



# 14<sup>th</sup> High-Level Round Table Meeting

Under the Theme: “Enhancing Partnerships for Effectiveness Development Cooperation in Implementing the 10<sup>th</sup> five-year National Socio-Economic Development Plan (2026-2030) to Support the Country’s Smooth and Resilient Graduation from Least Developed Country Status and Achieve Sustainable Development Goals”

**14<sup>th</sup> High-Level Round Table Meeting  
Vientiane, Lao PDR  
19<sup>th</sup> November 2025**

# Background Document

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10 November 2025

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<sup>1</sup> This document is prepared for using as a reference to the HL-RTM 2025 only, and is not officially bind-document.

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## Chapter 1: Introduction

### 1.1 Overview Round Table Process

#### A. Historical Evolution and Context

The Round Table Process (RTP) stands as the cornerstone of the Lao PDR's national development coordination and policy dialogue. Established in 1983, the RTP was initially conceived as a mechanism to facilitate aid coordination between the Government of Lao PDR and its development partners, with early support from the United Nations Development Programme (UNDP) and the Government of Luxembourg. In its early years, the RTP was primarily a donor-driven forum, focused on mobilizing Official Development Assistance (ODA) and aligning external resources with the country's development needs.

However, as the Lao PDR's development context evolved, so too did the RTP. The turn of the millennium marked a significant shift: the RTP transformed from a periodic, event-based consultation into a continuous, inclusive, and nationally owned process. This transformation was driven by the recognition that sustainable development requires not only financial resources but also strong national ownership, inclusive partnerships, and robust mechanisms for coordination, monitoring, and accountability.

The RTP's evolution has mirrored broader global trends in development cooperation. The adoption of the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008), and the Busan Partnership for Effective Development Cooperation (2011) provided new impetus for country-led, results-oriented, and partnership-based approaches. In the Lao PDR, these principles were domesticated through the Vientiane Declaration on Aid Effectiveness (2006) and, later, the Vientiane Declaration on Partnership for Effective Development Cooperation (2015–2025), which expanded the focus from traditional aid effectiveness to a broader agenda of development cooperation.

#### B. Structure and Mechanisms of the RTP

The RTP is structured around a set of interlinked platforms and mechanisms that together form the backbone of the Lao PDR's development coordination architecture:

##### 1. High-Level Round Table Meetings (HL-RTM)

Held every five years, the HL-RTM is the apex forum for strategic dialogue on national development priorities, progress, and challenges. These meetings are chaired by the Government of Lao PDR and co-chaired by the UN Resident Coordinator, ensuring high-level political commitment and broad participation. The HL-RTM aligns with the national planning cycle, particularly the formulation and review of the National Socio-Economic Development Plan (NSEDP).

##### 2. Annual Round Table Implementation Meetings (RTIM)

RTIMs are convened annually to review progress in implementing the NSEDP and the recommendations of the HL-RTM. These meetings serve as critical checkpoints, enabling stakeholders to assess achievements, identify bottlenecks, and agree on corrective actions. RTIMs are often held in the provinces, bringing the process closer to local realities and enabling field visits to project sites, which enrich the dialogue with practical insights.

### **3. Sector Working Groups (SWGs)**

Thematic SWGs are the operational arms of the RTP. Each SWG is led by a relevant ministry and brings together government officials, development partners, civil society, and the private sector to coordinate actions, share knowledge, and monitor progress in key sectors such as health, education, governance, trade, agriculture, and natural resources. SWGs are instrumental in translating national policies into sectoral strategies and ensuring that development cooperation is aligned with sectoral priorities.

### **4. Provincial and Local Engagement**

The RTP ensures participation and engagement of local authorities into the development and implementation of the NSEDP and SDG, including its reporting. RTP, which is critical dialogue platform to mobilize funds to each prioritized development area in the NSEDP and SDG, also ensures engagement of the local authorities into the RTIM and its relevant events.

### **5. Multi-Stakeholder Participation**

The RTP has progressively expanded its inclusiveness, now engaging not only government and development partners but also civil society organizations (CSOs), non-profit associations (NPAs), the private sector, academia, and local communities. This multi-stakeholder approach enriches the dialogue, fosters innovation, and enhances the legitimacy and effectiveness of development policies.

### **6. Round Table Process secretariat**

The primary objective of the RTP secretariat is to provide the necessary administrative support to ensure the smooth implementation of the RTP including overall coordination and guidance to the SWGs in fulfilling their tasks, in alignment with the national priorities. A guideline document for the RTP secretariat is to be prepared separately.

## **C. Objectives and Core Functions**

The RTP is designed to achieve several interrelated objectives:

- **Facilitate Policy Dialogue:** The RTP provides a unique platform for open, substantive, and evidence-based dialogue on national development priorities, challenges, and opportunities. It enables the Government and its partners to jointly review progress, share lessons, and agree on strategic directions.
- **Align Development Efforts:** By linking the RTP to the NSEDP and other national strategies, the process ensures that all stakeholders are working towards shared goals, including the Sustainable Development Goals (SDGs), graduation from Least Developed Country (LDC) status, and the pursuit of green and inclusive growth.
- **Mobilize and Coordinate Resources:** The RTP plays a critical role in mobilizing financial, technical, and knowledge resources from a diverse range of partners, including traditional donors, South-South partners, and the private sector. It also ensures that these resources are coordinated and aligned with national priorities
- **Strengthen Monitoring, Evaluation, and Accountability:** Through regular meetings, SWGs, and the integration of monitoring and evaluation (M&E) frameworks, the RTP enhances coordination, tracks progress and supports evidence-based decision-making. It also promotes transparency and mutual accountability among all partners.

## D. Guiding Principles of the RTP

The RTP is underpinned by a set of internationally recognized principles that have been adapted to the Lao context:

- **Country Ownership:** The Government of Lao PDR leads the RTP, ensuring that development cooperation is aligned with national priorities and strategies. This principle is reflected in the strong leadership of the Ministry of Planning and Investment (MPI) and the active engagement of line ministries and provincial authorities.
- **Inclusive Partnerships:** The RTP brings together a broad range of stakeholders, including government agencies, development partners, civil society, the private sector, and local communities. This inclusiveness fosters innovation, ensures that diverse perspectives are considered, and enhances the legitimacy of development policies.
- **Focus on Results:** The RTP emphasizes the achievement of tangible development outcomes, as reflected in the NSEDP, SDGs, and LDC graduation criteria. Results-based planning, monitoring, and reporting are integral to the process.
- **Transparency and Mutual Accountability:** The RTP promotes open dialogue, regular reporting, and mutual accountability among all partners. Mechanisms such as the Vientiane Declaration Country Action Plan (VDCAP) and the ODA Management Information System (ODAMIS) support transparency and accountability.
- **Adaptability and Innovation:** The RTP is designed to be flexible and responsive to emerging challenges and opportunities, such as the COVID-19 pandemic, climate change, and shifts in the development finance landscape.

### 1.2 Result of RTIM 2024

The Round Table Implementation Meeting (RTIM) 2024 served as a critical forum for dialogue and collaboration among stakeholders in Lao PDR, including government representatives, development partners, and civil society. The meeting was organized on 14<sup>th</sup> November 2025, which chaired by H.E. Ph.D. Phet Phomphiphak, Minister of Planning and Investment and co-chaired by Mr. Bakhodir Burkhanov, UN Resident Coordinator to Lao PDR. The meeting focused on evaluating the implementation of the 9<sup>th</sup> National Socio-Economic Development Plan (NSEDP) and discussing priorities for the upcoming 10<sup>th</sup> NSEDP, all framed under the theme, “Enhance Partnership to Support the Implementation of the National Socio-Economic Development Plan”.

The RTIM 2024 was proceed by the presentation from vice minister of Ministry of Planning and Investment, Ms. Phonevanh Outhavong, on the implementation progress of the 9<sup>th</sup> NSEDP in 2024, priorities for 2025 and the development of the 10<sup>th</sup> NSEDP (2026-2030), and on the Presentation on Development Cooperation (The 4<sup>th</sup> Round of Global Survey on Partnership for Effective Development Cooperation and The Result of Vientiane Declaration on Partnership for Effective Development Cooperation (2016-2025) Action Plan Review); and the presentation on the progress towards LDC graduation and outcomes of the participation in the Summit of the Future in New York, by Vice Minister of Foreign Affairs, H.E. Phoxay Khaykhamphithoune. The meeting was also organized with the parallel panel discussions on key development issues, building on discussions in RTIM 2023, namely Sustainable economic and financing for development priorities; and the Human capital development to support development goals.

Key presentations highlighted notable progress in areas such as employment but also pointed out significant challenges, including rising inflation, declining education quality, and reduced

government budget allocations for essential social sectors. The discussion emphasized the importance of effective social protection measures, addressing high public debt, and improving health and educational outcomes to foster human capital development.

Participants identified critical priorities for 2025, which include expanding social protection initiatives, enhancing partnerships with non-state actors, and integrating climate risk assessments into economic strategies. A unified approach to these priorities is deemed essential for tackling development challenges, particularly as Laos prepares for graduation from Least Developed Country (LDC) status.

The meeting underscored the Round Table Process as a vital vehicle for fostering inclusive policymaking. Stakeholders reaffirmed their commitment to dynamic dialogue and collaboration, with the aim of translating discussions into actionable strategies that align with national development goals and contribute to a sustainable future for Lao PDR.

As participants look forward, the insights and resolutions from RTIM 2024 will guide ongoing efforts to achieve shared development priorities and enhance resilience across various sectors. The collaborative approach adopted during this meeting will play a crucial role in steering Laos toward a prosperous and equitable future.

The RTIM 2024 was concluded with following recommendations for all relevant stakeholders to take action.

- Invest in programs that address the needs of vulnerable populations, focusing on poverty alleviation, malnutrition, and healthcare access.
- Urge the government to boost budget allocations for essential social sectors, ensuring these align with the goals of the 10<sup>th</sup> NSEDP.
- Advocate for policy reforms and private sector participation to facilitate the building and enhancement of digital infrastructure throughout the country.
- Utilize ODA strategically to catalyze additional funding sources and cultivate partnerships with private entities to further development goals.
- Emphasize the importance of embedding climate resilience within development strategies to address both current and future challenges.
- Ensure that the 10<sup>th</sup> NSEDP and the national budget are closely aligned to optimize resource allocation and effectively manage ongoing debt negotiations.
- The panel stressed the need for stronger collaboration, particularly increased private sector participation, to achieve sustainable and green growth.

#### **Specific recommendations on the human development:**

- **Financing:** Large scale national investment projects should contribute financially to human resource development and address social issues. Increased cooperation, grants, and low-interest loans are needed for cultural and social sectors. Diversifying funding sources (Taxes) and using financial monitoring systems for efficient budget management are crucial. Investment in social protection schemes is necessary to prevent families from falling back into poverty due to unexpected crises.
- **Education:** A resilient approach to human capital development, including providing for 5-year-old children (Community-based programs), addressing the needs of non-Lao-Tai children (Language support), expanding scholarships, and increasing the teacher quota through more flexible contracting and deployment systems, was suggested. Investment in innovative teacher development approaches and exploring two streams in upper secondary education (Natural sciences and social sciences) were suggested. Finally,

reassigning surplus secondary teachers to primary schools with targeted training was proposed.

- **Health:** It was suggested to prioritize the reduction of malnutrition to ensure equitable access to essential health services, focusing on both nutrition and non-communicable diseases. The panel also recommended strategically investing in the implementation of the National Plan of Action on Nutrition (NPAN) by enhancing its efficiency and accountability. Additionally, the government should strengthen monitoring and evaluation processes and adopt a multi-sectoral and public-private approach to improve nutrition and health outcomes.
- **Social protection:** It was important to expand social security coverage to informal workers and create fiscal space to ensure accessibility to services. Improving governance and data systems is essential for effective service delivery and social protection should be integrated into the national development agenda. Additionally, partnerships with donors and international organizations are recommended to facilitate the implementation of the National Social Protection Strategy. Streamlining governance and data systems will also contribute to a more integrated approach.
- **Development assistance:** Development partners should focus on providing added value (Policy advice, innovation, data, capacity development), assisting with feasibility and sustainability analyses aligned with the government's priorities, strengthening results-based approaches and avoiding supporting too many initiatives simultaneously to ensure effective implementation.

## Chapter 2: Achievement of the 9<sup>th</sup> National Socio-Economic Development Plan (9<sup>th</sup> NSEDP 2021-2025)

Over the past five years, the government has undertaken significant efforts to engage all economic and social sectors to ensure the effective implementation of the 9<sup>th</sup> Five-Year Plan in three overall directions. These coordinated actions have yielded measurable progress, reflected in the following key achievements:

### 2.1. Outcome 1: Continuous Quality, Stable and Sustainable Economic Growth Achieved

#### 1.1. Quality and Sustainable Economic Growth

- GDP growth averaged **4.24%** (target:  $\geq 4\%$ ), driven by industry (avg. **4.7%**) and services (avg. **4.5%**).
- Agriculture exceeded targets with **2.9%** average growth and a **19.4%** share of GDP. Key exports like cassava, rubber, and bananas saw significant increases.
- The energy sector over-performed in revenue generation (LAK 259,603 billion, **184%** of target) and electricity exports (195,602 million KWH, **118%** of target).
- Mining sector revenue reached LAK 169,488 billion (**202%** of target).
- **Challenges:** GDP per capita (USD 2,138 in 2025) and GNI per capita (USD 1,985) fell short of targets due to currency depreciation.

#### 1.2. Robust and Stable Macroeconomic Management Ensured

- **Fiscal Policy:** Public revenue collection (LAK 251,910.84 billion) exceeded the 5-year target by **140%**. Budget deficits turned into surpluses from 2022-2025. Public debt reduced from **112%** of GDP (2022) to **94%** (2024).
- **Monetary Policy:** Key challenges included high average inflation (**17.97%**, target: 6%) and significant currency depreciation. Positive results included foreign reserves covering **5.28 months** of imports (target: 3 months) and controlled non-performing loans (**1.41%**).
- **International Trade:** Consistent trade surpluses, with a cumulative surplus of USD 7,325.54 million over five years.

#### 1.3. Investment Quality and Effectiveness Enhanced

- Total investment reached LAK **342,406** billion, achieving **167%** of the 5-year target.
- Foreign Direct Investment (FDI) and domestic private investment totaled LAK 266,494 billion, reaching **266%** of its target.

#### 1.4. Better Quality, Robust and Regionally and Internationally Competitive Micro, Small and Medium Enterprises.

- Seven strategic policies were implemented to support MSMEs, focusing on access to finance, entrepreneurship, technology adoption, and market expansion.

#### 1.5. Enhanced Efficiency and Effectiveness of State-Owned Enterprises.

- Reformed 32 SOEs, with 10 completing restructuring (mergers, liquidation). Strategic enterprises like Electricité du Laos and Lao Airlines underwent reform.

- A central reform committee was established to oversee the national SOE reform strategy.

## **2.2. Outcome 2: Improved Quality of Human Resources.**

### **2.1 More Inclusive and Better-Quality Healthcare Services and Nutrition**

- Key health indicators improved significantly: Infant mortality fell to **7.2** per 1,000 live births (target: 20); Under-five mortality to **8.3** per 1,000 (target: 30); Maternal mortality to **35.73** per 100,000 (target: 110).
- Universal Health Coverage reached **94.5%** of the target population.
- Challenges: Targets for births attended by skilled personnel, immunization, child wasting, and stunting were not met.

### **2.2 Improved Quality of All Levels of Education.**

- **Positive Progress:** Pre-school enrolment (5-year-olds) increased to **84.7%** (target: 83%); Grade 1 enrolment reached **99.3%**; over **176,720** youth accessed non-formal education/vocational training (target: 150,000).
- **Regressions:** Dropout rates increased at primary (**4.6%**), lower secondary (**12.4%**), and upper secondary (**13.5%**) levels. Gross intake rates for grades 5 and 10 declined.

### **2.3 Workforce Skills and Productivity Improved.**

- **464,514** people secured employment (118% of target), including **342,085** in overseas jobs.
- National unemployment rate was **2.4%**, well below the target ceiling of 15%.
- Over **159,800** individuals received vocational training across various sectors, vastly exceeding the target.

### **2.4 Promoting and Utilizing Scientific Research, Technology, Innovation.**

- A total of **254** scientific research projects were conducted/approved (2023-2025). Safety certificates for radiation usage were issued to 75 hospitals.

## **2.3. Outcome 3: Enhanced Well-Being of the People**

### **3.1 Poverty Alleviation in Rural and Remote Areas.**

- **181,506** families, **1,937** villages, and **48** districts were lifted out of poverty.
- **2,210** model villages and **25** new townships were established.
- Two intangible cultural heritage elements (Naga motif weaving, Lamvong dance) received UNESCO recognition.

### **3.2 Public Utility Infrastructure Improved.**

- National household electricity access reached **95.57%** (target: 98%).
- Water supply systems served **77.56%** of the urban population (progress towards 85% target).

### **3.3 Equal Access to Socio-Economic Development Opportunities Promoted.**

- Female representation in legislative bodies reached **28.35%** (progress towards 30% target).

- Eight counselling and protection centres for women and children were established across key provinces.
- The Lao Women's Union trained **1,549** personnel to provide consultation services (155% of target).

### **3.4 Promote and Develop Youth.**

- The Youth and Adolescent Development Strategy (2021-2030) was implemented nationwide.
- Thousands of youths engaged in talent promotion and awareness campaigns on health, GBV, and substance abuse.
- Over **1,780** individuals received vocational training, and interest-free loans were provided to support youth entrepreneurship.

### **3.5 Expand Access to More Efficient Social Protection Services.**

- Social security membership reached **215,024** individuals (137% of target).
- Social security subsidies were disbursed to **698,216** recipients (145% of target).
- Support was provided to **5,824** individuals with contributions to the national democratic revolution.

### **3.6 Unexploded Ordnance (UXO) Clearance Progressively Accelerated.**

- Clearance operations covered **17,317** hectares of land (**108%** of the project target).
- Risk education reached over **1.6 million** participants through village and school sessions.
- **322** UXO accident survivors received assistance.

## **2.4. Outcome 4: Environmental Protection Enhanced and Disaster Risks Reduced**

### **4.1 Natural Resources Sustainably Used and Managed**

- **692,200** land titles were issued (43% of the 1.6 million target).
- **176,000** hectares of trees were planted (88% of target).
- Integrated water basin management plans were completed for **14** major basins (100% of target).
- Five national parks were proposed, with three approved.

### **4.2 Green Growth Promoted and Actions Taken towards Climate Change Mitigation**

- A national Net-Zero greenhouse gas emissions target by 2050 was set, and the Long-Term Low Emission Development Strategy (LT-LEDS) was formulated.
- The National Plastic Action Plan (NPAP) until 2030 was endorsed.
- Registered electric vehicles reached **3,975**, supported by **103** public charging stations.
- A strategy for carbon credit management was established, securing a contract worth **USD 42 million**.

### **4.3 Capacities for Disaster Prevention, Management and Recovery Enhanced**

- Modernized 47 meteorological and 77 hydrological stations, exceeding targets.

- Flood hazard mapping and simulation models were developed for 8 water basins.
- Disaster management committees were established in 18 provinces, 177 districts, and 2,139 villages.

## **2.5. Outcome 5: Engagement in Regional and International Cooperation and Integration is Enhanced.**

### **5.1 Infrastructure Improved for National, Regional and International Connectivity.**

- **Lao–China Railway** launched (Dec 2021), with international services to Kunming starting April 2023. The second phase of the **Lao–Thai Railway** was completed (July 2024).
- **443.89 km** of strategic roads were rehabilitated (81% of target). Key expressway projects were initiated.
- Mobile network coverage expanded: 2G (**97%**), 3G (**86%**), 4G (**77%**). 5G services launched in five major provinces.

### **5.2 Regional and International Trade and Investment Cooperation and Integration Enhanced and Expanded**

- Active bilateral and multilateral engagement continued despite global challenges, with development partners aligning assistance with national priorities.

### **5.3 Robust Regional and Local Development Based on the Potential of Each Region**

- **Northern Region:** Growth in agro-processing and energy (hydropower projects). Connectivity boosted by Lao-China Railway.
- **Central Region:** Economic recovery post-pandemic; growth in manufacturing and export of electronics and auto parts. Two dry ports operational.
- **Southern Region:** Expansion in agriculture (coffee, rubber) and agro-processing. Development of industrial zones and cross-border trade infrastructure.

### **5.4 Urban Areas and Special Economic Zones Developed.**

- 21 Special Economic Zones (SEZs) established, attracting 599 companies with registered capital exceeding USD 9 billion.
- SEZs contributed over LAK 768 billion to public revenue and created 84,540 jobs.
- Urban development and sanitation projects advanced in key cities under the Greater Mekong Sub-region corridors.

## **2.6. Outcome 6: Public Governance and Administration is Improved.**

### **6.1 Enhanced Efficiency of Public Governance and Administration.**

- Government restructuring reduced ministries from 19 to 15, eliminating 43 departments and streamlining divisions.
- Provincial and district administrative units were significantly reduced (by 3,045 units).
- The electronic civil registration system was launched in 148 districts, registering over 2 million individuals.

### **6.2 Improved and Harmonized Coordination Mechanisms...**

- The National Strategy on Public Service through a One-Stop Mechanism to 2030 was endorsed.

- **75** one-door service centres were established (exceeding the target of 58).

### **6.3 Ensure Political Stability, Peace and Order...**

- **50** laws were developed or revised (16 new, 34 revised).
- Court rulings implementation reached **85%** of the target, with **13.71%** of cases resolved and closed.

### **2.7. The Implementation of the Criteria for Graduation from Least Developed Countries (LDC) Status**

- Lao PDR met all three criteria for LDC graduation in both the 2021 and 2024 UN reviews.
- 2024 Scores: GNI per capita (USD 2,503), Human Assets Index (74.8), and Economic Vulnerability Index (29.8) all surpassed the graduation thresholds.
- The Smooth Transition Strategy (STS) was finalized and endorsed by the government.

### **2.8. Sustainable Development Goals (SDGs)**

- Lao PDR integrated 46 SDG indicators into the 9<sup>th</sup> NSEDP monitoring framework.
- Notable progress was made on SDG 3 (Health), SDG 4 (Education), SDG 5 (Gender Equality), SDG 6 (Water & Sanitation), SDG 7 (Energy), and SDG 8 (Economic Growth).
- Challenges remain for SDG 1 (Poverty), SDG 2 (Hunger), and SDG 18 (UXO). The country ranked 111th out of 163 countries in the 2022 SDG Index.

### **2.9. Lessons Learnt**

1. **Ensuring Political Stability and Social Order**  
Political stability and national unity under the Party's leadership are fundamental prerequisites for macroeconomic sustainability and the successful implementation of national development plans.
2. **Ensuring Accurate Data and Robust Coordination**  
Informed policymaking depends on accurate statistical data. Strengthening intergovernmental coordination and production networks is critical for achieving sustained and stable socio-economic growth.
3. **Advancing Human Resource Development**  
Developing a knowledgeable, capable, and virtuous workforce is a central pillar for the successful execution of socio-economic development plans across all cycles.
4. **Ensuring Timely and Rigorous Legal Reform**  
Effective governance requires the timely refinement of laws and regulations. Prioritizing justice, efficiency, and transparent compliance in public administration ensures policies are responsive and enforceable.
5. **Ensuring Coherence with Strategic Frameworks**  
Sustained progress requires aligning national development plans with long-term strategies like the SDGs. This demands integrated interventions, systematic monitoring, and a robust reporting system to ensure accountability and continuous improvement.

### Chapter 3: The 10<sup>th</sup> National Socio-Economic Development Plan (2026-2030)

The 10<sup>th</sup> Five-Year National Socio-Economic Development Plan (2026-2030) serves as the final five-year plan in the realization of the government's Vision 2030, playing a pivotal role in shaping Laos' future development trajectory. This plan is instrumental in driving a transformative shift to elevate Laos to an upper-middle-income country, guided by the principles of a knowledge-based, green and sustainable economy.

Building on the achievements and lessons of the 9<sup>th</sup> NSEDP, this plan is designed to accelerate the country's transformation into a self-sufficient, knowledge-based, and green economy. The 10<sup>th</sup> NSEDP is guided by **the motto: "Building a Resilient, Self-Sufficient Economy by Leveraging all Potentials to Drive Inclusive, Green and Sustainable Socio-Economic Development."**

#### 3.1 Building a Self-Sufficient Economy in the New Era

The Central Party Committee issued Resolution No. 04/GMSP on 11 April 2024, outlining a new phase of economic independence aimed at establishing fundamental conditions to resolve financial and economic challenges in both the short and long term. This resolution emphasizes the importance and necessity of building a self-sufficient and independent economy in the new era to ensure stronger national development, economic stability and sustainable development. Key focuses include:

1. Focus on building an independent and self-sufficient economy by first enhancing national consciousness, strengthening intellectual capacity and harnessing collective strengths to increase national competitiveness. This will unlock development potential across human resources, natural assets, geographical advantages and cultural and social uniqueness through scientific and strategic planning to ensure efficiency and effectiveness; Optimize development potential to achieve the best possible outcomes in fulfilling the goals of sustainable development, public well-being, political stability and national security, while fostering social order and long-term resilience.
2. Build an independent and self-sufficient economy through a bottom-up approach, beginning small and scaling up, driven by creativity, awareness and deep understanding across all sectors of society. This process fosters self-reliance in development, enabling Laos to unlock and utilize its hidden potential in human resources, natural assets, geographical advantages and socio-cultural strengths; Implement strategic planning to enhance resource management efficiency and ensure that limited natural resources are transformed into valuable assets through responsible and effective utilization; Strengthen economic ownership among Lao citizens to promote structured wealth creation and foster long-term prosperity; Leverage science, technology and innovation to improve production efficiency, value-added product development and service quality, driving sustainable economic growth. Society must also embrace financial discipline, resource optimization and continuous value creation to ensure stable and long-term economic expansion; Encourage domestic production and market exploration to generate sustainable revenue, align economic activities with available resources and ensure cost-effective spending that maximizes productive outcomes.
3. Build an independent and self-sufficient economy while ensuring regional and global integration to strengthen production and service sector foundations, enhancing diversity and resilience. This includes maintaining a sufficient supply of essential goods and

services to meet domestic demand, reducing external reliance and advancing towards export-oriented production that aligns with regional and global supply chains; Create higher value-added exports by enhancing the processing and refinement of national resources that serve as the country's comparative advantage through utilizing modern techniques, technology and innovation to boost competitiveness; Strengthen financial and monetary systems to ensure economic stability and facilitate seamless integration with regional and global markets; Develop sustainable revenue sources through efficient resource utilization and robust legal frameworks to support long-term economic growth; Enforce strict budget planning and disciplined spending to maximize efficiency and effectiveness to ensure high-quality and sustainable development in line with green growth principles.

### **3.2 Directions of the 10<sup>th</sup> NSEDP**

The 10<sup>th</sup> Five-Year National Socio-Economic Development Plan (2026-2030) is positioned as a continuation of four strategic breakthroughs, which must be deepened, strengthened and translated into tangible outcomes. These include: 1) Breakthrough in mindset and vision; 2) Breakthrough in human resource development; 3) Breakthrough in institutional mechanisms, systems and governance; 4) Breakthrough in poverty reduction through mobilization of diverse funding sources and targeted policy incentives. The plan aims to build a focused socio-economic foundation and prioritize three urgent measures as follows:

- 1) Strengthen legal frameworks, institutional mechanisms and administrative procedures to enhance the efficiency of public governance. This must be closely linked to digital transformation, decentralization and the delegation of authority. It also requires creating an enabling environment for investment and business operations to ensure convenience, speed, and transparency.
- 2) Foster a strong sense of patriotism and national development commitment by cultivating self-reliance, resilience, and entrepreneurial spirit by empowering citizens and businesses to thrive. These efforts must be closely linked to improving the quality of human capital and the promotion of the development of an independent economic base driven by domestic ownership, capable of meeting national development needs and integrating effectively with the global economy.
- 3) Reform resource governance across sectors to improve the efficiency of resource exploration and utilization, particularly in the mining, energy and land sectors. This includes enhancing transparency, preventing corruption and loss, and increasing fiscal revenues. These efforts are essential to build fiscal strength and accelerate inclusive and sustainable socio-economic development.

Accordingly, the 10<sup>th</sup> Five-Year National Socio-Economic Development Plan (2026-2030) sets out its strategic direction, outcomes, outputs, targets and priority activities as follows:

### **3.3 Overall Directions**

- 1) Resolve macroeconomic and financial challenges through more tangible and effective measures, while avoiding excessive debt accumulation. Economic governance must be conducted in accordance with laws, regulations and market mechanisms to ensure appropriate state regulation and oversight. The economy must be strengthened through domestic ownership, with clear competitive advantages and sustained expansion driven by high-quality growth.
- 2) Prioritize the development of human capital, equipping learners and intellectuals to meet the demands of nation-building in a rapidly changing context; Strengthen their

capacity to contribute to research, scientific advancement, technology and innovation to ensure that Lao talent increasingly drives national progress and competitiveness at the global level; Promote and expand the country's unique and vibrant cultural heritage as a source of national pride and soft power.

- 3) Improve the quality of life for all citizens and advance national development in a way that enables Laos to graduate from Least Developed Country (LDC) status – through inclusive, high-quality, and sustainable growth.
- 4) Advance socio-economic development and environmental protection in a balanced and integrated manner, guided by green growth and sustainability principles.
- 5) Strengthen proactive and principled international engagement to earn greater trust, support and cooperation from global partners; Enhance Laos' visibility and leadership in regional and international forums.
- 6) Enhance the effectiveness of public governance and socio-economic management, guided by the principles of rule-of-law.
- 7) Ensure strong political stability and social harmony, foster unity and cohesion, and reinforce the foundations of political governance with greater strength and resilience.

### **3.4 Outcomes of the 10<sup>th</sup> Five-Year National Socio-Economic Development Plan (2026 - 2030)**

#### **Outcome 1: Self-Sufficient Economy Built on Development Potentials, Ensuring Stability, Continuous Expansion, High Quality and Sustainable Growth.**

The 10<sup>th</sup> NSEDP focuses on national economy to be pursued in the direction of a self-sufficient and resilient economy through the expansion and diversification of the production and service sectors. This transformation will be grounded in a firm commitment to resolving economic and financial challenges, and in fostering robust, high-quality and sustainable economic growth through national ownership and the responsible utilisation of Laos' development potential. Public finance management shall be modernised to become more transparent, equitable and efficient. This includes enhancing domestic resource mobilisation, strengthening sound fiscal governance, and improving the effectiveness of budget allocation and public expenditure to support inclusive and forward-looking socio-economic development. Ensuring national monetary stability remains essential. State-owned enterprises (SOEs) shall be reformed to enhance operational efficiency and productivity, while efforts will continue to promote the establishment of strategic and public service-oriented SOEs.

At the same time, improving the investment climate remains a priority for the 10<sup>th</sup> NSEDP to stimulate domestic private investment, particularly among micro, small and medium-sized enterprises (MSMEs). Additionally, emphasis will be placed on attracting foreign direct investment (FDI) and promoting joint ventures with international partners across all socio-economic sectors, as part of broader efforts to build a resilient and inclusive national economy. Labour force capacity shall be strengthened and national competitiveness enhanced to serve as key drivers of economic growth. Furthermore, emphasis shall be placed on expanding decent employment opportunities, reducing economic vulnerabilities and building resilience against external shocks. Science, technology and innovation including digital transformation and the application of artificial intelligence (AI) shall be promoted across industrial and service sectors as well as public administration to improve strategic strengths, and to ensure effective and efficient performance across the economy.

**Key targets include:**

- Achieving an average annual economic growth rate of 5.5% or higher.
- Increasing GDP per capita to USD 3,049 by 2030.
- Enhancing the share of agriculture, industry, and services in GDP.
- Strengthening public finance management, promoting domestic resource mobilization, and reforming state-owned enterprises for greater efficiency.

**Priority activities include:**

- Modernizing agriculture and agro-processing.
- Promoting clean and alternative energy.
- Enhancing the mining and mineral processing sectors.
- Developing transport and logistics infrastructure.
- Expanding tourism and supporting the digital economy.

**Outcome 2: High-Quality Human Capital Equipped to Leverage New Technology for Development**

The 10<sup>th</sup> NSEDP prioritized economic development, integrated with social development through the enhancement of human capital. This includes improving workforce quality in alignment with demographic trends and labour market demands, ensuring that socio-economic development needs are met. Efforts will focus on building and upgrading human resources into productive assets, with education and skill development serving as the foundation. Emphasis will be placed on leveraging the potential of young people by enabling them to contribute to research, innovation and creative solutions. Priority will also be given to producing a new generation of specialists, researchers, scientists and skilled professionals, particularly in sectors facing labour shortages and those that drive the national economy.

**Targets include:**

- Raising the Human Asset Index above 66 by 2030.
- Reducing neonatal and under-five mortality rates.
- Increasing life expectancy to over 74 years.

**Key measures:**

- Expanding early childhood, primary, and secondary education.
- Improving technical and vocational education and training (TVET).
- Enhancing higher education and research capacity.
- Promoting lifelong learning and digital literacy.

**Outcome 3: Improved People's Well-Being with Balanced Urban and Rural Development to Drive Gradual Poverty Eradication.**

The priorities under this outcome focus on improving the material and psychological well-being of the population, particularly in remote rural areas, former revolutionary strongholds and heroic regions, and border areas, to bridge development gaps between urban and rural communities and high- and low-income groups. Efforts will be directed towards UXO clearance from agricultural land to expand crop cultivation and livestock farming, ensuring food security and sustainable agricultural development. Additionally, women and youth will be empowered to actively contribute to socio-economic

development, while child and maternal protection will be strengthened to guarantee adequate nutrition and healthcare for mothers and children. Social security will be expanded to promote stability, including broader healthcare coverage for workers. Equitable policies will be implemented to support disadvantaged groups and individuals who contributed to national revolutionary efforts. Furthermore, national traditions and cultural heritage will be preserved and promoted to maintain historical values and identity while integrating them into development efforts in the new era.

**Key targets include:**

- Lifting over 100,000 households and 1,000 villages out of poverty.
- Reducing underweight, stunting, and wasting among children under five. Expanding access to social protection and healthcare.

**Priority activities:**

- Strengthening rural development and poverty eradication.
- Promoting food security and nutrition.
- Expanding social protection networks.
- Enhancing UXO clearance and support for victims.

**Outcome 4: Natural Resources and the Environment Safeguarded to Enhance Resilience Against Climate Change and Natural Disasters**

Efforts must focus on the protection and management of natural resource utilization in line with the National Land Allocation Master Plan to ensure maximum efficiency. It is essential to establish conditions that ensure a balance between socio-economic development and environmental protection under green and sustainable development principles. This includes promoting environmentally responsible investments, enforcing strict environmental standards to minimize impacts on nature and society, and strengthening mechanisms for the effective and sustainable use of natural resources while advancing clean energy initiatives all requiring broad participation and ownership from society.

Additionally, improving systems for waste management, pollution control and environmental quality assurance is crucial, alongside creating clean cities in every province. A priority is also the sustainable utilization of water resources in socio-economic development efforts, ensuring a balanced distribution for both productive purposes and livelihoods.

At the same time, mechanisms, procedures and monitoring systems must be enhanced to reinforce land use management. Attention shall be given to regulating land rental and concessions to ensure compliance with relevant laws and regulations, preventing scattered land encroachments to secure land as a stable source of government revenue. Another key priority is the implementation of international climate and biodiversity commitments that Laos has endorsed, aimed at reducing greenhouse gas emissions and enhancing carbon sequestration to achieve net-zero emissions by 2050. This includes assessing climate-vulnerable areas to strengthen risk preparedness and build capacity for participation in carbon trading mechanisms.

Further emphasis must be placed on establishing systems to effectively manage droughts and floods through the modernization of meteorological and hydrological operations to meet international standards and provide accurate, timely data. Accelerating efforts to promote clean energy development, renewable energy adoption and environmentally responsible production practices that result in lower carbon emissions is also critical.

**Targets include:**

- Reducing greenhouse gas emissions by 60% compared to the baseline.
- Expanding forest coverage and sustainable land management.
- Enhancing disaster preparedness and response.

**Key measures:**

- Implementing the National Land Allocation Master Plan.
- Promoting green growth and circular economy principles.
- Strengthening water resource management and pollution control. Expanding meteorological and hydrological monitoring.

**Outcome 5: Regional and Global Integration and Connectivity Expanded and Optimized for Effectiveness.**

Laos' regional and international connectivity and integration efforts have delivered significant benefits, including market expansion, production integration with regional and global supply chains, and an increased influx of foreign direct investment. These advancements have supported job creation through the strategy of transforming Laos from a landlocked to a land-linked country, particularly through infrastructure development linked to special economic zones. This progress has driven growth in other sectors, such as strategic agricultural sectors, industrial activities, logistics, trade and tourism. Furthermore, enhanced connectivity and integration have accelerated the country's overall economic development, improved livelihoods, reduced disparities between urban and rural areas, and fostered interconnected regional growth, promoting sustainable urban development.

Regional and international cooperation plays an increasingly vital role in Laos' national socio-economic development, particularly through strengthened partnerships with and assistance from strategic allies, as well as support from international partners in regional and global forums. Laos is focusing on increasing national ownership and the expansion of multilateral, multi-sectoral and multi-level collaboration with its allies, while continuing to reinforce its privileges and roles within various international commitments and cooperation frameworks to which it is a signatory.

**Targets include:**

- Increasing export value by at least 10% per annum.
- Expanding national highways and logistics zones. Enhancing digital connectivity and trade facilitation

**Priority activities:**

- Upgrading transport infrastructure (roads, railways, airports, ports).
- Promoting special economic zones and urban development.
- Strengthening economic diplomacy and international cooperation.

**Outcome 6: Public Governance and Administration Strengthened to Ensure Political Stability, Societal Order, Fairness and Civic Advancement.**

The 10<sup>th</sup> NSEDP prioritized the enhancing efficiency of public governance and administration and deepening Implementation of the Sam Sang Directive, improving and harmonizing coordination mechanisms and regulations within the Public Sector to increase efficiency, and ensuring political stability, peace and order, unity, democracy, justice and civilization within the society.

**Targets include:**

- Reducing the number of government employees to 2% of the population.
- Expanding one-door service centers and digital government initiatives.
- Enhancing legal frameworks and public participation.

**Key measures:**

- Streamlining government structures and decentralizing administration.
- Modernizing civil registration and population statistics.
- Promoting transparency, accountability, and anti-corruption measures.

**3.5 Implementation Mechanisms**

The 10<sup>th</sup> NSEDP outlines robust mechanisms for implementation, monitoring, and evaluation:

- The government will issue an Implementation Decree and technical guidelines.
- Ministries, provincial governors, and local authorities are responsible for translating the plan's targets into detailed actions.
- Coordination within the public sector and with private and civil society partners will be strengthened.
- Monitoring and evaluation frameworks will be enhanced to ensure accountability and continuous improvement.

**3.6 Delegation of Responsibilities**

Specific responsibilities are assigned to key ministries and agencies:

- The Prime Minister's Office will streamline investment and business licensing.
- The Ministry of Finance will modernize revenue collection and expenditure management.
- The Bank of the Lao PDR will uphold currency stability and financial sector oversight.
- The Ministry of Industry and Commerce will align production with market demand.
- The Ministry of Agriculture and Environment will promote domestic production and export-oriented agriculture.
- The Ministry of Culture and Tourism will lead tourism development and promotion.
- The Ministry of Education and Sports will advance human capital development.
- The Ministry of Health will focus on healthcare quality and coverage.
- The Ministry of Labour and Social Welfare will enhance labour skill training and social protection.

## Chapter 4: Vientiane Declaration (VD III 2026-2035)

The Vientiane Declaration III (VD III 2026–2035) marks a new era in Lao PDR’s development cooperation, building on two decades of partnership, learning, and adaptation. As the Lao PDR approaches graduation from Least Developed Country (LDC) status and faces a rapidly evolving global development landscape, VD III sets out a forward-looking, nationally owned, and partnership-driven framework to accelerate sustainable development and ensure that no one is left behind. The VD III was built up with the reflection of the progress review of the Vientiane Declaration on Partnerships for Effective Development Cooperation (2016-2025), and the result of the exercising the 4<sup>th</sup> monitoring round survey of the Global Partnership for Effective Development Cooperation (GPEDC) in Lao PDR.

### 4.1 The result of the exercising the 4<sup>th</sup> monitoring round survey of the Global Partnership for Effective Development Cooperation (GPEDC) in Lao PDR.

The 4<sup>th</sup> Monitoring of the Global Partnership for Effective Development Cooperation (GPEDC) in Lao PDR, as presented at the 2024 Round Table Implementation Meeting (RTIM), marks a significant milestone in the country’s ongoing efforts to enhance the effectiveness of development cooperation. This section provides a detailed analysis of the results, achievements, challenges, and strategic recommendations emerging from the monitoring exercise, which is coordinated by the former Department of International Cooperation (DIC) of the Ministry of Planning and Investment (MPI). The findings reflect the collective progress of the Government of Lao PDR, development partners, civil society, and the private sector in advancing the Sustainable Development Goals (SDGs) through effective, inclusive, and transparent partnerships.

#### 1. Overview of the GPEDC Monitoring Process

The GPEDC monitoring framework, established in 2011 and now involving 163 countries, is a multi-stakeholder platform designed to track the implementation of effective development cooperation commitments. Lao PDR’s participation in the 4<sup>th</sup> monitoring round (2023–2026) demonstrates its commitment to the four core principles of effective development cooperation:

- Country Ownership
- Focus on Development
- Results Inclusive Partnerships
- Enhancing Transparency and Mutual Accountability

The monitoring process in Lao PDR is structured in five phases: inception, data collection, data review and final submission, dissemination of results and transitioning to action, and ongoing reflection, dialogue, and action. The methodology is inclusive, engaging government agencies, development partners, business representatives, and civil society organizations

#### 2. Key Results by Dimension

##### Dimension 1: Whole-of-Society Engagement

The participation of stakeholders in the development cooperation process in the Lao PDR has reached a moderate level. Notable progress includes increased involvement of stakeholders in the creation of development partner plans and fostering an enabling environment for civil society organizations (CSOs). However, challenges remain in expanding stakeholder participation in the formulation and monitoring of the Lao National Development Plan and in parliamentary oversight of development cooperation.

- Engagement and Dialogue: 46%
- Parliamentary Oversight: 40%

- CSO Enabling Environment: 73%

While the environment for CSO engagement is strong, further efforts are needed to deepen parliamentary oversight and stakeholder involvement in national planning. The data shows that while CSOs are increasingly able to participate and contribute, the mechanisms for parliamentary oversight and broader engagement still require strengthening. This is crucial for ensuring that development cooperation is not only inclusive but also accountable and responsive to the needs of all segments of society.

### **Dimension 2: State and Use of Country Systems**

The use of national systems in development cooperation is also at a moderate level. Lao PDR has excelled in procurement (88%) and information management (81%), indicating strong institutional mechanisms in these areas. However, public financial management (15%) and national budget integration (14%) remain areas for improvement.

- Planning: 68%
- Respect for Country's Policy Space (SDG 17.15.1): 57%
- Public Financial Management: 15%
- National Budget: 14%
- Gender Budgeting (SDG 5.c.1): 50%
- Accountability Mechanisms: 33%
- Information Management: 81%
- Procurement: 88%

The results highlight the need for targeted reforms in financial management and budget integration to fully leverage national systems for development cooperation. The relatively high scores in procurement and information management suggest that Lao PDR has established robust systems in these areas, but the low scores in financial management and budget integration indicate that more work is needed to ensure that development cooperation is fully aligned with national priorities and systems

### **Dimension 3: Transparency**

Transparency in development cooperation has improved, particularly in the actions of development partners (82%). However, the transparency of country actions remains limited (25%), underscoring the need for enhanced data sharing and accountability mechanisms within government systems.

- Countries' Action: 25%
- Development Partners' Action: 82%

This gap suggests that while development partners are increasingly transparent, the government must strengthen its own transparency practices to ensure mutual accountability. The limited transparency on the part of the government may be due to challenges in data collection, reporting, and dissemination, as well as fragmented accountability mechanisms. Addressing these challenges will be essential for building trust and ensuring that all stakeholders have access to the information they need to participate effectively in development cooperation.

### **Dimension 4: Leaving No One Behind**

The principle of "leaving no one behind" is moderately realized in Lao PDR. The country has performed well in setting targets and achieving results (85%), but faces challenges in data collection, statistics, and consultation processes (30%).

- Targets and Results: 85%
- Data and Statistics: 30%

Improving data systems and consultation mechanisms is essential to ensure that all population groups benefit from development efforts. The high score for targets and results indicates that Lao PDR is making progress in achieving its development objectives, but the low score for data and statistics highlights the need for better data collection and analysis to ensure that progress is being made for all groups, especially the most vulnerable

#### **4.2 Final review of the Implementation of the Vientiane Declaration (2015) and Country Action Plan (2016-2025)-VDCAP.**

The VDCAP sets specific targets and indicators for each development cooperation principle, providing a framework for monitoring and evaluating progress over the ten-year implementation period. Regular reviews, including the mid-term review conducted in 2021, have allowed for adaptive management of the action plan, ensuring its continued relevance in the face of changing national and global contexts.

This final review aims to evaluate the overall progress made in implementing the VDCAP principles and actions from 2015 to 2024. It seeks to:

- 1) Identify key achievements and challenges across all eight principles of the VDCAP.
- 2) Assess changes and developments since the 2021 mid-term review and 2018 Third Global Survey on Effective Development Cooperation, highlighting areas of significant progress and persistent challenges.
- 3) Analyze the impact of external factors, such as the COVID-19 pandemic and global economic shifts, on the implementation of the VDCAP.
- 4) Evaluate the effectiveness of coordination mechanisms and institutional arrangements put in place to support VDCAP implementation.
- 5) Provide evidence-based recommendations for future development cooperation efforts in Lao PDR, considering the evolving national and global development landscape.

The implementation of the Vientiane Declaration Country Action Plan (VDCAP) 2015-2025 has led to significant improvements in development cooperation effectiveness in Lao PDR. Notable progress has been made in areas such as national ownership, alignment with country systems, inclusive partnerships, and domestic resource mobilization. The introduction of new modalities like South-South Cooperation and enhanced private sector engagement has broadened the scope of development partnerships.

However, challenges persist in several areas, including aid fragmentation, capacity constraints, and the need for more robust results measurement frameworks. As Lao PDR moves towards the conclusion of the VDCAP period, it is crucial to build on the achievements while addressing the remaining challenges. The review has provided following recommendations:

1. **A possibility to integrate Long-Term Strategy for Development Cooperation Effectiveness (2025-2035) into the overall financing strategy of the 10<sup>th</sup> and 11<sup>th</sup> NSEDP:** Crafting a new long-term strategy for development cooperation effectiveness is essential, particularly by integrating lessons learned from the Vientiane Declaration on Aid Effectiveness (VDCAP) with the objectives of the 10<sup>th</sup> National Socio-Economic Development Plan (NSEDP) for 2025-2030 and the 11<sup>th</sup> NSEDP for 2031-2035. This strategy should aim to align development cooperation with national priorities and incorporate it into the broader national financing strategy. By doing so, it can ensure that development assistance is effectively utilized to support national goals, while also enhancing financial sustainability. This strategic alignment can facilitate a more coherent approach to development cooperation, ensuring that resources are leveraged to maximize impact.

2. **Moving toward tangible ownership for development results involves ensuring that all stakeholders, particularly national and local governments, actively engage in and take responsibility for the success and sustainability of development initiatives.** Engagement and participation are key components of ownership. Governments, civil society, the private sector, and communities should be involved in every stage of the development process—from planning and design to implementation and evaluation. This inclusive approach ensures that diverse perspectives and expertise inform decision-making, leading to more effective and contextually appropriate solutions. It also fosters a sense of shared responsibility and commitment to achieving development results. Engagement and participation come with resource allocation which is another critical aspect of ownership. When governments and local stakeholders invest their own resources—whether financial, human, or institutional—into development initiatives, it demonstrates a commitment to their success. This investment can take various forms, such as budget allocations, in-kind contributions, or the establishment of dedicated units to oversee project implementation. Such contributions not only enhance the likelihood of project success but also build the capacity of local institutions to manage and sustain development efforts independently.
3. **To effectively measure the impact and effectiveness of multi-stakeholder engagement through the Round Table Process (RTP) and Sector Working Groups (SWGs) in Lao PDR, it is crucial to consistently monitor the implementation of policy recommendations over time:** Key policy recommendations, established during the High-Level Round Table Meeting held every five years, should guide ongoing efforts. Maintaining steady guidance from the highest levels of leadership and avoiding frequent changes in directives is essential for ensuring stability in policy directions. This stability facilitates easier tracking of progress, assessment of long-term outcomes, and necessary adjustments to enhance development efforts. At the implementation level, the annual agendas for the Round Table Implementation Meetings (RTIM) and SWGs/Sub-Sector Working Groups should be constructed around the key policy recommendations identified during the High-Level Round Table Meeting. By aligning yearly agendas with identified priorities every five year, efforts remain focused and coherent, enabling a clearer assessment of progress and outcomes. This approach supports continuous evaluation and adaptation, ensuring that these groups effectively contribute to national development goals and that resources are strategically directed toward the most impactful areas. Regular evaluation against established priorities informs adaptive management, fostering a more coordinated and impactful development cooperation framework that supports evidence-based decision-making in Lao PDR.
4. **Strengthening National Capacities for Result-Based Monitoring and Reporting:** Results-based monitoring and reporting require a fundamentally different mindset that shifts focus from inputs and activities to outcomes and impacts. This approach emphasizes measuring and communicating the actual changes and benefits achieved rather than simply tracking completed activities or resources used. It involves understanding causal pathways and analyzing how interventions contribute to observed changes, rather than assuming direct cause-effect relationships. Adopting this mindset often requires significant changes in organizational culture, systems, and individual behaviors, as well as building new skills in areas such as developing theories of change, selecting appropriate indicators, and analyzing contribution to outcomes. There is a need to shift the organizational mindset from focusing on activities and inputs to emphasizing outcomes and impacts. This involves changing how success is defined and measured across government agencies. Ultimately, this shift represents a move from asking "what did we do?" to "what difference did it make?", fundamentally altering how development interventions are planned, implemented, and evaluated.

5. **Enhance the Use of Country Systems by Development Partners:** Encouraging development partners to enhance the use of country systems requires continued improvements in public financial management and procurement systems. It is important to strike a balance between using country systems and maintaining project implementation units to ensure efficiency and accountability. Strengthening these systems involves implementing reforms to streamline financial processes, improve budget execution, and ensure robust oversight mechanisms. As development partners gain confidence in these systems, they are more likely to channel their assistance through them, promoting greater ownership and alignment with national development strategies.
6. **Further Strengthen the ODA Management Information System (ODAMIS):** Strengthening the ODA management information system (ODAMIS) is vital for improving decision-making and policy formulation. Ensuring that coordination and standardized procedures are in place to create a link between the national ODA database and records at the sectoral and global levels is essential. An effective ODAMIS provides comprehensive and up-to-date data on aid flows, project progress, and outcomes. By enhancing the system's functionality and accessibility, policymakers and development partners can make informed decisions based on reliable information. This can facilitate better coordination, accountability, and transparency in development cooperation efforts.
7. **Quality engagement of Non-State Actors rather than representation:** Developing robust mechanisms for engaging civil society, the private sector, and other non-state actors in development processes is crucial for fostering inclusive and participatory development. The focus should be on quality engagement and contribution rather than mere representation. Establishing multi-stakeholder platforms, consultation forums, and partnership frameworks can enable diverse actors to contribute their perspectives, expertise, and resources to development efforts. By actively involving non-state actors, development initiatives can benefit from innovative solutions, increased legitimacy, and strengthened community ownership.
8. **Strengthening Cooperation across Traditional, Non-Traditional, Emerging and other partners through Coordination and Results Measurement of SSC and TrC Initiatives:** Strengthening the coordination and results measurement of South-South Cooperation (SSC) and Triangular Cooperation (TrC) initiatives is essential, with a focus on information sharing and knowledge management. Establishing clear frameworks for coordination among participating countries and organizations can ensure that efforts are aligned and complementary. Additionally, developing robust monitoring and evaluation systems can help assess the effectiveness of SSC and TrC initiatives, providing valuable insights for improvement. By enhancing coordination and results measurement, these initiatives can contribute more effectively to shared development goals.
9. **Develop a Comprehensive Strategy for Leveraging Private Sector Resources:** Developing a comprehensive strategy for leveraging private sector resources and expertise is crucial for sustainable development. Key measurements need to be in place to track the results of private sector involvement, ensuring accountability and transparency. This strategy should outline approaches for engaging the private sector in development initiatives, such as public-private partnerships, corporate social responsibility programs, and impact investing. By tapping into the private sector's innovation, efficiency, and capital, development efforts can be scaled up and accelerated, contributing to sustainable outcomes.

10. **Enhance Focus on Cross-Cutting Issues:** Enhancing the focus on cross-cutting issues such as gender equality, climate change resilience, and good governance is vital across all development cooperation efforts. Integrating these issues into development planning and implementation ensures that initiatives are inclusive, sustainable, and equitable. For instance, gender-sensitive approaches can be incorporated into project design, while climate resilience measures can be embedded in infrastructure development. By prioritizing these cross-cutting issues, development cooperation can contribute to more holistic and transformative outcomes.

### **4.3 Key Principles of VD III (2026–2035)**

The formulation of the six principles for the Vientiane Declaration III (VD III), intended for the period from 2026 to 2035, is based on a thorough analysis of past experiences, current challenges, and future aspirations within the context of Lao PDR. This process integrates stakeholder feedback, lessons learned from previous declarations, alignment with global frameworks, and a proactive response to emerging challenges, including the dynamics of development finance.

The principles for Vientiane Declaration III (VDIII) have been meticulously crafted to align with the Global Partnership for Effective Development Cooperation, ensuring that Lao PDR's development strategies are relevant both locally and globally. The following outlines the logical and rational justifications for these principles:

- **Address Emerging Challenges:** The principles provide a proactive framework to tackle complex issues including climate change, urbanization, and the shift towards more cooperative development finance models.
- **Invest in Human Capital:** They prioritize education and skills development to build an adaptable workforce capable of driving sustainable economic growth.
- **Ensure Accountability:** The principles emphasize strong implementation, monitoring, and transparency to deliver tangible results and build stakeholder trust.

#### **Principle 1: Country Ownership and Leadership**

- Country ownership will focus on strengthening domestic resource mobilization capabilities while enhancing systems to manage increasingly diverse financing streams.
- The Government will deepen sector-wide coordination mechanisms to ensure more efficient resource allocation and strengthen local governance systems to enhance service delivery by building institutional capacity to manage the challenges and opportunities of LDC graduation, ensuring sustainable development progress continues beyond this milestone.

#### **Principle 2: Quality and Inclusive Partnerships**

- Deepen partnerships by engaging the domestic private sector in priority sectors and strengthening regional cooperation to tackle cross-border challenges.
- Use shrinking ODA as a catalyst to leverage larger private investments through streamlined procedures and blended finance models.

#### **Principle 3: Results-Based Planning and Implementation**

- The next decade will focus on institutionalizing evidence-based policy making across all government levels for decision-making, with particular emphasis on disaggregated

data to ensure no one is left behind as stated in the SDG VNR 3 prepared in 2024 by the Government of Lao PDR.

- Climate considerations will be integrated into results frameworks to better track resilience and adaptation progress.
- The Government will enhance its monitoring and evaluation systems, focusing on outcome-level results rather than just outputs.
- Digital solutions will be leveraged to improve data collection, analysis, and dissemination.

#### **Principle 4: Transparency and Mutual Accountability**

- Transparency and accountability mechanisms will be modernized through digital transformation, with the aid management platform being upgraded to capture all forms of development finance, including climate finance and private investments.
- Anti-corruption frameworks will be strengthened through enhanced verification systems and public oversight mechanisms.
- Procurement processes will be digitalized to improve efficiency and reduce corruption risks.
- Public financial reporting will be enhanced through regular publication of accessible reports and strengthened audit functions.

#### **Principle 5: Predictability and Harmonization**

- Medium-term financing frameworks in Lao PDR will be strengthened to better align with national planning cycles and sector strategies, ensuring that development efforts are cohesive and responsive to the country's priorities.
- Harmonization efforts will focus on reducing transaction costs through common arrangements for planning, funding, monitoring, and reporting, thereby streamlining processes and enhancing efficiency.
- Climate finance will be integrated into existing coordination mechanisms to avoid the establishment of parallel structures, ensuring a unified approach to environmental challenges.
- Development partners will be encouraged to provide more predictable multi-year commitments that align with national priorities, fostering stability and long-term planning.

#### **Principle 6: Capacity Development for Sustainability**

- Capacity development will prioritize building resilient institutions to manage complex challenges like climate change and urbanization, with a core emphasis on strengthening climate resilience across all government levels.
- Enhancing digital transformation competencies is essential for modernizing public service delivery, improving efficiency, and increasing transparency.
- Developing sustainable infrastructure management skills is critical for the long-term maintenance and effectiveness of public investments.
- New financing mechanisms (e.g., climate and blended finance) require dedicated capacity building to effectively access and manage funds.
- Addressing staff turnover through institutional knowledge management systems is vital to preserve expertise and ensure governance continuity.

## **Coordination Architecture**

While the Round Table Process (RTP) has served as the primary platform for development dialogue over the past two decades, implementation reviews of the Vientiane Declaration Country Action Plan (VDCAP) (2016-2025) carried out in 2024 reveal the need for a more dynamic, results-oriented approach that responds to the changing development landscape. This transformation is particularly critical given the diversification of development finance sources, which now extend well beyond traditional Official Development Assistance (ODA).

To enhance the RTP in Lao PDR, it is essential to make stakeholder engagement more meaningful and valuable. Improving the procedural framework for setting up and coordinating meetings is vital to ensure that the results from informal and ad hoc gatherings—such as decisions, ideas, or insights—are treated with the same integrity as those emerging from formal settings.

The Government of Lao PDR must plan for and implement a roll-out strategy for a new operating model for the RTP to address the functional and structural challenges under the RTP by transforming the RTP from consultation to action-driven results, focusing on expanding financing scope, enhancing coordination mechanism to strengthen evidence-based policy dialogue, cross sector synergy, and M&E framework, and enhancing more inclusive engagement.

## Chapter 5: Least Developed Country Graduation (LDC Graduation)

Lao PDR's journey toward graduation from the Least Developed Country (LDC) category is a historic achievement, reflecting decades of national effort, policy reform, and partnership. Since entering the LDC category in 1971, the Lao PDR has prioritized poverty eradication, human capital development, and economic transformation as central pillars of its national development agenda. The triennial reviews by the UN Committee for Development Policy (CDP) in 2018 and 2021 confirmed that Lao PDR met the graduation thresholds, first by meeting two out of three criteria, and then all three: Gross National Income (GNI) per capita, Human Assets Index (HAI), and Economic and Environmental Vulnerability Index (EVI).

Graduation is not only a recognition of progress but also a new beginning. It signals that Lao PDR has made significant strides in improving the lives and well-being of its people, achieving solid political stability, social order, and sustained economic growth. However, it also brings new challenges, including the gradual loss of LDC-specific international support measures (ISMs), and the need to ensure that development progress is not disrupted or reversed.

### 5.1 The Context and Rationale for a Smooth Transition Strategy

Lao PDR's graduation comes at a time of unprecedented global uncertainty. The COVID-19 pandemic, the ongoing "5F" crisis (food, fertilizer, fuel, finance, and animal feed), and intensifying climate change have created a complex environment for all developing countries, especially LDCs. These shocks have led to economic contraction, increased debt burdens, and heightened vulnerability, particularly for the most marginalized.

Recognizing these challenges, the UN General Assembly granted Lao PDR an extended five-year preparatory period for graduation (2022–2026), longer than the standard three years. This period is intended to allow Lao PDR to thoroughly prepare for graduation, mitigate risks, and ensure that the transition is smooth, quality-driven, and sustainable.

### Objectives and Role of the Smooth Transition Strategy (STS)

The STS is a comprehensive policy framework developed by the Ministry of Foreign Affairs, with support from the United Nations and broad national consultation. It is designed to:

- Ensure a smooth graduation: Mitigate the potential impacts of losing LDC-specific ISMs, such as preferential trade access, concessional finance, and technical assistance.
- Maintain a quality graduation: Address internal and external challenges (COVID-19, macroeconomic instability, climate change) to ensure that development progress is consistent with the vision of the National Socio-Economic Development Plan (NSEDP).
- Guarantee sustainability: Lay the foundation for continued progress beyond 2026, aligned with Vision 2030 and the SDGs, and manage long-term risks.

The STS is fully integrated with national frameworks such as the 9<sup>th</sup> NSEDP, the Financing Strategy, the Resilience Framework, and the Doha Programme of Action for LDCs (2022–2031).

### 5.2 Diagnostics: Implications of LDC Graduation

#### Anticipated Impacts

Graduation from LDC status will gradually phase out access to LDC-specific ISMs, including:

- **Trade preferences:** Loss of preferential market access (e.g., EU's Everything but Arms), which is particularly significant for the garment sector. However, most Lao exports go to ASEAN and Asian partners under existing free trade agreements, so the overall impact is limited but not negligible.

- **Development finance and technical assistance:** Some concessional loans may become less favorable, and access to certain funds (e.g., LDC Fund for climate change, Technology Bank) will be lost. However, most ODA from major partners (World Bank, UN agencies, OECD-DAC members) is expected to continue.
- **Participation in international forums:** Lao PDR will lose discounts on UN contributions and support for travel to international meetings, though some support may continue during the transition period.

Recent studies suggest that while the direct impact of graduation is limited, the loss of preferences could reduce export values by up to 7.3% (USD 734 million), especially if Lao PDR does not diversify its export portfolio and negotiate continued access to preferences

### Opportunities to Seize

Graduation offers several opportunities:

- **Enhanced international image:** Graduation signals development success, improving Lao PDR's standing in global politics and trade, and attracting more foreign investment.
- **Access to new financing:** Improved creditworthiness can lead to better access to commercial finance and more favorable terms for development loans.
- **Policy focus and reform momentum:** The graduation process brings attention to critical challenges (fiscal space, debt, environment, human capital), facilitating partnerships and targeted technical and financial assistance.

## 5.3 Policies and Actions for a Smooth, Quality, and Sustainable Graduation

The STS identifies 22 specific actions across four thematic pillars and nine policy areas, designed to ensure a transition that is smooth, quality-driven, and sustainable

### Pillar 1: Macroeconomic Stability and Financial Sustainability

#### Key Actions:

- **Increase fiscal space:** Broaden the tax base, harmonize tax rates, and review investment incentives to optimize revenue generation.
- **Alleviate the debt burden:** Explore multilateral debt relief, renegotiate debt terms, and improve debt management.
- **Strengthen the financial sector:** Enhance risk management, consolidate the banking sector, and integrate disaster and climate risks into financial regulations.

### Pillar 2: Trade and Investments

#### Key Actions:

- **Reform investment promotion:** Develop a comprehensive FDI strategy, review investment laws, and improve the business environment.
- **Facilitate quality trade relationships:** Build capacity for trade negotiations, promote Lao products, and simplify trade procedures.
- **Enhance domestic production:** Identify niche products, develop e-commerce, and improve compliance with international standards.

### Pillar 3: Human Capital Development and Structural Economic Transformation

#### Key Actions:

- **Address learning poverty:** Develop an Education Recovery Action Plan, prioritize spending on school dropouts, and improve education financing.
- **Expand social protection:** Implement the National Social Protection Strategy, focusing on vulnerable groups.
- **Improve employment opportunities:** Align education with labor market needs, strengthen labor laws, and promote decent work.

- **Promote sustainable tourism:** Develop eco- and cultural tourism as pillars of economic transformation.

#### **Pillar 4: Climate Change and Disaster Management**

##### **Key Actions:**

- **Accelerate the energy transition:** Promote renewable energy, phase out coal, and electrify transport.
- **Sustainable natural resource management:** Update legislation, protect biodiversity, and develop financial tools for conservation.
- **Disaster risk reduction:** Strengthen early warning systems, disaster risk financing, and community-based adaptation.
- **Climate adaptation:** Integrate climate resilience into all planning, with a focus on vulnerable regions and sectors.

#### **5.4 Implementation Arrangements**

##### **Governance and Coordination**

The LDC Graduation process is led by the LDC National Steering Committee, chaired by the Deputy Prime Minister/Minister of Foreign Affairs, with members from all key ministries. The Department of International Organization (MoFA) leads an inter-ministerial task force responsible for developing and coordinating the STS.

##### **Monitoring and Evaluation**

The STS includes a robust monitoring and evaluation framework:

- Annual tracking of progress against the action matrix, with clear leadership roles, timelines, and means of verification.
- Core indicators for each pillar (GNI, HAI, EVI) are tracked to assess progress toward smooth, quality, and sustainable graduation.
- Annual reporting to the CDP and the National Assembly, with regular reviews and updates to the action matrix as needed.

##### **Development Assistance and International Support**

- Round Table Meetings and Sector Working Groups will continue to mobilize development partners and align support with graduation priorities.
- Negotiations with partners (EU, UK, WTO, UN agencies) are ongoing to mitigate the loss of LDC-specific preferences and ensure continued technical and financial assistance.
- Capacity building for accessing new sources of finance (e.g., Green Climate Fund) and managing alternative resource mobilization is a priority.

#### **5.5 Strategic Considerations for Post-Graduation**

##### **1. Managing the Loss of ISMs**

- **Trade:** Lao PDR must diversify export markets, negotiate continued preferences, and improve compliance with international standards.
- **Finance:** The shift from grants to loans and the need for new financing modalities (blended finance, climate finance, PPPs) require careful debt management and fiscal discipline.
- **Technical Assistance:** Continued engagement with development partners is essential to maintain capacity-building and technical support.

## 2. Leveraging Graduation for Development

- **International Image:** Graduation can attract investment and improve the Lao PDR's negotiating position in trade and development projects.
- **Policy Momentum:** The graduation process provides a window for accelerating reforms in public financial management, business environment, and social protection

## 3. Ensuring Inclusivity and Sustainability

- **No One Left Behind:** The STS emphasizes targeted interventions for vulnerable groups, gender equality, and inclusive growth.
- **Environmental Sustainability:** Green growth, climate adaptation, and disaster risk reduction are central to the sustainability of graduation.

## 5.6 Lessons Learned and Recommendations

- **Policy Coherence:** The STS is aligned with the NSEDP, Financing Strategy, Resilience Framework, and the Doha Programme of Action, ensuring coherence across all national and international frameworks.
- **Stakeholder Engagement:** Broad consultation with ministries, development partners, private sector, and civil society is essential for successful implementation.
- **Adaptive Management:** The action matrix is a living document, updated regularly to reflect changing contexts and new information.
- **Capacity Building:** Continued investment in institutional and human capacity is critical for managing the transition and sustaining development gains.

## 5.7 The Path Forward: Lao PDR's Vision Beyond Graduation

### 1. National Ownership and Leadership

Lao PDR's graduation is a testament to national leadership and the commitment to self-reliance. The government's role will evolve from direct implementation to strategic policy guidance, enabling local solutions and co-financing arrangements. This evolution reflects a maturation of Lao PDR's development approach, where the government transitions from direct implementation to a more strategic role of policy guidance and facilitation.

### 2. Results-Based and Inclusive Development

The STS prioritizes measurable outcomes for the most vulnerable, including ethnic minorities, women, children, persons with disabilities, and remote communities. Regular monitoring, disaggregated data collection, and adaptive management will ensure that development benefits reach all population groups.

### 3. Partnerships and Regional Integration

The new framework emphasizes structured engagement of the private sector in development planning and implementation, especially in priority sectors. Civil society's role will be enhanced through clearer guidelines, regular dialogue, and capacity building. Regional integration and south-south cooperation will be prioritized to address cross-border challenges and promote knowledge exchange.

### 4. Digital Transformation and Innovation

Digital solutions will be leveraged for monitoring, evaluation, and public financial management. The digital economy will be promoted as a driver of innovation and efficiency.

## **5. Environmental and Climate Resilience**

Green growth, climate adaptation, and disaster risk reduction are central to the sustainability of graduation. Lao PDR will prioritize nature-based solutions, renewable energy, and sustainable management of natural resources.

LDC graduation is a major milestone for the Lao PDR, reflecting decades of progress and national commitment. The Smooth Transition Strategy provides a comprehensive, actionable roadmap to ensure that graduation is not only achieved but sustained, with a focus on macroeconomic stability, trade and investment, human capital, and climate resilience. Through strong governance, robust monitoring, and inclusive partnerships, Lao PDR is poised to navigate the challenges and seize the opportunities of graduation, ensuring a future of sustainable, inclusive, and resilient development for all its people.