

**Committee on Macroeconomic Policy, Poverty Reduction and
Financing for Development**

Second session
Bangkok, 6-8 November 2019

Name of speaker: (Mr.) (Ms.) _____

Title as in Letter of credentials: _____

Country/Organization: Lao PDR

Please indicate the agenda item on which you wish to speak:

Agenda Item No: 4

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Floor intervention at 2nd Committee, ESCAP (2nd day, 7th November 2019)

On the outset, our Government has set the ambitious goal for Lao PDR to graduate from Least Developed Country status by 2024 and to reach upper-middle-income country status by 2030. Lao PDR has achieved success on key economic and social indicators, including continued economic growth, a halving of poverty and improved outcomes in health and education. These led our country to meet two of the three criteria for graduation from Least Developed Country during CDP review last year.

However, fully realizing our ambitions will require to mobilize the right scale and mix of finance. Following two Development Finance Assessments, we are striving towards the development of an integrated national financing framework, as outlined in the Addis Abba Action Agenda.

We have established strong and innovative fora for dialogue between Government, private sector and all other stakeholders, to help find sustainable solutions to development and financing, and to ensure the discussions on development and on financing are linked up.

Given our national context, I would like to highlight three priorities for financing our five-year National Socio-Economic Development Plan 2016-2020, on which we appreciate the continued support of the international community:

- **First, improving the business environment in line with the WTO and ASEAN frameworks.** The new investment promotion law for example provides important provisions to strengthen private sector participation, improve the business environment, and help us meet out international commitments. Macroeconomic stability is a major prerequisite to attract investments. In this regard, we will **accelerate measures to market Lao PDR as a place for investment. Investors from abroad** could use Lao PDR and its Special Economic Zones as hubs to access ASEAN markets.
- **Second, linked to this, enhancing domestic resource mobilization, in particular tax revenue.** This will be essential to ensure fiscal stability and progress towards the SDGs.
- **Third, the strengthening of Public Financial Management,** with credible budgets, which are linked to our plans. This is important to ensure the funding is effectively and accountably used.

Complementing this, the Government and its partners will also need to tap into new and more innovative forms of finance but the outlook for financing is uncertain. Growth in public finances is needed to provide public services and infrastructure to the most marginalized rural communities. However, there are constraints to revenue collection, and increased non-concessional borrowing has meant that the government is facing higher budgetary interest payments, which are constraining its fiscal space.

Foreign direct investment (FDI), which has been central to past increases in private finance, is set to decline significantly as many projects are either concluded or finalized. Poor infrastructure and the lack of a skilled workforce have negative impacts on manufacturing growth. While portfolio equity and domestic private finance resources have increased following the introduction of a securities exchange market, the number of companies listed has stagnated. Domestic private finance has been constrained by high interest rates on commercial borrowing and by lack of access to financing, particularly for small and medium sized enterprises (SMEs).

Lao PDR remains highly dependent on international public resources compared with other ASEAN countries, particularly in certain social and economic sectors. However, the government faces a number of potential challenges in maintaining levels of investment, as certain development partners are re-prioritizing investments and graduating from LDC status may see the modality of official development assistance (ODA) shift away from grants.

Despite these challenges, there are also opportunities. Accession to the WTO and integration into the ASEAN Economic Community provide opportunities for increased international trade. Continued investment in transport infrastructure to make Lao PDR “land-linked” and low wages may encourage increased inward investment. This could aid domestic public resource mobilization, although a balancing act may be required between incentivizing investment and raising revenue. There may also be potential to access other forms of international public resources, such as climate financing.

Let me conclude by reaffirming Lao PDR’s strong determination to continue to work closely with development partners to achieve Sustainable Development Agenda by 2030. Our Government is grateful for the support our development partners have been extending to our country, and we look forward to enhancing these partnerships in the years to come.

I thank you for your attention.