

Financing Infrastructure Projects to achieve SDGs in Lao PDR

– Resource Allocation Mechanism between National
and Local Authority –

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Outline of Presentation

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

8th NSEDP (2016-2020) and SDGs

- All 18 SDGs have been aligned into the 8th NSEDP (2016-2020).
- Three main Outcomes of the 8th 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.

8th 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:
 - 1st C-PIP: mega project with total investment of over 400 billion Kip (>USD50 million) and not over 7-year period;
 - 2nd C-PIP: project with total investment between 200 and 400 billion kip (USD25 and 50 million) and not over 6-year period;
 - 3rd C-PIP: project with total investment between 100 and 200 billion kip (USD12.5 and 25 million) and not over 5-year period;
 - 4th 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
 - 5th 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:
 - 1st to 4th categories PIPs are approved at national level.
 - 5th 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

Strategy

National Vision and Development Agenda

- 2030 Vision
- 2020 Vision and smooth transition strategy
- Achieving SDGs toward ending poverty and sharing prosperity

Lao National Green Growth Strategy

Existing National Strategies

- 2025 Strategy (2016-2025)
- Industrialization and Modernization Strategy
- Climate Change Adaptation and Mitigation Strategy
- Sectoral/regional strategies

Existing Master Plan

- Northern provincial master plan
- Southern master plan
- Others

Mid-term development plan

- 5-year NSEDP
- 5-year sectoral dev. plan
- 5-year provincial dev. plan

Annual development plan

- Annual NSEDP
- Annual sectoral and provincial development plans

National Public Investment Programs and Projects



References

- Law on Public Investment (2015)
- Lao National Vision toward 2030 and 10-year Socio-Economic Development Strategy (2016-2025)
- 8th 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!