** This has a direct impact on transparency in budgets, expenditures, efficiency and equity of nutrition spending, which in turn makes it impossible to measure. While progress has been made in updating the chart of accounts (CoA), the lack of a comprehensive and integrated functional classification, programme or organizational classification, including district codes in the CoA, remains a major problem.
- 5.** **Despite the introduction of the convergence approach to nutrition, there is still room for improvement** towards a well-coordinated and adequately resourced nutrition programme. This underlines the need to improve sectoral and intergovernmental planning and budgeting in line with nutritional interventions within the National Nutrition Strategy (NNS) and the NPAN.
- 6.** **NPAN lacks a breakdown of what costs are covered by what tier of government.** It is not clear which costs are covered by the central government and provincial levels. There is also no indication of the contribution by source and amount of financing. It also lacks a breakdown of recurrent and development costs; 'procuring' (development cost) is not distinguished from 'distributing' and 'delivering', for example.
- 7.** **Some interventions that have the greatest nutritional impact are poorly funded** whilst others that have a significantly lower impact on nutrition outcomes, are prioritized. A better, and more efficient prioritization mechanism is needed that focuses on investments that are of high importance. Costing should be informed by evidence-based prioritization of high-impact and low-cost interventions that reduce key nutrition outcome indicators.

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INTRODUCTION

This brief examines the budget and government spending of Lao People's Democratic Republic (PDR) in connection to nutrition. The data elaborated below are a combination of publicly available data, the National Nutrition Committee (NNC) Secretariat's annual financial tracking from various sectors, including aggregated development partners' (DPs) data and interviews at both national level and in the provinces of Saravan and Savannakhet.¹

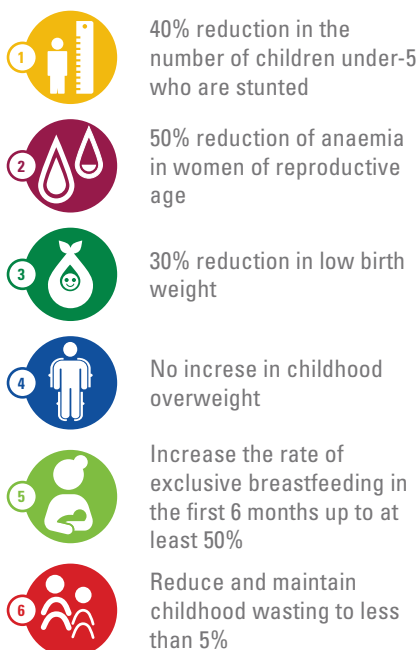
The Government of Lao PDR (GOL) has developed the National Nutrition Strategy (NNS) 2016–2025 – a strategic document and action plan addressing the interrelationships in nutrition across sectors.

WHY INVEST IN NUTRITION?

Malnutrition is responsible for about 50 per cent of all causes of mortality among children under 5 years of age worldwide.²

Chronic malnutrition (stunting) will contribute to low educational levels and income in adulthood. Malnutrition leads to increased spending, as it causes frequent illnesses. It also leads to lower future national revenues and taxes. In Lao PDR, malnutrition costs the country an estimated US\$197 million annually, or about 2.4 per cent of the gross domestic product (GDP). Of this loss, 73 per cent, or US\$142 million, is due to malnutrition in the first 1,000 days of life, while one third, or US\$38 million, is related to the nutritional status of mothers and the role of mothers in caring for their children.³ Good nutrition is central to economic development and sustainable development at global level.

Figure 1: Global nutrition targets
Lao PDR nutrition indicators



OVERVIEW OF NUTRITION IN LAO PDR

Malnutrition is a major national development concern in Lao PDR, resulting in about one in three deaths among children under the age of 5.⁴ While the most recent issue of the Lao Social Indicator Survey (LSIS II, 2017) reported a decrease in the prevalence of children aged under 5 with stunted growth (low height for age) from 44 per cent in 2012 to 33 per cent in 2017, there are still significant differences between provinces: 11 out of 18 provinces report very high levels of stunting ($\geq 30\%$).⁵

Source: Scaling up Nutrition
<https://scalingupnutrition.org/?s=Lao+pdr>

¹ Due to the unavailability of primary data from the Ministry of Finance, the team used publicly available data, and the National Nutrition Committee Secretariat's annual financial tracking from various sectors, including aggregated development partners' data.

² <https://data.unicef.org/topic/nutrition/malnutrition/>

³ Lao PDR NIPN, Overview of the Nutrition Information System. 2019.

⁴ European Union, Action for "Support to the Lao PDR National Nutrition Strategy and Plan of Action". 2019. https://ec.europa.eu/international-partnerships/system/files/aap-financing-laos-an-nex-c-2019-3930_en.pdf

⁵ Lao PDR, Laos Social Indicator Survey II 2017. 2018.

NUTRITION FINANCING

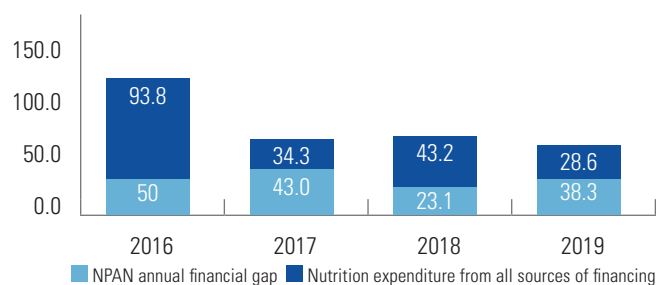
Size and trends of nutrition financing

The estimated cost of NPAN 2016–2020 was US\$411.3 million for five years. According to the NPAN annual costs breakdown the biggest burden falls under year one with US\$131.2 million, followed with year two with US\$77.3 million, decreasing to US\$66.3 million and US\$66.9 million for years three and four while for the last year it increased slightly to US\$69.6 million.

The gap between the current investment in nutrition and the needs is widening when the cumulated needs from year to year that are not covered are analysed.

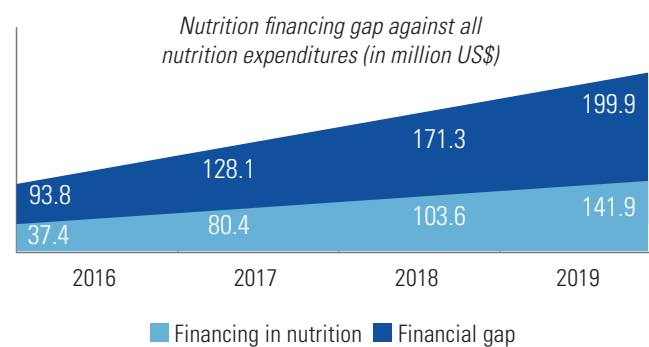
Nutrition financing in Lao PDR has been unpredictable for two main reasons. First, the financing by development partners (DPs) is project-based and time-bound and fluctuates as a consequence of spending. This leads to issues related to the credibility of the budget. Second, in the absence of budget data on nutrition, it is not possible to determine whether the decline in the nutrition budget is due to the Ministry of Health allocating funds for purposes other than nutrition needs, or an inability of the respective units responsible for nutrition to spend the budget allocated.

Figure 2: Nutrition financing trends in Lao PDR (in million US\$), 2016-2019



Source: NNC-S, Lao PDR

Figure 3: NPAN annual commitment against actual financing on nutrition reported at NNC-S



Source: NPAN for overall nutrition commitment and the gap; NNC-S for the existing expenditures.

Key takeaway

- Addressing malnutrition is a key government priority as indicated in the National Nutrition Strategy (NNS) 2016–2025 and National Plan of Action on Nutrition (NPAN) 2016–2020.
- Insufficient financing in nutrition remains a concern and the NPAN can only partially be implemented.
- Absence of programme codes in the chart of account makes it impossible to budget separately and at the same time conduct financial tracking for nutrition.

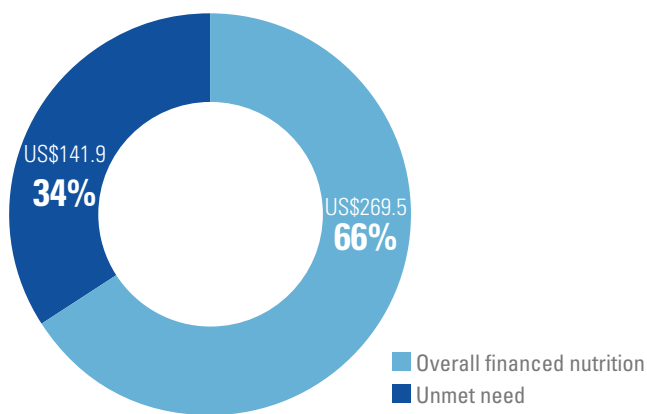
Composition of spending

Nutrition expenditures by sources of financing: The total five-year expenditure for nutrition reached US\$141.9 million of which US\$14.6 million – or 10 per cent – came from domestic government resources and the remaining US\$127.1 million – or 90 per cent – were funded through DPs. This means that between 2016 and 2019, only 34.4 per cent of the planned total cost was financed whilst the remaining US\$269.5 million – or 66 per cent – of the planned cost remains unfunded.

The strong dependence on funding from DPs makes nutrition financing a concern. DPs financed about 90 per cent of the overall NPAN 2016–2019. Withdrawal of DPs financing may lead to an even greater financial gap, which the Government should be prepared to fill with domestic funds.

Figure 4: Expenditure on nutrition vs unmet needs

NPAN 2016-2019 was implemented at 34.5% over its lifespan and financed with US\$141.9 million from all sources of financing.



Source: NNC-S, Ministry of Health

Nutrition spending by sector across NPAN 2016–2020 lifespan

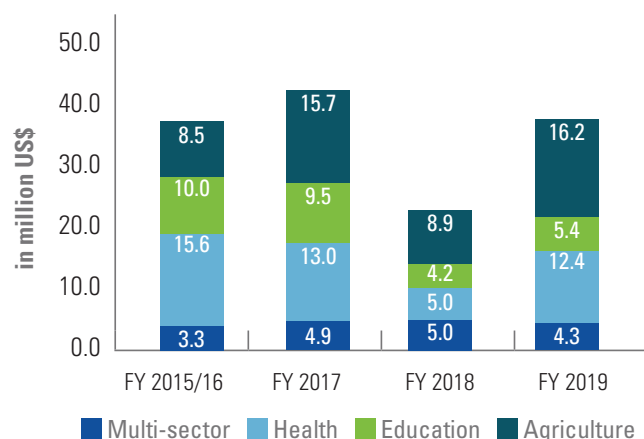
Nutrition spending in the Health sector has seen a slight decline from US\$15.6 million in financial year FY 2015/16 to US\$11 million in FY 2019.

Nutrition spending in the Education sector from FY 2016 to FY 2020 has fluctuated from US\$12 million in FY 2015/16 to US\$4.2 million for FY 2019.

Nutrition spending in the Agriculture sector has increased significantly from US\$8.5 million in FY 2015/16 to US\$17.8 million for FY 2019.

Nutrition spending across Multi-sectors has been steady with US\$3.3 million in FY 2015/16 then increasing to US\$4.9 million and US\$ 5 million for FY 2017 and FY 2018 respectively with a slight decrease of US\$4.2 million in FY 2019.

Figure 5: Nutrition expenditure composition, by sector



Source: NNC-S, Ministry of Health

Key takeaway

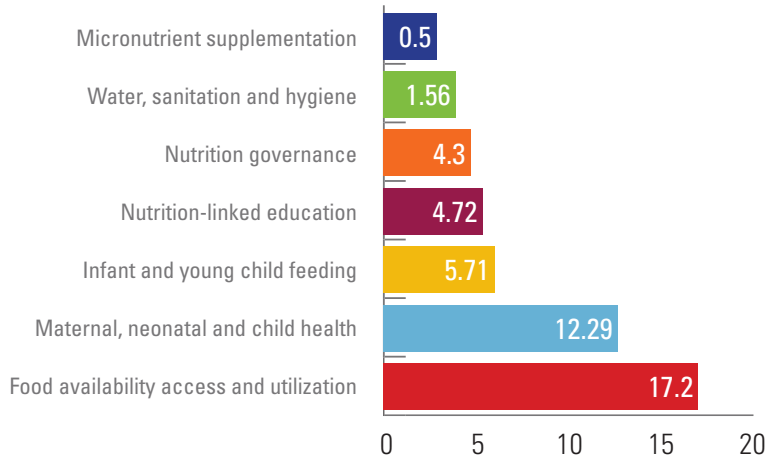
- Nutrition should remain a priority for the Government of Lao PDR, despite the increase in expenditures due to COVID-19 interventions in the health sector and the decrease in overall revenue.
- The relevant ministries should consider progressively increasing the allocation of funds for nutrition towards nutrition-specific interventions, and this increase should be indicated in the annual costed sectoral plans and the annual budgets.
- The Government of Lao PDR should consider improving the predictability of financing for nutrition through earmarking and ringfencing the nutrition budget to avoid reallocation of funds for nutrition for purposes.
- When planning the next NPAN activities, the Government of Lao should consider shifting its focus on nutrition to low-cost and high-impact interventions that improve nutrition outcomes.

Composition of spending by type of intervention for FY2019

The overall nutrition expenditure in 2019 was US\$38.3 million, out of which, only US\$15.03 million were spent on high-impact interventions such as maternal, neonatal and child health (US\$5.51 million), infant and young child feeding (US\$4.72 million), nutrition governance (US\$4.3 million), and micronutrient supplementation (US\$0.5 million), comprising only 42.6 per cent of the total expenditures.

Findings from province and district levels show that there are huge disparities in allocation of funds. In reviewing disparities among provinces as regards to the levels of stunting and wasting, and the distribution of resources according to provinces' specific needs, the Government must adopt a strategy of equitable and proportionate supply of nutritional needs.

Figure 6: Nutrition expenditure by intervention (in million US\$), 2019



Source: NNC-S, Ministry of Health

Equity-based resource allocation

Nutritional results vary across the provinces in Lao PDR. The differences at provincial level indicate different financial needs for nutrition programming. In addition, provincial-level prevalence rates may mask significant differences in the absolute number of stunted children within a given province. Out of 18 provinces, 11 provinces report very high levels of stunting (≥ 30 per cent).

To date, NPAN 2016–2020 does not document this, but the Ministry of Health has budgets for some selected districts with high prevalence of stunting. Nevertheless, the available funds are not distributed on the basis of provincial nutritional needs or nutritional outcomes.



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Key takeaway

- Disparities between provinces with regard to stunting and other nutrition indicators require further analysis. These disparities should be included in the Implementation Framework.
- Improving nutrition planning and budgeting would also improve evidence and possibly lead to increased resource allocation for nutrition, and specifically from central to provincial levels.

RECOMMENDATIONS

- Nutrition should remain a priority of the Government of Lao PDR.
- The relevant ministries should progressively consider increasing the allocation of resources for nutrition interventions, and this increase should be indicated in the annual costed sectoral plans and budgets.
- The Government should consider earmarking and ringfencing the nutrition budget to avoid reallocation of nutrition funding to other sectors and non-nutrition expenditures.
- The Government should consider shifting its focus to high-impact interventions that improve nutrition outcomes.
- The Ministry of Health should work with the Ministry of Finance to introduce second tier budget codes that will help with planning on nutrition. This should be applied to all line ministries, including decentralized levels such as provinces and districts.
- NPAN 2021–2025 should be in harmony with sectoral plans. The NNC should take a leading role in ensuring that the next NPAN is in full accord with the sectoral plans. Sectoral plans should reflect NPAN 2021–2025 interventions and activities and include its nutrition objectives, targets, activities and costs into sectoral and sub-sectoral strategies, plans and budgets.
- The Government should maximize its multi-sectoral approach to nutrition, and also provide more oversight to the convergent approach by enacting the Nutrition Operational Guidelines (2019).
- The NNC should consider an annual multi-sectoral implementation plan, so that areas of collaboration and complementarity for improved nutrition can be identified. Before drafting the NPAN 2021–2025, the drafting committee should use and make transparent the rationale, methodology, assumptions, unit costs and type of costing when computing the costs of the activities and interventions.
- The Government should strengthen the capacity of the NNC with more staff and training; work with Ministry of Finance to improve the budgeting and tracking of nutrition finances; and utilize the Ministry of Planning and Investment to improve planning for nutrition.

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