

**The Lao PDR Smooth Transition
Strategy for LDC Graduation
2022-2026 with a vision to 2030 and beyond**

LDC Secretariat, Ministry of Foreign Affairs, Government of Lao PDR

With the technical assistance of the United Nations

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Foreword

Poverty eradication has long been an integral part of the Lao PDR's national policies and priorities, the government has emphasized its strong commitment and put its utmost efforts to graduating from the Least Developed Countries status. The triennial review by the Committee for Policy Development (CDP) in 2018 found that the Lao PDR met the thresholds for the LDC graduation for the first time, by meeting two out of three criteria for graduation, and in 2021 the Lao PDR met the thresholds for the LDC graduation again for the second time, by meeting all three criteria for graduation from the LDC status.

Nevertheless, the prolonged impact from the COVID-19 pandemic, exacerbated by the on-going economic and financial constraint and other global and regional crisis have severely affected the global development aspiration, including the Lao PDR, such impacts have further imposed even more complication and immense challenges environment and obstruct the development path, in particular the effort to recovering the economy and the development momentum of the least developed countries. In this context, the General Assembly has adopted the resolution A/RES/76/8, dated 29 November 2021, *Graduation of Bangladesh, the Lao People's Democratic Republic and Nepal from the LDC category* with an exceptionally extended preparatory period of five years from the standard period of three years. This means that the Lao PDR will have its preparatory period to graduate from the LDC status by 2026. The United Nations also invites and encourages the Lao PDR to prepare, during the five-year period, its national smooth transition strategy; and the CDP will review the Lao PDR's progress again at its 2024 triennial review. This will allow the country to best position itself for the smooth, quality and sustainable graduation, thereby, ensuring that it will not slip back to LDC after graduation. Importantly, the UN agencies and the international community remain committed and has the obligation to continuing support and assist the LDC countries until their official graduation.

Although substantial progress and achievement were made over the past years, the Lao PDR may face inevitable challenges after its graduation from LDC category, including the loss of LDC-specific support measures on trade, access to grants and concessional loans, and declining of official development assistance (ODA), as well as the support for participation in international forum. At the same time, after graduation the Lao PDR would no longer benefit from ceilings and discounts applied to LDCs in the determination of countries' mandatory contributions to budgets of the UN system and other international organizations that the Lao PDR is accredited to.

Taking into account these circumstances, the Party, the Government and the entire Lao people remain committed and determined to strengthening its ownership by fostering all-round capacity and enhancing its self-reliant in the up-coming years, particularly in the areas of economic infrastructure improvement, quality human resources development, enhancing capacity-building and domestic product capability and efficiency in order to increase its regional and international competitiveness. Furthermore, graduating from the LDC category will enhance the country's overall international image, including in the global politics arenas, as well as in terms of trade and regional and global economic integration by providing more confidence and attract more foreign investors to invest in the country, thereby, creating more job opportunity, allowing new investment projects and contributing to the country's economic growth toward green and quality development direction.

Against this backdrop, the government has developed the National Smooth Transition Strategy for LDC graduation, in collaboration with the United Nations and development partners, with the aim to prepare the Lao PDR for **a smooth, quality, sustainable**, and irreversible graduation. This

includes the continuation of the enhanced international support measures that meet the development needs of the country by prioritizing essential investment and building capacities from now until 2026, in line with the implementation of the 2023 Agenda for Sustainable Development and the National Socio-Economic Development Plan in each period. In this regard, the STS is a strategy that serves the Lao PDR's long-term objective to graduate from the least developed countries, including its development vision after post-graduation. Specifically, the STS aims to accelerate the Lao PDR's development progress in moving toward the direction of quality, focused, green and sustainable growth. Therefore, the strategy has consolidated and prioritized the existing actions from other national development frameworks that are considered necessary for a successful graduation, and align with the Lao PDR's LDC graduation timeframe set by the UN, by emphasising in the areas of finance, macroeconomic, social, environment and disaster management.

For the Lao PDR, graduating from LDC category in smooth, quality and sustainable manners has been a long-term objective of the Party and the Government, and meeting the LDC graduation thresholds have clearly reflected the Lao PDR's active and strong commitment in implementing the international agreed agenda. *Nevertheless, graduating from LDC does not mean that the effort to eradicate poverty will end and it does not reflect that people will be immediately well-off, but, graduating from LDC reflects another stepping milestone and development progress of our national socio-economic development under the leadership guided by the Party and the Government of the Lao PDR.*

Saleumxay KOMMASITH
Deputy-Prime Minister, Minister of Foreign Affairs
Chair of the National Steering Committee for LDC Graduation

Executive Summary

The Smooth Transition Strategy (STS) sets out Lao PDR's plans to manage the historic LDC graduation process. This milestone has been a national aspiration since 2000, and meeting the globally-defined criteria to be eligible for graduation at the 2018 and 2021 triennial reviews represents a major achievement. However, successfully navigating the process of graduating from being an LDC and seizing the opportunities it presents requires careful planning and proactive management.

Preparing for graduation is made all the more challenging by the international context since Lao PDR was recommended for graduation, stemming firstly from the COVID-19 pandemic, more recently from the ongoing consequences of the food, fertilizer, fuel, finance, and animal feed crisis, and the intensifying consequences of climate change and environmental degradation.

On the basis of these exceptional challenges, Lao PDR was granted an extended 5-year period to prepare, with graduation expected in 2026. Progress and developments will continue to be monitored closely throughout the preparatory period, including through the Enhanced Monitoring Mechanism recently established by UN DESA and the triennial review in 2024. Findings from this monitoring will be factored into graduation preparations, including by the UN Committee for Development Policy that makes recommendations on countries' readiness to graduate.

However, with Lao PDR's strong and continued national commitment to graduation, the STS guides the steps that will be taken to ensure that the graduation process is successful, irrespective of potential external shocks that could impact the process and timeline.

The STS defines a successful graduation as being: **smooth**, in that it should not result in a disruption or reversal of development progress; **quality**, in that progress achieved is consistent with the vision set out in the National Socio-Economic Development Plan; and **sustainable**, in that longer-term risks are adequately managed.

Particular emphasis has been placed on ensuring that the STS is consistent with existing relevant national policy frameworks and strategies to both support policy coherence, and to limit the additional burden placed on stakeholders. The STS also applies key principles from the Doha Programme of Action to the national context, supports a practical implementation of the overarching global vision for LDCs.

Led by the Ministry of Foreign Affairs, the STS was developed through a careful consultative process involving all relevant ministries and government agencies, and taking on board feedback and recommendations from consultations with development partners, the private sector, and non-government organizations.

Identification of necessary steps to successfully manage the graduation process was informed by a range of studies analyzing the expected impacts in terms of trade, development cooperation, and support to participation in international forums.

Through this process, 22 specific actions were defined as necessary to achieve a smooth, quality, and sustainable graduation. These include prioritization of actions from existing frameworks that are considered essential for a successful graduation and therefore will be monitored as part of graduation preparations, and necessary new actions identified through the STS development process.

These actions are split across four pillars:

- **Macroeconomic Stability and Financial Sustainability;** including measures to secure macroeconomic stability, and safeguard investments in human capital, the environment, and climate action;
- **Trade and Investments;** including measures for trade and FDI promotion, and improving the business environment for inclusive growth;
- **Human Capital Development and Structural Economic Transformation;** including measures to promote human capital development and decent jobs, rural development, and urban development.
- **Climate change and Disaster Management;** including measures for integrated and sustainable natural resources management for low-carbon development, and climate resilience and disaster risk reduction.

The STS is designed to be practical and implementable, with clearly defined and agreed responsibilities for each action assigned to relevant lead and supporting Government departments. Where there are existing actions from other Government frameworks that are considered necessary for a successful graduation, they are copied verbatim into the STS and the same responsibilities are maintained. Management of the LDC Graduation process is led by the LDC National Steering Committee (40/PM, dated 08 June 2018) under the overall chairmanship of the Deputy Prime Minister/Minister of Foreign Affairs, with members of the committee drawn from line ministries and supported by its Permanent Representatives to the UN in New York and in Geneva, in close coordination with Ministry of Planning and Investment (MPI), Department of Planning for developing and monitoring national plans, namely the NSEDP, and Department of International Cooperation as the Secretariat of the Roundtable Process. The Ministry of Foreign Affairs, as chair of the committee responsible for managing LDC graduation, will oversee regular management and reporting against the implementation of the STS and its actions as part of an annual cycle. This include the Monitoring and Evaluation (M &E) of the STS as per the STS's action matrix, which contains leadership roles, down to the department level, timelines, and means of verification, as well as the preparation of regular reports to the National Assembly and the UN Committee for Development Policy.

List of acronyms

ADB	Asian Development Bank
AMLIO	Anti-Money Laundering Intelligence Office
ASEAN	Association of Southeast Asian Nations
BoL	Bank of Lao PDR
CDP	Committee for Development Policy
CIT	Corporate Income Tax
DFQF	Duty-Free, Quota-Free
Doha PoA	Doha Programme of Action
DRR	Disaster Risk Reduction
ECOSOC	Economic and Social Council
EPF	Environment Protection Fund
EU	European Union
EVI	Economic and Environmental Vulnerability Index
FATF	Financial Action task Force
FDI	Foreign Direct Investment
GAVI	The Vaccine Alliance
GCF	Green Climate Fund
GDP	Gross Domestic Product
GNI	Gross National Income
GoL	Government of Lao PDR
GSP	Generalized System of Preferences
HAI	Human Assets Index
IMF	International Monetary Fund
ISMs	International Support Measures
Lao PDR	Lao People's Democratic Republic
LDC	Least Developed Country
LNCCI	Lao National Chamber of Commerce and Industry
LSB	Lao Statistics Bureau
MAF	Ministry of Agriculture and Forestry
MEM	Ministry of Energy and Mines
MFN	Most Favored Nation
MICT	Ministry of Information, Culture, and Tourism

MoES	Ministry of Education and Sports
MoF	Ministry of Finance
MoIC	Ministry of Industry and Commerce
MoLSW	Ministry of Labour and Social Welfare
MoNRE	Ministry of Natural Resources and Environment
MoPWT	Ministry of Public Works and Transport
MPI	Ministry of Planning and Investment
MTC	Ministry of Technology and Communications
NDC	Nationally Determined Contributions
NSEDP	National Socio-Economic Development Plan
ODA	Official Development Assistance
OECD-DAC	Organization for Economic Cooperation and Development- Development Assistance Centre
RCEP	Regional Comprehensive Economic Partnership
RTM	Round Table Meeting
SDG	Sustainable Development Goals
SOE	State-Owned Enterprise
STS	Smooth Transition Strategy
UN DESA	UN Department of Economic and Social Affairs
UN ESCAP	UN Economic and Social Commission for Asia and the Pacific
UN-OHRLLS	UN Office of the High Representative for Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States
UNCTAD	UN Conference on Trade and Development
USD	United States Dollars
VAT	Value Added Tax
WTO	World Trade Organization

I. Introduction

The Least Developed Country (LDC) graduation Smooth Transition Strategy (STS) of Lao PDR was developed between November 2021 and July 2023 by the Ministry of Foreign Affairs, on behalf of the Lao PDR Government, with the contributions of a broad coalition of Ministries, and development partners.¹ 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.

A historic milestone

Lao PDR entered the LDC category when it was created, in 1971, following the General Assembly’s A/RES/2768 (XXVI). At the time, the General Assembly affirmed the “*urgency of identifying the least developed among the developing countries in order to enable those countries to benefit as early as possible from the special measures in their favour adopted in the various forums*” and called on “*the international organizations within the United Nations system to take fully into account the special needs of the least developed among the developing countries when formulating their programmes of activities or selecting the projects they finance*”. From the outset, the LDC category was associated with the development of specific international support measures (ISMs) to accelerate development progress for the less fortunate countries and bridge the development gap.

Despite challenges – among others, the long-term pervasive effects of war, the difficulties associated with recent independence and state-building, landlocked-ness, or a small population size – Lao PDR is on track to achieve the historic milestone of graduating from the list of LDCs. This signals the significant improvement in the lives and well-being of the Lao people that took place over the last fifty or so years, or in the words of the General Assembly: “*Graduation from the least developed country category is a major milestone for the country involved as it means that significant progress has been made towards reaching at least some of its development goals*”.

Graduation has been a national priority for the Government and the people of Lao PDR since 2000 and successive quinquennial National Socio-Economic Development Plans (NSEDP). In the words of the President of Lao PDR H.E. Mr. Thongloun Sisoulith, “*over the past 47 years of national safeguarding and development, despite facing numerous obstacles and difficulties, the Lao PDR has attained gradual achievement in many areas. The Lao PDR has enjoyed solid political stability, social order, sustained economic growth, and significant improvement in people’s livelihood, thus creating favourable condition for the Lao PDR to graduate from the Least Developed Country (LDC) status by 2026*”.

The first recognition of Lao PDR’s development progress came in 2018, when the UN Committee for Development Policy (CDP) found that Lao PDR was eligible for graduation, meeting two of three criteria for graduation (the Gross National Income (GNI) and the Human Assets Index (HAI)).

¹ Supported with financial and technical assistance from the United Nations Sustainable Development Cooperation Framework Joint Output group on a Smooth Transition beyond LDC Graduation.

Furthermore, the report stated that “the Committee welcomes the progress (...) in all three criteria, which could indicate a balanced and sustainable graduation path”.

Following a recommendation by the CDP at its 2021 Triennial Review (E/2021/33), endorsed by the Economic and Social Council (ECOSOC) in Resolution E/RES/2021/11, Lao PDR is now set to graduate from LDC category, meeting all three graduation criteria (GNI, HAI, and the Economic and Environmental Vulnerability Index (EVI)) by a considerable margin.

However, despite meeting all three graduation criteria (see Figures 1, 2, and 3), the General Assembly “[decided] to provide Bangladesh, the Lao People’s Democratic Republic and Nepal, on an exceptional basis, with a five-year preparatory period leading to Graduation” in its resolution A/RES/76/8, thereby endorsing a CDP recommendation to thoroughly prepare for graduation in the context of a rapidly deteriorating global environment, marked by the COVID-19 pandemic.

This reflects the “negative impact on the vulnerable economies of the least developed countries from the global crisis triggered by the coronavirus disease (COVID-19) pandemic, which has further disrupted the sustainable development progress of these countries” as Lao PDR is preparing to ensure that “graduating from the category of least developed countries should not result in a disruption or reversal of development plans, programmes, or projects” that would be caused by a sudden loss of international support measures the country had been relying on. During the preparatory period and the transition period following the graduation date itself, Lao PDR would maintain access to LDC-specific ISMs.

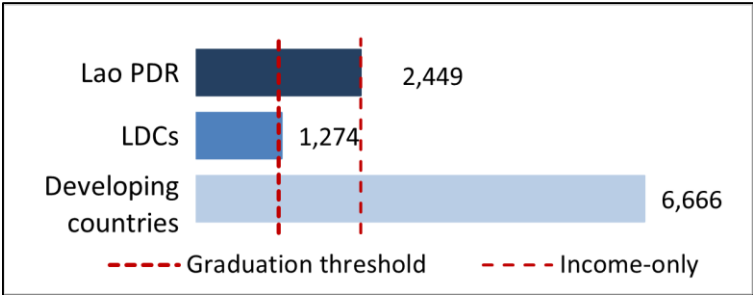


Figure 1 - Gross National Income (GNI) per capita

Source: CDP (2021 Triennial Review)

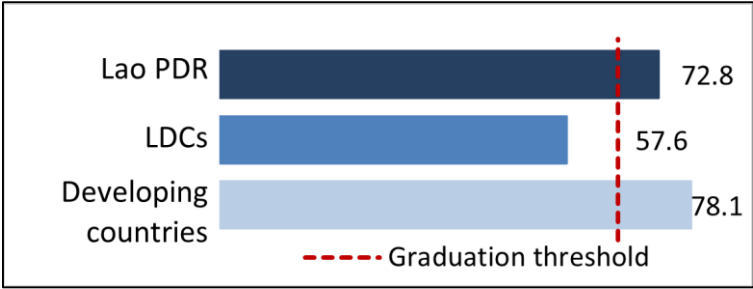


Figure 2 - Human Assets Index (HAI)

Source: CDP (2021 Triennial Review)

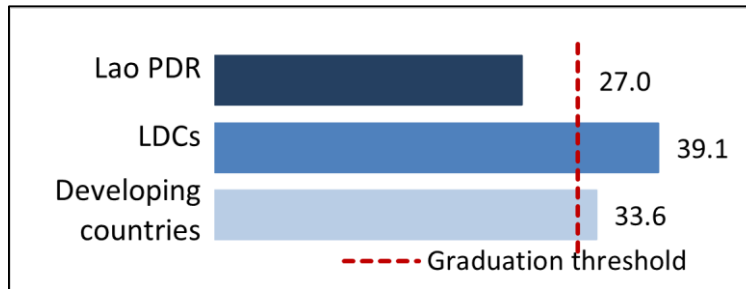


Figure 3 - Economic & Environmental Vulnerability Index (EVI)

Source: CDP (2021 Triennial Review)

A specific context for graduation

The recommendation by the CDP and decision to graduate by Lao PDR comes in the context of a rapidly evolving development context marked by the long-term health and broader socio-economic impacts of the COVID-19 pandemic in the country and the region, the more recent food, fertilizer, fuel, finance, and animal feed (5F) crisis, and the country’s acute macroeconomic and financial difficulties.

Of all the three trends mentioned above, the COVID-19 pandemic directly justified the General Assembly’s decision to provide the Government of Lao PDR with an extended preparatory period. On the macroeconomic and financial side, this was associated with a substantial deceleration of growth, which decreased to 3.3% in 2020, or its lowest level in three decades. Lower revenues during a period of economic contraction aggravated an already limited fiscal space for development investments and worsened Lao PDR’s exposure to shocks, with plunging international reserves of foreign exchange. Moreover, the private sector and the labour market suffered heavily. Disruptions of global and regional value chains, of international mobility, of tourism, and repeated lockdowns in Lao PDR had significant livelihood impacts. Health and education systems were greatly affected. School closures caused irreversible learning losses, while COVID-19 led to the suspension of other health services and a general deterioration of human capital outcomes. Throughout, the most vulnerable have been most impacted, with limited safety nets to halt the progression of poverty during the pandemic.

Environmental and climate changes are important sources of concern for Lao PDR. The country is highly vulnerable to climate change and is not well prepared to cope with more frequent and intense extreme weather events. Recent extreme weather events include typhoon Ketsana (2009), Typhoon Haima (2011), and the Son-Tinh and Bebinca storms (2018), with reported hundreds of millions of dollars of losses.

While borders have reopened since April 2022, and positive developments have been recorded – including high vaccination rates, decreasing unemployment, and increasing tourist arrivals – Lao PDR is not back on track to achieve the national development priorities contained in the 9th NSEDP and the SDGs. Recent geopolitical developments in Europe have affected global economic prospects and

built on historical economic and financial vulnerabilities to further deteriorate livelihoods, in a multifaceted Fuel, Food, Fertilizer, Finance, and animal Feed crisis.

The Government has taken steps to mitigate and recover from the COVID-19 and the 5F crisis, through a Multi-Stakeholder Taskforce on the recalibration of the 9th NSEDP in light of COVID-19 in 2020. This initial exercise, in the context of the long-term impacts of COVID-19 and additional shocks, led to the formulation of the Lao PDR Resilience Framework (2023-2025), finalised at the end of 2022, and expected to inform the 9th NSEDP Mid-Term Review and Annual Implementations Plans.

Lao PDR's financial difficulties, aggravated by the exogenous shocks mentioned above-now represent a substantial obstacle to continued development progress. In particular, the recent and depreciation of the kip is exacerbating an already elevated debt burden that is largely denominated in USD. This builds on years of economic growth that have primarily relied on FDI, themselves promoted by an investment regime based on fiscal exemptions. Lao PDR is currently generating insufficient revenues to meet its development needs, with debt services averaging USD 1.2 billion a year over 2022 and 2023, or more than expenditures on health and education combined. [In turn, pressure to mobilize resources to address financial challenges has led to pressures on the environment with a renewed focus on mining concessions among others.](#)²

The Government has taken steps to resolve these challenges, firstly with the adoption of a National Agenda on Economic and Financial Difficulties (2021-2023), and secondly, the 9th NSEDP Financing Strategy. The National Agenda assessed root causes of the financial situation facing the country and set out top national priorities to avert a severe economic crisis and support the achievement of the NSEDP. The Financing Strategy, sets out 54 actions to increase the volume of development finance to achieve the country's national development priorities. The 9th NSEDP Financing Strategy, for which implementation begins in 2023 following endorsement by the Prime Minister, considers all financial flows – domestic/international and public/private. It prioritises significant reforms to fiscal policy – including the review and abolishment of tax exemptions, the sustainability of revenue generation, the realignment of the budget with national development priorities, evidence-based debt management, including through the exploration of debt relief – but also the evidence-based planning and management of ODA, the improvement of the business environment for private investments in priority sectors, and the safeguard of investments in health and education and environment and climate action, for sustainable development progress.

The implementation of these various frameworks (and of the STS) is critical as forecasts show that the macroeconomic situation of Lao PDR will only slowly improve and remain fragile in the coming years, and in the absence of further exogenous shocks. The World Bank projects a progressive growth recovery: with a 2.5% growth in 2022, followed by 3.8% in 2023, and 4.2% in 2024, largely driven by the services sector, with the recent inflationary pressure alleviating (19% projected for 2022, against 7.2% and 6.1% in 2023 and 2024 respectively). However, while the tax to GDP ratio is expected to increase (to 13.9% of GDP), this would still be insufficient to cover increasing development needs (expenditures should reach 17.2% in 2024). In 2024 international reserves should reach their highest level in 5 years albeit well below the IMF-recommended threshold of 3 months of imports, at 1.329.

² Additional details are available in full in the 9th NSEDP Financing Strategy.

Objectives and role of the STS in Lao PDR's development planning

The STS is a policy framework developed to support the long-standing aim of Lao PDR to graduate from the LDC category, and past this important milestone, for the high-quality, green, sustainable, and focused development progress (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.

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** development pathway in line with the vision of the NSEDP, 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 9th NSEDP. This means implementing policies and actions, many of which are common to other central frameworks accompanying the 9th NSEDP implementation, such as the Financing Strategy, the Resilience Framework, or the National Agenda on Macroeconomic and Financial Difficulties, that are essential for the type of development that the country seeks to achieve. A related and important aim of the STS is to strengthen policy coherence and the focus of the implementation of the 9th NSEDP, by identifying, including from existing policy frameworks, the key policies and actions that need to be implemented by 2025-2026.
- 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, managing longer-term risks.** Sustainability is highly correlated with sound environmental management, as an economic model excessively reliant on the exploitation of finite natural resources will be unable to deliver prolonged benefits.

The STS also therefore serves to ground the vision of the Doha Programme of Action for LDCs (2022-2031) in the national planning architecture and policies of Lao PDR. In particular, it seeks to operationalize the 6th chapter on *Mobilizing international solidarity, reinvigorated global partnerships and innovative tools: a march towards sustainable graduation*.

The STS therefore serves a specific purpose in national planning in Lao PDR, which is visualised in Figure 4. 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 9th NSEDP Financing Strategy, and the Resilience Framework, as well as other key sectoral strategies – that help to prioritise and sequence policies and actions in response to the COVID-19 and 5F crisis.

The initial scope of the STS focuses on specific actions to be implemented during the *preparatory* period prior to the graduation date itself, aiming to make maximum use of the additional preparation time afforded to Lao PDR. However, even though implementation of the identified actions is expected within the coming 3 years, the actions themselves are intended to lay the foundations for sustainable development towards the longer-term national development vision. As implementation progresses, additions or revisions of actions could be considered for inclusion by the relevant authorities for implementation in the subsequent transition period, as appropriate.

Scope and structure

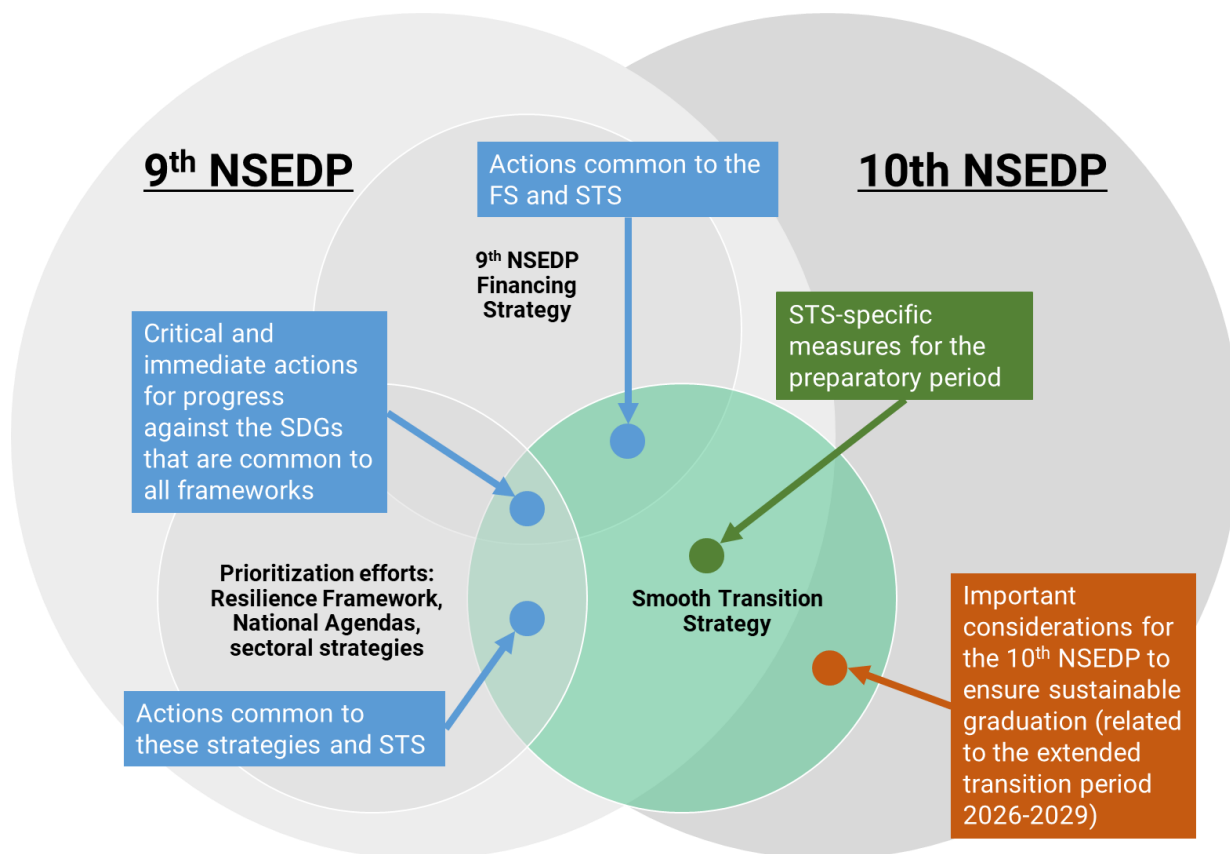


Figure 4 – Understanding the role of the STS

Overall, the value added of the Lao PDR LDC 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);
- A **sustainable** graduation: identify policy directions, to be considered by the 10th NSEDP, to achieve the 2030 Agenda.

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).

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. Macroeconomic Stability and Financial Sustainability		
1.1 Macroeconomic stability	<ul style="list-style-type: none"> ▪ NSEDP Outcome 1 ▪ NSEDP Financing Strategy 1.1/1.3 ▪ Resilience Framework Pillar 1 ▪ National Agenda on Economic and Financial Difficulties 	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.
1.2 Safeguarding investments in human capital, environment and climate action	<ul style="list-style-type: none"> ▪ NSEDP Outcomes 2/4 ▪ NSEDP Financing Strategy 5.1/5.2/5.3 ▪ Resilience Framework Pillar 4 ▪ Doha PoA Priorities 1/5 	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.
2. Trade and Investments		
2.1 Trade and FDI promotion	<ul style="list-style-type: none"> ▪ NSEDP Financing Strategy 4.1 ▪ Resilience Framework 2.a ▪ Doha PoA Priority 4 	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.
2.2 Business environment for inclusive growth	<ul style="list-style-type: none"> ▪ NSEDP Financing Strategy 3.1/4.1 ▪ Resilience Framework 2.a ▪ Doha PoA Priority 4 	If Lao PDR does not create an enabling environment for quality investment, then it will not achieve a smooth, quality, and sustainable graduation.

3. Human Capital Development and Structural Economic Transformation		
3.1 Human capital development and decent jobs	<ul style="list-style-type: none"> ▪ NSEDP Outcomes 2/3 ▪ Resilience Framework 4 ▪ Doha PoA Priority 3 	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.
3.2 Rural development	<ul style="list-style-type: none"> ▪ NSEDP Outcome 3 ▪ Resilience Framework 3.d ▪ Doha PoA Priority 3 	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.
3.3 Urban development	<ul style="list-style-type: none"> ▪ NSEDP Outcome 5 ▪ Doha PoA Priority 3 	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.
4. Climate Change and Disaster Management		
4.1 Integrated and sustainable natural resources management for low-carbon development	<ul style="list-style-type: none"> ▪ NSEDP Outcome 4 ▪ Resilience Framework 5 ▪ Doha PoA Priority 5 	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.
4.2 Climate resilience and disaster risk reduction	<ul style="list-style-type: none"> ▪ NSEDP Outcome 4 ▪ Resilience Framework 5 ▪ Doha PoA Priority 5 	If Lao PDR does not urgently improve its resilience to climate change and natural disasters with comprehensive disaster and climate risk management approach and tools, then it will not achieve a smooth, quality, and sustainable graduation.

The STS also contains a Monitoring and Evaluation chapter (Section IV), which can provide the Government of Lao PDR and international partners with, on an annual basis, data and evidence to assess the country’s progress towards a smooth, quality, and sustainable graduation. This section contains means of verification for each policy and action of the STS, to track the progress of implementation. This national Monitoring and Evaluation framework answers the call of the Doha PoA for the enhanced monitoring of graduating and graduated countries. It is linked to international mechanisms under the CDP/UNDESA, in particular the CDP’s improved annual monitoring process, which include the annual reporting of the Government to the CDP and consultation of the graduation trajectory of Lao PDR.

Formulation process and methodology

The 13th High-Level Round Table Meeting (RTM), which took place on 17 November 2021, launched the process of preparing the STS. At the event, the Government presented the approach that would be taken to develop the strategy and invited development partners to support this strategic planning exercise. The discussion drew on an STS Concept Note that was presented as a background paper for the RTM as well as feedback received during an RTM Technical Side Event on “*LDC Graduation: Towards a Smooth Transition Strategy*”, held on 11 November 2021.

The objectives and scope of the STS were defined progressively through meetings and workshops between June and October 2022. The inclusion of key topics within the scope of the STS, including human capital development or climate change, was facilitated by a peer exchange between graduating countries (Bangladesh and Nepal) in August 2022.

The identification of the policies and actions of the STS was done primarily in preparation for, during, and following a workshop, which took place on 3-4 November 2022. Participants reflected on the three objectives of the STS (a smooth, quality, and sustainable graduation), and identified policy priorities and actions as per an action matrix, presented below in table 2 and available in full in annex 2.

The action matrix is the key part of the STS in that it compiles all policies and actions, defines their timeframe, as well as leadership roles, international assistance support, and means of verification. An important objective of the STS being to strengthen policy coherence, participants were asked to identify existing policy directions and actions from national frameworks which are implemented and would contribute to smooth, quality, and sustainable graduation, as well as necessary new actions.

The action matrix is intended to be a living matrix, with its contents reviewed and updated as appropriate on an annual basis as progress is made, the context changes, and new information becomes available. This periodic update will take place through the regular monitoring and reporting cycle of the STS.

Table 2 – Structure of the action matrix

Chapter	Policy area	Policy/ action	Objective(s)	Related policy framework	GoL lead (Ministry, Department)	DP assistance	To implement by	Means of verification
			To choose from: <ul style="list-style-type: none"> ▪ Quality ▪ Smooth ▪ Sustainable 	Such as: <ul style="list-style-type: none"> ▪ Financing Strategy ▪ Resilience Framework ▪ Education and Sports Sector Plan 				

The STS first draft was shared with line ministries and development partners for feedback ahead of the 2022 RTIM, which exceptionally took place on 26th January 2023. The STS was then validated at the RTIM and presented to development partners in the margins of the LDC V Conference that took place in Doha in March 2023. Table 3 summarises the STS formulation process.

Table 3 – Formulation process

Event or Activity	Date	Purpose and Outcome
Stakeholder mapping, SDG/LDC focal points meeting, analysis and initial discussion within participating ministries	30 June 2022	<ul style="list-style-type: none"> ▪ STS process mapped out ▪ Existing analysis compiled • Focal points identified drawing from the Government’s existing SDG/LDC focal point networks
South-South Exchange on Preparing Smooth Transition Strategies	23-25 Aug 2022	<ul style="list-style-type: none"> ▪ Options and good practices for STS development identified through peer exchange with other countries, especially Bangladesh and Nepal that are also scheduled to graduate in 2026
Technical Government Workshop	08 Sept 2022	<ul style="list-style-type: none"> ▪ Initial discussion on scope, objectives, approach, possible thematic and focus areas, as well as plans for prioritization workshop
Prioritization Workshop	18 Oct 2022	<ul style="list-style-type: none"> ▪ Priority themes and subthemes for actions under the STS -based on the necessary conditions for a smooth, quality, and sustainable graduation-identified by participants from Government and the UN output group on LDC graduation
Drafting Workshop (“Write-shop”)	03-04 Nov 2022	<ul style="list-style-type: none"> ▪ STS scope refined vis-à-vis existing strategies and plans ▪ Initial draft of the STS Action Matrix prepared through breakout groups, including priority actions (both existing and new) as well as implementation arrangements.
Report to CDP	13 Nov 2022	<ul style="list-style-type: none"> ▪ CDP informed about progress with STS formulation in advance of the February 2023 plenary meeting
RTM Implementation Meeting	26 Jan 2023	<ul style="list-style-type: none"> ▪ Technical discussion between the Government and with development and trade partners on national development priorities, including for graduation
CDP Plenary	20-24 Feb 2023	<ul style="list-style-type: none"> ▪ CDP feedback obtained on the draft STS
5 th United Nations Conference on the LDCs (LDC5) in Doha	05-09 March 2023	<ul style="list-style-type: none"> ▪ Draft STS presented to the international community
Government Cabinet Meeting	28-29 March 2023	<ul style="list-style-type: none"> ▪ STS draft endorsed in principle
Detailed consultations with partners	26 May 2023	<ul style="list-style-type: none"> ▪ In-depth discussion with development and trade partners to identify areas of support and seek feedback on the draft STS
Validation Workshop	29-30 June 2023	<ul style="list-style-type: none"> ▪ Validation of and feedback on the draft STS by key stakeholders

STS finalization	July-August 2023	▪ STS finalized based on feedback from the validation exercise
STS endorsement	November 2023	▪ Endorsement by Prime Minister’s Office

II. Diagnostics: implications of LDC Graduation

One of the STS’s three key objectives is to ensure that graduation is smooth: as per the UN General Assembly “*graduating from the category of least developed countries should not result in a disruption or reversal of development plans, programmes, or projects*”, indicating that the loss of ISMs should not affect Lao PDR’s development pathway. This chapter therefore summarises key expected impacts from LDC graduation for which specific mitigation measures needed to be identified, but also elaborates on the opportunities that can be seized from LDC graduation.

Expected impacts

After graduation and the subsequent transition period, Lao PDR will progressively lose access to LDC-specific ISMs. These include some preferential market access treatments (e.g. Everything But Arms benefits), which have proven important for the garment sector. ISMs that Lao PDR has received also include access to some specific sources of development finance and technical cooperation, as well as ceilings and discounts on contributions to UN entities and travel funding to international meetings.

The loss of LDC status also affected Lao PDR’s loss of certain flexibilities in terms of specific flexibilities at the WTO granted to LDCs as well as the Special and Differential (S&D) treatment or transition period for LDCs in various Free Trade Agreement such as Regional Comprehensive Economic Partnership etc.

Several studies by the UN and international partners have researched potential impacts of losing ISMs after graduation. These were integrated into an assessment of the impacts of the graduation of Lao PDR from the category of LDCs, published in 2020. Excerpts, collated in Table 4, reveal that expected impacts of LDC graduation at the time were thought to be relatively limited for Lao PDR, as the country has historically not relied much on ISMs. Nonetheless, these impacts were seen as requiring mitigation measures as some limit potential opportunities or could be practically challenging (e.g. Lao PDR could lose access to some support to take part in multilateral affairs), especially in the context of Lao PDR’s limited fiscal space.

Table 4 – (Non-exhaustive) excerpts of the LDC graduation Impact Assessment (2020)

Sector	Impacts
Trade	<ul style="list-style-type: none"> ▪ “Lao PDR predominantly exports to other Asian countries which are either part of the Association of Southeast Asian Nations (ASEAN) or have free trade agreements with ASEAN. A large share of Lao PDR’s exports will continue to be exported duty-free to these destinations either under these agreements or under most-favoured-nation (MFN) treatment, and will therefore not be affected by graduation.” ▪ “The most significant impacts of graduation are expected to be on exports to the European Union³. LDC preferences in the EU are extended for three years after graduation. The greatest impact of the end of LDC-specific preferences would be on garments that would face higher tariffs and need to comply with more stringent rules of origin. The expansion of the industry also faces substantial challenges that are unrelated to graduation.” ▪ “Most exports to Japan⁴ would continue to be exported duty-free under the ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEPA). Some products would face higher tariffs.” ▪ “A significant share of exports to Canada are duty-free under MFN rates. Exports of garments would face significant tariffs” ▪ “Graduation from the LDC category is not expected to significantly affect market access for the country’s services exports as Lao PDR has not significantly benefitted from the services waiver and is not expected to do so in the near future.” ▪ “Lao PDR will no longer benefit from LDC-specific flexibilities under the WTO agreements. In practice, however, this is expected to be of limited consequence.”
Technical assistance (for trade)	<ul style="list-style-type: none"> ▪ “After graduation and applicable smooth transition periods, access to certain trade-related capacity-building, training and technical assistance mechanisms will be restricted”
Development cooperation	<ul style="list-style-type: none"> ▪ “Graduation from the LDC category is expected to have only limited impacts on development cooperation in Lao PDR. LDC graduation is not expected to affect assistance by the World Bank, most United Nations system entities, GAVI - the Vaccine Alliance, the Global Fund, most ODA received from OECD-DAC Members (including the United States, the European Union, Australia and New Zealand, and grants from the Republic of Korea and Japan) or South-South cooperation” ▪ “Graduation could trigger relatively small changes in some forms of assistance delivered by a limited number of countries and organizations. They include slightly less favourable terms on concessional loans by Japan and the Republic of Korea, a gradual shift from grants to soft loans by

³ 6% of Lao PDR’s exports, 66% of which use LDC-specific preferences

⁴ 3% of Lao PDR’s exports

	Germany, loss of access to the LDC Fund (climate change), the Technology Bank and the Investment Support Programme for LDCs, and a reduction in the resources available for country-specific activities or a requirement of a higher cost-sharing contribution by a very small number of United Nations system entities”
Support to participation in international forums	<ul style="list-style-type: none"> ▪ After graduation, Lao PDR would no longer benefit from ceilings and discounts applied to LDCs in the determination of countries’ mandatory contributions to budgets of the UN system. The exact impact depends on both future approved budgets and the country’s relative performance on indicators used by the United Nations to assess capacity-to-pay, relative to other United Nations Member States. ▪ Lao PDR would no longer have access to LDC-specific support for travel to attend international meetings. Support for LDCs to attend the meetings of the General Assembly are available for a smooth transition period of 3 years, if requested. The country would still benefit from travel support extended to non-LDC developing countries.

A more recent study conducted by the International Trade Centre⁵ on trade impacts from graduation, unveiled ahead of the LDC 5 Conference in Doha calls for more caution. Looking at graduation impacts on trade from 2027 onwards (unlike other studies that envisioned graduation by 2024) and considering new data, it finds that Lao export values could be reduced by up to 7.3% or USD 734 million (when previous studies had a range of 1.2% to 4.9%). The difference is largely explained by new projected losses from the Chinese market, within three core industries: latex and rubber, paper, cereals. China has granted specific duty-free and quota-free market access to LDCs, which are much more favourable than under the ASEAN free-trade agreement with China or the Asia-Pacific Trade Agreement, with Lao PDR participating in the scheme since 2021⁶. However, estimated impacts are contingent on the extent to which Lao Exporters are currently making use of the LDC-specific trade preferences, to understand which further research would be required.

The study also confirms that trade with the EU may be impacted moving from the Everything but Arms regime to the General System of Preferences, with an anticipated reduction of exports of USD 121.7 million. Minor impacts are expected on trade with the United Kingdom (USD 11.4 million), Japan (USD 10.3 million) and Canada (USD 5.1 million).

While these new findings reveal a much larger than anticipated trade impact from graduation, Lao PDR has sufficient time to implement effective mitigation measures, to negotiate the continuation of these trade preferences for a few years and to strategically diversify its export portfolio, reshape trade policy and promotion to access new markets. The study indeed finds an estimated USD 1.4 billion of

⁵ “Lao People's Democratic Republic after LDC Graduation: New avenues for exports”, International Trade Centre, 2023

⁶ One key assumption of this study (and all impact assessments to date in fact) is that trade preferences are 100% used by Lao exporters, which is unclear at this stage, especially as the Chinese preferences for LDCs are recent mechanisms. This warrants more research on current usage of trade advantages in core industries.

“unrealised export potential” attributable to non-tariffs barriers. Diversification of Lao PDR’s exports, in line with the country’s planned structural economic transformation, and negotiations with key partners on trade preferences (e.g. GSP+) would help to limit losses.

Opportunities to seize

Graduation must be seen in the context of Lao PDR’s development goals (the 9th NSEDP) as well as longer-term aspirations, as reflected in Vision 2030 and the SDGs, including for green, sustainable, inclusive, people-centred development. While graduation can represent the beginning of a new phase of Lao PDR’s development journey, the country will first effectively navigate through current challenges first and appropriately plan for continued development progress, with both of which the STS can help. This requires prioritisation and planning, both of which are undertaken through the STS formulation and implementation.

The 9th NSEDP identifies a practical benefit of graduation: the enhancement of the country’s overall international image. The story of Lao PDR as a country moving up the ladder of development can be a positive one that comes with significant advantages – an improved image and increased attention for Lao PDR can mean better access to commercial finance, more favourable credit terms for development financing through debt, or a better position to negotiate development projects and trade deals. The Government acknowledges that such improvements, however, are not automatic. Indeed, as mentioned, Lao PDR is currently grappling with significant economic and financial difficulties, worsened by important global disruptions.

The STS therefore offers an opportunity to help focus the attention of Government, development partners, and other stakeholders (private sector, civil society, and partners from the South) and focus minds on most pressing challenges that can disrupt the country’s development pathway – such as limited fiscal space, foreign debt, environmental degradation, learning losses, and inequalities. Taking decisive actions will be critical to manage these crises, get back on track with the development agenda, graduate with momentum, and further climb the development ladder. By putting Lao PDR under the spotlight, the graduation process can facilitate partnerships for the better targeting of technical and financial assistance, increase development partners’ coordination, and the development of new trade and economic partnerships. In particular, maximising the use of ISMs during the preparations for graduation (and the transition period following) can, in particular, help to accelerate reforms. The Government is committed to this partnership aspect, having worked at a technical level with Bangladesh and Nepal as the three LDCs expected to graduate in 2026, and planning to engage substantively in the LDC V Conference, planned for March 2023.

The STS also provides an opportunity to plan ahead, reflect upon the development beyond graduation, and identify new guiding directions for development, effectively preparing the 10th NSEDP, marked by the end of the Global 2030 Agenda, to ensure continuity between planning cycles.

On both the short and medium-term horizons, the implementation of the STS is therefore a unique opportunity to ensure the quality and sustainability of Lao PDR’s development.

III. Policies and actions for a smooth, quality, and sustainable LDC Graduation

The STS contains series of policies and actions focused on (1) a transition without disruption (smooth), (2) a graduation with momentum (quality) and (3) continued development progress (sustainable) beyond graduation. These are structured against 4 thematic pillars and 9 policy areas, covering the entire scope of graduation issues. In this section, a brief narrative is followed by the presentation of policy priorities and actions, which were formulated during and in the aftermath of a collaborative prioritization workshop on 3-4 November 2022. In total, there are 22 action areas clustered across 4 thematic pillars and 9 policy areas as per a summary highlighted in Table 5. The full action matrix is in annex 2.

Table 5 – Summary of action areas against 4 thematic pillars and 9 policy areas of the STS

Pillar	Policy area	Policy/ action
1. Macroeconomic Stability and Financial Sustainability	1.1 Macroeconomic stability	Action 1: Rapidly increase fiscal space Actions 2: Alleviate the debt burden Actions 3: Increase the resilience of the financial sector
	1.2 Safeguarding investments in human capital and climate action	Actions 4: Prioritise public investments in human capital and green and climate-resilient growth Actions 5: Increase the volume and effectiveness of ODA support in priority sectors Actions 6: Incentivise private sector investments in green growth Actions 7: Plan the country’s participation to global affairs
2 Trade and Investments	2.2 Trade and FDI promotion	Action 8: Reform investment promotion and management to attract quality FDI Action 9: Facilitate and develop quality trade relationships Action 10: Enhance and promote domestic production in line with international standards
	2.3 Business environment for inclusive growth	Action 11: Make the business environment one of the most attractive in Southeast Asia

3 Human Capital Development and Structural Economic Transformation	3.1 Human capital development and decent jobs	<p>Action 12: Urgently address learning poverty</p> <p>Action 13: Ensure access to basic social protection services</p> <p>Action 14: Improve employment opportunities and conditions</p> <p>Action 15: Make the country an attractive ecological and cultural tourism destination</p>
	3.2 Rural development	<p>Action 16: Greater efforts for enhancing rural development through a community-based approach essential for poverty reduction.</p> <p>Action 17: Accelerate the transition to sustainable/resilient food systems</p>
	3.3 Urban development	<p>Action 18: Strategically plan urbanisation</p>
4 Climate Change and Disaster Management	4.1 Integrated and sustainable natural resources management for low-carbon development	<p>Action 19: Accelerate the energy transition</p> <p>Action 20: Manage natural resources in an integrated and sustainable way</p>
	4.2 Climate resilience and disaster risk reduction	<p>Action 21: Accelerate disaster risk management and reduction</p> <p>Action 22: Accelerate adaptation to climate change</p>

1. Macroeconomic Stability and Financial Sustainability

1.1 Macroeconomic stability

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. While macroeconomic instability will not be fuelled by graduation, managing current macroeconomic imbalances is a prerequisite to short and medium-term development progress, and adequately managed flows of development finance are essential for development progress as set out in the Doha Programme of Action. As of late 2022, the country is grappling with high levels of debt, rapid inflation, and currency depreciation, with global shocks building on vulnerabilities, such as trade deficit, limited productive capacities, a growth pattern delinked from fiscal policy, and a large informal economy. Fixing these will primarily require implementing policy decisions contained in the 9th NSEDP Financing Strategy.

Action 1: Rapidly increase fiscal space and financial resilience

- The assessment of fiscal costs and review, harmonisation, and update of the laws, regulations, and processes, to broaden the tax base and abolish and renegotiate CIT, and other fiscal exemptions (9th NSEDP Financing Strategy)
- The harmonisation of tax rates to optimise revenue generation while fostering private sector development and investments in priority sectors and green growth, including the assessment of expected revenues generated, business registrations, administrative feasibility, and impacts on livelihoods of a potential restoration of the VAT rate to 10% (9th NSEDP Financing Strategy)
- The reassessment and possible termination of all public and public-private investment projects that are not in line with the 9th NSEDP priorities or are experiencing increasing costs and delays weighing on the State budget (9th NSEDP Financing Strategy)
-

Description:

These actions, copied verbatim, are identified in the 9th NSEDP Financing Strategy and are key to realise policy objective 1.1.1 (State revenues primarily increase through a fiscal policy shift to broaden the tax base, in line with inclusive growth priorities) and 1.2.1 (2023-2025 budget allocations and public investments, at the national and local level, and in all sectors, support the achievement of the 9th NSEDP) under the 1.1 Revenue Mobilisation Policy Area of the Domestic Public Finance Chapter.

Involved entities:

- Fiscal Policy Department, MoF;
- Tax Department, MoF;
- Investment Promotion Department, MPI

Action 2: Alleviate the debt burden

- The study and exploration of multilateral debt alleviation and suspension initiatives to free fiscal space in support of development investments and provide Lao PDR with sufficient time to increase the revenue to GDP ratio (9th NSEDP Financing Strategy)
- The continuation of debt consolidation through renegotiations to (1) cancel or reduce debt repayments and/or lengthen the maturity of loans to the second half of the 2020s without losing access to future loans and (2) explore debt swaps with major creditors (9th NSEDP Financing Strategy)

Description:

These two actions, copied verbatim, are identified in the 9th NSEDP Financing Strategy and critical to the realisation of policy objective 1.3.1 immediate debt relief is needed to free fiscal space for development investments, under the 1.1 Revenue Mobilisation Policy Area of the Domestic Public Finance Chapter.

Involved entities:

- Debt Management, MoF
- MoFA

<p>Action 3: Increase the resilience of the financial sector</p> <ul style="list-style-type: none"> ▪ The acceleration of projects to strengthen financial risk management regulations and procedures and consolidate the banking sector, considering current macroeconomic and monetary risks (9th NSEDP Financing Strategy), but also disaster and climate change risks. ▪ The pursuit of ongoing work to reform SOEs, focusing on large companies presenting contingent liabilities (9th NSEDP Financing Strategy) and State-owned banks to stimulate sustainable credit growth 	
<p>Description:</p> <p>These actions, copied verbatim, is identified in the 9th NSEDP Financing Strategy and critical to the realisation of policy objective 3.2.1 improve the financial sector’s sustainability and credit availability for priority investments in line with macroeconomic stabilisation priorities, under the 3.2 Financial Inclusion Policy Area, of the Domestic Private Finance Chapter and 1.3.2: transparent and evidence-based debt management will progressively create the conditions for sustainable debt issuance, under 1.3 Sustainable Debt Management Policy Area, in the Domestic Public Finance Chapter</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Commercial Banks Supervision Department, BoL ▪ Monetary Policy Department, BoL ▪ Department of State-Owned Enterprises Reform and Insurance (DSRI), MoF ▪ Debt Management Department, MoF ▪ Line Ministries in charge of SOEs

1.2 Safeguarding investments in human capital, environment, and climate action

If Lao PDR does not urgently increase resources invested in social sectors and green growth (including environmental protection and climate action and disaster risk management), then it will not achieve a smooth, quality, and sustainable graduation. Graduation itself is in practice only expected to have limited impacts on fiscal space for development investments – with only slightly less favourable loan conditions, pressures to co-finance certain projects from donors, and the gradual decrease in the involvement of a few UN agencies. However, with currently limited fiscal space for development, long-term trends in development assistance, although mainly not attributable to graduation, can present a significant challenge in social and climate and disaster risk reduction action, which are ODA-dependent sectors. Improving the sustainability of Lao PDR’s budget is essential to ensure the quality and sustainability of Graduation. The diagnostics prepared ahead of the 9th NSEDP Financing Strategy found that the budget was both insufficient in absolute terms and insufficiently allocated to social sectors and environment and climate action. Budget cuts to central (30%) and provincial (10%) levels from 2020 have worsened the situation in the health sector. With the increasingly frequent and intense extreme weather events, significant investments are required in both adaptation and mitigation, while the accrued utilisation of natural resources for revenue generation are jeopardizing sustainability and climate commitments. Beyond urgent climate and disaster risk action, it will be crucial to safeguard investments in wider environmental protection (e.g., improve chemicals and waste management, local level ecosystem conservation). Moreover, the learning losses from

COVID-19, and the continued limited resources for recurrent expenditures have created a mismatch between the demand for quality education systems and the State’s financial capacity. The development success stories of the Republic of Korea, Vietnam, or China have showed that investments in health, education, and social protection were preconditions for continued development progress. The 9th NSEDP Financing Strategy took note of the early preparations of the STS during formulation and integrated a dedicated policy area on LDC Finance that recommended areas of focus for ODA mobilisation. This section also contains policy decisions from the Domestic Public Finance and Financing Priority Sectors chapters of the Financing Strategy.

<p>Action 4: Prioritise public investments in human capital and green and climate-resilient growth</p> <ul style="list-style-type: none"> ▪ The simultaneous mid-term review of the 9th NSEDP, update of the Public Investment Plan currently being developed, and alignment of the Medium-Term Expenditure Framework, reviewing 2024 and 2025 budget ceilings and yearly allocations (9th NSEDP Financing Strategy) ▪ The review and update of regulations and processes to appraise public and private investment proposals, including the update of the investment scorecard, the systematisation of cost-benefit analyses and other evidence-based methodologies through training and technical assistance, and improvements of PPP governance and regulations. (9th NSEDP Financing Strategy) ▪ The study of the costs, benefits, feasibility, and relevance of environmental fiscal reform (e.g. carbon tax), sin taxes, and other pre-market interventions, to simultaneously influence behaviours and development outcomes, and generate resources for priority sectors, with careful consideration of the current capacity of the tax administration and centralisation of the budget process. 	
<p>Description:</p> <p>These actions, copied verbatim, are identified in the 9th NSEDP Financing Strategy, and are critical to the realisation of policy objective 1.2.1 (2023-2025 budget allocations and public investments, at the national and local level, and in all sectors, support the achievement of the 9th NSEDP) and 1.2.2 (transparent and modern public financial management improves the allocative efficiency and 9th NSEDP-alignment of the budget) under the 1.2 Expenditure Management Policy Area, in the Domestic Public Finance chapter.</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Planning Department, MPI ▪ State Budget Department, MoF ▪ Investment Promotion Department, MPI ▪ Fiscal Policy Department, MoF ▪ Tax Department, MoF ▪ Planning and Finance Departments (line ministries)

Action 5: Increase the volume and effectiveness of ODA support in priority sectors

- The conclusion of discussions with bilateral and multilateral partners for continued ODA and/or budget support during the 9th NSEDP cycle, conditioned to marked improvements to fiscal policy and PFM, which would generate fiscal space for co-financing in the next planning cycle (9th NSEDP Financing Strategy)
- The assessment of challenges, opportunities, and best practices to mobilize ODA from multilateral funds, Technology Bank, and Investment Support Programme (9th NSEDP Financing Strategy), with a particular focus on mobilizing resources from LDC-specific funds until the end of the graduation period (e.g. Global Environment Facility Least Developed Countries Funds, Technology Bank, Investment Support Programme and other related funds).
- Organize a multi-stakeholder process to mobilize resources and develop an inter-ministerial joint programme, supported financially and technically by development partners, to implement the 9th NSEDP Financing Strategy and the LDC graduation STS

Description:

These actions, copied verbatim, are identified in the 9th NSEDP Financing Strategy, and are critical to the realisation of policy objectives 2.2.2 (prioritise financing sustainability in the forthcoming LDC graduation Smooth Transition Strategy) 5.1, 5.2, and 5.3, which call for the sustainable increase of budget allocations and mobilisation of private resources for the health and education sectors, and for environmental and climate action, in the Financing Priority Sectors chapter.

Involved entities:

- International Cooperation Department, MPI
- State Budget Department, MoF
- Fiscal Policy Department, MoF
- Department of International Organizations, MoFA
- Department of Planning, MPI
- Planning and Finance Departments, line ministries

Action 6: Incentivise private sector investments in green growth

The formulation of policy recommendations to incentivise investments in green growth and to create a clear taxonomy for sustainable activities, which would inform policies and actions to improve the business environment and investment promotion regime (9th NSEDP Financing Strategy)

Description:

This action, copied verbatim, is identified in the 9th NSEDP Financing Strategy, and is critical to the realisation of policy objectives 5.3.1 (Green growth and climate-resilient development are financed through sustainably increasing budget allocations, improved

Involved entities:

- Investment Promotion Department, MPI

<p>green budgeting, strategic mobilisation of ODA, and increasing private investments in an enabling business environment), under the Policy area 5.3 Green and Climate Finance, in the Financing Priority Sectors chapter.</p>	<ul style="list-style-type: none"> ▪ Planning and Finance Department, MoNRE
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<p>Action 7: Organize the continuation of LDC preferences related to Lao PDR's participation in international organizations during the transition period.</p> <p>The study of possible mitigation measures to the losses of ISMs related to the participation of Lao PDR in international and multilateral affairs, including requests for continued support and necessary budget preparations.</p>	
<p>Description:</p> <p>As Lao PDR is expected to progressively lose financial support from development partners to participate to international and multilateral events, it will be important to plan ahead and decide which conferences need to be attended and translate those expectations into recurrent expenditures budgeting.</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ State Budget Department, MoF ▪ International Organisations Department, MoFA ▪ Line Ministries

2. Quality Trade and Investments

2.1 Quality trade and investment promotion

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. This policy area is equally concerned with the loss of preferential market access, which could negatively affect Lao PDR's development, and with the prospects offered by the graduation momentum to attract quality FDI and develop mutually beneficial trade and investment relationships. Lao PDR's investment and trade profile shows both a concentration in partners and sectors. Diversification of the trade and investment profile of Lao PDR will go hand in hand with economic transformation, diversification, and the implementation of Lao PDR's environmental and climate priorities (please refer to 3.3 and 3.4). Nonetheless, there are important actions that need to be taken to negotiate with existing and new partners and adopt a legal and regulatory framework that stimulates quality investments and trade in line with the 9th NSEDP priorities.

<p>Action 8: Reform investment promotion and management to attract quality FDI</p> <ul style="list-style-type: none"> • The multi-stakeholder formulation of a comprehensive FDI attraction and promotion, which would contain (1) a FDI policy statement that clarifies Lao PDR's strategic vision for FDI promotion and attraction, (2) the review of the Investment Promotion Law and SEZ regulations (3) the cost-benefit analysis and proposed reforms of the current incentive regime's laws and regulations, prioritising targeted fiscal incentives for priority sectors (social sectors and green growth) and non-fiscal incentives and (4) reforms of the business environment, notably for facilitated entry and increased investor protection, all guided by international standards (9th NSEDP Financing Strategy and Investment Reform Map) • The support to the completion of the FATF mutual evaluation to assess Lao PDR's shortcomings in mitigating money laundering and terrorist financing risks and curbing Illicit Financial Flows and implement resulting recommendations to improve the country's compliance and effectiveness (9th NSEDP Financing Strategy). 	
<p>Description:</p> <p>The first action, copied verbatim, is identified in the 9th NSEDP Financing Strategy and a key action to realise policy objective 4.1.1 (quality FDI contributing to national development priorities increase through a focused investment promotion strategy based on non-fiscal incentives and reforms of the business environment), under policy area 4.1 Foreign Direct Investments, in the International Private Finance chapter.</p> <p>The second action, copied verbatim, is also identified in the 9th NSEDP Financing Strategy and a key action to realise policy objective 4.2.1 (completing the FATF's Mutual Evaluation and implementing the associated action plan is a first step towards curbing illicit financial flows, increasing government revenue, and improving Lao PDR's international profile), under policy area 4.2 Illicit Financial Flows, in the International Private Finance chapter.</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Investment Promotion Department, MPI ▪ LNCCI ▪ Planning Department, MPI ▪ Fiscal Policy Department, MoF ▪ Monetary Policy Department, BoL ▪ Planning and Finance Departments, Line Ministries

<p>In recognizing the need to keep pace with the developments in the global economy, Lao PDR has been a co-sponsored the WTO member-driven initiatives on new issues on E-commerce; Micro, Small and Medium Enterprises (SMSEs); and Investment Facilitation for Development. Lao PDR is an active participants in the Investment Facilitation for Development negotiation at the WTO. We believe that Foreign Direct Investment (FDI) is essential for developing countries and LDCs like Lao PDR to promote sustainable development and economic growth. In addition, in order to improve the FDI attraction, Lao PDR was the first LDC to join both Information Technology Agreement (ITA) and ITA Expansion under the WTO last year. It is believed that a conducive Legal and Policy Framework will help us to attract more trade and investment in the sector, to achieve our digital economy and digital transformation agenda. Joining the ITA agreements would serve as a springboard or means of nurturing our ICT sector. It will help us in mobilizing more resources from the WTO and its members, including technical assistance and capacity building and needed capitals from both private sector and FDI to develop digital infrastructure, Human Resources in ICT and transfer of technology know-how.</p>	<ul style="list-style-type: none"> ▪ AMLIO, BoL ▪ FATF focal points
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<p>Action 9: Facilitate and develop quality trade relationships</p> <ul style="list-style-type: none"> ▪ Set up and building the capacity of an inter-ministerial team of trade negotiators composed of economists, lawyers, and sectoral specialists, with the financial and technical assistance from development partners. ▪ Organise joint public-private trade missions and communication campaigns, mobilising Lao embassies abroad, to promote Lao products and services, improve the country's profile as a trade partner and an investment destination. ▪ Launch a simplification of trade program covering the elimination of nuisance tariffs (minimal tariffs with high administrative costs), accelerating paperless systems, and the streamlining of non-tariff measures in line with priority markets, in order to realise the country's full export potential. ▪ Evaluate the impact of the loss of the LDC Waiver for WTO/TRIPS agreement and other intellectual property related obligations and implications for Lao exporters and the regulatory framework in Lao PDR. ▪ By the end of the preparatory period, initiate trade negotiations for mutually beneficial, quality, and sustainable trade with the European Union to access GSP+, Canada, Japan, and other interested partners to both mitigate graduation impacts and further the achievement of the country's socioeconomic objectives. ▪ Research the current and expected use of recent trade preferences for LDCs applying to lao exporters in key industries to refine the scale of graduation impacts, initiate conversations with partners to prolong access to LDC preferences to Lao exporters, and .identify additional market potential for currently exported Lao products and potential new products Lao PDR could have

a comparative advantage in trade with current partners, in order to mitigate and cover for potential export losses due to graduation.	
<p>Description:</p> <p>There is an opportunity to ensure that graduation is both smooth – the loss of ISMs is mitigated – and sustainable – by engaging Lao PDR into negotiations with current and potentially new trade partners. This work will require to rapidly build capacity, in an inter-ministerial setting, to ensure that Lao interests are represented in negotiations, for mutually beneficial trade relationships and the promotion of Lao goods and services. This could include the setting up of a team of negotiators, the development of a simplification of trade program, the organisation of trade and communication campaigns, all feeding into what are often decade-long negotiations.</p> <p>Currently Lao PDR as a part of ASEAN had officially launch ASEAN-Canada free trade Agreement (FTA) negotiations in November 2021. A joint Feasibility conducted and has been completed in 2008. The study showed potential gains for ASEAN-Canada from an FTA, with positive impact on trade and investment flows.</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Department of Foreign Trade Policy, MoIC ▪ Investment Promotion Department, MPI ▪ Department of Intellectual Property, MoIC ▪ International Organisations Department and Embassies, MoFALNCCI ▪

<p>Action 10: Enhance and promote domestic production for export in line with international standards</p> <ul style="list-style-type: none"> ▪ The study of Lao productive capacities ahead of the preparation of the 10th NSEDP to identify products and sectors with high untapped productive potential, including considering cross-border trade and broader trade opportunities with neighbouring countries. ▪ Development of a sound e-commerce policy and governance framework, through the elaboration of a national e-commerce strategy and an implementation plan supportive of the domestic e-commerce players and consumers, focused on the potential of e-commerce in different economic subsectors.. ▪ Evaluate the impacts and explore regulatory and policy changes and data improvements required to comply with the EU Carbon Border Adjustment Mechanism and Deforestation Regulation and similar schemes. 	
<p>Description:</p> <p>This is an opportunity for the country to increase domestic production for niche products that could be exported and consumed locally. It is also an opportunity for the country to manage its trade balance and increased local capacity to match international and regional demands</p> <p>Another objective is to increase the contribution of Lao MSEs to the country’s export. SMEs have played an important role in socio-economic development in Lao PDR as they cover to about 99.8%.</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Department of Planning, MPI ▪ Development Research Institute, MPI ▪ Department of Foreign Trade Policy-89, MoIC

<p>However, there is still need for technical assistant from the development partners to help on improving the standard in order to stay competitive. As SPS and technical standards demanded by export markets in agriculture, food and challenge for many Lao exporters.</p> <p>The first action, copied verbatim, is identified in many actions indicated in the Industrial and Handicraft Development Plan (2021-2025).</p> <p>The second action, copied verbatim, is also identified in the National Digital Economic Development Vision for 2021-2040, the 10-years National Digital Strategy (2021-2030), specifically under the National 5-Years Digital Economic Development Plan (2021-2025), objective 2. Improve and Expand Digital Technology Infrastructure, Activity 5. Improve and Develop e-Commerce Platform, and objective 7. Promote MSMEs operation and services, Activity 48. Promote and Develop e-commerce to support MSMEs, such as e-Invoice, e-Supply Chain, etc.</p>	<ul style="list-style-type: none"> ▪ Department of Climate Change, MoNRE ▪ MTC ▪ MAF ▪ MTC ▪ BoL ▪ LWU ▪ LYU ▪ LSB ▪ LNCCI
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2.2 Business environment for inclusive growth and MSMEs

If Lao PDR does not create an enabling environment for quality investment, then it will not achieve a smooth, quality, and sustainable graduation. Lao businesses have been strongly affected by COVID-19, particularly MSMEs and recurrent struggles with access to finance, integration into regional value chains, and productivity appear to have worsened. Improving the business environment to facilitate business creation, access to finance, linkages between national and international businesses, will be important to accelerate private sector development, in line with economic transformation (please see 3.3).

<p>Action 11: Make the business environment one of the most attractive in Southeast Asia</p> <ul style="list-style-type: none"> ▪ The quality implementation of the PM's Orders No. 02 and 03 to simplify the business environment, especially accelerating current efforts to disseminate recent regulatory changes and steps to obtain a business license through user-friendly digital platforms, and reduce informal charges (9th NSEDP Financing Strategy). Even though the business registration has been simplified, the business permit remains an integral burden for starting business, especially for MSMEs. ▪ A public-private dialogue to increase research and policies on an enabling environment and incentives for MSME (1) development in priority sectors, (2) integration with regional and international value chains, and (3) responsible business practices. ▪ Public-private dialogue on financial inclusion to improve financial services and products, access to finance, notably through the standardization of credit history and collateral management and potential minimum requirements for financial inclusion, digitalization, and financial literacy. 	
<p>Description:</p>	<p>Involved entities:</p>

<p>The Government of Lao PDR has given its importance to improve its environment of doing business, aiming to facilitate and create a favorable environment for both domestic and foreign investors. In 2018, the Prime Minister issued the Order on improving the regulations and coordination mechanisms for doing business in Lao PDR. The objective of such order is to improve the environment of doing business; to attract new and accredited investors; and help business by reducing numbers of procedures.</p> <p>Apart from these dialogues, there should also be an increase of awareness for the private sectors on the impact, together with the need to increase SME export competition to reduce the challenges to support the affected sectors so that they can adjust to the new circumstances the will occur upon graduation.</p> <p>The improvement of the business environment is already ongoing with the implementation of PM's Orders No. 02 and 03 and monitoring tangible improvements in the ease of doing business will be imperative to unleash private sector development. This could be accompanied by the strengthening of public-private dialogues to support MSME development. These two actions are integrating three actions of the 9th NSEDP Financing Strategy, contributing to 3.1.1 (improve the business environment to unlock domestic private finance flows in priority sectors) and 3.2.2 (increase access to finance for MSME development).</p>	<ul style="list-style-type: none"> ▪ Enterprise Registration Department, MoIC ▪ Planning and Cooperation Department, MoIC ▪ Department of SME Promotion, MOIC ▪ MSME Pormotion Fund, MoIC ▪ Planning Department, MPI ▪ Fiscal Policy Department, MoF ▪ Commercial Bank Supervision Department, BoL ▪ LNCCI
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3. Structural Economic Transformation

3.1 Human capital development and decent jobs for increased productive capacities

If Lao PDR does not have a healthy and well-educated young population that can participate into an economy that creates sufficient decent jobs and is more productive, then it will not achieve a smooth, quality, and sustainable graduation. With a shrinking budget for health and education expenditures, falling health and nutrition outcomes due to the 5F crisis, and the learning losses stemming from COVID-19, the upward trajectory of human capital development is challenged. If restoring fiscal space for social sectors is a precondition (see to 3.1.2), significant efforts need to be put to improve the quality of lifelong learning, and in particular primary education, in a largely young population that can generate a demographic dividend for Lao PDR. The inclusivity and access to quality healthcare also requires significant improvements. A healthy and well-educated young population will only prosper if Lao PDR is also capable to accelerate decent job creation, with nearly 82,000 new entrants into the job market every year. This will require legal and regulatory changes, as well as accrued implementation of labour standards. Job creation will require to scale up support to priority sectors for Lao PDR, such as agriculture, tourism, manufacturing, and energy, in both rural and urban areas (see 3.3.2 and 3.3.3). Additionally, the expansion of social protection will ensure that shocks and crises do not translate into increasing poverty and maintain Lao PDR on a sustainable graduation pathway. These well-being considerations are particularly important for women and girls, who have suffered disproportionately from the compounded impacts of COVID-19 and the 5F crisis. In this respect, the integration of preventive Action programs into national social protection systems is vital so that no one falls behind in overall human capital development in the face of disasters such as COVID-19. With such integration, it will be possible to quickly provide assistance to the most vulnerable of society with the national social protection system in case of disaster. Ensuring a gender dimension, and more broadly, that no one is left behind in the overall human capital development of Lao PDR is imperative for a sustainable graduation and a precondition to structural economic transformation, as the success stories of the Republic of Korea and Vietnam demonstrated.

<p>Action 12: Urgently address learning poverty</p> <ul style="list-style-type: none"> ▪ Develop an Education Recovery action plan in line with the National Statement of Commitment to Action (prepared for the Transforming Education Summit), with sequenced expenditures to attempt to recover the learning loss. ▪ Prioritise spending and efforts on school drop-outs, especially for girls. ▪ The exploration of specific changes required to the laws, regulations, processes, and Charts of Accounts to facilitate centralised planning, prioritisation, and budgeting of the education sector and improved allocative efficiency of public funding, in the context of limited fiscal space (9th NSEDP Financing Strategy) 	
<p>Description:</p> <p>Experiences studied at the LDC graduation peer exchange (August 2022) - Republic of Korea or Vietnam – demonstrate the importance of improving the financing, quality, and access of the education</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Finance Department, MoES

<p>system. At the recent Transforming Education Summit, Lao PDR committed to “transform how the education sector is delivered and to strengthen the quality of education for all”. This action specifies Action 4, looking at the financing of human capital development.</p>	<ul style="list-style-type: none"> ▪ Planning and Cooperation Department, MoES ▪ State Budget Department, MoF ▪ Fiscal Policy Department, MoF ▪ Department of Planning, MPI ▪ Department of International Cooperation, MPI ▪ MoHA ▪ Lao Women Union
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<p>Action 13: Ensure access to basic social protection services</p> <p>Review the implementation and funding of the National Social Protection Strategy, which aims to develop, further strengthen, and finance (from the State budget) the health insurance, social security, and social welfare systems, with a focus on the enrolment of vulnerable groups such as children, women, and persons with disabilities, and anticipatory action</p>	
<p>Description:</p> <p>The STS prioritises the National Social Protection Strategy’s twofold objectives that “<i>by 2030, Lao people have access to basic social protection services</i>” and that “<i>by 2025, the social protection system will be developed gradually and aim to provide higher protection to those more in need</i>”.</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Social Welfare Department, MoLSW ▪ Planning and International Cooperation Department, MoLSW ▪ Lao Social Security Organisation, MoLSW ▪ State Budget Department, MoF ▪ Finance Department, MoH ▪ Lao Trade Union

Action 14: Improve employment opportunities and conditions

- Undertake frequent labour surveys that can inform education reform, skills development, and labour market policies.
- Review the implementation of the Labour Law and of the Minimum Wage Decree and explore legal and regulatory changes to improve working conditions based on the development context of Lao PDR.
- Review the implementation of the Anti-Trafficking Law. Develop and implement policy to secure the employment of migrant workers in Special Economic Zones (SEZs) and development projects along the Belt and Road Initiative with the guarantee of their decent work.
- Improve the availability and quality of vocational education, skills development, and entrepreneurship.

Description:

Human capital development

Involved entities:

- Social Welfare Department, MoLSW
- MoES
- Labour Management Department, MoLSW
- Skills Development Institution, MoLSW
- State Budget Department, MoF
- Investment Promotion Department, MPI
- MoPS
- LSB
- Lao Trade Union (LTU)

Action 15: Make the country an attractive ecological and cultural tourism destination

Initial nationwide dialogue on the future of sustainable tourism development as a pillar of Lao PDR's structural economic transformation in Lao PDR, and the integration of tourism as a priority for the 10th NSEDP.

Description:

Accelerating tourism recovery and make the sector a pillar of Lao PDR's sustainable development could include the explore fiscal incentives for eco-tourism development, global standards and labels/awards that Lao businesses could align to/receive, and

Involved entities:

- MoICT
- MoNRE
- MAF

<p>regulatory updates (e.g. plastic bans) in certain areas. In line with efforts to improve Lao PDR’s trade, tourism promotion missions to priority markets highlighting improvements in connectivity (e.g. the LCR), administration (e-visas), and the country’s natural and heritage capital. This would be boosted by work with UNESCO and other development partners to map and prioritise the promotion and protection of sites of cultural and natural heritage value for international recognition, and the thorough implementation of the Tourism Law, Heritage Law, Museum Law, and the Environmental Impact Assessment Decree.</p>	<ul style="list-style-type: none"> ▪ MEM ▪ National Heritage Committee
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3.2 Rural development

If sustainable development does not take place in rural areas (where the majority of people live), then it will not achieve a smooth, quality, and sustainable graduation. Rural populations have been particularly affected by COVID-19 – mobility restrictions affecting agricultural trade – and since the beginning of the 5F crisis – with more pronounced food insecurity due to rising prices of fertilisers. The economy of rural areas remains largely dependent on the extraction of natural resources, leaving Lao PDR at the bottom of regional and global value chains. Supporting a diversification and qualitative improvement of the economy of rural areas, to transform and refine the natural resources produced, but also to stimulate other key sectors, such as tourism, will be an important contribution to the overall economic transformation of Lao PDR, which can also help to bridge an important and increasing rural-urban gap. Such policy decision will require significantly scaled up strategic spatial planning, to coordinate transport, energy, investments, and resilient infrastructure development policies, in line with regional integration plans (structured by the Lao-China railway, which can help to better integrate more remote regions and overcome landlockedness), more sustainable and integrated natural resources management to curb environmental degradation and decarbonise the Lao PDR economy (see 3.4.1 and 3.4.2).

Action 16: Greater efforts for enhancing rural development through a community-based approach essential for poverty reduction.

- Continue to invest in rural infrastructure, roads, and public services in remote parts of the country and connect rural and urban areas, which are environmentally and financially sustainable and adapted to people’s livelihoods.
- Promote entrepreneurship and production facilities in rural areas and encourage agglomeration economies, especially the development of small towns in rural areas, and promote rural employment and income-generating activities for poor and vulnerable households. This will enhance market access for agricultural produce and improve livelihood opportunities.

<ul style="list-style-type: none"> ▪ Strengthen local capacities through implementing the Sam Sang Policy⁷, improve and strengthen provincial, district and village-level capacities, promote transparency and strong leadership, and strengthen solidarity and harmonization among different ethnic groups. ▪ Encourage “development funds” for the poorest districts, particularly village and district funds, which will provide support to households and villages to enable them to engage in income generating activities. 	
<p>Description:</p> <p>Within this context, rural development is central to the Government’s poverty eradication efforts as rural poverty is of prime concern and a community-based approach to its eradication is essential. The Government’s rural development strategy has two major components: 1) improving access to essential factors of development; and 2) strengthening a comprehensive, poverty-focused planning process at the district level to ensure all initiatives are mutually supportive and co-ordinated.</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ MAF ▪ Department of Planning, MPI ▪ BOL

<p>Action 17: Accelerate the transition to sustainable/resilient food systems</p> <p>Accelerate progress towards the Agriculture Sector Development Plan’s vision to ensure safe and nutritious food for all and develop a sustainable and productive agriculture, with in particular:</p> <ul style="list-style-type: none"> • Promote deforestation-free low-emissions, sustainable, and climate-resilient agriculture practices and food systems, in particular small- and medium-scale and nature-positive food production, discouraging large monocultures, and strengthen national agricultural production for the domestic market and for export, along the transport axes of Lao PDR. • Review the implementation of the National Pollution Control Strategy and Action Plan (2018-2025) and determine appropriate actions based on the review. • Apply advanced science and technology into primary production and provide production and technical services by promoting their use, researching rice and plant seeds and animal breeds, and experimenting with new technologies to upgrade productivity; • Improve rice storage/warehouse capacities to ensure food security in the event of natural disasters and other exogenous shocks. 	
<p>Description:</p> <p>This action is linked to the results of the Food System Summit Dialogue in Lao PDR, which focused on four tracks: ensuring safe and nutritious food for all; boosting nature-positive food production at sufficient scales; advancing equitable livelihoods and value distribution; and building resilience to vulnerabilities, shocks, and</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Department of Planning and Cooperation, MAF

⁷ The Sam Sang Policy (Three Built Directives) proposes provinces as the strategic unit, districts as the integration unit, and villages as the development unit.

stresses. Of all recommendations, the STS recommends prioritising the transformation of food systems anchored in the principles of sustainability, climate-resilience, and inclusive rural development, with in particular a focus on the reduction of chemical contamination.	<ul style="list-style-type: none"> ▪ Department of Environment, MoNRE ▪ Department of Pollution Control and Monitoring, MoNRE
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3.3 Urban development

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 it will not achieve a smooth, quality, and sustainable graduation. Lao PDR is the fastest urbanising nation in Southeast Asia and at a decisive stage in its urbanisation history. This is an opportunity – planning for sustainable urban development in safe, green, connected cities – and a risk – unmanaged urbanisation means polluted, congested, and badly connected cities exposed to natural disasters. Recent trends have indicated that compounded crises have had important negative impacts on urban poverty, which rely more on imported products, whose prices have risen, and who were more limited by COVID-19 mobility restrictions. For structural economic transformation to begin in cities by graduation, and continue beyond, a significant scale-up of sustainable urban planning will be needed, to shape cities with high productive potential, agglomerating resilient infrastructure, skills, knowledge, resources, and high-growth activities for Lao PDR, such as industry and services. To ensure the sustainability of graduation, sustainable urban planning will also need to consider environmental, climate and disaster risk imperatives of our time, with decarbonised energy and transport solutions, sound waste management, disaster risk management and resilience to increasingly disruptive weather events.

<p>Action 18: Strategically plan urbanisation</p> <ul style="list-style-type: none"> • Promote effective urban development by ensuring that urban development plans for Vientiane Capital, provincial, and district capitals, and other urban centres and emerging towns embrace the three core principles of environmental sustainability, climate change resilience, and inclusivity. Use the Lao National Urban Forum as a platform for meaningful discussions and exchanges on urban-related matters: facilitate stakeholder dialogue and foster a collaborative approach towards strategically planned urbanization. 	
<p>Description:</p> <p>Lao PDR is experiencing a fast urbanisation trend that needs to be properly managed. Unmanaged urbanisation leads to uncoordinated and uncontrolled infrastructure growth, and often, higher crime rates, pollution, and vulnerability to natural disasters. In all countries, cities can be hubs of human creativity, decent jobs, and productive capacities, but this requires anticipatory and integrated planning at all levels: national, provincial, and local, with a consideration for regional and global integration.</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Department of Housing and Urban Planning, MoPWT ▪ Department of Planning, MPI ▪ Line Ministries ▪ Local Authorities

4. Climate Change and Disaster Management

4.1 Integrated and sustainable natural resources management for low-carbon development

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. The current economic growth model – heavily reliant on unsustainable use of environmental assets – remains incompatible with sustainability ambitions (the annual cost of environmental degradation is estimated at 19.3% of GDP by the World Bank). While Lao PDR’s environment will not be directly impacted by graduation – outside of the loss of access to the LDC Fund – the sustainability of graduation is heavily reliant on the environmental and climate sustainability of the country’s development pathway. Current economic and financial difficulties have for instance required a difficult balancing act between immediate financial relief – with the easing of mining licenses that generate revenues and foreign exchange – and longer-term sustainability principles enshrined in the 9th NSEDP and the National Green Growth Strategy, which can only be solved through the reorientation of fiscal policy and sustainable debt management (see 3.1.). Further, it is important to develop innovative financial tools suitable to ensure the sustainable management of natural resources. For example, it is important to develop financial instruments such as biodiversity credits, which are developed to protect biodiversity and applied in a few countries. More frequent and violent extreme weather events can build on environmental degradation to catalyse disasters that can halt or even reverse Lao PDR’s development trajectory, as was observed in other countries such as Pakistan. Investment in nature-based solutions and ecosystem services can effectively reduce disaster risk while enhancing environmental sustainability. In this regard, prioritizing nature-based solutions as effective and low-cost options against climate-related disasters such as floods, landslides and droughts is important for the smooth graduation of the Lao PDR. Further environmental degradation and nature loss are also affecting well-being outcomes, with increasing rates of chemical contamination and pollution of the soil, air, water, and food. The sustainable and integrated cost-effective management of natural resources will go through improvements to the quality of environmental safeguards and regulations, as well as their implementation, and the management, in an inter-ministerial and public-private setting, of trade-offs between extraction-driven growth and the sustainability of graduation.

<p>Action 19: Accelerate the energy transition</p> <ul style="list-style-type: none"> • Develop a clean air action plan and include enhanced transport and renewable energy targets in the updated NDC, to be developed and submitted by 2025, and develop an NDC implementation plan. 	
<p>Description:</p> <p>As suggested in the Lao PDR SDG 7 Roadmap: “<i>Phasing out coal from the power sector should be considered in order to benefit from the lower cost of electricity generation, reduce the risk of stranded assets and to align the energy transition with the global call for coal phase-out.</i>” Lao PDR is looking for new alternative in using Clean Coal Technology and the Lao PDR’s vast solar, wind, and hydroelectric energy potential, ambitious climate change mitigation targets, as well as the benefits of relying less on imported petroleum products, justify an accelerated</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Department of Climate Change, MoNRE ▪ Planning Department, MPI ▪ Line Ministries

<p>transition low-emissions energy generation. This includes the electrification of personal and public transportation, which is prioritised in the Lao NDC.</p>	
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<p>Action 20: Manage natural resources in an integrated and sustainable way</p> <ul style="list-style-type: none"> • The temporary halt on new resource extraction projects combined with the update of legislation, regulation, and processes for the future implementation of natural resources extraction projects in line with the inclusive, sustainable, and climate-resilient development pathway of the 9th NSEDP (9th NSEDP Financing Strategy). This includes transforming from natural resources export base toward producing Semi-process material, reduce import and loss of currency, and aim to improving domestic economic development. • Review the implementation of the National REDD+ Strategy (2021-2025) and initiate preparations for a successor framework. • Review the implementation of the National Biodiversity Strategy (2016-2025) and initiate preparations for a successor framework. • A capacity needs assessment to assess challenges and opportunities to strengthen enforcement of (fiscal, environmental, forestry, wildlife) laws and regulations and improve institutional and human capacity to curb and prosecute environmental trafficking. • The capacity development of national funds and establishment of the EPF as the first Accredited Entity or Lao PDR, combined with strengthened collaboration between DPs currently accredited to vertical funds, for strategic green ODA programmes and projects. • The study of the feasibility and relevance of carbon credits and emissions trading schemes, and potential policies and actions to finance biodiversity protection. 	
<p>Description:</p> <p>The first component, copied verbatim, is identified in the 9th NSEDP Financing Strategy and a key action to realise policy objective 1.1.2 (revenue generation does not compromise the 9th NSEDP environmental sustainability directions and priorities), under policy area 1.1 Revenue Mobilisation, in the Domestic Public Finance chapter.</p> <p>The second component takes forward key priorities regarding environmental protection detailed in the National Biodiversity Strategy and the 9th NSEDP.</p>	<p>Involved entities:</p> <ul style="list-style-type: none"> ▪ Department of Forestry, MAF ▪ MEM ▪ Department of Environment, MoNRE ▪ Planning and Cooperation, MAF ▪ Planning and Cooperation, MoNRE ▪ Planning Department, MPI ▪ Development Research Institute, MPI

	<ul style="list-style-type: none"> ▪ Investment Promotion Department, MPI ▪ National Funds ▪ Anti-Money Laundering Information Office, BoL ▪ Department of Environmental Police, MPS ▪ Line Ministries ▪ FATF Focal Points
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4.2 Climate resilience and disaster risk reduction

If Lao PDR does not urgently improve its resilience to climate change and disasters, then it will not achieve a smooth, quality, and sustainable graduation. Lao PDR’s important climate vulnerability (the country ranks 137 out of 180 countries in the 2020 ND-Gain Index, assessing climate vulnerability and readiness to adapt and mitigate impacts, ranking 38th in the list of most vulnerable, and 142nd in the list of most ready countries) is a challenge to the sustainability of LDC graduation and continued development progress. The country is indeed projected to be among the countries most affected by climate change, with a potential 3.6°C rise by the end of the century. This, practically, means that the annual seasonal variations’ intensity and violence would be considerably increasing. Disaster risk management, adaptation and resilience to climate change will be most critical to ensure that weather events do not disrupt lives, hence human capital, and livelihood, thus interrupting the country’s socioeconomic development, in a country where 2/3 of the population depends on natural resources for their livelihoods. Adaptation and resilience will require the effective mainstreaming into all related regulations, policies and project implementation, especially on economic transformation in urban and rural areas, but also dedicated work to analyse the vulnerability of Lao PDR, its territories, and institutions, and infrastructure, and build their resilience. In addition, it is evident that countries at the graduation stage from LDC status will risk losing that status if they remain sensitive to disaster events because disasters affect all three graduation criteria negatively, particularly with the rise in the prevalence and severity of disaster events. Being caught unprepared for disasters, especially in terms of financing, will adversely affect the production capacity of countries at the graduation stage, and it will take a long time for them to return to pre-disaster production capacity. This situation may also cause the graduations to be delayed. In this respect, Disaster Risk Reduction Financial Strategy regarding the costs caused by disasters will play an important role in reducing economic and human losses by enabling the rapid mobilization of financial resources during disasters. For example, informing donors about possible damages caused by disasters in advance will speed up the mobilization of resources.

Action 21: Accelerate disaster risk anticipation and reduction

Improve the human, technological, and financial capacities of the disaster management system (disaster prevention, risk reduction, preparedness and response), in particular through improved vulnerability and exposure mapping, weather forecasting and monitoring, disaster risk financing strategy, community-based adaptation, and multi-hazards early warning systems

Description:

Climate change is expected to lead to the increased frequency and severity of extreme weather events, while further environmental degradation, and infrastructure development, increase biological (i.e., zoonotic disease) and man-made disasters risks that can halt or reverse development progress. Lao PDR remains vulnerable to climate change and disasters, ranking as the 38th most vulnerable country in the world, and only the 142nd readiest country, implying significant disaster risk. [The National DRR strategy refers to important capacity \(financial and human\) to appropriately anticipate and reduce disasters risks and manage impacts when they materialise.](#)

Involved entities:

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Action 22: Accelerate adaptation to climate change

- Align the 9th NSEDP mid-term review and 10th NSEDP and subnational plans with the national DRR Strategy, the National Adaptation Plan, the outcomes of the mid-term review of the Sendai Framework implementation, and the NDC.
- Develop a land zoning plan throughout the country to clearly delineate different areas for production of crops appropriate for environmental protection and resilience, areas for concessions for agricultural production for export, for other major development projects, protected areas for mitigation of natural hazards and risk management, areas for local communities resilience production, and residential areas for better planning and risk management.

Description:

As mentioned above, Lao PDR presents a high vulnerability and a limited readiness to climate change and disasters. As a low emitter of CO₂, Lao PDR's sustainable development hinges on accelerating adaptation of territories and people to a changing climate. This will include integrating disaster risk reduction, climate change considerations and resilience into public and private investments decisions, including the lending process of the financial sector, in particular in highly vulnerable sectors, such as agriculture, energy, fisheries, and health. Vulnerability mapping should help to focus efforts on key provinces and districts within Lao PDR.

Involved entities:

- MoNRE
- MAF
- MEM
- MoIC
- MoLSW
- MPI
- MoF
- MPWT
- LNCCI

IV. Implementation arrangements

Governance and coordination

Management of the LDC Graduation process is led by the LDC National Steering Committee under the overall chairmanship of the Deputy Prime Minister/Minister of Foreign Affairs, with members of the committee drawn from line ministries and supported by its Permanent Representatives to the UN in New York and in Geneva, in close coordination with Ministry of Planning and Investment (MPI), Department of Planning for developing and monitoring national plans, namely the NSEDP, and Department of International Cooperation as the Secretariat of the Roundtable Process.

The anticipated implications of graduation cut across the mandates of all ministries concerned, and therefore thorough consultations throughout the process of developing and implementing the STS are essential. In particular, focuses of key ministries formed as a core consultative group for STS preparation and implementation are highlighted as follows:

- **Ministry of Planning and Investment:** central role in developing and monitoring national plans and ensuring alignment with the 9th NSEDP and coordination with the SDG Secretariat for progress reporting against the SDGs (Department of Planning), as well as playing a role as the Secretariat of the Roundtable Process (Department of International Cooperation).
- **Ministry of Finance:** implications of graduation for access and terms for some concessional finance, advise on investment requirements to maintain levels on measures relevant to the GNI and EVI;
- **Ministry of Industry and Commerce:** improving productive capacity and diversifying production and trade, governance and promote the industry and trade area (Free Trade Zone such as Vita Park), advise on investment requirements to maintain levels on measures relevant to the EVI;
- **Ministry of Agriculture and Forestry:** role in safeguarding livelihoods (sector which occupies the majority of the workforce) and positioning the agricultural sector within the global value chain;
- **Ministry of Health:** role to provide input and advise on investment requirements to maintain levels on measures relevant to the HAI;
- **Ministry of Education and Sport:** role to provide input and advise on investment requirements to maintain levels on measures relevant to the HAI;
- **Ministry of Natural Resources and Environment:** role of protecting and managing natural assets to reduce vulnerability and drive sustainable development;
- **Ministry of Public Works and Transport:** role of infrastructure in supporting trade diversification and productivity improvements.

In addition to the LDC National Steering Committee, Department of International Organization/Ministry of Foreign Affairs (MoFA) leads an inter-ministerial taskforce responsible for developing the STS and it will act as a secretariat to the LDC National Steering Committee to ensure effective coordination of the STS implementation along the way. The taskforce is composed of representatives at Director General and/or Deputy Director General (in some case at division level as appropriate) from the Ministries of Planning and Investment, Finance, Industry and Commerce, Health, Education and Sports, Natural Resources and Environment, Agriculture and Forestry, Labour and Social

Welfare, Lao Statistic Bureau, Institute of Development Policy Research, Lao Women's Union and other line ministries. Four key agencies which are part of the LDC National Secretariat which are not part of the Steering Committee are Ministry of Labour and Social Welfare, Lao Statistic Bureau, Institute of Development Policy Research, Lao Women's Union. Their focuses are for the STS implementation are highlighted as follows:

- **Ministry of Labour and Social Welfare:** Adaptation of the Lao business environment to international standards, with a focus on labour rights and sustainability
- **Lao Women's Union** Gender and trade/investment: garment sector may be impacted by LDC graduation and is an important employer for women in Lao PDR
- **Lao Statistic Bureau:** data improvement and quality for long term development indicators (HAI and EVI)
- **Development Research Institute:** evidence based policy formulation, monitoring and reporting on the STS implementation.

From the UN side, the UN Sustainable Development Cooperation Framework Joint Output Group on Smooth Transition beyond LDC Graduation, provides both technical and financial support to the Department of International Organizations (DIO)/MoFA. The joint output group includes membership from DESA, ILO, ITC, UNCDF, UNCTAD, UNEP, UNDP, UNIDO, ESCAP, and IOM.

Monitoring

The Monitoring approach of the STS will include tracking of the STS implementation (annex 2), as per the STS's action matrix, which contains leadership roles, down to the department level, timelines, and means of verification. Each nominated Government lead is responsible for the collection, analysis, and reporting to the LDC Secretariat on an annual basis, ahead of the final session of the National Assembly and the annual Round Table Meeting, which provide an opportunity to discuss national development progress in a multi-stakeholder forum and strengthen policy coherence.

During annual reviews of progress of STS implementation by the LDC Committee, recommendations may be tabled for updates and changes to the action matrix due to changing context, new information, or changing national priorities.

The Government of Lao PDR will take an active role in the commitments of the CDP, the General Assembly, and the LDCs through the Doha PoA for the enhanced monitoring of Graduating and graduated countries in a changing development context. The national monitoring and evaluation framework of the STS will provide evidence and data that will be used to report annually to the CDP ahead of its annual session in November (for discussion the following February), both on the state of development in Lao PDR, and on the progress of the STS implementation.

Development assistance

Cooperation with development partners is an essential component of Lao PDR's approach to graduation. This is translated into implementation through:

- The mobilisation of development partners through the annual Round Table Meetings and the inclusion of graduation-relevant issues to the agenda of the Sector Working Groups, in collaboration with the Ministry of Planning and Investment, as the secretariat, starting from January 2023;
- The presentation of the STS at the LDC V Conference in March 2023.;
- The close collaboration with the UN System (CDP, UNDESA, and OHRLLS) to monitor the development pathway of Lao PDR and the implementation of the STS (see monitoring and evaluation framework).

International support for graduation is an on-going discussion between the Government of Lao PDR and its partners. Specific needs for international support for a smooth graduation are being defined and refined against each action as part of the STS development process.

It is expected that the Action Matrix is a living document through the STS implementation and that the development partners' contributions are recorded in the dedicated column (see annex 2)

Key measures that have been discussed within the Government and with the relevant international organizations and international partners are:

- On the loss of LDC-specific special and differential treatment on obligations and flexibilities under WTO rules (other than market access), as the LDC Group at WTO, a proposal is to have a package of support measures that would be applied to any LDC for a uniform transition period (currently proposed as 6-9 years) following graduation. The Government of Lao PDR has been engaged actively with Members, bilaterally and in WTO Committees, to seek an opportunity to obtain support for addressing graduation challenges.
- On the issue of LDC graduation in the context of Regional Comprehensive Economic Partnership (RCEP), the Government will carry out further study to gain more understanding of the issue with the support of UN and other development partners.
- On trade-related capacity-building, training and technical assistance, the Government has engaged with development partners to ensure programmes that are not contingent on its LDC status will be able to support the continuation of capacity-building and technical assistance in matters related to trade.
- On development cooperation, the Government has discussed and negotiated with various partners including, the UN, EU, ADB, Luxembourg, and Japan in 2022 to finalize cooperation frameworks where ODA commitments have been highlighted to ensure that Lao PDR's specific needs and vulnerabilities are taken into account. As such, a plan for the coming year is to prepare a country development cooperation report which capture various elements of effective development cooperation tracking supports at various levels to gain better understanding on various types of supports provided by partners.
- Another important matter is on domestic resource mobilization which continues to be crucial, as well as traditional ODA, non-concessional public finance (other official flows—OOF), blended finance, and South-South cooperation. As such, on-going discussions have been made on taking advantage of guidance and capacity-building from organizations on alternative resource mobilization. A capacity building plan to access different sources of climate finance including the Green Climate Fund (GCF) has been in the development process. This will become important to compensate for no longer being eligible for LDC-specific funds.

- In addition, the Government has also started to discuss with the UN and partners to explore the potential of LDC-specific instruments such as the UN Technology Bank and the Investment Support Programme within the period of eligibility (until graduation and up to five years thereafter).
- On support for participation in international organizations and processes, although decision has not been officially made, a few options that the Government is considering which include: a request for extension of the conditions applied to LDCs regarding budget contributions at the ITU; a request for the three-year extension on support to participate in meetings of the United Nations General Assembly and exploring with the relevant institutions possibilities for alternative support for travel to key intergovernmental meetings.

Annex 1: Reference policy frameworks

<p>9th NSEDP (2021-2025)</p>	<p>Outcome 1: Sustainable economic growth</p> <p>Outcome 2: Human capital development</p> <p>Outcome 3: People’s Wellbeing</p> <p>Outcome 4: Environmental Protection and Climate Change</p> <p>Outcome 5: Regional Cooperation and Integration</p> <p>Outcome 6: Good governance and public administration</p>
<p>National Agenda on Economic and Financial Difficulties (2021-2023)</p>	<p>Action 1: Promote production for export to reduce/make up for import and create a stronger and more sustainable revenue base</p> <p>Action 2: Strengthen revenue collection</p> <p>Action 3: Promote frugality, tackle extravagance, enhance effectiveness of investment-expenditure, and address domestic-foreign debt</p> <p>Action 4: Create/ maintain monetary stability</p> <p>Action 5: enhance public management government by the rule of law</p>
<p>9th NSEDP Financing Strategy (2023- 2025)</p>	<ol style="list-style-type: none"> 1. Domestic public finance <ol style="list-style-type: none"> 1.1 Revenue mobilisation 1.2 Expenditure management 1.3 Debt Management 2. International public finance <ol style="list-style-type: none"> 2.1 ODA predictability, efficiency, effectiveness 2.2 LDC Finance 3. Domestic private finance <ol style="list-style-type: none"> 3.1 Business environment for MSMEs 3.2 Financial inclusion 4. International private finance <ol style="list-style-type: none"> 4.1 FDI 4.2 Illicit financial flows 4.3 Remittances 5. Priority sectors <ol style="list-style-type: none"> 5.1 Health finance 5.2 Education finance 5.3 Green and climate finance

<p>Lao PDR Resilience Framework (2023-2025)</p>	<ol style="list-style-type: none"> 1. Macro-fiscal framework⁸ <ol style="list-style-type: none"> a. Revenue mobilisation b. Debt Management c. Financial sector stability 2. Trade, private sector, value chains, and tourism <ol style="list-style-type: none"> a. Investment and business environment b. Tourism c. Agriculture d. Digital transformation 3. Decent work <ol style="list-style-type: none"> a. Social dialogues, legislation, labour, migration b. Social protection c. Skills development d. Food security and rural employment e. MSME development f. Evidence-based decision making 4. Human capital <ol style="list-style-type: none"> a. Education b. Health and nutrition c. Gender equity d. Demography and data 5. Green Growth, resilience and disaster risk management <ol style="list-style-type: none"> a. Green growth b. Climate change resilience c. Disaster risk management
<p>Doha PoA (2021-2032)</p>	<ol style="list-style-type: none"> 1. Investing in people in least developed countries: eradicating poverty and building capacity to leave no one behind; 2. Leveraging the power of science, technology, and innovation to fight against multidimensional vulnerabilities and to achieve the SDGs; 3. Supporting structural transformation as a driver of prosperity; 4. Enhancing international trade of LDCs and regional integration; 5. Addressing climate change, environmental degradation, recovering from COVID-19 pandemic and building resilience against future shocks; 6. Mobilizing international solidarity, reinvigorated global partnerships and innovative tools and instruments: a march towards sustainable graduation.

⁸ Policies and actions taken from the 9th NSEDP Financing Strategy

Annex 2: Action Matrix for the STS implementation

Pillar	Policy area	Policy / action	Objective	Related policy framework	GoL lead (Ministry, Department)	Development partner assistance	To implement by	Means of verification
1. Macroeconomic Stability and Financial Sustainability	1.1 Macroeconomic stability		<ul style="list-style-type: none"> ▪ Quality ▪ Smooth ▪ Sustainable 					
	1.2 Safeguarding investments in human capital and climate action							
2. Trade and Investments	2.2 Trade and FDI promotion							
	2.3 Business environment for inclusive growth							
3. Human Capital Development and Structural Transformation	3.1 Human capital development and decent jobs							
	3.2 Rural development							
	3.3 Urban development							
4. Climate Change and Disaster Management	4.1 Integrated and sustainable natural resources management for low-carbon development							
	4.2 Climate resilience and disaster risk reduction							

Annex 3: Monitoring and Evaluation Framework

(This session will be further developed after the Round Table Implementation Meeting during technical consultations with key stakeholders)

	Indicator	Government lead	Source	Baseline (2020)	Alert threshold	2021	2022	2023	2024	2025	2026
1. Macroeconomic Stability and Financial Sustainability	GNI										
2. Trade and Investments											
3. Human Capital Development and Structural Economic Transformation	HAI										
4. Climate Change and Disaster Management	EVI										