

Briefing Note

Key 2015 RTM/2016 RTIM discussion points relating to Macroeconomic Working Groups

This note is prepared to provide background briefing on issues and matters for the attention of Macroeconomic Working Group in relation to key discussion points made during the 2015 RTM/2016 RTIM which are clustered around three key broad areas.

I. Areas I

- 1.1 2015 RTM (Discussion 1) - The 8th National Socio-Economic Development Plan
- 1.2 2016 RTIM (Discussion Point 5) – Risks and Vulnerabilities
- 1.3 2016 RTIM (Discussion Point 12) – Public Private Partnership
- 1.4 2016 RTIM (Discussion Point 15) – Gender Equality and Women’s Empowerment

II. Area II

- 2.1 2015 RTM (Discussion 2) - Enabling inclusive and sustainable growth
- 2.2 2016 RTIM (Discussion 7) – Quality Growth
- 2.3 2016 RTIM (Discussion 8) – Quality Investment and Trade

III. Area III

- 3.1 2015 RTM (Discussion 3) - Enhancing Macro-Economic Management
- 3.2 2016 RTIM (Discussion 6) – Revenue Generation

Key follow up actions for the implementation of the RTIM/RTM discussion points

I. Areas I: The 8th National Socio-Economic Development Plan, Risks and Vulnerabilities, Public Private Partnership and Gender Equality and Women’s Empowerment

Key follow-up actions

- 1.1 The 8th NSEDP needs **a strong link with the fiscal framework and a financial strategy** with proper costing to ensure its affordability – an introduction of an integrated approach to leveraging development finance
- 1.2 Operationalization of the 8th NSEDP M&E framework (LDC and SDGs integrated) through participatory and inclusive process
- 1.3 Development of **a new Mid-Term Expenditure Framework** (including PIPs) linked to NSEDP
- 1.4 Development of **a concept/plan for how green growth model** can be incorporated into the national planning process
- 1.5 **Risks and Vulnerabilities** - The Government and development partners and other stakeholders shared common observation that Lao PDR is susceptible to domestic shocks and has a limited buffer in the economic, human and environmental areas. Making Lao PDR more resilient is a common agenda for us all, since addressing these vulnerabilities is central for LDC graduation.

- 1.6 **Greater public private partnership** is strongly encouraged in order to realize the goals and objectives of the 8th NSEDP including SDGs and LDC graduation
- 1.7 **Achieving gender equality and women's empowerment** is critical to many NSEDP targets. The Government has likewise aimed to promote the contribution of women to the economy, society, and political system. Targets for women's empowerment and gender equality in the public and private sectors, and in particular for poverty reduction, will need to be integrated into local accountability and transparency mechanisms, grounded in existing international and regional commitments.

II. Area II: Enabling inclusive and sustainable growth, Quality Growth and Quality Investment and Trade
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- 2.1 Promote and revitalize **the Lao Business Forum**, and integrate it into **the round table process**
- 2.2 Promote **partnership with private sector at community-level** to ensure equitable development
- 2.3 Promote **linkage between vocational training and labour market**
- 2.4 Establish **an inventory of Corporate Social Responsibility** – what are the big companies doing in terms of CSR? How much do they spend and what are they doing?
- 2.5 For the Government to accelerate **reform in the tax system and PFM reforms and budget transparency**; and to **widen the tax base** and for the development to support this
- 2.6 Adjust **budget allocations** to ensure sustainable development beyond salaries and for development
- 2.7 Report **transparently on how budgets** have been spent
- 2.8 Promote **systematic budget allocation** to the province, district and village levels (beyond salaries)
- 2.9 Assess **mining investment and licensing procedures** (including legal framework)
- 2.10 Amend **private investment law**
- 2.11 Develop **Doing Business Reform plan**
- 2.12 Standardise **fiscal regimes for mining and hydropower**
- 2.13 Improve implementation of **the Environment and Social Impact legislation**
- 2.14 Ensure **quality infrastructure development** and prioritise investment in infrastructure
- 2.15 **Quality Growth** - Effort to achieve and maintain a higher quality of growth is of fundamental importance and interest to all stakeholders and to the success of the 8th NSEDP. Making growth sufficiently inclusive, and of impact to poverty reduction, is one of the greatest challenges. The 2030 agenda for sustainable development - for which Lao PDR has been a champion – includes the overall objective of 'leaving no one behind'.
- 2.16 **Investment and trade** - The private sector makes the majority of investment needed for the achievement of the goals of the NSEDP. Improvements to the investment climate and human resource development were agreed to be paramount in order to attract **high**

quality investors contribute more to social and sustainable development. The ‘one-stop-shop’ concept to make investment processes more transparent and more efficient appeared as a good practical step in the right direction. Human Resource development and establishment of training mechanisms will also play a significant role to strengthen the competitiveness of Lao PDR within the region. Reinvigoration of the Lao Business Forum as a development partner could also have great value in securing a robust mechanism for dialogue, so that mutual development goals can be pursued.

Area III: Enhancing Macro-Economic Management and Revenue Generation

- 3.1 Strengthen **capacity** for macroeconomic and fiscal management
- 3.2 Provide **quarterly economic data** (budget execution, public debt, monetary date, financial sector stability indicators)
- 3.3 Reform **tax policy and administration framework** to increase tax base, review exemption policies, simplify tax payment, and introduce and simplify insurance of unique tax ID
- 3.4 Keep **tight control over expenditure and re-allocate spending** to more efficient uses
- 3.5 Increase **fiscal buffers** and strengthen prospects for **fiscal sustainability**
- 3.6 Keep **credit growth** in line with objectives of **low inflation and financial sector stability**
- 3.7 Sustain **competitiveness of the real exchange rate**
- 3.8 **Revenue Generation:** improving revenue collection administration, reducing leakages, expanding revenue base and improving timeliness of revenue collection as well as enforcement of fiscal disciplines and law and regulations are very important. Revenue collection mechanism across the country should be consistent and streamlined in order to improve transparency. Potential revenue sources should be identified in order to improve sustainability prospects and transparency of the budget.
- 3.9 **Public Expenditures:** Meeting spending targets and properly monitor disbursements. Ensure meeting debt service obligations for both domestic and external public debt based on the fiscal capacity and debt obligations and strictly enforcement that are approved by the National Assembly. Modernize a system for managing and monitoring public expenditures in order to allow timely monthly, quarterly and annual budget reporting in a transparent and auditable manner. This can also help prevent off-budget spending. Strengthening public financial management systems and improving public budget transparency are essential elements to make best use of domestic resources for development and to reassure the markets that Laos is a place where business can invest. Also, effective budget transparency is a precondition for stronger reliance on country systems.
- 3.10 **A stronger monetary transmission mechanism** helps Bank of Lao PDR to maintain low and stable inflation; while a well-regulated and supervised banking sector keeps non-performing loans (NPLs) low, which will help manage lending and provide affordable access to finance. The exchange rate policy should be managed within a range that does not jeopardize macroeconomic stability but help promote competitiveness of the Lao economy. Monetary Policy should determine the interest rate levels that help promote access to finance by the private sector.