

# Financial Strategy in Closing Graduation Gap for Lao PDR

## Regional Meeting on Financing Graduation Gaps of Asia-Pacific LDCs

Presented by: Amphaphone Sayasenh  
National Economic Research Institute (NERI)

Dhaka, Bangladesh  
29<sup>th</sup> October 2014

## Recap: Estimation of financial needs

- In order to ensure to close the graduation gap of all three criteria and based on the scenarios, the proposed allocation is as follow:
    - Economic sector (25%): USD 6.7 – 7.1 b
    - Social sector (45%): USD 11.8 – 12.7 b
    - Infrastructure sector (30%) USD 7.9 – 8.5 b
- Total: (100%) USD 26.4 – 28.3 b

## Proposed financial strategy (1)

- 7<sup>th</sup> NSEDP identifies 4 main sources:
  - Government budget (10-12%)
  - Official Development Assistance (24-26%)
  - Private sector (including FDI) (50-56%)
  - Bank credit (10-12%)

## Proposed financial strategy (2)

- 8<sup>th</sup> NSEDP aims to finance from 4 main sources as follows:
  - Gov. budget (9-11%)
  - ODA (15-17%)
  - Private sector (53-59%)
  - Bank loan (17-19%)

## Increase Potential Sources

- **Government budget (long-term)**
  - Strengthen revenue collection by
    - gradually modernizing revenue collection system;
    - introduce basic book-keeping to micro and small enterprises
- **Private Sector**
  - Improve ease of doing business by setting clear quantitative targets
  - Provide investment incentive for productive and high employment sectors
  - Improve labor supply and labor market condition
- **Bank loan**
  - Strengthen regulatory capacity
  - Provide incentives for SME credits

## Inclusive Resource Mobilization Mechanism (I)

- **Government budget:** improve quality of public investment project by enhancing quality control and evaluation. Re-enforce PIP and state budget laws and ensuring transparency competition in PIP contract awarding process.
- **ODA:** improve Round Table process of the country in order to include participation from all development partners together with effectively implement other related legal framework on ODA including Vientiane Declaration on Aid Effectiveness, Prime-Minister's Decree no.75 on the Management and Utilization on ODA.
- **Bank loan:** promote SME loans

## Inclusive Resource Mobilization Mechanism (2)

- Private Sector:
  - Create an effective framework to engage private sector in public infrastructure, particularly in the form of public-private-partnership (PPP) by developing appropriate legal framework to ensure the implementation of this scheme successfully. Pioneer by pilot projects might be a good option to further expand when successful.
  - Strengthen investment screening capacity and accountability.
  - Introduce (mandatory?) CSR for large scale investment in natural resources.

## Inclusive Resource Mobilization Mechanism (3)

- Establishment of taskforces might be good option to ensure the implementation of the setting goal:
  - Financial mobilization taskforce – which includes all related sector to develop financial mobilization taskforce for 8<sup>th</sup> NSEDP.
  - Economic stability taskforce – to keep monitoring macroeconomic situation and provide immediate recommendations to government and relevant agencies in order to solve if there is possible problems would occur.
  - LDC graduation taskforce – which focusing on LDC graduation in particular and act as liaison with all related domestic agencies as well as international related organizations to ensure the sound progress of LDC graduation of the country

## Concluding remarks

- The aim of graduation from LDC status is to improve economic and social structure of the country toward sustainable and inclusive development.
- It should not be looked at as a hit-then-reward type of goal.

Thank you!