



**SUMMARY OF KEY RECOMMENDATIONS (OUTCOME STATEMENT)
COVID19 MULTI-STAKEHOLDER TASKFORCE
FISCAL FRAMEWORK AND FINANCING FOR SUSTAINABLE
DEVELOPMENT**

Context and outlook

Lao P.D.R. faced significant macroeconomic challenges before COVID-19

Recent growth was driven by capital-intensive resource sectors and infrastructure development

- The impact on poverty reduction was less than that anticipated and seen in by regional peers.

Growth was decelerating prior to COVID-19 due to natural disasters

- Inflation pick up to 6% in the first seven months (2020)
- Fiscal situation worsened
- Stagnation of credit growth
- Low gross international reserves
- Kip depreciation with widened spread between the parallel and official exchange rate

Impact of COVID-19

The pandemic has affected the country negatively through multiple channels (tourism, trade, investment, commodity prices, exchange rates, and sharply decreasing remittances).

- **Economy - a historically low level growth in 2020 –**
 - Downside risks to the outlook - the uncertainty regarding the duration, pervasiveness, and severity of the COVID-19 outbreak at both the global and domestic levels as well as the magnitude and effectiveness of GOL's economic relief policies.
- **The overall cost of COVID-19 related Government policy measures -** currently estimated at about **US\$394 million**, of which
 - fiscal package about US\$83 million (health measures about US\$44 million and cash transfers and foregone revenue roughly US\$39 million) and
 - monetary measures (mostly SME lending) about US\$310 million.
- **Domestic revenue has fallen by 30 per cent**, leading to a widening of the fiscal deficit to 7.5 per cent of GDP.

Strategic policy recommendations

The 9th NSEDP - a roadmap for Lao PDR's economic transformation towards a more resilient, shared and sustainable growth path.

- Growth challenges - neither new nor unique.
 - The acute consequences of COVID-19 do, however, strengthen the need to intensify and accelerate reform efforts
- 1. Enhance economic resilience in the longer term**
 - Strengthening the fiscal and monetary policy framework,
 - Accelerating reforms in improving business environment and
 - Ensuring more and better investment in human capital and social protection systems.
 - 2. Strategic consideration and prioritization of the key drivers of a more inclusive growth over the coming years**
 - Recognizing the need to grow beyond historical reliance on natural-resource intensive growth

Strategic policy recommendations

3. Policy options to mitigate the impacts of the COVID-19 outbreak

- Immediate economic relief whilst being consistent with recovery and fostering resilience in the medium- and long-term.

This should involve consideration of:

- **Reprioritizing spending and mobilizing additional resources** to support well-targeted social assistance to affected households and businesses;
- **Restructuring of the energy sector** to reduce fiscal and debt burdens;
- In the medium to long term, **accelerating reforms to promote diversification and improve competitiveness** in the private sector, supported by improved connectivity.
- **More and better investment in human capital and social protection** to improve households' ability to withstand shocks and build economic resilience from the ground up.

Strategic policy recommendations

4. **A more stable macroeconomic framework** as a foundation for the pursuit of development goals, the NSEDP should set clear and consistent plans across five areas:

- i. Increasing **revenue mobilization**;
- ii. Strengthening **public expenditure management** to ensure that resources are efficiently disbursed; including investment in the ‘infrastructure of delivery’ for social and support services;
- iii. Strengthening **the banking system and improving financial inclusion**;
- iv. Developing a **sustainable macroeconomic strategy**, linked to a credible, implementable and monitored multi-year budget framework;
- v. Improving **the availability and transparency of data and policy information**.

Strategic policy recommendations

5. Debt management

- Engaging in restructuring and re-profiling of external debt
- Consideration of the G20 Debt Service Suspension Initiative

6. Measures adopted to support firms

- Targeting viable businesses (SMEs and large firms) that are temporarily affected by the COVID-19 shock but have the ability to rebound.



Thank you