

## STRUCTURED DIALOGUE 1: DIAGNOSTICS

*Assessing the financial constraints and needs to achieve the 9<sup>th</sup> NSEDP and the SDGs*

14-15<sup>th</sup>, October 2021

Crowne Plaza (day 1, restricted participation) and [Zoom](#) (both days)

### Background

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#### **National context**

Lao PDR is entering an important stage in its national development, with the ninth five-year National Socio-Economic Development Plan (NSEDP) now finalized, which will take the country to within five years of the 2030 deadline for the SDGs and to the edge of graduation from Least Developed Country (LDC) status, planned in 2026.

Simultaneously, access to the necessary development finance to accelerate progress is becoming increasingly challenging, with high levels of debt, revenue collection falling short of expectations, insufficient private sector contribution to development progress, declining ODA trends, and repeated shocks stretching coping capacity.

Against this backdrop, the government of Lao PDR, with technical assistance from the United Nations, has been working to develop a practical and realistic financing strategy for Lao PDR.

#### **The United Nations Joint Programme on Financing Efficiency**

The *United Nations Joint Programme on Efficiency and optimization of Lao PDR's public budget to finance the SDGs through the National Plan* works to strengthen the national architecture for managing and allocating development finance to support more efficient and effective use of available resources, and mobilisation of other sources of finance in support of national priorities and the 2030 Agenda. The Joint Programme is the main vehicle to support the formulation of a financing strategy for the 9<sup>th</sup> NSEDP.

It is coordinated by the Ministry of Planning Investment, Department for International Cooperation (DIC), and the United Nations Resident Coordinator's Office (UNRCO), and involves the Ministries of Finance (MOF), Planning and Investment (MPI), and Health (MOH), as well as UNFPA, UNCDF, and UNDP, which is the technical lead.

Three workstreams are progressing in parallel:

- The formulation of a practical financing strategy for the 9th NSEDP, comprised of policy options addressing all sources of finance (UNDP and MPI);
- Develop an evidence-based approach to supporting budget allocations through a pilot in the health sector, which will inform the costing exercise and the financing strategy (UNFPA and MOH).
- Implement an innovative budget tagging methodology that will allow actual spending to be tracked against priorities, and therefore set up the systems to efficiently monitor progress of the implementation of the financing strategy (UNCDF and MOF).

### **A financing strategy for the 9<sup>th</sup> NSEDP**

The Government of Lao PDR, through the Ministry of Planning and Investment and with the support of the United Nations Joint Programme on Financing Efficiency, has been working on developing the elements for a practical and realistic financing strategy with clear options to ensure access and availability of development finance in support of national development priorities.

Considering the strategic importance of this financing strategy, and acknowledging the work done by the Government and development partners in addressing financing constraints, the formulation of the financing strategy is based on:

- A clear process: three structured dialogues (see table) should be organised, along the three stages in the diagram below. MPI and UNDP hope to develop a draft set of financing options for discussion at the second structured dialogue by the Round Table Meeting, planned in November 2021. Bi and multilaterally technical discussions in smaller settings with specific agenda items take place before each structured dialogue. Specifically, financing options will be discussed with relevant stakeholders throughout October and November in preparation for structured dialogue 2, and after structured dialogue 2, which will bring all relevant stakeholders together for a first open conversation on financing options, drawing on the findings from the diagnostics phase.



	<b>Tentative dates</b>	<b>Topics addressed</b>
<b>Structured dialogue 1: diagnostics</b>	Mid-October	<ul style="list-style-type: none"> <li>• Investment needs across the NSEDP (costing)</li> <li>• Development Finance Assessment (DFA) and resource envelope</li> </ul>
<b>Structured dialogue 2: policy options</b>	Mid-November	<ul style="list-style-type: none"> <li>• Financing options for each source of finance</li> <li>• Sectoral financing options</li> </ul>

<b>Structured dialogue 3: finalization of financing strategy</b>	1 <sup>st</sup> Quarter 2022	<ul style="list-style-type: none"> <li>• Advanced set of financing policy options</li> </ul>
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- Inclusivity: A Technical Working Group to mobilise inputs from and build consensus between relevant stakeholders was agreed by the Deputy Prime Minister upon request of the Deputy Minister of MPI early in the year. The group was initially mobilised in a workshop on April 5-6 to discuss the objectives of the project, methodologies, and data sets necessary to develop these diagnostics. Bilateral discussions with the Ministry of Finance, the Bank of Lao PDR, relevant line ministries, and development partners are expected to be held in between structured dialogues.

**Phase 1: diagnostics and assessments**

The UN Agencies, Funds, and Programmes (AFPs) have been supporting MPI, MOF, and MOH in the development of several important diagnostic tools in the first half of 2021. These, currently being finalized as of August 2021, will be the analytical backbones of the financing strategy:

- The Development Finance Assessment (DFA), supported by UNDP under strategic guidance from MPI, which should help to estimate resources available to support the realisation of the 9<sup>th</sup> NSEDP objectives. The DFA takes a holistic approach to development finance, called [the Integrated National Financing Frameworks \(INFF\)](#), which considers all sources of finance and their potential contributions to development progress. DFA preliminary findings have been presented in bilateral consultations to MOF and Bank of Lao PDR, considering their leadership in the field;
- Initially, costing estimates of the 9<sup>th</sup> NSEDP were to be developed. However, data limitations have limited the reliability and accuracy of those estimates. Consequently, UNDP, under strategic guidance from MPI, has been preparing desk reviews of the relative costs and currently available resources for each outcome of the 9<sup>th</sup> NSEDP, based on currently available sector costing estimates and globally available data. These should help to identify the relative investment needs. Additionally, building on the attempts to cost national plans, an additional report identifying best possible methodologies to cost national development plans in Lao PDR, current challenges to apply those methodologies and derive reliable and accurate costing estimates, and proposed solutions and recommendations to rapidly eliminate challenges will be developed.
- A closer look into the costs of development progress in the health sector, supported by UNFPA, under strategic guidance from MOH;
- A closer look at debt sustainability through an analysis of sovereign bonds, supported by UNCDF, under strategic guidance from MOF.
- UN DESA has been developing a desk review on available climate finance resources that could be mobilised in support of the 9<sup>th</sup> NSEDP environmental and climate ambitions, including consultations with MPI, MONRE, and MAF.

Taken together, these assessments should help to measure the financing gap, i.e., the resources missing to finance the 9<sup>th</sup> NSEDP, which the financing strategy should address through policy options and strategic prioritization of 9<sup>th</sup> NSEDP outputs with the highest development returns.

## **Objectives of the structured dialogue 1**

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The first structured dialogue on diagnostics should be an opportunity:

1. For all relevant stakeholders to be informed on the progress of the various workstreams, and receive information on the guiding principles, scope, processes, and timeline for the completion of the financing strategy of the 9<sup>th</sup> NSEDP;
2. For relevant parts of government and UN AFPs to receive feedback from relevant stakeholders involved in national planning, economic and financing policy, private sector development, official development assistance, public financial management etc.;
3. To validate the main findings of the various assessments, and progress to the second stage of the financing strategy formulation.

## **Structure and approach**

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To meet the goals set out above, the dialogue is based on the following principles and measures:

- Short briefs, highlighting research designs, assumptions, limitations, and main findings of each diagnostic are shared in advance of the structured dialogue. Those have been developed by the supporting technical agency, with close collaboration with their government counterpart (see attachments section below);
- Clear minutes of the structured dialogue will be taken and used to update the diagnostic briefs, which will be revised and shared again with all participants after the dialogue. There will be an opportunity to provide written feedback on each diagnostic brief;
- Presentations at the structured dialogue should be short and targeted, and take place over a day and a half, to offer sufficient time for plenary discussions;
- The entire structured dialogue will be supported by simultaneous translation in English and Lao, to ensure all relevant participants can technically contribute to the discussions;
- The dialogue is split between the analyses on available development finance, the resources envelope (Day 1) and the analyses of costs of development progress (Day 2).

### **IMPORTANT**

Due to ongoing COVID-19 regulations, a limit of 20 participants is set on meetings. Consequently, the structured dialogue will be organised as follows:

- **Day 1 (full day) will allow in-person participation** from one or two most relevant senior-level staff from MOF, BOL, MPI, MOFA, UNRCO and Joint Programme agencies, and IFIs (World Bank, ADB, IMF) and EU. Relevant stakeholders will be asked to nominate their in-person

participant. There will be no limit on online participation through Zoom for those wishing to follow debates.

- **Day 2 (half-day) will be fully online**, using the same Zoom link, considering the need to engage line ministries and additional relevant sectoral stakeholders on equal terms.

## Participation

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Structured dialogue will be opened and closed by the Deputy Minister of Planning and Investment as well as the UN Resident Coordinator. The UN Resident Coordinator's Office Senior Economist and the Deputy Director General of Planning will be co-chairing the dialogue.

Participation is expected from:

- Strategic coordinators of the Joint Programme, namely the UNRCO and MPI;
- Technical leads of the various assessments: UNDP, UNFPA, UNCDF, and UN DESA on the UN side, and MPI, MOF, and MOH on the government side;
- Relevant stakeholders as follows:
  - Session 1 on financing:
    - MPI, MOF, BOL, MOIC, and relevant line ministries' planning and financing departments;
    - International Financial Institutions and development partners, including other UN Agencies, Funds, and Programmes;
  - Session 2 on costing:
    - MPI and MOF across all presentations
    - Line ministries and parts of government, as relevant for each pillar of the 9<sup>th</sup> NSEDP, with the following suggestions below:
      - Pillar 1: Ministry of Finance, Bank of Lao PDR, Ministry of Industry and Commerce, Ministry of Foreign Affairs
      - Pillar 2: Ministry of Health, Ministry of Education and Sports, Ministry of Labour and Social Welfare
      - Pillar 3: Ministry of Agriculture and Forestry, Ministry of Natural Resources and Environment, Ministry of Public Works and Transport, Ministry of Labour and Social Welfare, Lao Women's Union, Lao Youth Union
      - Pillar 4: Ministry of Energy and Mines, Ministry of Natural Resources and Environment, Ministry of Agriculture and Forestry, Ministry of Labour and Social Welfare
      - Pillar 5: Ministry of Industry and Commerce, Ministry of Public Works and Transport, Ministry of Foreign Affairs
      - Pillar 6: Ministry of Home Affairs, Ministry of Foreign Affairs, Ministry of Justice
    - International Financial Institutions and development partners, including other UN AFPs;

## Attachments

<b>Financing</b>	1 compendium on financing national development priorities including: <ul style="list-style-type: none"><li>• 1 explanatory cover note;</li><li>• 4 DFA briefs on the main findings for each source of finance (1) the State Budget, (2) Domestic Private Sector, (3) International Private Sector, (4) Official Development Assistance (UNDP-MPI);</li><li>• 1 brief on climate finance (UN DESA) ;</li><li>• 1 brief on sovereign bonds (UNCDF);</li><li>• 1 explanatory Q&amp;A.</li></ul>
<b>Costing</b>	1 compendium on costing national development priorities including: <ul style="list-style-type: none"><li>• 1 explanatory cover note;</li><li>• 1 brief on the main challenges and proposed solutions to cost national development plans (UNDP-MPI);</li><li>• 6 briefs summarising the literature reviews on costs for each pillar of the 9<sup>th</sup> NSEDP (UNDP-MPI);</li><li>• 1 brief on cost estimates of health interventions (UNFPA-MOH);</li><li>• 1 explanatory Q&amp;A.</li></ul>

## Agenda

Day 1	
08:30-09:00	<b>Registration</b>
09:00-09:15	<b>Opening remarks: overarching objectives of the 9<sup>th</sup> NSEDP financing strategy</b> Vice-Minister of Planning and Investment UN Resident Coordinator
09:15-09:20	Group photo
09:20-09:30	<b>Introductory remarks: overview of structured dialogue and day 1</b> UNRCO Senior Economist
09:30-09:40	<b>Processes and timeline for the 9<sup>th</sup> NSEDP financing strategy formulation</b> UNRCO Financing for Development Officer
Session 1 – Financing national development priorities	
09:40-10:10	<b>The INFF approach</b> UNRCO Financing for Development Officer 10' Plenary discussion 20'
10:10-10:25	Break
10:25-11:05	<b>The State budget (DFA)</b> UNDP Financing Expert Presentation 10' Plenary discussion 30' with expected interventions from MPI, MOF, BOL, IFIs, UN Agencies, Funds, and Programmes
11:05-11:45	<b>Domestic private investment (DFA)</b> UNDP Financing Expert Presentation 10' Plenary discussion 30' with expected interventions from MPI, MOF, BOL, IFIs, UN Agencies, Funds, and Programmes
11:45-13:00	Lunch break
13:00-13:40	<b>Foreign Direct Investments (DFA)</b> UNDP Financing Expert Presentation 10' Plenary discussion 30' with expected interventions from MPI, MOF, BOL, IFIs, UN Agencies, Funds, and Programmes
13:40-14:20	<b>Official Development Assistance (DFA)</b> UNDP Financing Expert Presentation 10' Plenary discussion 30' with expected interventions from MPI, MOF, BOL, IFIs, UN Agencies, Funds, and Programmes
14:20-14:35	Break
14:35-15:15	<b>Climate Finance review</b> UNDESA representative tbc 10' Plenary discussion 30' with expected interventions from MPI, MOF, MONRE, MOF, IFIs, UN Agencies, Funds, and Programmes
15:15-15:55	<b>Sovereign bonds</b> UNCDF representative tbc 10' Plenary discussion 30' with expected interventions from MPI, MOF, BOL, IFIs, UN Agencies, Funds, and Programmes
15:55-16:15	<b>Concluding remarks for day 1</b> UNRCO Senior Economist Deputy Director General of Planning
Day 2	

08:30-09:00	Registration
<b>Session 2 – Costing national development priorities</b>	
09:00-09:10	<b>Agenda and objectives of day 2</b> Deputy Director General of Planning UNRCO Senior Economist
09:10-09:20	<b>Relationship between financing and costing the national plan</b> UNRCO Financing for Development Officer 10'
09:20-10:00	<b>Costing the national plan: methodologies and challenges</b> UNDP Costing Expert presentation 10' Discussion 30'
10:00-10:15	Break
10:15-11:05	<b>Investment needs across the 9<sup>th</sup> NSEDP</b> UNDP Economist – UNRCO Financing for Development Officer 20' Plenary discussion 30'
11:05-11:45	<b>Health investment case</b> UNFPA Health Financing expert 10' Plenary discussion 30'
11:45-12:00	<b>Closing remarks for the structured dialogue</b> Vice-Minister of Planning and Investment UN Resident Coordinator