

# 2<sup>nd</sup> Structured Dialogue on the 9<sup>th</sup> NSEDP Financing Strategy

10<sup>th</sup> November 2021 – 13:30-16:40



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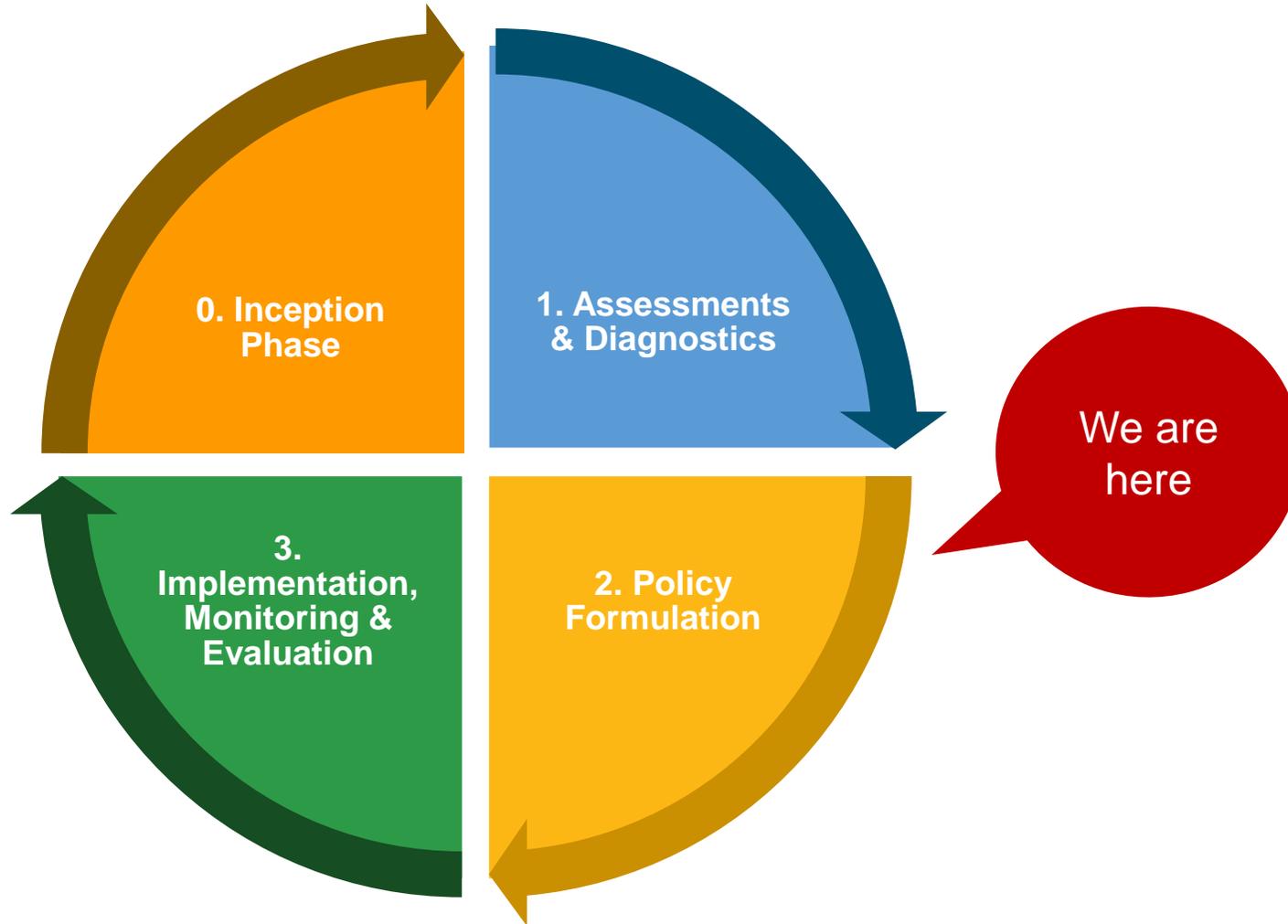
Tentative policy areas for inclusion in the financing strategy, *UNDP*

01

## **Process, objectives, and timeline**

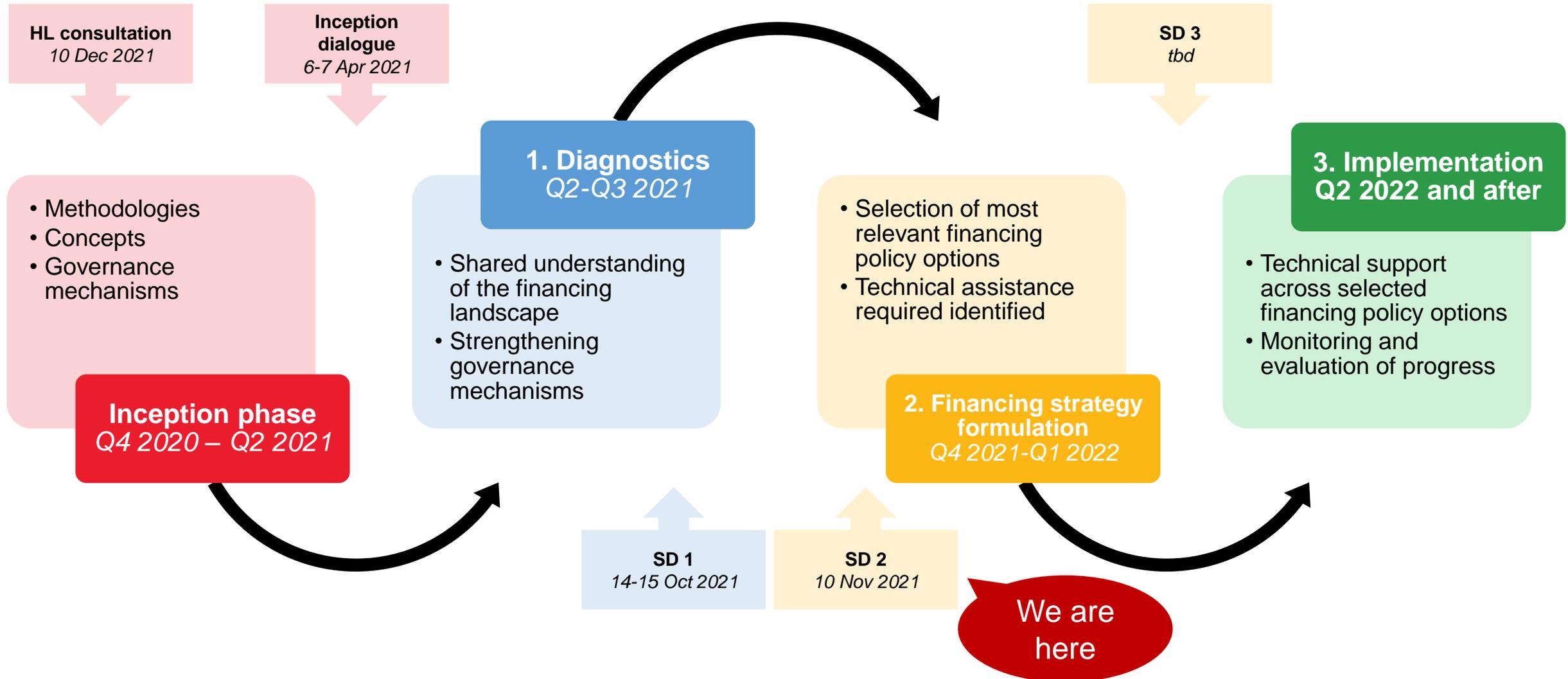
*Mr. Oula SOMCHANMAVONG, Deputy Director  
General of Planning Department, Ministry of Planning  
and Investment*

# Overview of the process (simplified)



For this presentation, see background document pp. 3-21: Introduction and Updated Diagnostics Following the First Structured Dialogue

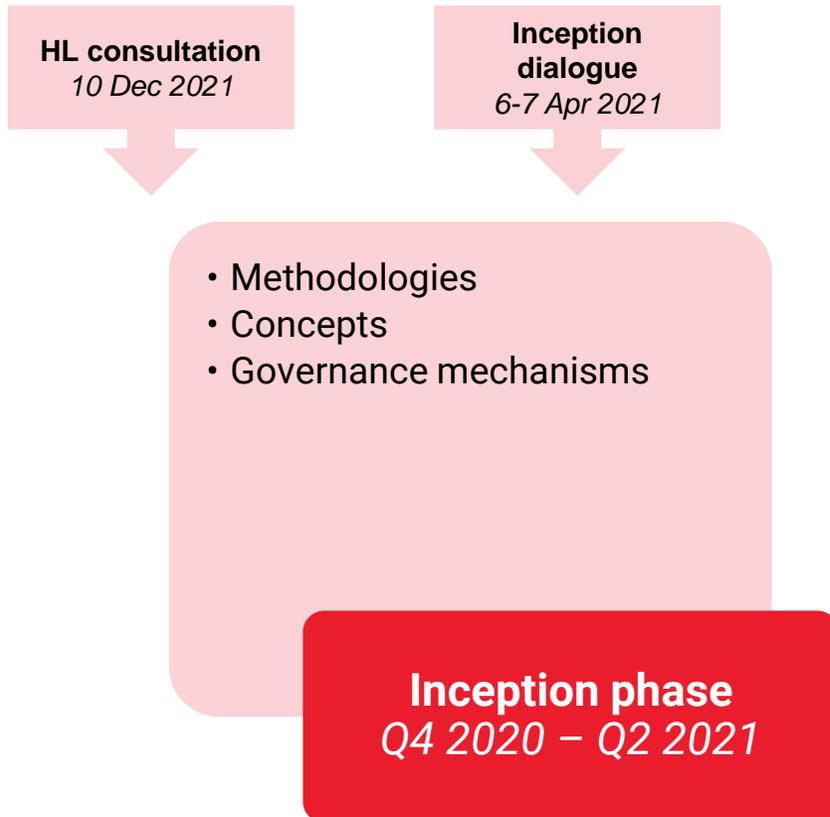
# Overview of the process (expanded)



# Phase 0 - Inception (1/3)

Agreeing concepts and ways of working

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**Objective: agreeing key concepts, methodologies, and coordination mechanisms.**

- The Integrated National Financing Framework (INFF)
- A consulted, consensus-based financing strategy

# Phase 0 - Inception (2/3)

## A key concept, the Integrated National Financing Framework (INFF)

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- The INFF is an **international approach** agreed in 2015 in Addis-Abeba, Ethiopia, between Member States
- **Financing framework**, answering two problems:
  - There is a missing link between planning and financing development: most national plans lack strategies to finance development priorities
  - There is a funding gap to achieve the SDGs, aggravated by climate change and the COVID-19 pandemic.
- **Integrated**: it looks at domestic public, international public, domestic private, and international private finance but also data, information, and coordination gaps
- **National**: The INFF is a nationally-owned policy framework that does not replace or compete with existing plans and strategies

# Phase 0 - Inception (3/3)

## A consulted, consensus-based financing strategy

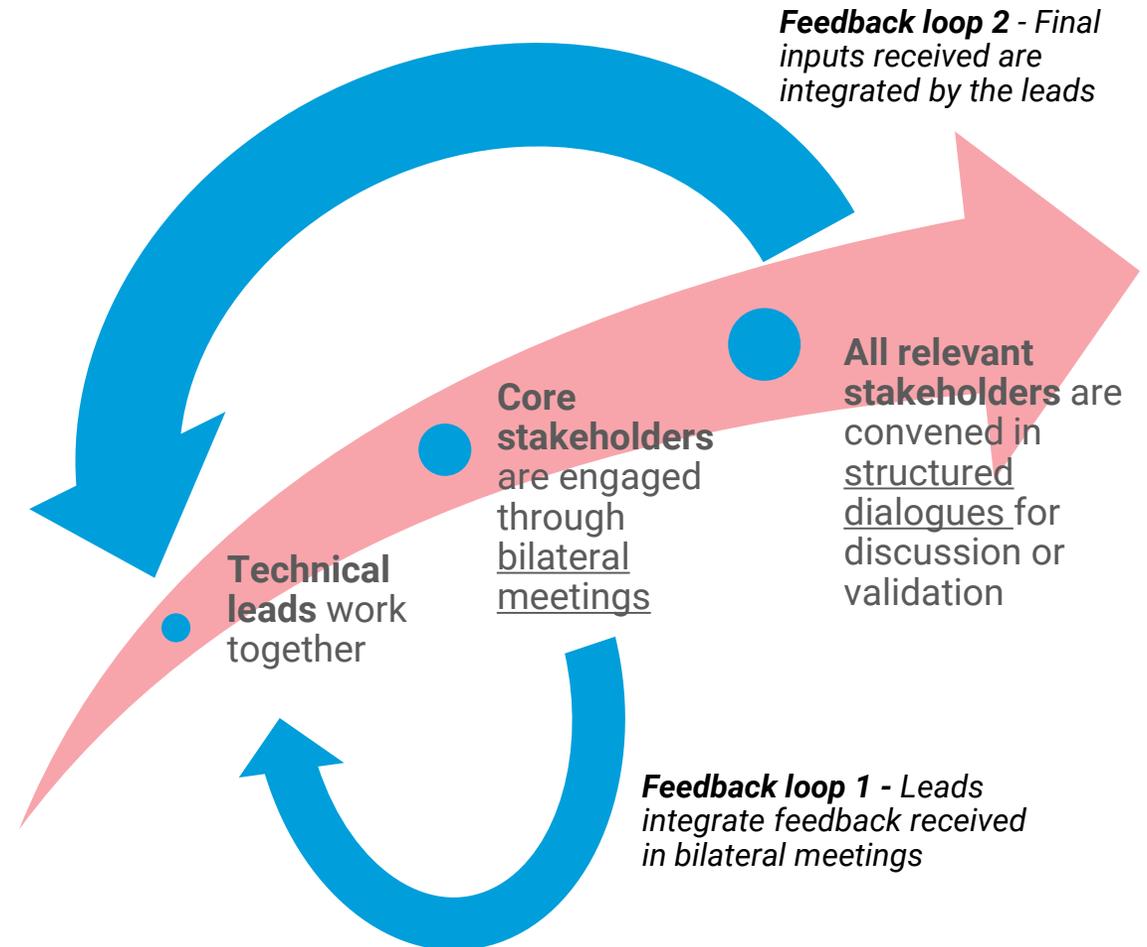
### Key stakeholders and partners

#### Government

- Financing strategy led by the Department of Planning (DOP/ MPI)
- Critical support received from MOF, BOL, MOH
- Additional consultations included CDR/MPI, DIC/MPI, MONRE, MOES, MOLSW...

#### Development Partners

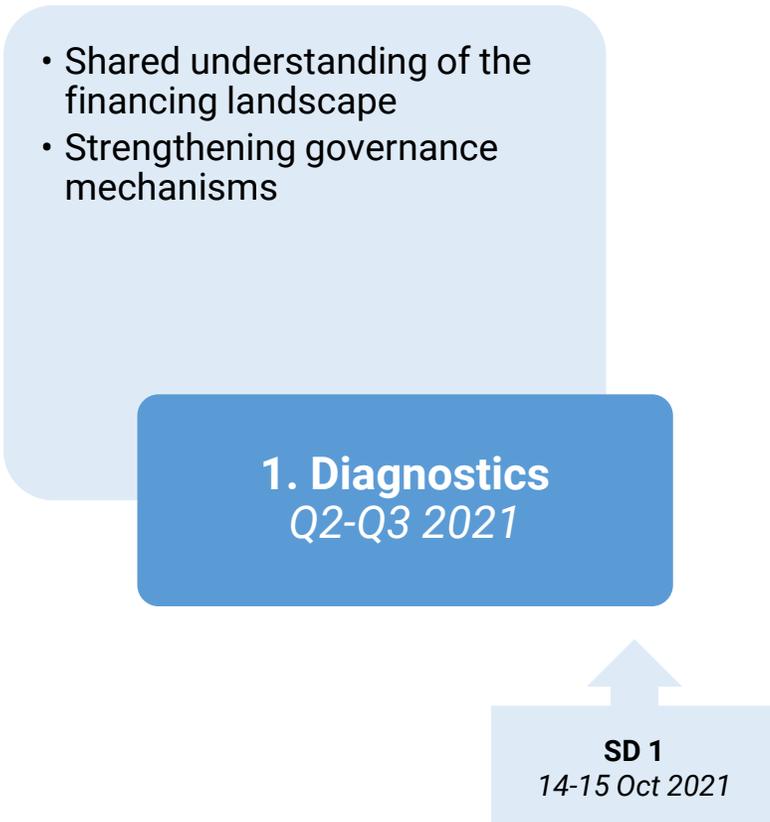
- Coordination through the UNRCO
- UN Joint Programme led by UNDP, with involvement of UNCDF and UNFPA
- Direct involvement of UNDESA on climate finance
- Consultations with World Bank, IMF, EU, ADB, WHO, UNODC, UNEP, UNESCO, UNICEF...



# Phase 1 - Diagnostics (1/4)

Identifying financing constraints and needs for the 9<sup>th</sup> NSEDP achievement

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**Objective: developing a shared understanding of financial constraints and needs to achieve the 9<sup>th</sup> NSEDP.**

- Key documents
- Financial constraints
- Investment needs

# Phase 1 - Diagnostics (2/4)

## Key assessments

### Financing: financial constraints

- **Development Finance Assessment (DFA)**, looking at the four sources of finance
  - Desk research
  - Consultations
  - Forecasts
- **Additional assessments** on sovereign borrowing and climate finance

### Costing: investment needs

- **Investment needs across the 9<sup>th</sup> NSEDP**
  - Primarily desk research
  - Consultations
- **Review of health investment needs**
  - Statistical modelling
  - Consultations

# Phase 1 - Diagnostics (3/4)

## Main findings on the resource envelope

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### Domestic public finance

- Revenues need to increase
- There are inconsistencies between current allocations and the NSEDP policy priorities
- The scope of further borrowing is constrained

### International public finance

- ODA contributes heavily to social sectors
- Better data on ODA will support more informed ODA management
- Absorptive capacity constrain ODA's efficiency and effectiveness
- LDC Graduation potential impacts on ODA need to be managed

### Domestic private finance

- Domestic private finance can be an important source of development finance but is largely untapped
- Credit policies need to consider macroeconomic stabilization needs

### International Private Finance

- Need to redirect FDI towards social sectors
- Need to diversify countries of origin
- FPI can help with SOE management
- Remittances play a vital role for communities
- Tackling illicit finance can improve the business environment and attractiveness

### Specific sectors

- State budget allocations to key sectors below expectations
- Climate finance largely untapped
- UNFPA health investment case
- **+ various findings from the lit reviews**

### Cross-cutting

- Several data issues (e.g. proxy for domestic private investment)
- Information management issues (e.g. ODA database)
- Coordination issues (e.g. planning and budgeting functions)

# Phase 1 - Diagnostics (4/4)

## Main findings on the investment needs

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- **Undertaking statistical modelling of the costs of the 9<sup>th</sup> NSEDP too challenging** due to data limitations and the pressing timeline
- Literature reviews identified financial costs across the 9<sup>th</sup> NSEDP outcomes, drawing on national studies and international estimates
- **The 9<sup>th</sup> NSEDP policy priorities estimated costs are higher than currently available and accessible development finance** – mobilizing more finance and repurposing available development finance required
- **Specific sectors require more attention on financing**, such as health and education in outcome 2, and outcome 4 (environment, climate change, DRR)

# Phase 2 - Policy formulation (1/4)

Identifying options to improve development finance access and availability to achieve the 9<sup>th</sup> NSEDP

SD 3  
*tbd*

- Selection of most relevant financing policy options
- Technical assistance required identified

**2. Financing strategy formulation**  
*Q4 2021-Q1 2022*

SD 2  
*10 Nov 2021*

**Objective: identify most relevant financing options and technical assistance and capacity building needs**

1. Scoping: identifying financing policy areas
2. Identifying financing options
3. Identifying technical assistance needs

# Phase 2 - Policy formulation (2/4)

Scoping: identifying an outline for the financing strategy

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We are  
here

**The scoping step of the policy formulation phase serves to ensure that there is a successful transition between phase 1 (diagnostics) and phase 2 (policy formulation) through:**

1. Mapping, identifying and discussing a draft list of financing policy areas against the established diagnostics of phase 1 and existing reforms and projects.
  2. Reinforcing coordination and ways of working between key stakeholders at the beginning of the policy formulation phase.
- MPI and UN started to identify financing policy areas, which were presented at a pre-structured dialogue consultations on October 28<sup>th</sup>
  - **UNDP's presentation will expand on tentative financing policy areas**

# Phase 2 - Policy formulation (3/4)

Identifying practical and realistic financing options for the 9<sup>th</sup> NSEDP

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**The main objective is to identify practical and rapidly implementable solutions to increase available and accessible development finance or reprioritise spending towards the 9<sup>th</sup> NSEDP policy priorities.**

- The financing strategy does not replace all the existing strategies, policies, and ongoing reforms and has a **shorter-term horizon**
- **Intention to increase stakeholder engagement and work in smaller groups** for each financing policy area with government and development partners which are specialists
- **Structured dialogue 3 should be held at the end of Q1** to present the financing options that are implementable within the timeline of the 9<sup>th</sup> NSEDP

# Phase 2 - Policy formulation (4/4)

Identifying needs of technical assistance and support

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**Additionally, it will be important to identify support needed for implementation.**

- For this reason, MPI wishes to work closely with development partners on their areas of expertise
- The financing strategy should identify practical steps for implementation and monitoring and evaluation of progress within the 9<sup>th</sup> NSEDP timeline
- Structured dialogue 3 should also allow time for discussions on support needed from development partners

# Phase 3 - Implementation

Rapidly implementing measures and monitoring and evaluating progress

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- Technical support across selected financing policy options
- Monitoring and evaluation of progress

**3. Implementation  
Q2 2022 and after**

**Objective: implement the financing strategy rapidly to increase access and availability of development finance within the 9<sup>th</sup> NSEDP timeline**



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Financing  
Strategy



**THANK YOU!**





**02**

## **Tentative Financing Policy Areas**

*Ms. Catherine PHUONG, Deputy  
Resident Representative, UNDP*

# Objectives of the presentation

## Scoping and tentative financing policy areas

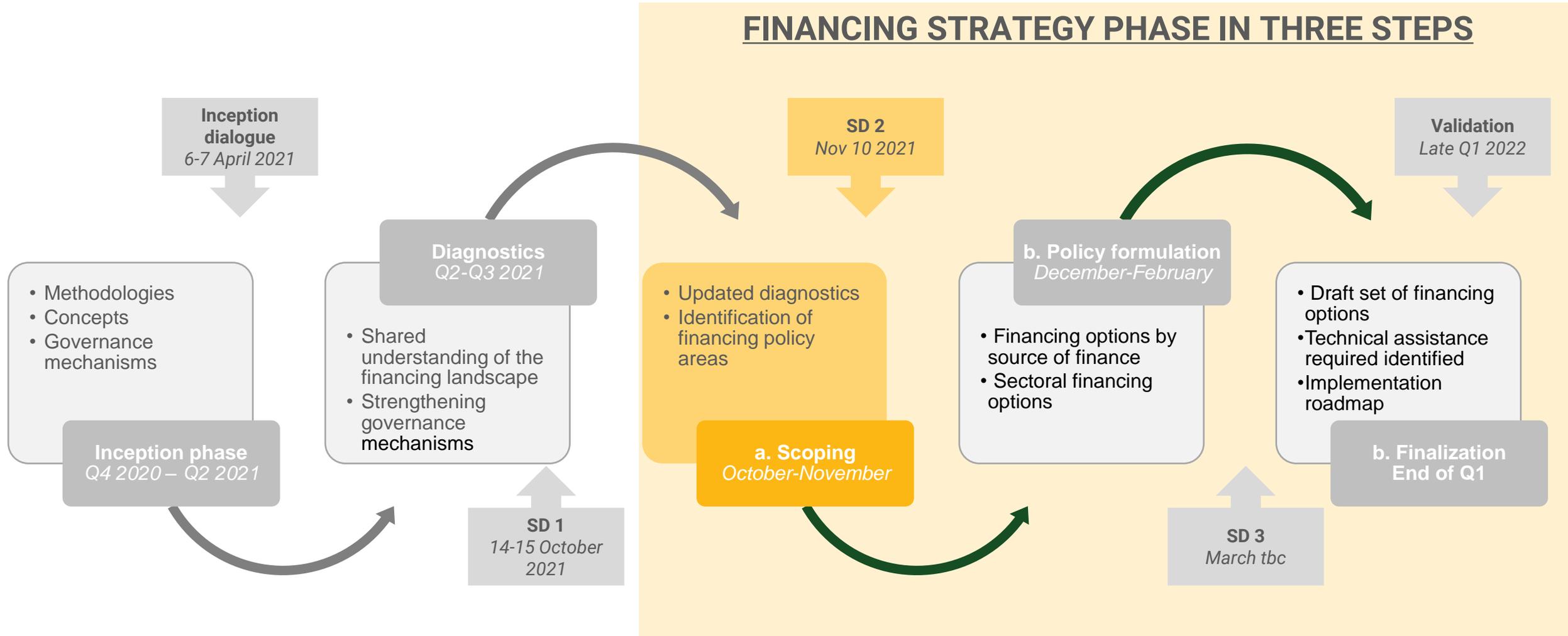
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1. Clarify what this scoping step meant and entailed
2. Clarify the scope and objectives of the financing strategy
3. Explain how financing policy areas were identified (i.e. the outline of the financing strategy) and present them
4. Explain what the next steps will be and answer questions from government and development partners

**For this presentation, see  
background document pp. 22-29:  
Scoping and Tentative Financing  
Policy Areas**

# 1. Scoping

## Overview of the process



# 1. Scoping

## Objectives and stakeholder engagement

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### Objectives

The scoping step of the financing strategy phase serves to ensure that there is a successful transition between phase 1 (diagnostics) and phase 2 (policy formulation) through:

- Mapping, identifying and discussing a draft list of financing policy areas against the established diagnostics of phase 1 and existing reforms and projects.
- Reinforcing coordination and ways of working between key stakeholders at the beginning of the policy formulation phase.

### Stakeholder engagement

- Bilateral consultations (October 28)
  - Half-day with GoL
  - Half-day with development partners
- Structured dialogue (November 10)

## 2. A financing strategy for what? (1/2)

### Scope and specificities

01

The financing strategy aims to support the achievement of the 9th NSEDP

02

The financing strategy is **not meant to replace existing frameworks, policies, and projects**

03

This implies that the financing strategy should be composed of **practical and quickly implementable** financing options

04

The financing strategy is a **collective** effort, with all relevant stakeholders

## 2. A financing strategy for what? (1/2)

### Scope and specificities

**05**

The financing strategy should **try to prioritise**, within practical and implementable solutions, those that require the **most immediate focus**

**06**

The financing strategy will look at how **all sources of finance** can contribute to 9<sup>th</sup> NSEDP priorities, following **the INFF classification**

**07**

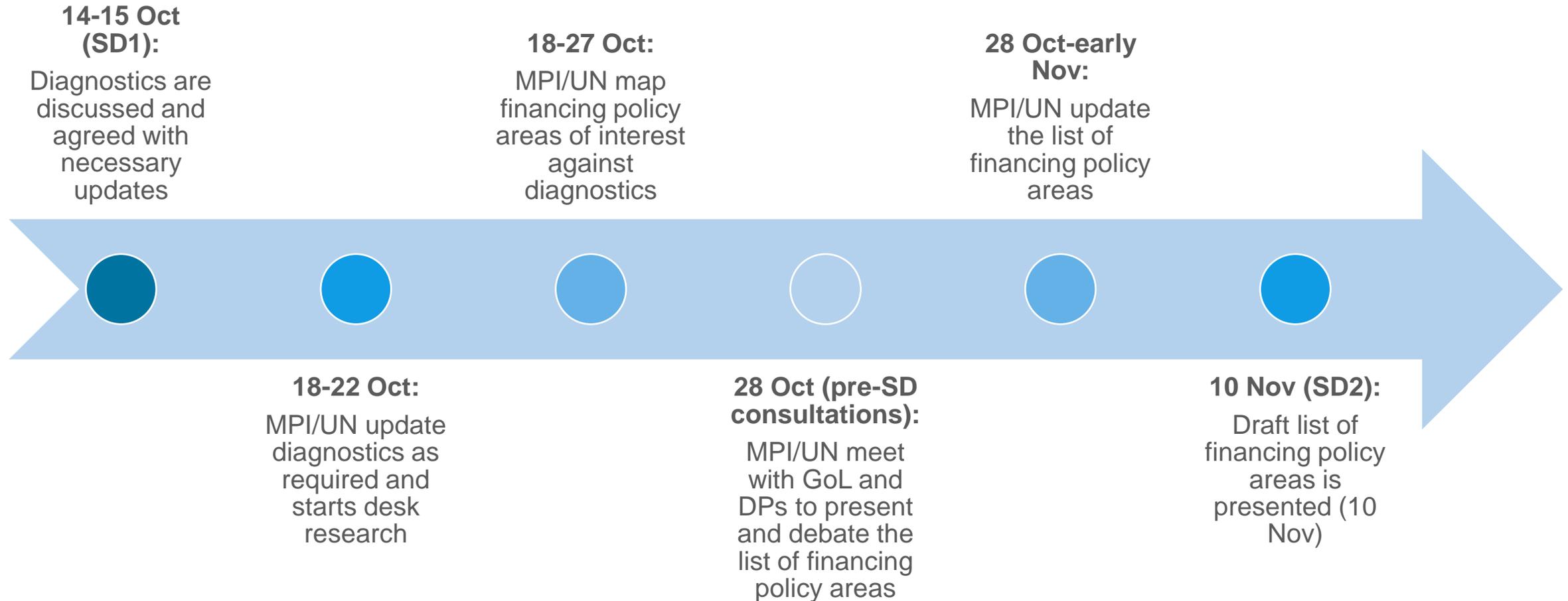
Some **key sectors** require more specific, in-depth look: health, education, low-carbon and sustainable development.

**08**

**Some challenges are cross-cutting**, such as data, information management and coordination.

# 3. Identifying financing policy areas

## Process



# 3. Identifying financing policy areas

## Diagnostics (reminder)

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### Domestic public finance

- Revenues need to increase
- There are inconsistencies between current allocations and the NSEDP policy priorities
- The scope of further borrowing is constrained

### International public finance

- ODA contributes heavily to social sectors
- Better data on ODA will support more informed ODA management
- Absorptive capacity constrain ODA's efficiency and effectiveness
- LDC Graduation potential impacts on ODA need to be managed

### Domestic private finance

- Domestic private finance can be an important source of development finance but is largely untapped
- Credit policies need to consider macroeconomic stabilization needs

### International Private Finance

- Need to redirect FDI towards social sectors
- Need to diversify countries of origin
- FPI can help with SOE management
- Remittances play a vital role for communities
- Tackling illicit finance can improve the business environment and attractiveness

### Specific sectors

- State budget allocations to key sectors below expectations
- Climate finance largely untapped
- UNFPA health investment case
- **+ various findings from the lit reviews**

### Cross-cutting

- Several data issues (e.g. proxy for domestic private investment)
- Information management issues (e.g. ODA database)
- Coordination issues (e.g. planning and budgeting functions)

# 3. Identifying financing policy areas

Mapping process: financing policy areas against *diagnostics* (1/2)

## Domestic public finance

- ❑ **Domestic Revenue Mobilization**
  - *Revenues need to increase*
- ❑ **Improve expenditure and investment management alignment to 9<sup>th</sup> NSEDP priorities**
  - *Expenditure inconsistencies*
- ❑ **Sustainable debt and borrowing management, including SOEs**
  - *Scope of further borrowing is constrained*
  - *Expenditure inconsistencies*

## International public finance

- ❑ **Improve predictability, efficiency, and effectiveness of ODA**
  - *ODA contributes heavily to social sectors*
  - *Absorptive capacity constrain ODA's efficiency and effectiveness*
- ❑ **Take advantage of LDC status now and begin managing future impacts from LDC graduation**
  - *LDC Graduation potential impacts on ODA need to be managed*

## Domestic private finance

- ❑ **Improve the business environment to unlock private finance for green and social sectors**
  - *Domestic private finance can be important but is largely untapped*
- ❑ **Support a sustainable private financial sector**
  - *Credit policies need to consider macroeconomic stabilization needs*

# 3. Identifying financing policy areas

Mapping process: financing policy areas against *diagnostics* (2/2)

## International Private Finance

- ❑ Diversify FDI in terms of origin and sectors
- ❑ Balance SEZs attractiveness benefits and fiscal costs
  - Need to redirect FDI towards social sectors
  - Overreliance on a few countries
  - Revenues need to increase
- ❑ Tackling illicit finance to improve Lao PDR's international profile
  - Tackling illicit finance can improve the business environment
- ❑ Facilitate remittance transfers
  - Remittances play a vital role for communities

## Specific sectors

- ❑ Improve the sustainability of education and health financing
  - State budget allocations to key sectors below expectations
  - UNFPA health investment case
  - + various findings from the lit reviews
- ❑ Facilitating investments in green and low carbon development
  - Climate finance largely untapped

## Cross-cutting issues

- ❑ Resolving key data gaps for the implementation and monitoring and evaluation of the financing strategy
  - Data issues for evidence-based policy making were identified
- ❑ Strengthening coordination and information-sharing between all relevant stakeholders, including the private sector
  - Issues in coordination between planning and financing/ budgeting functions

# 3. Identifying financing policy areas

## Key considerations

- There are **synergies and trade-offs** between the various policy options
- The next step should focus on **rapidly implementable solutions** to achieve the 9th NSEDP
- **Linking the financing strategy, the COVID-19 recovery** (short-term prioritization of outputs), **the LDC Graduation** (on the short-term management of graduation impacts), and **ODA coordination and collaboration is needed**

### 1. Domestic public finance

- ❑ Domestic Revenue Mobilization
- ❑ Improve expenditure and investment management alignment to 9<sup>th</sup> NSEDP priorities
- ❑ Sustainable debt and borrowing management, including SOEs

### 2. International public finance

- ❑ Improve predictability, efficiency, and effectiveness of ODA
- ❑ Take advantage of LDC status now and begin managing future impacts from LDC graduation

### 3. Domestic private finance

- ❑ Improve the business environment to unlock private finance for green and social sectors
- ❑ Support a sustainable private financial sector

### 4. International Private Finance

- ❑ Diversify FDI in terms of origin and sectors
- ❑ Balance SEZs attractiveness benefits and fiscal costs
- ❑ Tackling illicit finance to improve Lao PDR's international profile
- ❑ Facilitate remittance transfers

### 5. Specific sectors

- ❑ Improve the sustainability of education and health financing
- ❑ Facilitating investments in green and low carbon development

### 6. Cross-cutting issues

- ❑ Resolving key data gaps for the implementation and monitoring and evaluation of the financing strategy
- ❑ Strengthening coordination and information-sharing between all relevant stakeholders, including the private sector

## 4. Next steps

### Formulating financing options with relevant stakeholders

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#### Finalising the outline

- Financing strategy outline will be updated following this dialogue

#### Further research

- Research will continue this quarter and the next to **prepare new compendiums** and background documents, to be used as support material for workshops and to receive feedback from partners

#### Working collaboratively

- UN/MPI is hoping for **expressions of interest from development partners and government counterparts** to meet and work collaboratively until the end of the year **to formulate financing options**
- Objective is to constitute, after this dialogue, **small teams for each financing policy area**
- **Workshops on specific sources of finance or policy area** may be organised in Q1 2022
- **By the end of Q1 2021, there should be a 3rd structured dialogue**, focused on validating financing options: objective is to start implementing by Q2 2022



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