

MISSION REPORT

Joint Government- UN mission on preparations for the 10th NSEDP and High-Level RTIM 2025

10-12 February 2025, Hanoi, Vietnam

Mission overview

- From 10-12 February, the Government of Lao PDR, led by the Vice- Minister of Ministry of Planning and Investment (MPI), and the UN in Lao PDR, led by the UN Resident Coordinator, had a mission to Hanoi, Vietnam. The mission delegation included representatives from MPI, Ministry of Foreign Affairs, the UNDP Resident Representative and members of the UN Resident Coordinator's Office.
- The main objectives of the mission are to meet and brief the non-resident development partners on the implementation progress of the 9th NSEDP, the formulation process of the 10th NSEDP and upcoming priorities, as well as sharing important insights from the 2024 Round Table Meeting and the 2025 High-level Round Table Meeting.
- During the mission, the delegation had chances to meet with the Hanoi-based development partners covering Lao PDR, the IMF Regional Resident Representative for Cambodia, Lao PDR, Vietnam, and the UN Resident Coordinator in Hanoi.

Meeting with the non-resident development partners in Hanoi

- Hosted by the Norwegian Ambassador in Hanoi, this meeting brought together Ambassadors and Embassy's representatives from Ireland, Norway, Denmark, Isreal, Egypt, Algeria, Azerbaijan, Bulgari and Finland to hear updates from the Lao delegation, the UN Resident Coordinator and UNDP Resident representative on Lao PDR's development trajectory.
- In her speech, the Vice-Minister of MPI provided the non-resident development partners with an overview of Lao development context, including its challenges and priorities.
 - Maintaining political stability, peace and social order are crucial elements for creating a conducive environment for development.
 - It is a top priority to address on-going macro-economic difficulties to foster a stable economic environment that supports long-term growth, better attract quality investment, promote commercial production and exports, uplift rural communities and reduce poverty level while protecting the environment and promoting sustainably utilizing of natural resources.
 - The rapidly shrinking fiscal space has directly impacted investment in human capital, especially in the education and health sector, thus posing serious challenges to the development of a skilled workforce as key driver for the national development, achieving SDGs and graduating from the Least Developed Country (LDC) status. Early child marriage and school dropout rate is an alarming concern. Human capital development with a better focus on science technology is a priority.
 - The public administration system needs to improve its effectiveness, simplicity, justice and transparency through enhancing rule of law.
 - It is crucial to strengthen partnership, increase regional and international cooperation and integration to maintain continued support from partners to accelerate efforts in achieving national development targets.

- Mentioning the national planning process, the Vice-Minister highlighted that Lao PDR is concluding the 9th National Social Economic Development Plan (NSEDP) and finalizing the 10th Plan. MPI has led an inter-ministerial, cross-sectoral and inclusive process in the past year to formulate the 10th Plan in close consultation with partners.
 - Continuing the un-finished business of the 9th Plan, the 10th NSEDP is structured around 6 outcomes on economic development, human capital development, enhancing people's well-being, preservation of natural resources, strengthening effective state management and administration; and enhancing regional and international integration and partnership.
 - In terms of timeline and key milestones:
 - March 2025: Consolidate feedback from the development partners on the M&E framework for the 10th NSEDP.
 - August 2025: Present the 4th draft of the 10th Plan, including the Financing Strategy and M&E framework.
 - November 2025: Present the 5th draft of the 10th Plan to the High-level Round Table meeting 2025.
 - December 2025: Finalise the 5th draft of the 10th Plan.
 - March 2026: Present the pre-final draft to the National Assembly Standing Committee.
 - April 2026: Present the 10th NSEDP to the new National Assembly for approval during its 10th session.
 - It is important to ensure a proper sequence in the development and implementation of the three key documents: the 10th NSEDP outlining the strategic goals and priorities for national development, its Financing strategy including a costing plan to ensure the necessary financial resources are allocated and managed effectively to support these goals, and the M&E Framework providing the tools and methodologies to track progress, assess impact, and make necessary adjustments to achieve the desired outcomes. This sequential approach ensures coherence, efficiency, and effectiveness in the planning and implementation process.
- The country is actively raising awareness about its LDC graduation and the Smooth Transition Strategy (STS) 2022-2026 with a Vision to 2030. Key priorities are to mobilize international support and ODA, accessing LDC International Support Measures (ISM) on financing for development, social sectors, trade facilitation, climate change, digitalization, infrastructure development; and closely collaborating with UN agencies to review development through the Enhanced Monitoring Mechanism while accelerating the implementation and monitoring of the STS.
- Lao PDR will conduct its 5th Population and Housing Census in 2025. This Census is essential for tracking progress on SDGs, national development goals, and informing the 10th NSEDP. As Laos approaches middle-income status in 2026, data and evidence will become increasingly vital to better inform government and public services' decisions that drive economic growth, ensure no one is left behind while fully leveraging the country's demographic dividend. This first-ever digital census aims to collect data from approximately 1.4 million households across 18 provinces within three weeks with an estimated 13,150 enumerators conducting the survey.
- Presenting on the Round Table meeting process, the Vice- Minister emphasized that this unique, platform for strategic discussion on national development priorities between the Government and the development partners has been underway for 27 years in Lao PDR.
 - Round table meeting is not a one-off event, but a process with 10 Sector Working Groups chaired by Government, development partners and UN meeting throughout the year to prepare for the meeting.
 - The 2024 RTM saw active engagement from government ministries, development partners, the private sector, and civil society to enhance coordination and hold

constructive dialogues on macroeconomic and human capital investment. In a recent debrief, the Prime Minister expressed gratitude to development partners for their constant support, constructive engagement, and contributions to the NSEDP, and their commitment to continued collaboration amid complex geopolitical and economic challenges.

- The HL-RTM 2025 will serve as a strategic dialogue platform for the top leaders of the Government of Lao PDR and development partners to discuss key achievements, identify lessons learnt and challenges, strengthen partnerships and effective development cooperation. This will help accelerate the achievement of designed targets in the final year of the 9th NSEDP and provides an opportunity to draw lessons learned, gain valuable insights and formulate recommendations for the finalization and implementation of the 10th NSEDP.
- The Vice-Minister expressed heartfelt gratitude for the ongoing collaboration and kind assistance from the development partners for Lao PDR to support the country's national development priorities, including the NSEDP, graduation from LDC status by 2026 and achievement of SDGs. It was emphasized that continued support and assistance are crucial, especially considering recent funding cuts from the US, which have created additional challenges for the country's development efforts. This support is essential for ensuring that Lao PDR can continue to make progress towards its development goals and improve the well-being of its people.
- In response, representatives from the non-resident development partners thanked the Vice-Minister and Lao delegation for the opportunity to hear updates and hold frank discussion on the issues of common concern.
 - **Dannish Ambassador:** highlighted the important role of the private sector in supporting the country's development in response to the shifting focus from pure ODA to trade, and acknowledged the various challenges they face when operating in Laos. Citing an example from a Danish garment factory, the Ambassador confirmed their willingness to expand operations in Laos and looked forward to further support from relevant authorities to reduce investment uncertainty. The Ambassador appreciated the government's efforts to send labor to Japan and Korea to improve technical skills despite the domestic labor shortage. He suggested having more discussions on the growth model that Lao PDR is aiming for under the 10th NSEDP, and more efforts to boost tourism sector in Lao PDR.
 - **Irish Ambassador :** As part of its three-country development programme, Ireland is recalibrating its initiatives for Laos, currently at the mid-term review stage. The key priorities are humanitarian efforts (UXO clearance), nutrition, and education.
 - **Finnish Ambassador:** Finland will organize a seminar with the European Chamber in the first week of April to identify priorities and address the increasing interest from companies in expanding their activities in Laos. This seminar will provide a platform to enhance potential cooperation, with a high priority on the EU market and the role of the private sector in contributing sustainably to national development, including the circular economy.
 - **Israeli Ambassador:** confirmed interest from the Israeli Government to expand activities in Laos, with key focus on man-power, innovation and technology, including smart agriculture practices.
- In conclusion, the Vice Minister of MPI Laos reiterated the crucial continued support and ODA from the development partners for Lao PDR.
 - There is a pressing need to improve the country's legal framework and business environment to better facilitate the private sector's increasingly significant role. The government is addressing this by endorsing the revised law on private investment, focusing on better monitoring and evaluating the quality of investment flows while building investor confidence.

- The Development Research Institute under MPI (DRI) is working on a growth model for the country, emphasizing strengthened macroeconomic management and improved economic growth.
- Tourism development is a high priority, addressing challenges such as workforce, infrastructure, and the capacity to attract quality tourists. Enhancing collaboration on human capital investment, innovation, and digitalization remains a top priority on the national agenda. These efforts are crucial for driving sustainable development and ensuring that Laos can effectively leverage its demographic dividend and technological advancements for economic growth.
- In terms of Government's focal points, the Ministry of Labour and Social Welfare is the focal point for employer management, while the Ministry of Natural Resources and Environment, together with the Ministry of Agriculture and Forestry, handles land-related issues. The Ministry of Planning and Investment (MPI) remains the main counterpart for coordinating effective development cooperation with all partners.

Meeting with Mr. Jochen M. Schmittmann, IMF Regional Resident Representative for Cambodia, Lao PDR, Vietnam

- The Vice Minister highlighted the significant assistance from the IMF, which has played a crucial role in supporting Lao's National Socio-Economic Development Plan through long-standing multilateral cooperation to achieve long-term inclusive and sustainable economic development.
- In 2022, IMF had a technical mission to work with the Ministry of Finance and the Bank of Lao PDR to monitor Lao PDR's macro-economic situation and growth. The mission findings acknowledged the improvement in the timeliness of government finance statistics (GFS) reporting to IMF, but data reconciliation still needs more work. The mission also recommended better coordination for tracking COVID-19 related spending.
- Briefing on the current Lao's macro-economic situation, the Vice-Minister highlighted:
 - Lao's economy is recovering from the COVID-19 pandemic, growing by 4.2% in 2023, driven by key sectors like construction, trade, agriculture, and manufacturing, despite challenges like currency depreciation and high inflation.
 - Exports increased by 2.1% in 2023, with electricity and mineral products being the main contributors, although some sectors like manufacturing and agriculture saw declines.
 - Credit to the economy slowed by September 2023, but money supply (M2) increased by 31.2%, indicating high public confidence in foreign currency deposits and a positive trend for investment and economic growth.
 - The government of Lao PDR aims to reduce the public debt to GDP ratio from 94% in 2023 to 89% by 2025 through strict debt management policies, prioritizing efficient projects, and exploring non-debt financing sources. The Government will balance repayment obligations with new disbursements, limit new debt accumulation, and avoid issuing guarantees. Debt restructuring and negotiations with creditors will also be key to improving liquidity and reducing debt service pressures.
- The UN Resident Coordinator conveyed the appreciation of the Prime Minister of Lao PDR for the on-going support from the development partner for the government's effort in debt management and revenue collection. With the finalization of the 10th NSEDP, it is crucial to have the Plan costed and accompanied by a robust Financing Strategy and an M&E framework to ensure the key priorities of the 10th Plan are well-selected, financed, and can be monitored and evaluated.
- UNDP is supporting MPI and MoF in creating the first-ever tax expenditure report, which compares the list of 200 concessional agreements approved by MPI with the MoF database to track their tax expenditure.

- In response, the IMF Regional Representative acknowledged the ongoing efforts of BoL and MoF to control the inflation rate and enhance revenue collection. He expressed eagerness to work closely with BoL, MOF, and other institutions to support financial sector sustainability.
 - Noting that current efforts mainly focus on expenditure cuts, it is strongly advised to prioritize raising revenue for macroeconomic stability. This can be achieved through tax enforcement, strengthening public finance management reform, and assessing investment efficiency, such as with hydro power projects, to generate more public income. This approach will help stabilize the macroeconomic situation, preserve human capital investment, create jobs, and ensure economic growth.
 - Reiterating that macroeconomic stability is a precondition for economic growth, not a trade-off, the IMF is committed to increased engagement with Lao PDR. The IMF can share more macroeconomic analysis and forecast and provide support to the 10th Plan by leveraging their HQ and regional expertise.

Meeting with Ms. Pauline Tamesis, UN Resident Coordinator, UNDP and FAO Resident Representative in Hanoi

- The Vice-Minister of MPI expressed her highest appreciation for the trustful, fruitful, and close collaboration between the UN and the Government of Lao PDR in supporting the country's national development goals, including the NSEDP, SDGs/Agenda 2030, and LDC graduation. She highlighted the ongoing external and internal challenges facing Laos and reiterated the crucial role of the UN-Government partnership in addressing these challenges and striving towards sustainable development. She also acknowledged the essential convening role of the UN in bringing stakeholders together through the Round Table process
- The UN RC in Hanoi highly appreciated the strong support of Lao PDR for multilateralism in the international arena. She emphasized the need for the two UN offices to mirror the uniquely special ties and strong partnership between Laos and Vietnam, and translate it into concrete South-South cooperation initiatives.
- Sharing insights on establishing a country pool fund to support Vietnam's disaster response and recovery efforts following Typhoon Yangi in 2024, the UN RC emphasized the timely creation of a multi-stakeholder coordinating platform, chaired by the UN and the Government, to mobilize partner support. This led to a costed joint response plan, backed by a multi-sectoral assessment of losses and needs. These elements were crucial for successfully establishing a country pool fund under the MPTF's Emergency Response Window, with participation from eight UN agencies.
- UNDP introduced their Just Energy Transition Partnership (JETP) initiative where they collaborate with the Vietnamese government to mobilize resources and encourage private sector investments in renewable energy. The other main pillars of the initiative include reducing Co2 emission, support phasing out of coal power by assessing its impacts and designing a fair and practical transition process to renewable energy sources, ensuring that the move away from coal is both equitable and sustainable. Through these initiatives, UNDP is supporting Vietnam pave the way for a greener, more sustainable future. However, the US's recent decision to withdraw from Paris Convention may leave negative impacts on the JETP implementation progress.
- FAO is spearheading efforts to revolutionize the food system, aiming for sustainability, resilience, and transparency by 2030. Central to these efforts is the National Food Systems Dialogue, which brings together stakeholders to address current challenges and explore opportunities for improvement. The initiative focuses on key priorities such as climate change response, sustainable production and consumption, food safety, and equitable livelihoods. These priorities are encapsulated in the FAO's "Four Betters"

approach: better production, better nutrition, a better environment, and a better life. The initiatives received high attention and full support from the top leaders of Vietnam with a vision for Vietnam to lead resilient and sustainable agriculture in ASEAN. Referring to the existing regional MOU for joint projects between Laos and Vietnam, FAO recently facilitated a working visit by FAO Laos, in collaboration with MoNRE Laos, to learn from Vietnam's experience in transforming its agricultural system.

- In conclusion, the Vice Minister of MPI Lao PDR and the two UN Resident Coordinators emphasized the strong need for increased support to enhance South-South cooperation and inter-ministerial coordination between Laos and Vietnam. This aligns perfectly with the Funding Compact, which underscores the importance of strong multilateralism and the strategic allocation of resources to support development activities across the Global South. The Compact encourages member states to improve the quality of their funding, including increasing contributions to interagency pooled funding, which can facilitate South-South cooperation initiatives.