

STRUCTURED DIALOGUE 2: SCOPING THE FINANCING STRATEGY

Mapping and identifying financing policy areas against the financing landscape and existing reforms, policies, and projects

10 November 2021, 13.30-16.40

Online-only participation

[Zoom link](#)

Background

National context

Lao PDR is entering an important stage in its national development, with the 9th 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.

High-Level Round Table Meeting

The High-Level Round Table Meeting (HL-RTM) will take place on 17 November 2021 and should provide an important platform to (1) discuss development progress, (2) reinforce the coherence and cohesiveness of national policymaking, (3) present the 9th NSEDP and discuss national strategies on LDC graduation and COVID-19 response and recovery, (4) introduce the means of implementation of the national plan, and (5) discuss efficiency and quality of ODA and coordination mechanisms.

The United Nations Joint Programme on Financing Efficiency

The 9th NSEDP 2021-2025 was endorsed by the National Assembly and contains a total of six outcomes, 25 outputs, and 168 indicators; and over 400 projects to be implemented that will need significant amounts of new investments. The Government of Lao PDR, considering those constraints, has been working with the United Nations (UN) and other development partners to formulate a credible and practical financing strategy.

The United Nations Joint Programme on Efficiency and optimization of Lao PDR's is the main vehicle to support the formulation of a financing strategy for the 9th 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 together:

- The formulation of an evidence-based and practical financing strategy for the 9th NSEDP, comprised of policy options addressing all sources of finance (UNDP and Department of Planning, 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 Department of Planning and Finance, 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 Department of Fiscal Policy and Law, MOF).

A financing strategy for the 9th NSEDP

The Government of Lao PDR, through MPI and with the support of the UN 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 to fulfil national development priorities outlined in the 9th NSEDP.

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: the process is organised in four main phases, as per the Integrated National Financing Framework (INFF) approach. A phase 0 supported the dissemination of key concepts and methodologies and the development of appropriate coordination mechanisms. Phase 1 supported the development of robust diagnostics underpinning the financing strategy. Phase 2 focuses on the exploration and refinement of practical financing options, reflective of existing policies and projects, and aligned with the outcomes of the diagnostics undertaken in Phase I. Phase 3 is the implementation and monitoring and evaluation phase.



- Inclusivity: the process follows a threefold progression with two feedback loops. Technical leads (e.g. DOP and UNDP) undertake preparatory technical work, which is then discussed in bilateral and group meetings with most relevant stakeholders (e.g. IFIs, MOF, BoL). These meetings support the first feedback loop, as most relevant stakeholders provide technical inputs, which are then integrated to the documentation. Once most relevant stakeholders agree with the key outcomes of the phase, a structured dialogue brings a larger set of actors together for brainstorming, discussion, and validation of the outcomes of the phase. The structured dialogues therefore support the second feedback

loop where stakeholder inputs and validation helps to finalize the key outcomes of a given phase.

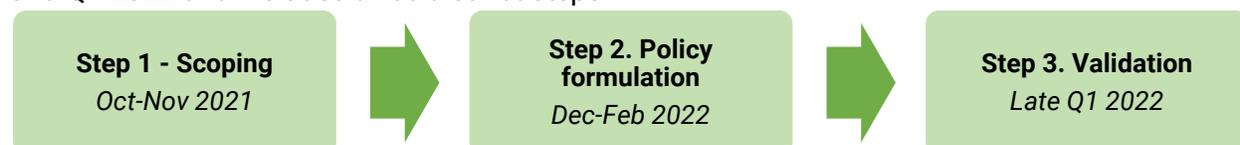
	Dates	Topics addressed
Inception dialogue	April 6 and 7, 2021	<ul style="list-style-type: none"> Methodologies and concepts (e.g. INFF) Coordination mechanisms
Structured dialogue 1: diagnostics	October 14 and 15, 2021	<ul style="list-style-type: none"> Investment needs across the NSEDP Resource envelope
Structured dialogue 2: scoping policy options	November 10, 2021 (tentatively)	<ul style="list-style-type: none"> Financing policy areas for each source of finance Sectoral financing policy areas
Structured dialogue 3: finalizing policy options	1 st Quarter 2022 (tentatively)	<ul style="list-style-type: none"> Advanced set of financing policy options

Phase 2: financing strategy

After the conclusion of the inception phase at the beginning of Q2 2021, the diagnostics phase took place from April to October 2021. The main findings from the various assessments conducted by the UNRCO, UNDP, UNDESA, UNFPA, and UNCDF were formulated into two sets of compendiums (on the financing constraints and on the financing needs) and presented at the first structured dialogue from October 14 to 15, in Vientiane Capital. Representatives from MOF, MOH, BOL, and various line ministries on the government side, and World Bank, IMF, EU, and the UN on the development partners participated. The main findings of the various diagnostics undertaken were agreed as a solid base for the formulation of the financing strategy. The various reports are now being finalized for publishing.

Based on the identified diagnostics of Phase 1, a preliminary mapping of financing policy areas had been done by MPI and UN and was presented at the pre-structured dialogue information-sharing meeting with relevant line ministries (including MPI, MOF, BOL, MOIC, MOFA, MONRE, MAF, MOES, MOH, and MLSW) and during bilateral consultations with development partners (including World Bank, IFC, EU, ADB, UNCDF, IMF, WHO, UNFPA, UNODC, UNEP, UN DESA) on October 28, in Vientiane Capital. Useful feedback was received on the relevance of the draft list of financing policy areas, and existing reforms and policies, and expressions of interest were made for participation in step 2 of Phase 2 (policy formulation).

The formulation of the financing strategy is the second and most critical phase of the process. The two main objectives are to identify the most relevant financing policy options, as well as needs and opportunities of technical assistance and capacity building required to support its smooth implementation. The financing strategy formulation (Phase 2) will span across Q4 2021 and Q1 2022 and includes three distinct steps:



1. A scoping step, to map, identify, and discuss a draft list of financing options, against the findings of the diagnostics carried out during. This step will be executed between October and November 2021, includes bilateral meetings allowing a preliminary scoping of financing policy areas and existing policies, and a second structured dialogue, organised ahead of the High-Level Round Table Meeting. A secondary objective is to reinforce coordination and ways of working between key stakeholders at the beginning of the policy formulation phase.
2. A policy formulation step, to refine relevant policy options. This step includes more bilateral meetings and in the lead to a longer, more comprehensive structured dialogue (“structured dialogue 3”, see above) to agree, at a technical level, the financing strategy.
3. A validation step, to integrate technical-level feedback and finalize the financing strategy.

This entire phase is led by DOP, with coordination and technical support from UNDP, UNRCO, and all relevant stakeholders previously engaged in the process.

Objectives of the structured dialogue 2

The second structured dialogue should help to close the first step (scoping) of the second phase (financing strategy) of the process by discussing and agreeing a list of financing policy areas for exploration throughout the end of the year and the beginning of next year and against the established diagnostics of phase 1 and existing reforms and projects (following on the bilateral meetings pre-dialogue).

Structure and approach

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

- Before the structured dialogue:
 - DOP, UNDP, and UNRCO have been working on a mapping of potential policy areas against the diagnostics agreed at the first structured dialogue.
 - This initial mapping was presented in a government consultation and series of bilateral meetings with development partners on October 28. These meetings allowed MPI and the UN to get feedback on this potential outline for the financing strategy and identify key partners for the policy formulation phase.
- Considering the discussions that took place ahead of the dialogue, the latter will be relatively short. It will consist in a recap of the financing strategy development process, followed by a presentation of draft policy areas that had been consulted, and a moderated discussion.
- The draft list of financing policy areas will be refined with the feedback received at the meeting for presentation at the High-Level Round Table Meeting.

Participation

Considering the evolution of the pandemic as of early November, and the short length of the dialogue, the meeting will be held entirely virtual.

The structured dialogue will be co-chaired by the Deputy Minister of Planning and Investment and the UN Resident Coordinator.

Participation is expected from:

- UNRCO and UN Joint Programme agencies and government counterparts: UNDP, MPI, UNCDF, MOF, UNFPA, MOH.
- Most relevant government counterparts such as BOL, MOIC, LSB, and other line ministries.
- Most relevant development partners in financing for development, such as World Bank, IMF, ADB, EU, UN agencies, and diplomatic representations

Attachments

A note will be circulated in advance of the structured dialogue. It includes:

- A presentation of the process to develop the 9th NSEDP financing strategy;
- An executive summary of the diagnostics identified;
- The draft list of financing policy areas, including the process to refine this potential outline of the financing strategy;
- A Q&A.

Agenda

13:30-14:00	Registration
14:00-14:15	Opening remarks <i>Vice-Minister of Planning and Investment</i> <i>UN Resident Coordinator</i>
14:15-14:35	Presentation of processes, objectives, and timeline (20') <i>MPI, Department of Planning tbc</i>
14:35-15:05	Moderated discussion (30') <i>This session will allow participants to ask questions about the scope, process, and timeline of the project, and for core leads, to identify relevant partners that wish to participate to the identification of financing options and most preferable ways of working to finalise the strategy by end of Q1.</i>
15:05-15:20	Coffee break
15:20-15:40	Presentation of financing policy areas for inclusion in the financing strategy (20') <i>UNDP (Deputy) Resident Representative tbc</i>
15:40-16:25	Moderated discussion (45') <i>This session will allow participants to ask questions about the financing policy areas that for which specific financing options will need to be identified in the coming months and specify the areas for which they wish to provide expertise and technical backstopping. Clusters, around each financing policy area, could be created in follow up to the dialogue.</i>
16:25-16:40	Closing remarks <i>UN Resident Coordinator</i> <i>Vice-Minister of Planning and Investment</i>

