

# Financing Infrastructure Projects to achieve SDGs in Lao PDR

– Resource Allocation Mechanism between National  
and Local Authority –

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# Outline of Presentation

- 8<sup>th</sup> National Socioeconomic Development Plan (8<sup>th</sup> NSEDP) and SDGs
- Resource Allocation Mechanism between National and Local Authorities in Lao PDR
- Challenges for Infrastructure Development Projects in Lao PDR

# 8<sup>th</sup> NSEDP (2016-2020) and SDGs

- All 18 SDGs have been aligned into the 8<sup>th</sup> NSEDP (2016-2020).
- Three main Outcomes of the 8<sup>th</sup> NSEDP:
  - **Outcome 1**: Continued, firm and inclusive growth achieved, strong economic foundations consolidated and economic vulnerability reduced.
  - **Outcome 2**: Human resource development, public/private workforce capacity upgraded, poverty in all ethnic groups reduced, equal access by female/male/all ethnic groups to quality education and health services, the unique Lao culture promoted, protected and developed, political stability maintained with social peace and order, justice and transparency.
  - **Outcome 3**: Natural resources and environment protected and sustainably managed, green growth promoted, disaster preparedness enhanced and climate resilience developed.

# 8<sup>th</sup> NSEDP (2016-2020) and SDGs (cont')

- **Outcome 1**: there are 7 outputs, which included 22 indicators of SDG 1, 7, 8, 9, 10, 13, 14, 15
- **Outcome 2**: there are also 7 outputs, which includes 58 indicators of SDG 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 16, 18
- **Outcome 3**: there are 3 outputs and 3 cross-cutting outputs, which includes 12 indicators of SDG 6, 13, 14, 15, 16
- Estimated total investment for 3 outcomes is approximately USD27 billion.
- Estimated sources of investment: Government budget :9-10%; ODA: 12-16%; Private sector: 54-57%; and Bank loan: 19-21%.

# Resource Allocation Mechanism between Center and Local Authorities

- Government budget:
  - For investment in national level 40%
  - For investment in local level 60%
- Division of budget to 18 provinces based on 7 indicators:
  - Provincial development plan (SDG16);
  - Poverty (SDG1, 2);
  - Price index;
  - Budget collection (SDG16);
  - Total area;
  - Population; and
  - Local authority structure.

# Resource Allocation Mechanism between Center and Local Authorities (cont')

- Division of budget to 18 provinces based on 7 criteria:
  - Sum up scores of all provinces and divided by total budget (budget per score);
  - Time province' scores with the budget score;
  - Allocated budget to each province accordingly to the province' score

# Resource Allocation Mechanism between Center and Local Authorities (cont')

- Official Development Assistance (ODA) – ODA fund is allocated to each sector through round table process (RTM) and 10 sector working groups:
  1. Health;
  2. Education;
  3. Governance;
  4. Macroeconomics;
  5. Trade and economic development;
  6. Infrastructure;
  7. Mine actions;
  8. Illicit drug control;
  9. Agricultural and rural development; and
  10. Natural resource and environment.

# Resource Allocation Mechanism between Center and Local Authorities (cont')

- 10 SWGs:
  - Development partners and related sectors working together in designing sectoral public investment projects (both central and local projects) to ensure funding and implementing mechanism of the projects.



# Resource Allocation Mechanism between Center and Local Authorities (cont')

- Private sector funding: based on 5 public investment categories:
  - 1<sup>st</sup> C-PIP: mega project with total investment of over 400 billion Kip (>USD50 million) and not over 7-year period;
  - 2<sup>nd</sup> C-PIP: project with total investment between 200 and 400 billion kip (USD25 and 50 million) and not over 6-year period;
  - 3<sup>rd</sup> C-PIP: project with total investment between 100 and 200 billion kip (USD12.5 and 25 million) and not over 5-year period;
  - 4<sup>th</sup> C-PIP: project with total investment between 20 and 100 billion kip (USD2.5 and 12.5 million) and not over 4-year period; and
  - 5<sup>th</sup> C-PIP: project with total investment of less than 20 billion kip (<USD2.5 million) and not over 3-year period.

# Resource Allocation Mechanism between Center and Local Authorities (cont')

- Private sector funding: based on 5 public investment categories:
  - 1<sup>st</sup> to 4<sup>th</sup> categories PIPs are approved at national level.
  - 5<sup>th</sup> category PIPs are approved by local authority.

# Challenges for Infrastructure Development Projects

- Public debt
- Inefficiency
- Transparency issues
- Impact on environment

# Recent initiative of Lao National Green Growth



# References

- Law on Public Investment (2015)
- Lao National Vision toward 2030 and 10-year Socio-Economic Development Strategy (2016-2025)
- 8<sup>th</sup> National Socio-economic Development Plan (2016-2020)
- Vientiane Declaration on Partnership for Effective Development Cooperation (2016-2025)
- Initial Outline of the National Roadmap for the Achievement of the Agenda 2030 and the Sustainable Development Goals in Lao PDR

Thank you very much for your kind  
attention!