



**Round Table Implementation Meeting  
26<sup>th</sup> January 2023  
Vientiane, Lao PDR**

**Background Document**

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January 2023

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## I. Introduction

1. The Round Table Process is a national partnership platform led by the Government of Lao PDR to advance policy dialogue and mobilize resource for better development results. The high-level meeting (organized every five years) and the implementation meeting (organized annually) are the only venues in Lao PDR that gather representatives from all Government ministries & provinces at the highest level and all international partners in development, private sector and civil society. The Government of Lao PDR considers the outcome from the meeting to be the most representative and consultative to shape policy options for the country's development. Therefore, the Government of Lao PDR is committed to ensure that the Round Table Meetings are result oriented and they are as effective and interactive as possible.
2. Following the success of the 13<sup>th</sup> High Level Round Table organized on 17<sup>th</sup> November 2021, organization of the 2022 RTIM is important as it is a national platform to further enhance effective development cooperation to accelerate the implementation of the 9<sup>th</sup> NSEDP, including through the implementation of the Vientiane Declaration Country Action Plan (VDCAP) for better results. This RTIM is the main policy dialogue for national partners to exchange views with national stakeholders and international partners and other stakeholders to review and consult on achievements and lessons learnt during the second year of the 9<sup>th</sup> NSEDP implementation, during which Lao PDR's development progress has been disrupted by major shocks and crises. In early 2020, COVID-19 emerged as a threat to public health, and quickly spread to a risk to socio-economic progress as well as countries around the world raced to put in place measures to control the pandemic. In the course of 2021, it became evident that the impacts of COVID-19 would not be a short-term challenge, but rather have consequences that play out over years. Moving towards 2022, the world faces new and unexpected shocks. The global challenges and uncertainties in many parts of the world, rapidly increasing prices for food, fuel, fertilizer, and a tightening financing situation are leading to a severe increase in the cost of living almost everywhere, including in Lao PDR.
3. Within the scope of RTIM objectives, this Background Document has been prepared to capture key progress/forward looking measures of the Government towards the outcomes the 9<sup>th</sup> NSEDP and other key agenda items of the RTIM itself: 9<sup>th</sup> NSEDP Financing Strategy, Resilience Framework, Smooth Transition Strategy for the LDC graduation and VDCAP including the SWG review. Highlights under each section are based on the contributions of relevant line Ministries (LMs) and Sector Working Groups (SWGs) who provided sectoral progress reports based on the 2022 RTIM guideline. To guide policy discussion, some key information is also extracted from the Financing Strategy, Resilience Framework, draft Smooth Transition Strategy for LDC graduation and VDCAP mid-term review and SWG review. As such, this background document is a general document highlighting key processes and focuses of key national development agenda for 2022 and beyond.
4. The 2022 RTIM is made up of the following agenda items:
  1. **Implementation progress across 6 outcomes of the 9<sup>th</sup> NSEDP in 2022.**

A presentation by MPI, drawing on inputs from ministries and SWGs, on the challenges and achievements in the implementation of the 9<sup>th</sup> NSEDP over the past year. The presentation will also articulate key lessons from this experience and emerging directions for implementation in the coming year.

Participants are invited to share additional reflections on challenges and progress and to provide feedback on proposed directions moving forward.

## **2. 9<sup>th</sup> NSEDP Financing Strategy**

As recommended and discussed in previous Round Table Meetings, MPI has led a multi-stakeholder process of developing the first Financing Strategy for the NSEDP, focused on how to make the best possible use of all resources in support of national development priorities in a very challenging context. The final Financing Strategy will be presented by MPI.

Participants are invited to signal their interest or intention to work with Government in implementation of priorities outlined in the Strategy. Following final endorsement of the Strategy, MPI will convene consultations to detail and coordinate partnerships to support implementation of the identified actions.

## **3. Resilience Framework**

In light of the shocks resulting from COVID-19, the more recent crisis of food, fertilizer, fuel and finance, and increasing risks of future disasters, MPI has led a multi-stakeholder process of developing a national Resilience Framework. This identifies and prioritizes the actions that are most urgent to support a sustainable and inclusive recovery and reduce vulnerability to future shocks. This Framework has now been finalized.

Participants are invited to share feedback and suggestions on how the priority actions identified in the Framework could be taken forward, as well as to signal their interest in working with national partners in implementing the identified actions.

## **4. Smooth Transition Strategy for LDC Graduation**

Following the recommendation for Lao PDR's eligibility for graduation in 2026, and previous recommendations and discussions from Round Table Meetings, MoFA has been leading a multi-stakeholder process to develop a Smooth Transition Strategy. This aims to identify all of the actions necessary for Lao PDR to ensure that graduation is sustainable and irreversible.

The STS is still in draft, and further detailed consultations with key stakeholders are planned. Participants are invited to share reflections and feedback on the approach being taken to prepare for graduation and interest in supporting Lao PDR during graduation.

## **5. Effective Development Cooperation Ways Forward in light of VDCAP Mid-term Review (2021) and SWG Review (2022)**

Recent reviews have both emphasized the importance of the Round Table Process and the SWGs as platforms to support effective development cooperation, and also the challenges encountered in achieving this and need to revitalize structures. In response, MPI will commission a taskforce with representation from Government, development partners, the private sector, and civil society to develop a proposal for how the system could be restructured. This proposal will be presented to a Round Table Retreat at the end of Q2 of 2023.

Participants are invited to share feedback and suggestions on the planned revitalization, as well as to signal their potential interest in joining the Taskforce.



## II. Implementation progress across 6 outcomes of the 9<sup>th</sup> NSEDP in 2022

5. The implementation of the 9<sup>th</sup> NSEDP in 2022 took place under most challenging circumstances. COVID-19 and restrictions to contain the spread of the pandemic have exacerbated a number of Lao PDR's long-standing structural vulnerabilities and other challenges across a broad range of areas. The following sections provide a brief narrative of progress over the past years and key measures moving forward during the remaining period of the 9<sup>th</sup> NSEDP.

### **Outcome 1 - Continuous, quality, stable, and sustainable economic growth achieved**

6. COVID-19 slowed economic growth and has possibly even reversed past development gains to some extent. Growth began to decelerate before the pandemic, specifically growth rate in 2020 was the lowest level in three decades. Meanwhile, public health measures succeeded in slowing the spread of the pandemic, but also resulted in job losses and income reductions as many sectors were severely obstructed. Declining economic activity pushed the unemployment rate to 23.4%, while the return of large numbers of migrants led to a substantial loss in remittances (a major source of income for nearly 10% of households)<sup>1</sup>, and an increase in the poverty rate.
7. According to the Asian Development Outlook (2022), most businesses returned to normal operations in the first half of the year, and international tourist arrivals have increased. However, volatile prices, particularly for petroleum products, have increased the cost of living, resulting in a softening of domestic consumption. Sharp increases in the prices of fertilizers, animal feed, food, and fuel discouraged activity in agriculture and manufacturing. These trends delay economic recovery.
8. **Key policy directions moving forward during the remaining period of the 9<sup>th</sup> NSEDP**
  - **The transformation of the economic structure** with strong link with the environmental priorities as stated in the outcome 4 of the 9<sup>th</sup> NSEDP and in the direction of industrialization, modernization, and economic diversification towards production and service sectors with higher efficiency, effectiveness, and value-added potential,
    - adopting high yield technologies in agriculture,
    - upgrading industrial production capacity and
    - promoting the service industry in order to create jobs for the people.
  - **Macroeconomic stability** needs to be ensured through strong financial and monetary positions, systematic alignment of fiscal and monetary policies in line with the current socio-economic situation and through the implementation of the 9<sup>th</sup> NSEDP Financial Strategy,
    - focus on reforming public financial management in a systematic and continuous manner,
    - improvements in revenue collection and expenditure control,

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<sup>1</sup> Background Paper of the Multi-Stakeholder Taskforce to Study the Impact of COVID-19: Financing for Sustainable Development and Effective Development Cooperation (Macro-Fiscal Framework). November 2021.

- stability of the national currency, and
  - efficient channeling of available resources towards the achievement of national development priorities,
  - aimed at economic recovery from the impact of the COVID-19 pandemic after 2020.
- **Strengthen the linkages between state plans and budgets**, and efforts must be made also to ensure more targeted, quality, and effective investment;
  - **Attract private sector investment** to support socio-economic development goals;
  - Create an enabling business environment and investment climate to enhance competitiveness and diversify the economy;
  - **Develop quality, robust, and regionally and internationally competitive MSMEs; and strengthen SOEs** to be more efficient and able to fully contribute to socio-economic development

## **Outcome 2 - Improved quality of human resources to meet development, research capacity, science and technology needs, and create value-added production and services**

9. The education and health systems were greatly impacted by the COVID-19 pandemic. Like in other countries, school closures led to learning losses and likely worsened already low learning outcomes which may have irreversible long-term consequences if learning recovery is not prioritized. A 2019 Grade 5 assessment of learning outcomes showed Lao children are lagging behind those in neighboring Southeast Asian countries with majority of Grade 5 students still performing at the level expected to be achieved in the early years of primary education for math, reading and writing.<sup>2</sup> The shift to remote learning entailed learning loss for many. The pandemic situation exacerbated pre-existing education disparities by reducing the opportunities for many of the most vulnerable children, adolescents, and youth to continue their learning. National budgetary allocations for health and education services were reduced because of the economic and social demands of the pandemic.
10. The education sector is placed at the center of national human resource development. Recently, the Government adopted the National Human Resource Development Strategy (NHRDS) to 2025, the Law of Education, the TVET Development Plan, the Higher Education Development Plan and other government policies and directives. Particularly, the NHRDS aims for Lao PDR to develop human resources to be the main driver of sustainable socio-economic development, to be industrialized and modernized and to equip Lao labor with high skills and competence that will enable them to integrate into and compete with ASEAN and the international arena. Within the NHRDS framework, along with strategies for skills development, the strategies for social benefit and service access by Lao labor have been developed.
11. The Government acknowledges that limited competencies, research-based knowledge, local innovation and education are some of the main bottlenecks.

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<sup>2</sup> UNICEF. (2022). SEA-PLM 2019 Main Regional Report Children's learning in 6 Southeast Asian countries, <https://www.unicef.org/eap/media/7356/file/SEAPLM%202019%20Main%20Regional%20Report.pdf>, accessed October 29, 2022

Without relevant knowledge and education, it is difficult to get a job or create sustainable local businesses. It is also difficult to be innovative and competitive in the global market. Furthermore, the Government's increased efforts in private sector development will include R&D cooperation and innovation promotion. The Government has also committed to strengthening its support for partnerships between private corporations and the local private sector, as well as increased cooperation between research and innovation institutions.

12. Each province now has at least one vocational school. Increasing emphasis is being placed on aligning local skills training programmes with national and local economic and industrial policies and opportunities. Students enrolled in vocational trainings are largely found pursuing vocations in accounting, management and hospitality rather than in engineering and technical courses where a large skill gap or unmet demand seems to exist. Therefore, an effort has been to ensure an increased enrollment in these areas. In addition, with admissions to TVET have risen in recent years, there has been ongoing efforts to improve the quality education and hands-on training, to increase qualified and trained teachers, as well as to strengthen curricula, teaching and learning materials, and other facilities.

13. **Key policy direction moving forward during the remaining period of the 9<sup>th</sup> NSEDP**

**21.**

- **Quality human resource development** - Develop quality human resources to foster national development, graduation from the Least Developed Country status, and the realization of the Sustainable Development Goals;
- **Requirement of future proof skills** - Take active measures to accommodate the requirements of regional and international integration and Industrial Revolution 4.0;
- **Research, technologies, and knowledge transfer** - Promote research and apply the results of scientific research, technologies, technical know-how and the knowledge in socio-economic development;
- **Quality of education across the country** - Improve the quality of education at all levels while creating conditions for access to education, especially in rural and remote areas;
- **A skilled and diversified workforce** - Create a skilled and diversified workforce according to market demand and the needs of economic restructuring and socio-economic development.

### **Outcome 3 - Enhanced well-being of the people**

14. Progress has been made during the second year of the implementation of the 9<sup>th</sup> NSEDP to address critical constraints to reducing poverty and inequality in rural areas. To help achieve the targets of the plan, the focus of the Government in recent years has been on: i) creating jobs, increasing productivity, and improving the quality of jobs in the non-farm sector, providing a pathway for reducing poverty, ii) improving the business environment as necessary to attract investment to create non-farm jobs and raise wages without hurting competitiveness, iii) increasing investment in education to provide people with the necessary skills to obtain good jobs outside agriculture and also improve the productivity of farmers, and iv) strengthening the social protection system to ensure sustainable poverty reduction, especially putting in place social welfare programs that target the vulnerable and the chronically poor.

15. In term of food security and nutrition, the Government has been working closely with all partners concerned at all levels to ensure a coordinated approach to address food and nutrition security in Lao PDR in particular enhancing child wellbeing to promote inclusive growth. As inequalities develop early in life, and that childhood experiences are important determinants of later outcomes, measures that the Government is considering include: i) optimize investment flows across childhood, ii) improve the work-life balance of parents, iii) adopt policy support to changes in family settings, iv) give every child the opportunity to succeed in school by investing in a diverse set of skills, and v) integrate and cascade service delivery for vulnerable children.
16. Another important aspect of people's well-being which has been a key issue addressed during the first half of the 9<sup>th</sup> NSEDP implementation is on social insurance system, which is at an advanced stage of development to ensure that the rights and interest of workers and the poor are protected. For the last few years, the Government has been putting greater efforts on implementation of various initiatives and instruments. For instance, workshops/seminars across the country on the revised labor law were organized. Also, information is available on a law covering social security which was approved with a decree on increasing the minimum wage for the labor force working in business, production and service units. A decree on social relief for the disabled is about to be finalized and submitted for approval. In addition, the Government with support from various partners is working on a coverage of social and health security, including for the disaster affected, elderly, and disabled. The Government has also paid considerable attention to key pending issues in the area of social welfare. Currently, there is a taskforce set up to look at how to make investment sufficient, predictable and sustained to improve the quality and access to quality social protection, including measures to address important issues related to the coverage and scope of pensions, as well as for health care service for the elderly, homeless and underprivileged. In addition, there is consideration to carry out a proper analysis for establishing a mechanism to manage and protect child benefits and encouraging workers and people in all professions to contribute to the health insurance fund. Overall, the Government is fully aware that universal social protection is important to protect human development gains from shocks and misfortunes. Therefore, the recommendations of the Assessment-Based National Dialogue on Social Protection carried out under the oversight of the Government's Drafting Committee for the National Social Protection Strategy are important to move forward with various activities.
17. However, COVID-19 affected the most disadvantaged and vulnerable disproportionately, particularly individuals in the informal economy and in insecure work, those working in low-skilled jobs, migrants and those belonging to ethnic groups (ILO 2021).<sup>3</sup> There is a high dependence upon remittances. Most migrants sending remittances prior to COVID-19 had either stopped entirely or significantly reduced the amounts. In 2020, the World Bank estimated that remittances declined with up to USD125 million, or 0.7% of GDP. The pandemic heightened the risk of vulnerability among major demographic groups—women and youth. Women experienced disproportionate job and income losses, combined with increased unpaid domestic care responsibilities. Many youths experienced disruptions to their schooling, training, and work.

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<sup>3</sup> International Labour Organization. *Global call to action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilience*, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_806092.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_806092.pdf), accessed August 15, 2022

18. Data from WHO revealed declining health outcomes during the pandemic. Firstly, the country experienced a decline of 4 percentage points in its measles and rubella vaccination coverage, from 83 % in 2019 to 79 % in 2020. Secondly, there was a reduction in contraceptive prevalence. Thirdly, abortions increased by 2 % and an increase in maternal deaths for women aged 15-24 to 48% of all maternal deaths, up from 35% in 2019.<sup>4</sup> These impacts were greatest within the poorest consumption quintiles, persons residing in the most remote areas and those most vulnerable including those with disabilities.
19. **Key policy direction moving forward during the remaining period of the 9<sup>th</sup> NSEDP**
- **Revised trend of the poverty reduction due to the impact of COVID19.** While poverty reduction has been driven by growth in labor income, improvements in education, and enhanced access to opportunities, the poverty rate in Lao PDR is now expected to increase due to the impact of COVID-19.
  - **Poverty reduction and income inequality.** The decline in poverty was also accompanied by an increase in income inequalities. Poverty reduction has not been commensurate with GDP growth.
  - **The resource-driven growth and job-creation.** The growth seen in Lao PDR has been capital-intensive, limiting large-scale creation of jobs, and a vast majority of households remain economically insecure.
  - **Human capital development across the country.** The development of human capital in Lao PDR has tended to be unequal across locations, gender and ethnicities.
  - **Disparities of poverty across the country.** Poverty in rural areas was more than three times higher than in urban areas in 2018-2019. In recent years, northern and southern provinces have shown a significant decline in poverty, while the central regions have now stagnated and show the highest incidence of poverty at 21.5%, compared with 20.7% in the northern region and 17.7% in the southern region.
  - **Human Development Index.** Greater efforts to improve the three dimensions of the Human Development Index which are in line with the priorities of this outcome: A long healthy life, knowledge and a decent standard of living.
  - **Pro-poor planning and supports to the poorest affected COVID19 and other shocks.** To address poverty and development disparities in Lao PDR, the Government's development efforts will focus on the poorest to ensure sustainable livelihoods by evenly distributing income and providing social protection to all groups of people, especially vulnerable groups and those affected by COVID-19 and other shocks.

## **Outcome 4 - Environmental protection enhanced and disaster risks reduced**

20. The Government of Lao PDR places great importance on sustainable natural resources management and utilization, such as ensuring sustainable land use planning, implementing the national sustainable hydropower development, and environmental friendly mineral extraction. The protection and improvement of the environment is also fundamental to the third criteria for LDC graduation. The direction that the Government is taking with the 9<sup>th</sup> NSEDP framework is to ensure continued quality, green and sustainable economic growth where development and

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<sup>4</sup> UN, COVID 19 Recovery Background papers

natural resource management (of land, forests, biodiversity, mineral resources, water and wetlands) will need to be planned in a practical, sustainable, fair and most effective manner. A number of rules, regulations, instructions and decrees has recently been updated and issued in Lao PDR with the ultimate aim to achieve this direction.

21. As Lao PDR is vulnerable to economic and natural disasters, the Government has already taken important and necessary steps to improve the country's resilience to these shocks. For example, to protect against natural disasters and climate change, the National Strategy on Climate Change and the National Adaption Plan of Action have been structured and operationalized. Several other specific projects have also been implemented. For instance, a project on flood and drought risk management and mitigation has now been finalized and its first year of implementation has been driven forward by the Ministry of Agriculture and Forestry and the Ministry of Public Work and Transport.
22. Regarding green growth, the Government of Lao PDR has also been working with partners to build awareness of the opportunities and importance of green growth. There have been discussions led by Ministry of Planning and Investment and appropriate tools relating to green investment have been developed to identify how Lao PDR can plan, implement and fund green growth at the national level and at the city level. Regarding disaster preparedness, the national strategic plan on disaster risk management is available and national disaster management committees exist at national, provincial and district levels.
23. However, the 9<sup>th</sup> NSEDP requires macro-economic and fiscal stability to achieve resilient, green, inclusive, and sustainable growth. Investing in green growth, climate change resilience and disaster risk management will require substantial financial resources, both public and private. Environmental implications from COVID-19 in the medium to long-term could be detrimental. with numerous challenges faced by the Government to contain the pandemic and economic slowdown resulting in further reduction in government revenue which in turn affect the ability to service debt and other vital spending needs, the government has to rely on natural resource extraction for development as a coping mechanism. In this context, the rapid implementation of measure to improve the business environment for private sector investment assumes heightened importance.
24. **Key policy direction moving forward during the remaining period of the 9<sup>th</sup> NSEDP**
  - **Protection of the environment** - Socio-economic development must be consistent with the protection of the environment in line with the direction of green and sustainable development.
  - **Living standards of people across the country** - Improve the living standards of people in urban and rural areas.
  - **Sustainable use of natural resources** - Strong cooperation and coordination between the public sector, private sector, and all relevant stakeholders for efficient, effective and sustainable use of natural resources.
  - **Promoting of carbon credit** - To ensure the maximum benefit of the country and its people, in particular the benefits from forest-carbon trading through green budgeting initiatives.

- **Legislation and management of land and natural resources** – To ensure sustainability of investment projects and the management of pollution and waste
- **Climate resilience** – identify measures and conditions to build climate resilience through adaptation and mitigations,
- **Green growth** – Promote green growth through targeted investments in green sectors, which will help diversification and shifting towards a more circular economy and focus on tackling climate change by reducing pollution and greenhouse gas (GHG) emissions.
- **Climate change and natural disaster preparedness** – Defining a climate change response strategy and strengthening natural disaster preparedness and timely emergency response.

## **Outcome 5 – Regional and international cooperation and integration are enhanced**

25. In recent years, Lao PDR has seen significant economic benefits from its increased participation in the global and regional economy and greater efforts have been made to develop the economy, increase economic integration with regional neighbors, and deepen ties with the international community. Deeper regional integration and international cooperation can also support many of Lao PDR’s development priorities, including those related to LDC graduation, 9<sup>th</sup> NSEDP implementation, and the 2030 Agenda. The Government’s aim to transform into a ‘land-linked’ rather than a land-locked’ country supports greater access to markets for trade, deeper integration into regional and global value chains, enhanced competitiveness of Lao enterprises relative to foreign firms, stronger tourism opportunities, and expanded access to technologies and human resource expertise. Deeper regional integration moved ahead in Lao PDR during the 9<sup>th</sup> NSEDP period and will continue for 10<sup>th</sup> NSEDP, including through important regional groupings and frameworks. Many of these efforts support strengthening policy reform and infrastructure connectivity aligned with closer regional cooperation. This includes the transformative regional railway from China to Vientiane and beyond. It also includes important efforts related to regional groupings, especially the AEC and GMS.
26. However, **COVID-19 has brought great disruption to trade and private sector, value chains, and tourism.** The complex and somewhat opaque business environment and barriers to regional trade and integration limit the attractiveness of Lao PDR as an investment destination. The COVID-19 pandemic exacerbated trading challenges with international supply chain disruptions, contraction in private consumption, and a reduced external demand. The garment industry was heavily impacted with a growth rate decreasing by 14.3%; beverage industry by 12.7 % and furniture manufacture by 9.8 %. Women working in the garment and electronics industries have been disproportionately affected. The tourism sector was deemed a major contributor to the Lao PDR economy before 2020, generating over USD900 million in foreign exchange revenue in 2019. The pandemic brought this development to a sudden halt– businesses in the accommodation sector (hotels) have suffered the largest loss in sales.
27. **Key policy direction moving forward during the remaining period of the 9<sup>th</sup> NSEDP**

- **A hub for the transportation of goods and services** - Lao PDR is a country with a strong geographic advantage due to its central location and proximity to countries with strong economic growth, especially ASEAN countries and China, enabling it to potentially become a hub for the transportation of goods and services.
- **The improvement and upgrading of land, water and air connectivity** is necessary and important to enable Lao PDR to transform from a landlocked country to a country that is fully connected to the region and the rest of the world.
- **Promoting economic, trade and service integration, as well as improving integration in technology, clean energy and environmental protection**, among others, under bilateral and multilateral cooperation frameworks such as: ASEAN Economic Community (AEC), World Trade Organization (WTO) and others.
- **Implementation of trade and investment agreements** - to research and improve legislation and policy to create favorable conditions for the implementation of trade and investment agreements in a consistent and accurate manner.
- **Infrastructure connectivity** encompasses the construction of roads, railways, ports and airways to reduce travel time and transportation costs, and increase safety.
- **Increase the promotion of potential sectors and cooperation** in areas (which is likely to increase post COVID-19 recovery) such as:
  - Tourism
  - South-South cooperation
  - Value chains
  - Services

## **Outcome 6 – Public governance and administration is improved, and society is equal, fair, and protected by the rule of law**

28. During the first phrase of the 9<sup>th</sup> NSEDP implementation, some key recent development on government structure, administrative and legal frameworks include:
- **Legal and administrative frameworks.** Updates to the Constitution and laws promulgated were progressively applied. Three key updated laws included (i) the Establishment of People’s Provincial Assemblies, (ii) the Law on Government, and (iii) the Law on Local Administration. These updates to the administrative framework and legal frameworks reflect government policies and the lessons learned from the piloting of Sam Sang policy, and help to clarify the roles, responsibilities and mandates of government and sub-national administration.
  - **Decentralization process.** The Government has established an Inter-Ministry Committee (IMC), which will further facilitate the decentralization process (Sam Sang) and strengthen a more integrated approach to planning, finance and sub-national administration improvements that underpin better service delivery to local citizens. The IMC also provides a national level platform to oversee the implementation of the District Development Fund and its full alignment into national systems. Decentralization is further discussed in the next section.

- **Government structure reforms.** An assessment was conducted by MoHA of the Government's organizational structure at each level. Based on this, changes were made, such as the establishment of new ministries, the merging of similar functions across ministries, and the reassignment to line ministries of certain functions attached to the Prime Minister's office (e.g. the Poverty Reduction Fund into The Ministry for Agriculture and Forestry (2018) including its restructuring done in 2021/22 and the separation of Ministry of Technology and Science (2021)).

- **One Door Service Centres.** Re-engineering of the One Door Service Centre concept is ongoing with the aim of improving access, transparency and accountability of public service delivery. One Door Service Centres represent an opportunity for government agencies to respond to citizens' needs for public services with a coordinated, holistic approach to delivery. The Centres should further facilitate both domestic and international investments' application processes, as well as services in the following sectors: (i) administration and civil registration (birth certificates, marriage certificates); (ii) public works and transport (driving license, vehicle registration); (iii) land registration; and (iv) tax. Well implemented, these initiatives can transform agencies from separate organizations that deliver according to service boundaries into citizen-centric agencies that take a strategic approach to supporting people's life.

- **Legal sector.** Important changes in the legal sector have been introduced following a Constitutional amendment and new/revised laws approved by the National Assembly. These have been implemented by the Government and administration. Many of the activities envisaged under the national Legal Sector Master Plan (LSMP) have been, or are in the process of being implemented. Approximately more than 150 laws have been adopted by the National Assembly. Courts and prosecutors' offices have been restructured or expanded with new offices. In addition, plans to establish an administrative court are underway and the Village Mediation Units (VMUs) have been established in most villages.

- **The codifying of the criminal and civil codes** is a significant exercise that marks a critical juncture in the legal sector evolution, as the codes are expected to introduce new legal provisions in both spheres giving rise to significant changes in the legal landscape. Importantly, international obligations will need to be incorporated into domestic laws. Remarkable progress was made in recent years (although the development done in 2017, follow-up work such as advocacy and capacity building for local authorities have been carried forward as part of the 9<sup>th</sup> NSEDP implementation) including the adoption of the penal code; the amendment of the law on lawyers; the development of the legal aid and legal fund decrees; the adoption of the law on treaty; and the revision of the law on judgment enforcement. These legislative developments are steadily moving the country's legal reform agenda forward.

- **Legal aid.** The legal aid decree was informed by the citizens' survey led by the Ministry of Justice (MoJ), which was the first in the justice sector. The survey has set a positive trend in recognizing the need to have reliable and current data to draft pragmatic laws. Efforts have been made to expand nationwide coverage of legal aid services. The Lao Bar Association (LBA), which leads the amendment of the law on lawyers in Lao PDR, has continued its efforts to expand and strengthen the legal profession in the country. There are now seven regional provincial branches (Oudomxay, Xayabouly, Xiengkhuang, Vientiane Capital, Xekong, Savannakhet and Champasak) with nine legal aid offices. Several administrative reforms to strengthen accountability, including the restructuring of the internal administrative framework of the Lao Bar Association, have been completed.

- **Tools.** The database installed to monitor judgment enforcements and the pilot case management system being introduced are expected to make the delivery of justice services more efficient and effective once completed. The case management system (CMS), in particular, is expected to reduce the time taken to transfer files from court houses from the sub-national level to the central level.

- **Anti-corruption.** Lao PDR has initiated a successful anti-corruption campaign. Lao PDR is witnessing a new level of transparency. This is shown by the released reports of the State Inspection Authority (SIA), an internal government watchdog, on the use of state funds by ministries and provincial offices, by corruption-related arrests, by the SIA nationwide audit of assets of officials.

29. **Key policy direction moving forward during the remaining period of the 9<sup>th</sup> NSEDP:**

- **Good governance and rule of law** - The Government of Lao PDR continues to improve public governance and administration towards the goal of becoming an efficient and effective rule of law state.

- **Public administration reform and capacity development** - This is key to enhancing public sector capacity, especially to respond to the increasing needs and challenges resulting from COVID-19, opportunities and risks from increasing regional and international investment and economic integration.

- **Coordination and service delivery** - At the same time, the Government also needs to increase the efficiency of coordination and provision of public services under the leadership of Ministry of Technology and Communications.

### III. 9<sup>th</sup> NSEDP Financing Strategy

30. The Financing Strategy was developed as a companion document to the 9th NSEDP. The Financing Strategy also builds on the National Agenda on Economic and Financial Difficulties 2021-2023. The Financing Strategy does not replace or compete with other national policy frameworks (e.g., the Smooth Transition Strategy (STS) for LDC Graduation) and more specific plans (e.g. the Health Financing Strategy). Instead, it builds on these, and the directions of the 9th NSEDP and the National Agenda on Economic and Financial Difficulties, to understand which policies and actions need to be accelerated and properly sequenced, and gaps that need to be filled, to ensure the achievement of both planning and financing policy objectives.
31. The formulation of the 9th NSEDP Financing Strategy has been the first attempt at implementing the Integrated National Financing Framework “INFF” approach in Lao PDR. After the finalisation of the 9th NSEDP in December 2020, the process has progressed through the first three phases of INFF as follow:
  - **Inception (December – May 2021):** to create the conditions for the successful formulation of a Financing Strategy, agreeing governance and coordination mechanisms, setting processes and timelines, and reviewing concepts and methodologies was crucial.
  - **Diagnostics (May – November 2021):** this research phase primarily aimed to provide all involved parties with a shared understanding of the main financing challenges to overcome and investment needs, in preparation for policy formulation. The broad scope of the INFF approach also justified the strengthening of the multi-stakeholder approach.
  - **Policy formulation (November 2021 – September 2022):** this phase ran in parallel to the finalisation of the diagnostics, to facilitate evidence-based financial planning.
32. The core objective of the Financing Strategy – financing the 9th NSEDP for the achievement of its priorities within the next three years – implies that the focus is on rapidly implementable policies and actions. Throughout the formulation process, stakeholders have prioritised “*low-hanging fruits*”: actions that, while not derailing long-term financial sustainability, can best and rapidly increase the volume of resources and/or better align currently available finance with national development priorities, to get back on track with the SDGs.
33. In addition to this focus on rapidly implementable policies, consensus emerged on the necessity to further prioritize. The Financing Strategy is not exhaustive. It acknowledges that the country is in a challenging financial situation, that absorptive capacity of government remains constrained, that Development Partners cannot readily mobilise all needed technical assistance and are insufficiently coordinated, and that shared priorities and actions are needed for sustainable and transformational change. While staying true to the holistic INFF approach and its four sources of finance, the strategy therefore followed a thorough process to progressively select policy areas, policies, and actions, that could be best implemented. This prioritization effort was thoroughly consulted to adequately appraise what is financially and technically possible, rather than only focusing on what is desirable.
34. **A secondary but still important set of objectives of the Financing Strategy has been to structure and coordinate stakeholders, programmes, and projects to**

maximize the efficiency and effectiveness of actions, in line with the strategy’s objective to increase returns of every Lao Kip (LAK) or USD invested in development.

35. **The Financing Strategy is structured against five core chapters, which reflect the INFF approach, tailored to the Lao PDR context.** Under each chapter, policy areas were selected by the Government of Lao PDR following several rounds of consultations. They were presented at the second structured dialogue and endorsed at the 2021 High-Level RTM, as follows:

<b>1 Domestic public finance</b>	
25.	1.1 Domestic revenue mobilization
26.	1.2 Expenditure management
27.	1.3 Sustainable debt management
28.	<b>2 International public finance</b>
29.	2.1 ODA predictability, efficiency, and effectiveness
30.	2.2 Accessing LDC specific funds until graduation
<b>3 Domestic private finance</b>	
31.	3.1 Business environment for MSME development
32.	3.2 Financial inclusion
<b>4 International private finance</b>	
33.	4.1 Foreign Direct Investments
34.	4.2 Illicit financial flows
35.	4.3 Remittances
<b>5 Financing priority sectors</b>	
36.	5.1 Health Finance
37.	5.2 Education Finance
38.	5.3 Green and Climate Finance

36. The process of developing the Financing Strategy has been finalized, culminating in a final Structured Dialogue with all concerned stakeholders in September 2023. Final endorsement by highest level of government is being processed. The objective of the discussion on the Financing Strategy during the RTIM is to seek interest in engaging in the implementation of agreed actions.

## IV. Lao PDR Economic Resilience Framework

37. The Resilience Framework is an evolution of previous work addressing the socio-economic impact of COVID-19 with an updated assessment of the consequences posed by the more recent fuel, financing, and food crisis, and the aim of prioritizing actions of the National Socio-Economic Development Plan (NSEDP) and associated existing frameworks that in the current context will make the greatest contribution to building resilience to future crises. The Framework was developed through a consultative process under the lead of the Ministry of Planning and Investment (MPI) supported by a Multi-stakeholder Taskforce consisting of line ministries, private sector and labor representatives, development partners as well as UN agencies, funds and programs.
38. The objective of the Resilience Framework is to develop a broadly consulted prioritization and consolidation of short to medium-term actions to sustainably recover from the 4F crisis (fuel, food, fertilizers and finance), the current economic challenges, and the COVID-19 pandemic as well as actions to build resilience for future crises. The development of the Resilience Framework was guided by an extensive and elaborated multi-stakeholder process.
39. More specifically, broadly consulted with ministries, UN agencies, development partners, private sector, CSOs, and NGOs the Resilience Framework is geared towards:
  - Supporting the implementation of the 9<sup>th</sup> NSEDP and the further guidance provided by its financing strategy and sector plans as well as the National Agenda on addressing economic-financial difficulties issued by the Office of the Prime minister and other existing documents addressing urgent national priorities;
  - Aligning with other key documents including ASEAN Comprehensive COVID-19 Recovery Framework and its Implementation Plan, and the Smooth Transition Strategy for LDC Graduation (under development);
  - Focusing on short to medium-term actions (period from now to ~2025) that may also transition into the next 10<sup>th</sup> five-year NSEDP;
  - Focusing on actions with leverage and comparatively low implementation costs as well as strengthening of already existing projects and programmes;
  - Taking into considerations the lessons learned from other countries; and
  - Building on current data collection efforts such as the “high frequency data Joint Programme” led by the Lao Academy of Social and Economic Sciences (LASES) with support from the UN, which aims at better understanding how people’s wellbeing, especially of the most vulnerable, is being affected by the 4F crisis.
40. The Development Research Institute of MPI supported by the UN convened virtual meetings with international development partners and government representatives from across the five thematic groups, which informed selection of actions for the Resilience Framework. The virtual discussions along the five pillars further helped to (i) identify new priority actions, where necessary; (ii) providing recommendations for increased resilience for each pillar; and (iii) ensuring that each pillar is aligned with the 9<sup>th</sup> NSEDP, the National Agenda and sector plans.

41. Each thematic group completed a matrix aligned with the purpose of the meetings to represent and accurately collate the information. In September and October 2022, a multi-stakeholder consultation followed by a ministerial consultation provided an additional opportunity for feedback and inputs into the Resilience Framework.
42. The Resilience Framework is grounded in key international and regional commitments, and national plans and sector strategies. This is an important factor to avoid duplicative or competing strategic goals and ensure alignment to international and regional targets supporting the 2030 Agenda for Sustainable Development with the overall objective of leaving no one behind. Further to this, the Framework is tailored towards identifying steps to ensure that existing national plans and strategies account for the principles of resilience.
43. The Resilience Framework is structured along the five pillars (Pillar 1: Macro-Fiscal Framework, Pillar 2: Trade and Private Sector, Value Chains, and Tourism, Pillar 3: Manage changes and enhance policy preparedness for decent work, Pillar 4: Human Capital and Pillar 5: Green Growth, resilience to climate change and disaster risk management) established under the Multi-Stakeholder Taskforce and each pillar comprises 3 to 6 thematic components as presented during the Round Table Meeting 2021. The objective of the Resilience Framework is the prioritization of actions which have been informed by the above process, an additional multi-stakeholder consultation in September 2022 and a ministerial consultation in October 2022.
44. To ensure the Resilience Framework's added value, it is embedded in national processes and has thorough monitoring and evaluation structures in place. More specifically, the Resilience Framework will inform the:
  1. Upcoming mid-term review of the 9<sup>th</sup> NSEDP in summer 2023; and
  2. Development of the 10<sup>th</sup> NSEDP.
45. The Resilience Framework comprises 73 priority actions identified by key stakeholders in Government and development partners and organized across five pillars, and a set of cross-cutting considerations.
46. The annual roundtable process will provide an opportunity to report on progress and highlight challenges about the implementation of actions.

## V. Smooth Transition Strategy for LDC Graduation

47. The Lao PDR's Smooth Transition Strategy (STS) for Least Developed Country (LDC) graduation has been in development since November 2021 by the Ministry of Foreign Affairs, on behalf of the Lao PDR Government, with the contributions of a broad coalition of Ministries, and the financial and technical assistance of the UN. The development of the STS answers the UN General Assembly's call to thoroughly prepare for graduation in a changing international context and ensure continued and sustainable development progress for the people of Lao PDR beyond 2026. This introduction specifies the context in which this STS was developed, the roadmap, process, and methodology followed. It also reviews the STS' objectives, scope, and specific role in national development planning, and relationships with other key development policy frameworks. The STS is currently under discussion and consideration and it is expected to be approved in the coming months.
48. The STS is a policy framework developed to accompany the long-standing aim of Lao PDR to graduate from the LDC category, and past this important milestone, for the high-quality, green, sustainability, and focused development progress of Lao PDR (the four directions of the 9th NSEDP). It provides an inter-ministerial and multi-stakeholder platform to discuss priority reforms as well as strengthen the partnerships and cooperation required for graduation.
49. More specifically, the STS has a threefold objective to prepare for **a smooth, quality, and sustainable graduation**:
  - The first objective is to ensure that Lao PDR graduates **smoothly** from the LDC category. **This means, practically, developing and implementing policies and actions, between 2023 and 2026, to mitigate the potential impacts stemming from the loss of ISMs**, so that “*graduating from the category of least developed countries [does not] result in a disruption or reversal of development plans, programmes, or projects*”, in the words of the General Assembly. **This also includes the policies and actions that can help to seize the opportunities presented by LDC graduation**, such as greater attraction for foreign investors and trade partners.
  - The second objective is to maintain Lao PDR on a **quality** graduation pathway, in the context of the exogenous and internal challenges presented above: COVID-19, 5F crisis, economic and financial difficulties. These must be appropriately addressed for Lao PDR to achieve the 9<sup>th</sup> NSEDP and be in a position to graduate. **This means policies and actions that are essential between 2023 and 2026 to ensure Lao PDR graduates**, many of which are common to other central frameworks accompanying the 9<sup>th</sup> NSEDP implementation, such as the Financing Strategy, the Resilience Framework, or the National Agenda on Macroeconomic and Financial Difficulties. A related and important aim of the STS is to strengthen policy coherence and the focus of the implementation of the 9<sup>th</sup> NSEDP, by identifying, including from existing policy frameworks, the key policies and actions that need to be implemented by 2025-2026. This second objective also explains why the STS contains a Monitoring and Evaluation Framework, meant to facilitate the tracking of graduation preparations and potential changes to the development context that would justify course corrections in national development planning.

- The third objective is to ensure the **sustainability** of graduation beyond the 2026 horizon, towards 2030. **This means policy directions for the rest of the decade for continued development progress and achieving of the 2030 Agenda, which also considers assessing and managing disaster risk and accumulation through layered approaches.**
50. The STS therefore serves a specific purpose in national planning in Lao PDR. The Government has developed several policies to strategically deliver on the 9th NSEDP in light of the country’s development challenges. This includes, as was mentioned above, the 2021-2023 National Agenda on Economic and Financial Difficulties, the formulation and recent validation of the 9th NSEDP Financing Strategy – to identify a development pathway in the context of the country’s economic and financial difficulties – and the Resilience Framework, as well as other key sectoral strategies (such as the country’s Nationally Determined Contributions) – that help to prioritize and sequence policies and actions in response Overall, the value added of the Lao PDR STS is therefore to plan, with a whole-of-government approach, and with all development partners, for:
- A **smooth** graduation: identify the new policies and actions that mitigate the expected impacts and seize the opportunities of graduation (in figure 4, the area with a green dot);
  - A **quality** graduation: identify and monitor the progress of implementation of critical policies and actions, many of which are common to at least one other policy framework (in figure 4, the areas with a blue dot); and
  - A **sustainable** graduation: identify policy directions, to be considered by the 10<sup>th</sup> NSEDP, to achieve the 2030 Agenda.
51. As explained above, the STS is complementary to and draws from a wide variety of national frameworks that are already shaping Lao PDR’s development pathway. At an international level, the STS is also embedded in the recently adopted Doha Programme of Action for LDCs (2021-2032).
52. In line with those frameworks, the STS guidance, and through extensive inter-ministerial consultations, an STS structure was developed, composed of 4 thematic pillars and 9 policy areas, to answer Lao PDR’s threefold objective to deliver a smooth, quality, and sustainable graduation. Table 1 presents the STS scope as well as the alignment of its chapters and policy areas to existing policy frameworks (see annex 1 for the structure of relevant policy frameworks) and specifies the rationale for the inclusion of each policy area into the STS.

**Table 1 – STS scope**

Chapter/ theme	Alignment (non-exhaustive)	Rationale
1. <b>Macroeconomic Stability and Financial Sustainability</b>		

<p><b>41. Macroeconomic stability</b></p>	<ul style="list-style-type: none"> <li>▪ NSEDP Outcome 1</li> <li>▪ NSEDP Financing Strategy 1.1/1.3</li> <li>▪ Resilience Framework Pillar 1</li> <li>▪ National Agenda on Economic and Financial Difficulties</li> </ul>	<p>If Lao PDR faces recurrent or extended macroeconomic instability – i.e., excessive currency depreciation, inflation, and deficits – then it will not achieve a smooth, quality, and sustainable graduation.</p>
<p><b>42. Safe guarding investments in human capital, environment and climate action</b></p>	<ul style="list-style-type: none"> <li>▪ NSEDP Outcomes 2/4</li> <li>▪ NSEDP Financing Strategy 5.1/5.2/5.3</li> <li>▪ Resilience Framework Pillar 4</li> <li>▪ Doha PoA Priorities 1/5</li> </ul>	<p>If Lao PDR does not urgently increase resources invested in social sectors and green growth (including environmental protection and climate action), then it will not achieve a smooth, quality, and sustainable graduation.</p>
<p><b>2. Trade and Investments</b></p>		
<p><b>43. Trade and FDI promotion</b></p>	<ul style="list-style-type: none"> <li>▪ NSEDP Financing Strategy 4.1</li> <li>▪ Resilience Framework 2.a</li> <li>▪ Doha PoA Priority 4</li> </ul>	<p>If Lao PDR does not diversify trade (in terms of partners and exports) and investment sources, then it will not achieve a smooth, quality, and sustainable graduation.</p>
<p><b>44. Business environment for inclusive growth</b></p>	<ul style="list-style-type: none"> <li>▪ NSEDP Financing Strategy 3.1/4.1</li> <li>▪ Resilience Framework 2.a</li> <li>▪ Doha PoA Priority 4</li> </ul>	<p>If Lao PDR does not create an enabling environment for quality investment, then it will not achieve a smooth, quality, and sustainable graduation.</p>
<p><b>3. Human Capital Development and Structural Economic Transformation</b></p>		
<p><b>45. Human capital development and decent jobs</b></p>	<ul style="list-style-type: none"> <li>▪ NSEDP Outcomes 2/3</li> <li>▪ Resilience Framework 4</li> <li>▪ Doha PoA Priority 3</li> </ul>	<p>If Lao PDR does not create sufficient decent jobs for the large young population, then it will not achieve a smooth, quality, and sustainable graduation.</p>
<p><b>46. Rural development</b></p>	<ul style="list-style-type: none"> <li>▪ NSEDP Outcome 3</li> <li>▪ Resilience Framework 3.d</li> <li>▪ Doha PoA Priority 3</li> </ul>	<p>If sustainable development does not take place in rural areas (where the majority of people live), then Lao PDR will not achieve a smooth, quality, and sustainable graduation.</p>
<p><b>47. Urban development</b></p>	<ul style="list-style-type: none"> <li>▪ NSEDP Outcome 5</li> <li>▪ Doha PoA Priority 3</li> </ul>	<p>If sustainable development does not take place in cities and towns (with 50% of the population expected to live in urban areas by 2030), then Lao PDR will not achieve a smooth, quality, and sustainable graduation.</p>
<p><b>1. Climate Change and Disaster Management</b></p>		

<p><b>48. Integrated and climate-resilient natural resources management</b></p>	<ul style="list-style-type: none"> <li>▪ NSEDP Outcome 4</li> <li>▪ Resilience Framework 5</li> <li>▪ Doha PoA Priority 5</li> </ul>	<p>If Lao PDR does not urgently shift to a sustainable management of natural resources, then it will not achieve a smooth, quality, and sustainable graduation.</p>
<p><b>49. Climate resilience and disaster risk reduction</b></p>	<ul style="list-style-type: none"> <li>▪ NSEDP Outcome 4</li> <li>▪ Resilience Framework 5</li> <li>▪ Doha PoA Priority 5</li> </ul>	<p>If Lao PDR does not urgently improve its resilience to climate change and natural disasters by supporting integrated management of disaster and climate risk with comprehensive disaster and climate risk management approach and tools, then it will not achieve a smooth, quality, and sustainable graduation.</p>

53. The STS is currently in draft form, and further opportunities for detailed consultations with key stakeholders are planned during the first quarter of 2023 prior to finalization. The objective of the discussion on the STS during the RTIM is for stakeholders to provide high-level feedback on the direction and process of preparing for a smooth graduation.

## VI. Effective Development Cooperation Way-forwards in light of the VDCAP midterm review (2021) and the SWG review (2022)

54. **The midterm review of the VDCAP** was carried out during the last quarter of 2021 as part of the preparation for the 13<sup>th</sup> High-Level Round Table Meeting. It summarizes the achievements and the lessons learnt since the adoption of the Declaration during the 12<sup>th</sup> High Level Round Table Meeting (2015).
55. **The primary purpose of the review was to reflect on the successes and challenges** during the last five years (2015-2020) within the framework of the 8<sup>th</sup> NSEDP in order to identify what needs to be done to further enhance effective development cooperation in the country in light of the implementation of the new national socio-economic development plan (9<sup>th</sup> NSEDP 2021-2025). The key findings for the review are based on various monitoring and survey reports produced during the course of implementation, including the 2019 global survey on effective development cooperation, 2019 mutual accountability survey, and other relevant reports.
56. With the main findings of the mid-term review were presented during the 13<sup>th</sup> High Level RTM, the following information highlights **key priority areas that the Government will work with Development Partners and other stakeholders for the remaining period** of the VDCAP (2022-2025) which will help **accelerate the implementation of the 9<sup>th</sup> NSEDP and SDG localization including the smooth transition toward LDC graduation.**

### VDCAP Principle 1 – Ownership

#### Key challenges/lessons learnt/way-forwards (2021-2025)

- **Ensuring common understanding of M&E framework and result based planning** across stakeholders at national, sectoral and provincial levels.
- **Coordinating government-wide and sectoral plans and ensuring budget allocation to prioritized development priorities and programs** – ensuring i) greater integration between planning, financing, and monitoring and evaluation, ii) the consistency of ministerial annual development plans, iii) technical coordination and information sharing, and iv) tracking of financial need, planned and approved budgets, and spending.)
- **Having greater consistency in ministerial sectoral plans** - standardise these plans towards best practice examples where activities are linked to financing.

### VDCAP Principle 2 – Alignment

#### Key challenges/lessons learnt/way-forwards (2021-2025)

- **The Public Expenditure and Financial Accountability (PEFA) Assessment** – slow progress (23 out of 31 core performance indicators are scored weak performance) – greater efforts to accelerate the PFM reform initiatives.
- i. **Quality assurance of the ODAMIS** - Different aid modalities have different implications for putting aid on budget. However, limited management capacity for a central ODA database (ODAMIS) has made it difficult to predict, track and align

ODA behind national priorities. In particular, if the usefulness of the ODAMIS is well articulated, relevant stakeholders are more likely to commit to provide accurate, standardized and regular inputs to the ODAMIS.

- **The use and strengthening of country systems should be placed within the overall context of national capacity development for sustainable outcomes** - need to jointly assess key country systems, using mutually agreed diagnostic tools.

### **VDCAP Principle 3 – Harmonization and Simplification**

#### **Key challenges/lessons learnt/way-forwards (2021-2025)**

- **Line ministries, the partners and other stakeholders in Lao PDR do not share a common understanding of PBAs. Different approaches and modalities that can make more wide use of PBAs and SWAp** - clear and well-defined criteria for the development of PBAs and Sector Wide Approaches (SWAps) based on the OECD-DAC guidelines need to be documented and tailored to the Lao conditions.
- **Complementarity and a division of labour** - actively promoting complementarity and a division of labour approach across sectors has not yet been done in a coordinated manner. The SWG secretariats are also insufficiently resourced in terms of their ability to further facilitate this work.
- **The SWGs are an appropriate mechanism to ensure relevance and coordination of analytical work** – revision of TOR of each SWG needed to ensure within and across SWG joint activities.
- **Delegation of power from HQ to country offices** - In terms of joint programming and joint efforts, at strategic level, most national and international partners at the sector level have strong commitment to create synergies across various issues and have joint work plan and objectives. However, when it comes down to implementation, it is a challenging task due to reporting requirements imposed by HQs and donor requirements.

### **VDCAP Principle 4 - Inclusive Partnership for Development Results**

#### **Key challenges/lessons learnt/way-forwards (2021-2025)**

- **Instituting broad-based and robust consultation mechanisms** - There is also a difference in the level of involvement and participation of the different stakeholders. More space can be given to make sure different groups of partners can make a more meaningful contribution to Lao's national development planning through different stages of planning process - informing the design, implementation and/or monitoring of national development policies.
- **Round Table Process and SWGs (representation way of engagement vs systematic process)** - The ambition of the 2030 Agenda has ignited a shift from a whole-of-government to a whole-of-society approach to development. It is necessary to rethink and adapt traditional development cooperation/coordination mechanism (at national, sectoral and provincial levels) to be more inclusive.
- **Under-investment in the core capacity of ministries to manage SWGs effectively and recommendation is to carry out capacity assessment for all SWGs and Sub-Sector Working Groups.** Resources from partner supported

projects and programmes could be reallocated to ensure that the overall coherence and coordination functions are adequately maintained. SWGs that have seen higher investment in staff and finance have proven to be more effective. SWG needs assessment could then be feed into the overall national mechanism of the effective development cooperation.

#### **VDCAP Principle 5 Transparency, Predictability, & Mutual Accountability**

##### **Key challenges/lessons learnt/way-forwards (2021-2025)**

- **Mutual accountability for results should be at the centre of the shared agenda where clearly defined commitments on both sides (the Government and partners),** the rules of engagement and how progress will be monitored can be included.
- **Increase the predictability and transparency of development financing** - Rethink what aid should be spent on and how, in ways that are consistent with agreed international norms and standards, so that aid catalyses development.
- **Improving the transparency and quality of budgetary information** – Continue PFM reform processes and ensure that public finance information is available and accessible in a timely manner. On the side of partners, providing regular, accurate and timely information on aid activities is an important step to contribute to transparency and mutual accountability.
- **Mutual accountability supports rather than undercuts domestic accountability institutions.** But domestic accountability and mutual accountability can reinforce each other.
- **Mutual accountability is unlikely to be achieved through one mechanism or forum** but instead requires an integrated network of relationships, commitments and accountability systems.
- **Regarding the predictability of assistance, it is important to ensure accuracy of ODA dataset.** This requires major efforts to collect, analyze and report on overall aid picture in the country. Bearing in mind that accurate ODA figures can actually lead to higher level of aid predictability.

#### **VDCAP Principle 6 – Domestic Resource Mobilization**

##### **Key challenges/lessons learnt/way-forwards (2021-2025)**

- Domestic resource mobilization within the VD framework refers to ensuring adequate mobilization of government revenues which is required for leveraging development cooperation funds for investments in various development activities.
- **The reduced government fiscal space has meant that mainly social sectors important to leaving no-one behind have seen levels of government expenditure decrease.** Therefore, government contributions to leverage development cooperation face a huge challenge. There is an on-going discussion over a mechanism to quantify government contribution (percentage) for development activities funded by providers of development cooperation.
- **While most Government contributions to joint development**

projects/programmes is in kind, initial discussion with the Government has taken place to determine if Government's contribution could be at minimal level in cash. A current programme to which the Government's contribution is in cash is the support from the Global Fund. Some other key programme that are on final discussions are those relating to environmental and natural resource management, transportation and public work. The discussion has also been made on the support of partners being linked to the Government's Public Investment Programme (PIP) which will help ensure greater ownership and service delivery at local levels.

#### VDCAP Principle 7 South-South Cooperation, Triangular Cooperation & Knowledge Sharing

##### Key challenges/lessons learnt/way-forwards (2021-2025)

- There is no one-size-fits-all approach. A **comprehensive national approach to South-South and Triangular Cooperation**, including a clear process and content, is crucial. This should be guided and supported by a comprehensive national roadmap, a strong institutional setup, and clear arrangements.
- **National ownership** is key for enhancing the effectiveness of South-South and Triangular Cooperation programmes and initiatives.
- **Horizontality and solidarity.** South-South and Triangular Cooperation requires that countries collaborate with each other as equal partners. This means that, irrespective of their different levels of development, collaboration is established voluntarily without any party linking its participation to the setting of conditions.
- **Capacity development, learning and sustainability.** Engaging in South-South and Triangular Cooperation required enhanced capacities to help establish supply and demand, improve modalities of cooperation, and better seize opportunities for knowledge and technology transfer. Where possible, local systems, expertise and resources should be used, to ensure sustainability.
- **Transparency, accountability and information management.** South-South and Triangular Cooperation works best when all partners involved have the right information and data. This will prevent overlaps, facilitate greater complementary and reduce transaction costs. Information-sharing thus needs to be improved to ensure better quality and results.
- **Inclusive partnerships.** Multi-stakeholder participation is desirable, including not only traditional OECD donors but also regional and emerging partners. Greater efforts are needed to further involve local authorities in the implementation, monitoring and reporting of development outcomes of South-South and Triangular Cooperation.

#### VDCAP Principle 8 – Business as a Partner in Development

##### Key challenges/lessons learnt/way-forwards (2021-2025)

- Further intention in order to increase stakeholders' readiness and ability to engage with one another is governments' internal co-ordination and access to financial and technical resources for both public and private stakeholders. For the private sector, such resources are required to strengthen

capacity to co-ordinate and assess the collective needs and views of the sector as a whole. For governments, such resources are required to strengthen capacity to analyze and formulate policy proposals and communicate effectively with relevant stakeholders in Public-Private Dialogue (PPD).

- **Ensuring that PPD focuses on issues relevant to all stakeholders remains a challenge** - Put more efforts on finding common ground on the issues that are considered of mutual interests.
- **A concerted effort for PPD to include the full range of private sector actors** - Redouble efforts are needed to include the full diversity of private sector stakeholders in dialogue such as Lao Business Forum which needs to have a clearer link to the Round Table Process and that development partners should help to ensure governments have the capacity and resources to do so.
- **Long-term commitment to PPD (Lao Business Forum and its link to RTP) likely depends on whether arrangements are institutionalized and organized towards achieving concrete results and whether dialogue leads to increased collaboration.** Currently, most recommendations from the LSB have been addressed and resolved. However, it needs time to witness concrete results.
- **The full potential of PPD to contribute to sustainable development, the Government can engage the private sector beyond the mechanism of PPD** – a suggestion of Triangular Cooperation (Public Private Citizen Dialogue). This could be the areas of interest during the remaining period of VDCAP.

57. In 2022, as a follow up from the VDCAP mid-term review, the Government of Lao PDR with support from UNDP commissioned **an independent review of the effectiveness of the Sector Working Groups and to make actionable recommendations for the groups’ work going forward. The purpose of the exercise (as per the Scope of Work) is “to take stock of what has been achieved so far [with the SWGs], where challenges remain and, most importantly of all, to develop recommendations on how to strengthen the benefits from SWGs for government and DPs and their contribution to Lao’s social and economic development.”**

58. The SWG review was finalized at the end of 2022, and provides insights on how various partners perceive the functionality of the mechanism and how it contributes to the overall national development agenda. Key recommendations from the consultant for considerations are:

- i. **Pre-condition: SWG ‘organizing work’** should be in the groups’ own interests – capacity for group to deliver value to its own members, designate roles, build the group, etc.
- ii. **RTM discussion on requests for increased participation and involvement of local decision makers in SWG work:** how to deliver on this expectation? One option is to ensure shadow consultations in preparation for the RTMs?
- iii. Local consultations **“Provide capacity building in technical knowledge and English”** so as to be able to develop/contribute to project development and accountability for results

- iv. **Transparency on donor conditionalities**, better communication as to who will control project resources and why
  - v. MPI planning priorities (**consolidated planning functions with SWG secretariats**) should be on the agenda in SWG meetings – but as an ask for help not an instruction.
  - vi. **Bring informal organizing work into the light** – e.g., DPs that meet to prepare for SWGs should be encouraged to continue to do so but share good practices for replication.
  - vii. Identify all project managers, M&E officers and TA in all sectors and task them with **part time activities to help the sector as a whole** (e.g., establishing standard reporting, following up on new ideas, advocating for participation in the SWGs).
  - viii. Identify and keep **only SWGs deemed useful and functioning** (not dormant) to save everyone’s time and efforts, and to make the most out of limited resources
  - ix. SWGs for **Governance as a platform** to include discussions on issues related to vulnerable groups of the population
59. The findings of the review and broader reflections on the functioning and purpose of the SWGs were discussed during a meeting of the SWG Chairs and Co-Chairs on 16 November 2022. During this meeting, it was agreed that a taskforce will be led by MPI with the support of the UN to develop a detailed proposal on restructuring and revitalizing the SWGs. This taskforce will:
- Include representation from Government, development partners, the private sector, and civil society;
  - The taskforce will report back to Chair and co-Chair of SWGs meeting with the detailed proposal in Q2 2023