Workshop Report- National Technical Consultation on the 10th NSEDP Financing Strategy Consultative workshop

15 - 16 July 2025, Vang Vieng, Vientiane Province

Background

The Ministry of Finance, in collaboration with the United Nations Development Programme (UNDP) and the Asian Development Bank (ADB), convened the National Technical Consultation on the 10th NSEDP Financing Strategy on 15–16 July 2025 in Vang Vieng, Vientiane Province. The consultation gathered more than 50 participants from government ministries, development partners, the private sector, and civil society organizations to discuss financing priorities and challenges for the upcoming five-year national development plan. Building on the Integrated National Financing Framework (INFF) process initiated in 2020 and the Financing Strategy for the 9th NSEDP endorsed in 2023, the event marked an important step in ensuring that financing considerations are developed in parallel with the formulation of the 10th NSEDP (2026–2030).

The consultation was co-chaired by Mr. Chantanaphong Vongxay, Deputy Director General of the Department of Planning, Ministry of Finance, Mr. Dao Xuan Lai, Deputy Resident Representative of UNDP Lao PDR, and Ms. Kavita Iyengar, Senior Economist, ADB. The technical presentations for this two-day consultation was facilitated by Mr. Advit Nath, Lead Consultant, 10th NSEDP Financing Strategy formulation. The the initial findings and emerging financing architecture for the 10th NSEDP were presented including: (i) A preliminary assessment of the financing gap, including macroeconomic constraints and baseline projections; (ii) an overview of potential financing sources - including domestic, international, private, and innovative instruments; and (iii) preliminary proposals for prioritization and alignment of sectoral needs with projected resources. Participants highlighted the importance of aligning financing policies with national priorities, strengthening institutional mechanisms, and ensuring that future investments are both sustainable and inclusive.

Opening remarks

Mr. Chantanaphong Vongxay, Deputy Director General, Department of Planning, Ministry of Finance, emphasized the critical importance of ensuring that the 10th NSEDP is financially sustainable and aligned with national priorities. He highlighted the role of institutional coordination, fiscal discipline, and resource mobilization in supporting development outcomes and welcomed the opportunity to discuss financing strategies with key stakeholders.

Dao Xuan Lai, Deputy Resident Representative, UNDP Lao PDR, opened the workshop by emphasising that in the aftermath of COVID-19, Lao PDR faces significant challenges in mobilising resources efficiently and sustainably. He underscored the importance of policy reforms and financial efficiencies across critical areas such as tax collection,

fiscal discipline, and resource mobilisation. He highlighted the need for private sector participation and thanked the Ministry of Finance (MoF), the Asian Development Bank (ADB), and UK development partners for their support in preparing the background documents for the financing strategy.

Kavita Iyengar, Senior Economist, ADB, outlined ADB's support for Lao PDR's sustainable financing efforts, with emphasis on embedding climate and equity objectives into public finance. She noted Lao PDR's overreliance on foreign direct investment (FDI) for climate finance and highlighted the need for scalable private investment planning. ADB's contribution was framed across three pillars: (1) Enhancing equitable finance, (2) Advancing climate-resilient financing, and (3) Aligning budgeting practices with sustainability targets.

Day 1 – Public Finance, ODA & Domestic Private Finance

Session 1: Domestic Public Finance Reform

The opening presentation explained that the main goal of the 10th NSEDP Financing Strategy is to achieve sustainable and inclusive development, with the long-term aim of reaching Middle-Income Country (MIC) status by 2045. Using 24 years of historical data, two financing gap scenarios were presented: Scenario 1 (Government-aligned growth at 5.5%) shows a USD 10 billion gap, while Scenario 2 (IFI-adjusted projections at 3.5%) shows a USD 9 billion gap. Investment needs for 2026–2030 are estimated at USD 17–18 billion, focusing on infrastructure, climate resilience, human capital, agriculture, and governance. Although total financial inflows are about USD 30 billion, only USD 7–9 billion can be programmed, highlighting fiscal limits and the need for reforms. Key recommendations included improving expenditure management, expanding the tax base, promoting green finance, and encouraging investment from the diaspora. Group discussion highlighted:

- Participants identified critical reforms to address tax inefficiencies, underutilised health-related taxes (e.g., soft drinks and alcohol), and inadequate integration of climate and gender budgeting. Common themes included:
  - Strengthening revenue collection through modern digital tax systems.
  - Reviewing and reforming tax concessions, particularly in mining and exports.
  - Enhancing output-oriented budgeting and eliminating unnecessary expenditure.
  - Addressing data gaps in budget allocation, especially in education and health sectors.
  - Improving public understanding and dissemination of tax systems and financial plans.
  - Ensuring sustainability is integrated into budget planning and social policies.

Session 2: Public Debt and ODA

This session focused on debt sustainability, ODA strategy, and the potential effects of Lao PDR's upcoming graduation from Least Developed Country (LDC) status. Public debt was estimated at 112% of GDP in 2024, down from 128% in 2023, but is expected to

remain above 100% through 2030, with a heavy reliance on external borrowing and USD 1.2 billion needed annually for debt servicing. Annual ODA currently averages USD 200–300 million but may decline after LDC graduation due to shifts from grants to loans and donor fatigue. To address these challenges, participants proposed developing an ODA Mobilisation Plan aligned with NSEDP priorities, strengthening coordination across government and donors, leveraging new sources such as the Green Climate Fund (GCF), and institutionalising the Integrated National Financing Framework (INFF) to better coordinate debt and aid. Group discussion highlighted:

- Participants sought clarification on differences between national and World Bank debt figures.
- Emphasis was placed on targeting ODA toward human resource development and social sectors, especially health and education.
- Misalignment between donor contributions and government priorities highlighted the need for stronger coordination.
- Bilateral debt negotiations were considered more beneficial than multilateral approaches, with interest in exploring currency adjustments to reduce foreign exchange risk.

Session 3: Domestic Private Finance and MSME Development

This session focused on mobilising domestic private capital and meeting the financing needs of MSMEs. Private sector investment remains low, particularly in non-resource sectors, and commercial banks are often risk-averse. MSMEs face barriers such as limited access to credit, strict collateral requirements, and low financial literacy. Proposed solutions included establishing credit guarantee schemes and SME-focused banks, expanding financial literacy and business development training, simplifying loan processes and formalising informal enterprises, and promoting alternative finance models such as peer-to-peer lending and cooperative credit unions.

The government has implemented several initiatives to support MSME development, including a 3% interest loan fund for production-focused enterprises, collaboration with the World Bank on a USD 20 million project (currently in Phase 2), and training programmes benefiting over 2,000 businesses. Additionally, support has been requested from ADB and UNDP to capitalise a Credit Guarantee Company to improve access to finance. Despite these efforts, MSMEs still face challenges, including restrictive collateral policies and Minimum Reference Price (MRP) constraints, bureaucratic inefficiencies in accessing concessional loans, low interest from foreign banks, a misalignment between MSME capacities and market expectations, and the low perceived quality of Lao goods, which hampers demand and overall bankability.

Session 4: Inclusive Public Finance Tools

The session focused on enhancing inclusive public finance through Special Economic Zones (SEZs), addressing illicit financial flows (IFFs), and strengthening institutional capacities. Regarding SEZs, participants noted limited domestic linkages, with most value captured by foreign entities, and recommended revising incentives, mandating

local employment quotas, and improving performance reporting. On IFFs, weak customs enforcement, illegal resource extraction, and casino-related money laundering were highlighted as key issues, with the FATF grey listing underscoring the need for urgent anti-money laundering reforms, cross-border cooperation, and digital customs tools. Institutional gaps were also discussed, including coordination failures and unclear mandates. Proposed solutions included establishing a high-level reform task force, enhancing civil service capacities in debt management, climate finance, and data analytics, and implementing decentralized oversight with active participation of provincial and non-state actors. Group discussion highlighted:

- SEZs perceived as underperforming due to lack of local integration, poor transparency, and external criticism.
- Questions were raised about the distinction between loan guarantees and government undertakings for infrastructure projects.
- Participants called for turning SEZs into smart, green cities and suggested leveraging climate finance for such transitions.
- Transfer pricing and capital flight were flagged as ongoing weaknesses.

Day 2 – International, Sustainable, and Cross-Cutting Finance

Day 2 shifted focus to global finance, climate and green instruments, and innovation in funding mechanisms. Participants were reminded that strong domestic signalling via policies, governance, and project readiness—will ultimately determine the scale and quality of external financing flows.

Session 1: International Private Finance

This session examined Lao PDR's engagement with international private capital, focusing on enhancing investor attractiveness while ensuring alignment with national development goals. Participants noted that FDI inflows remain concentrated in mining and hydropower, with limited spillovers to other sectors, highlighting the need to diversify into agro-processing, light manufacturing, and services. Recommendations included establishing one-stop service centres, simplifying regulations, and offering performance-based incentives instead of blanket tax exemptions to ensure alignment with national priorities. Additionally, developing aftercare services and predictable repatriation frameworks was emphasized as critical for retaining investors. Group discussion highlighted:

- Lack of a clear investment strategy and no comprehensive list of bankable projects.
- One-stop service centres lack authority and coordination.
- Enforcement issues, especially with currency mismatches, reduce legal certainty.
- Insufficient information for promoting investment abroad; a detailed investment prospectus is needed.

- Difficulty retaining skilled workers; remittance policies could support investment.
- Sustainable agriculture and clean value chains as key differentiation areas.
- Define Lao PDR's unique value proposition and align with promotion tools, policies, and ASEAN dialogues.

Session 2: Climate and Green Finance

This session focused on Lao PDR's readiness to access and scale up climate-aligned finance. With climate targets embedded in the NDCs and the 10th NSEDP, Laos is estimated to need USD 4–5 billion in climate investments between 2026–2030, yet actual inflows remain minimal. Discussions covered climate finance instruments, MRV systems, green bonds, blended finance, and sector-specific opportunities. Key highlights included the urgent need for green budgeting and climate tracking, careful consideration of a sovereign green bond given debt constraints, strengthening MRV systems for carbon markets and REDD+, and exploring innovative instruments such as green credit lines, SOE-issued bonds, and blended finance to attract and de-risk private investment. Group discussion highlighted:

- Participants noted that Lao PDR currently faces limited awareness and capacity to implement innovative financing instruments such as debt-for-nature swaps, environmental levies, and other blended finance tools. High transaction costs and the complexity of structuring these instruments were highlighted as major barriers, alongside weak coordination across ministries and between public and private sectors.
- Despite these challenges, several opportunities were identified to mobilise climate and development finance. Debt-for-nature swaps could generate funding for conservation and biodiversity projects, while environmental taxes and levies offer potential for domestic climate finance. Blended finance structures were also seen as a means to de-risk private investment and attract concessional funding.
- To capitalise on these opportunities, participants recommended piloting small-scale innovative finance projects to test feasibility and effectiveness. Strengthening coordination between the Ministry of Finance, Ministry of Natural Resources and Environment, and private actors was emphasised as critical. Clear guidelines and frameworks for blended and innovative financing should be developed to ensure transparency, efficiency, and scalability.

Session 3: Financing Education and Health

The session emphasised the critical importance of sustained investment in social sectors particularly education and health as foundational to achieving the long-term objectives of the 10th NSEDP. Participants acknowledged that despite the centrality of these sectors, current budget allocations remain insufficient, risking significant gaps in quality and access. Forecasts suggest that USD 3.5 - 4.0 billion will be required from 2026 to 2030 to meet minimum standards, while continued spending at current levels would only yield USD 2.0 billion underscoring a severe financing shortfall. Group discussion highlighted:

- Participants underscored the need for gradual but consistent increases in health and education budgets, with reference to regional benchmarks of 15–20% budget allocation. Political commitment to safeguarding social spending, even during fiscal tightening, was viewed as a crucial enabler.
- Beyond allocations, concerns were raised over the effectiveness of fund disbursement and utilisation. Persistent delays in transferring funds to frontline schools and clinics, facility maintenance issues, and supply chain inefficiencies were cited. Participants called for stronger public financial management systems to ensure resources reach service delivery points.
- While support from initiatives such as the Global Partnership for Education and the Global Fund was acknowledged, participants noted the risk of fragmentation. Greater alignment with national sector plans and the adoption of results-based financing (RBF) models were suggested to improve coherence and accountability.
- The discussion expanded to include the development and retention of human resources. Participants highlighted the need for equitable deployment of qualified teachers and healthcare workers, particularly in remote regions. Performance-based incentives and co-financing models with development partners were viewed as potentially high-return solutions.
- Participants discussed using Public-Private Partnerships (PPPs) to attract private investment in social services while ensuring equity. Education PPPs could involve co-financed vocational and higher education with scholarships, while health PPPs could outsource specialised services and support hospital infrastructure with subsidised access. Social enterprises and CSR contributions, supported by tax incentives or donor co-financing, were seen as additional funding sources. Strong regulation, safeguards, and evaluation mechanisms were emphasised to ensure accountability and inclusion.
- The session highlighted financing mechanisms for social protection, focusing on targeting resources to high-need populations using data-driven registries, establishing a national pooled fund for cash transfers, fee waivers, and nutrition programmes, and promoting community-based co-financing like village savings schemes. Outcome-based incentives were suggested to reward provinces meeting education and health targets. Participants noted the need to address institutional requirements, including grievance redressal, identity verification, and integration with existing schemes.

Session 5: Monitoring, Coordination & Systems Strengthening

This session opened with a consensus on the centrality of robust Monitoring and Evaluation (M&E) systems to ensure the 10th NSEDP Financing Strategy transitions from an aspirational plan into a performance-driven, accountable policy framework. Without such mechanisms, participants cautioned, there is a risk of disconnect between ambition and implementation. Group discussion highlighted:

- Participants supported the creation of a publicly available, regularly updated dashboard to monitor key indicators. These include revenue-to-GDP ratio, NSEDP funding coverage, climate finance mobilisation, debt sustainability, and social

sector spending. The dashboard would serve as a transparency tool to track progress and inform mid-course adjustments.

- The Annual Financing Strategy Report was proposed to detail mobilisation sources, allocation patterns, and related outcome indicators. Integration with NSEDP's overarching reporting framework was deemed essential to avoid redundancy and promote coordination across sectors.
- A mid-term evaluation was recommended to assess implementation fidelity and reform progress. Participants proposed involving independent reviewers or development partners to maintain objectivity and encourage learning-based adaptation.
- Upgrading financial management information systems (FMIS) and embedding real-time, disaggregated budget tracking were emphasised. Disaggregation by geography, gender, and vulnerability would allow assessment of distributional equity and help address local disparities.
- The session reflected a sophisticated appreciation of the importance of data-driven governance. However, operational elements such as assignment of reporting responsibilities, institutional capacity constraints, and M&E budgeting were not comprehensively addressed. These remain key follow-up areas to operationalise the proposed M&E framework.
- This segment addressed long-standing limitations in fiscal transparency and data fragmentation, framing digital transformation as essential to public financial reform and strategic planning in Lao PDR.

Closing

The workshop concluded with a strong sense of collective responsibility and forward momentum. Participants reaffirmed that the 10th NSEDP Financing Strategy must serve not merely as a policy blueprint, but as a dynamic, action-oriented framework to drive inclusive, sustainable development in Lao PDR. Key themes such as strengthened institutional coordination, innovative financing, digitalisation, and social sector investment emerged as cross-cutting priorities. The collaborative spirit witnessed throughout the two days reflected broad stakeholder alignment and commitment. As the Financing Strategy moves into the finalisation and implementation phase, participants underscored the need for continued dialogue, transparency, and adaptive learning. The success of this strategy will ultimately rest on Laos's ability to operationalise its ambitions through grounded reforms, strategic partnerships, and consistent follow-through, turning shared vision into measurable progress.

Key Recommendations and Discussion Highlights

Session	Recommendations	Discussion Highlights
Domestic Public Finance Reform	- Improve expenditure management - Expand tax base - Promote green finance - Encourage diaspora investment - Integrate climate and gender budgeting	- Strengthen digital tax collection - Reform tax concessions (mining, exports) - Enhance output-oriented budgeting - Address data gaps in education/health - Improve public understanding of financial plans
Public Debt & ODA	- Develop ODA Mobilisation Plan aligned with NSEDP - Strengthen government-donor coordination - Leverage Green Climate Fund (GCF) - Institutionalize INFF	- Align ODA to human resource development, health, education - Prioritize bilateral debt negotiations and currency risk management - Strengthen coordination to reduce donor-government misalignment
Domestic Private Finance & MSME Development	- Establish credit guarantee schemes and SME banks - Expand financial literacy and business development training - Simplify loan processes - Promote alternative finance models (peer-to-peer, cooperative credit unions)	- Restrictive collateral policies - Bureaucratic inefficiencies in concessional loans - Low foreign bank participation - Low perceived quality and demand for Lao products
Inclusive Public Finance Tools	- Revise SEZ incentives, mandate local employment, improve reporting - Strengthen anti-money laundering and cross-border cooperation - Establish high-level reform task force - Enhance civil service capacity and decentralised oversight	- SEZs underperform due to weak local linkages - Need clarity on loan guarantees vs government undertakings - Turn SEZs into smart, green cities - Transfer pricing and capital flight remain weaknesses
International Private Finance	- Diversify investment beyond mining/hydropower	- Lack of clear investment strategy

Session	Recommendations	Discussion Highlights
	- Establish one-stop service centers - Simplify regulations and offer performance-based incentives - Develop aftercare services and predictable repatriation frameworks	- Insufficient bankable project lists - Weak enforcement and currency risk issues - Need detailed investment prospectus and skilled worker retention policies
Climate & Green Finance	- Strengthen climate budgeting, MRV systems, and blended finance - Pilot innovative finance (debt-for-nature swaps, green bonds) - Enhance coordination between ministries and private actors	- Limited awareness and capacity for innovative instruments - High transaction costs and structural complexity - Opportunities for environmental levies, blended finance, and debt-for-nature swaps
Financing Education & Health	- Gradually increase social sector budgets to 15–20% - Improve fund disbursement, facility maintenance, supply chains - Adopt results-based financing (RBF) and PPPs - Strengthen human resource deployment in remote areas - Develop data-driven social protection and co-financing mechanisms	- Risk of insufficient funding for minimum standards - Delays in fund disbursement - Need alignment with national plans - Incentives and co-financing could enhance outcomes
Monitoring, Coordination & Systems Strengthening	- Develop publicly accessible dashboard to track key indicators - Annual Financing Strategy Report integrated with NSEDP reporting - Conduct mid-term evaluations with independent oversight - Upgrade FMIS with real-time, disaggregated tracking	- Need to assign reporting responsibilities - Address institutional capacity and budgeting for M&E - Digital transformation essential for transparency and strategic planning

Appendix 1: Agenda

Day 1 – Public Finance, ODA & Domestic Private Finance		
08:30-09:00	*Registration*	
09:00-09:15	**Opening remarks**	**Mr. Chantanaphong Vongxay, Deputy Director General of the Department of Planning, Ministry of Finance** **Dao Xuan Lai, Officer In Charge, UNDP Lao PDR** **Kavita Iyengar, Senior Economist, ADB**
09:15-09:45	Overview: Financing Gap Presentation – Advit Nath, Lead Consultant, 10th NSEDP Financing Strategy formulation	
Session 1: Domestic Public Finance Reform		
09:45-10:05	Presentation of financing options & Main findings - Tax - SOEs - PIM (Public Investment) - Budget tagging (including green and gender budgeting) - Expenditure management	
10:05-10:35	Group Discussion: Domestic Finance challenges and reform opportunities	
10:35-10:45	*Break*	
10:45-11:15	Plenary Summary: key insights from groups	
Session 2: Public Debt and ODA		
11:15-11:35	Presentation of financing options & Main findings - Debt sustainability - LDC transition - ODA risks	
11:35-12:05	Group Discussion: debt relief, financing coordination	

12:05-12:30	Plenary Summary: key takeaways and follow-up questions	
12:30-13:30	*Lunch*	
Session 3: Domestic Private Finance and MSMEs		
13:30-13:50	Presentation of financing options & Main findings - Credit constraints - Domestic capital - MSMEs	
13:50-14:15	Group Discussion: MSMEs, financial ecosystem reforms	
14:15-14:45	Plenary Summary: discussion synthesis	
14:45-15:00	*Break*	
Session 4: Inclusive Public Finance Tools		
15:00-15:20	Presentation of financing options & Main findings - SEZs - Illicit flows - Institutional gaps	
15:20-15:45	Group Discussion: Transparency, coordination, inclusion	
15:45-16:10	Plenary Summary: Priorities and institutional actions	
16:10-16:30	**Reflections & Closing** - Ministry of Planning and Investment & *UN Resident Coordinator*	
Day 2 – International Finance, Sustainable Finance, Cross-Cutting Issues		
08:00-08:30	*Registration*	
08:30-08:45	**Opening remarks - Ministry of Finance**	
08:45-09:15	Overview: Day 2 Framing – Advit Nath, Lead Consultant, 10th NSEDP Financing Strategy formulation	
Session 1: International Private Finance		
09:15-09:45	Presentation of financing options & Main findings: - FDI	

	- SEZs - FATF - Blended finance	
09:45-10:15	Group Discussion – Investment barriers and reforms	
10:15-10:30	*Break*	
10:30-10:55	Plenary Summary: key insights from groups	
Session 2: Green & Climate Finance		
10:55-11:15	Presentation of financing options & Main findings: - Climate flows - MRV - Green Bonds	
11:15-11:40	Group Discussion – Challenges, Readiness and tools	
11:40-12:00	Plenary Summary: Action points	
12:00-13:00	*Lunch*	
Session 3: Innovative Instruments		
13:00-13:20	Presentation of financing options & Main findings: - Debt-for-nature - Taxes - Levies	
13:20-13:45	Group Discussion – Prioritisation	
13:45-14:05	Plenary Summary: Feasible pathways	
14:05-14:20	*Break*	
Session 4: Social Sector Finance		
14:20-14:40	Presentation of financing options & Main findings: - Education - Health - Protection	
14:40-15:05	Group Discussion – ROI, PPPs, targeting	

15:05-15:25	Plenary Summary: Social sector insights	
Session 5: Cross-Cutting Issues		
15:25-15:45	Presentation of financing options & Main findings: - M&E - Data - Institutional roles	
15:45-16:10	Group Discussion – Coordination and tracking	
16:10-16:30	**Final Reflections & Closing – MOF & UNDP**	**Mr. Chantanaphong Vongxay, Deputy Director General of the Department of Planning, Ministry of Finance** **Raniya Sobir, Economist, UNDP Lao PDR *(online)***