

“Thematic Areas of the Lao PDR’s Smooth Transition Strategies”

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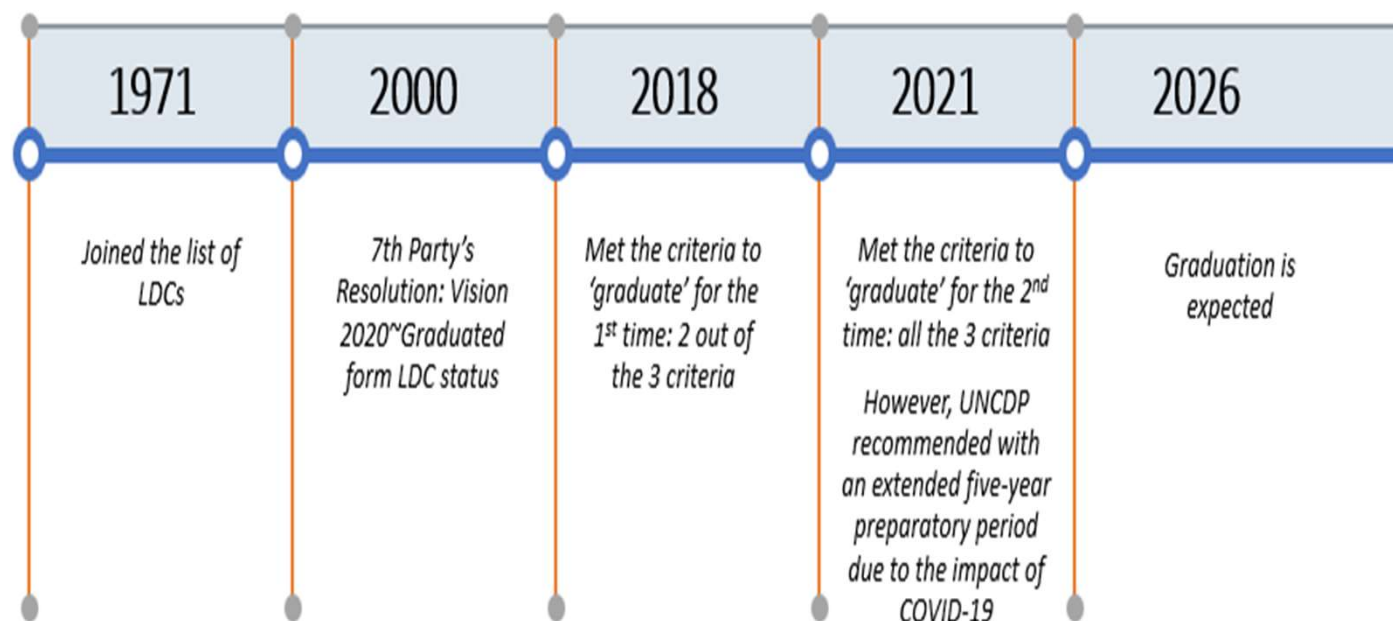
**LASES, IDE-JETRO, ERIA Joint Seminar on
“Challenges and Opportunities from Lao PDR’s LDC Graduation”
31st July 2024, Lao Plaza, Vientiane Capital, Laos**

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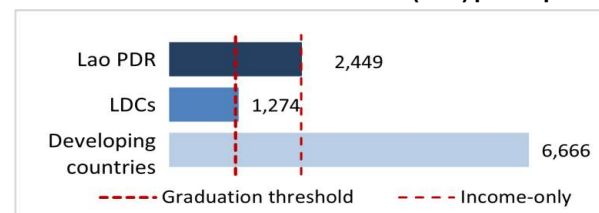
- I. Progress of the Lao PDR's LDC Graduation**
- II. Potential Impacts of the Lao PDR's LDC Graduation**
- III. Smooth Transition Strategy (STS) for LDC Graduation**
- IV. Challenges and Ways Forward for the Lao PDR**

I. Progress of the Lao PDR's LDC graduation

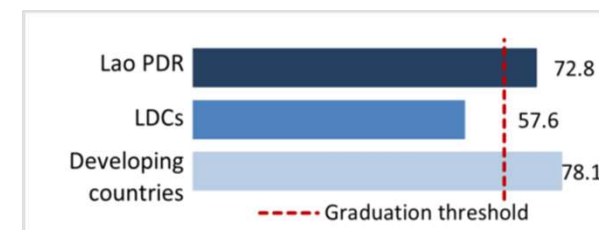
Graduation Journey of Lao PDR's LDC



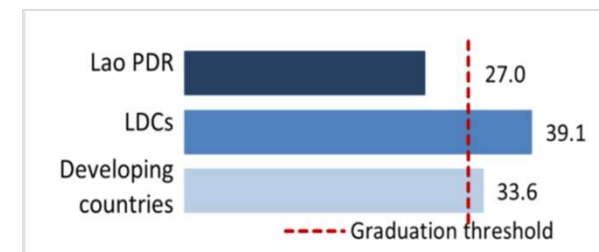
Gross National Income (GNI) per capita



Human Asset Index (HAI)



Economic and Environmental Vulnerability Index (EVI)

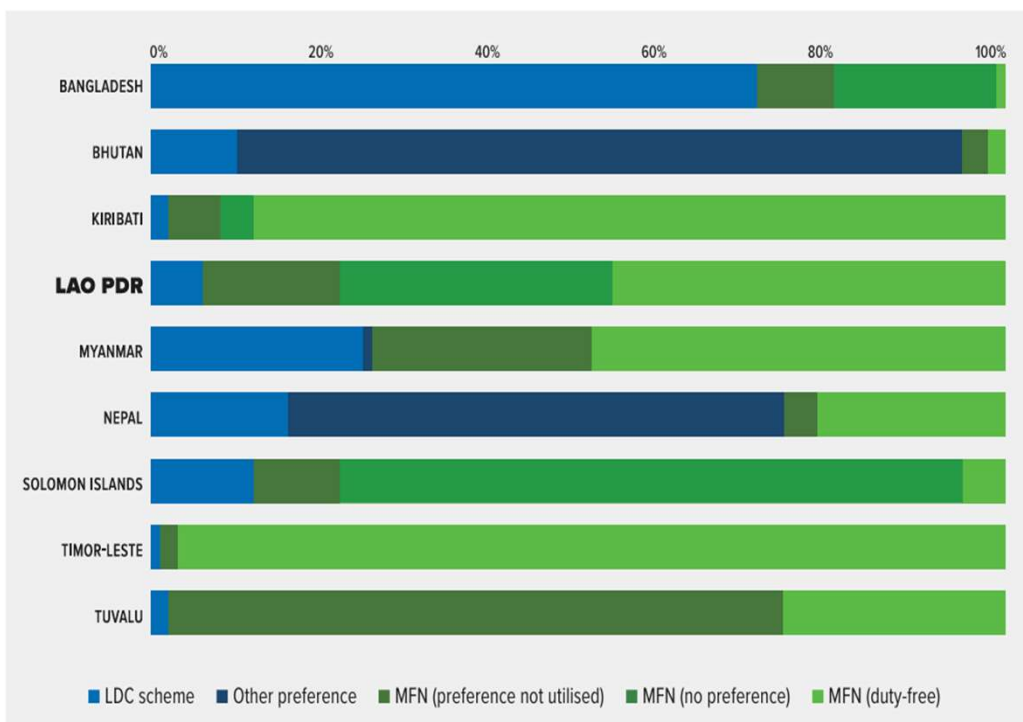


Source: CDP (2021 Triennial Review)

II. Potential impacts of the Lao PDR's LDC graduation

Trade Preferences

Asia and the Pacific LDC export products by country and duty type



Under the terms of current bilateral and regional trade agreement or most-favored-nation (MFN) treatment, a large proportion of export will continue to be free from tariffs:

- about 40-50% of exports enter importing countries at zero-duty rate under MFN treatment
- About 30% of exports receive trade preferences through bilateral agreements, mostly as part of regional free trade agreements.
- **About 5-10% of exports depend on LDC specific trade preferences, particular under GSP, exports to the European Union are anticipated to be most significant impacted**

In conclusion, the majority of Lao exports will not be significantly impacted by LDC graduation.

Source: Razzaque, Mohammad A. 2022. Graduation from LDC Status: Trade preference and development financing implications for Asia-Pacific countries. Bangkok: UNDP. UNDESA (2020)

II. Potential impacts of the Lao PDR's LDC graduation

Development Financing

UNDESA (2020), assess the impact of graduation on Laos:

- Limited impacts on development cooperation as most ODA is received from members of OECD-DAC or through South-South cooperation
- Loss of access to the fund related to LDC scheme
- Less favorable terms on concessional loans from Japan and Korea;
- A gradual shift from grants to soft loans by Germany;
- A reduction in resources for country-specific activities
- A requirement for higher cost-sharing

II. Potential impacts of the Lao PDR's LDC graduation

New Development Journey

An improved image and increased attention for Lao PDR can result in better outcomes:

- More access to commercial finances
- More favorable credit terms for development financing through debt,
- A better position to negotiate development projects and trade deals
- More attractive prospects in the context of foreign direct investment (FDI), ...

III. Smooth Transition Strategy (STS) for LDC graduation

Purpose and Objective

Purpose:

To ensure Lao PDR achieves a **smooth, high-quality, sustainable**, and irreversible graduation from the LDC category.

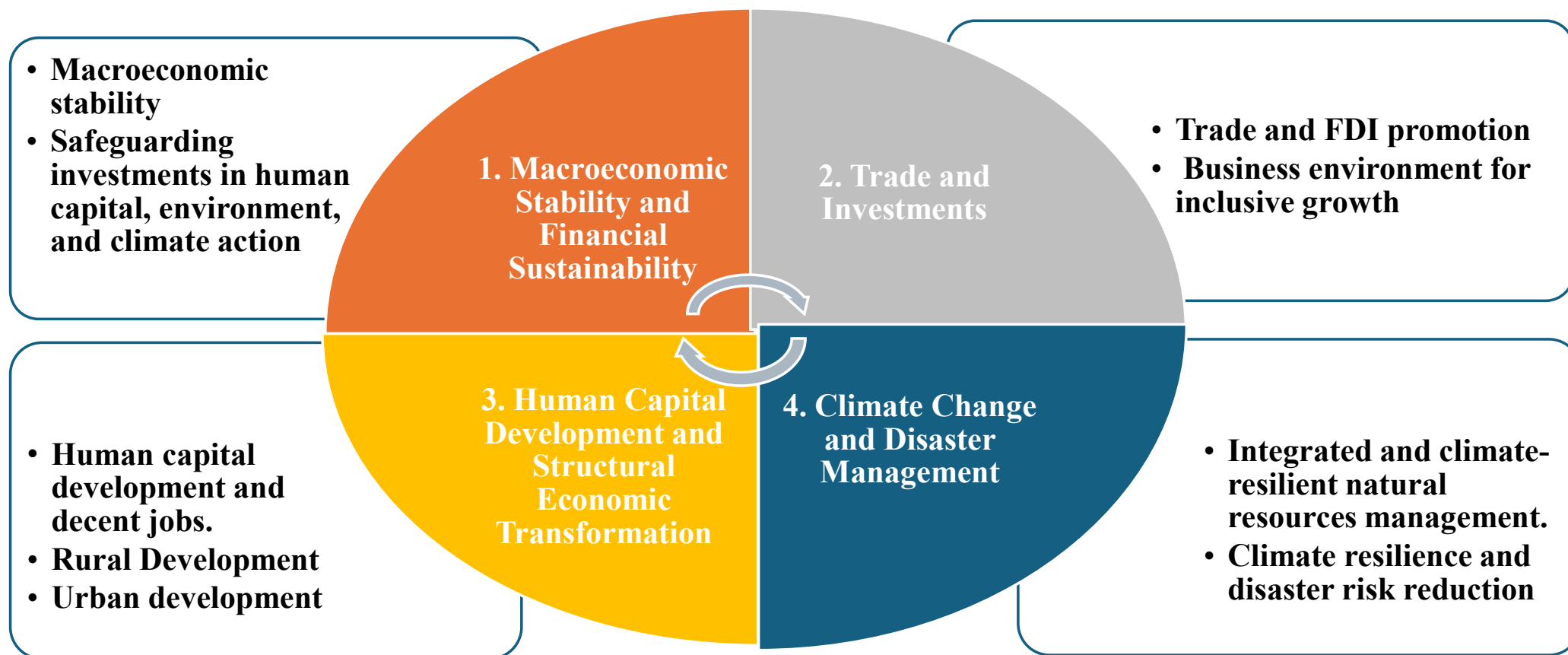
Objectives:

- ❑ **Ensure Continuity in Development:** Manage the transition from LDC-specific support without disrupting the country's development trajectory.
- ❑ **Optimize Support Measures:** Maximize the use of available support measures and identify alternative sources of assistance.
- ❑ **Strategic Implementation:** Implement key measures during the preparatory period to secure optimal positioning at the time of graduation.



III. Smooth Transition Strategy (STS) for LDC graduation

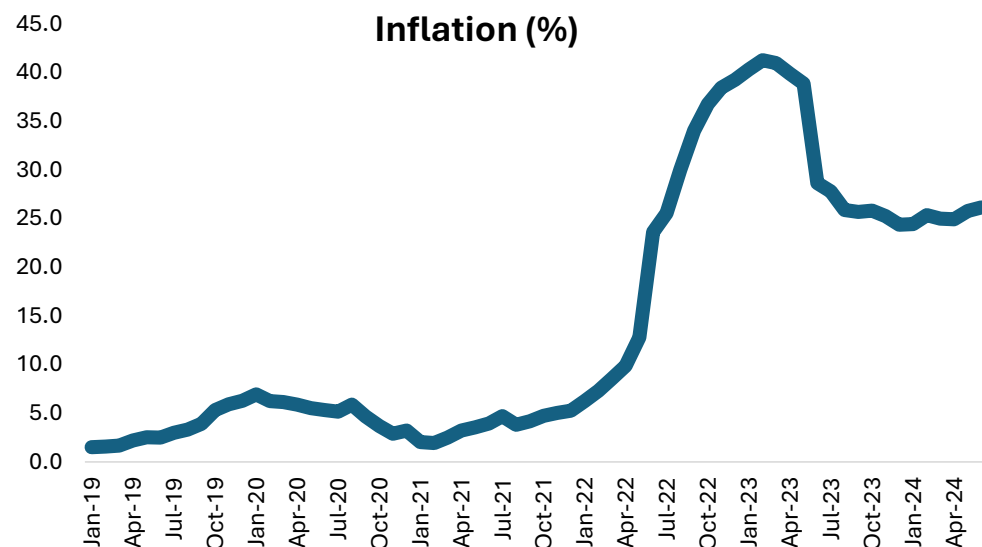
4 Thematic Areas and 9 Policy Actions



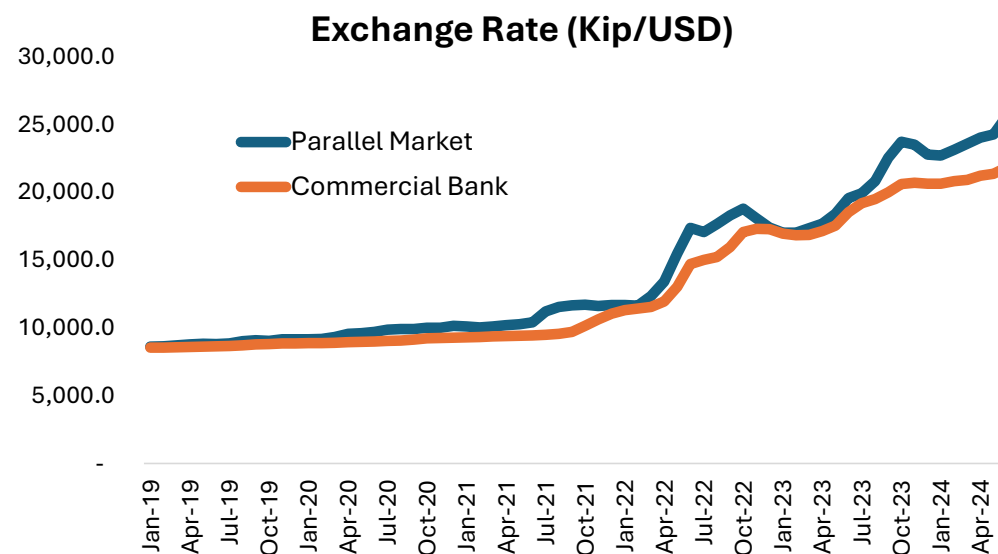
IV. Challenges and Ways Forward

Macroeconomic Instability

Ongoing macroeconomic difficulties: High inflation, LAK depreciation and high debt burden may disrupt the development progress and lower investor confidence



Source: Lao Statistics Bureau (LSB), MPI, Laos



Source: the Bank of Lao PDR

IV. **Challenges** and Ways Forward

Limited Resources

Limit of budget and financial resources:

- Insufficient budget allocations limit the scope and scale of implementation.
- Over-reliance on external funding can lead to sustainability issues.

Limit of internal human resources and technical expertise:

- A lack of skilled professionals hinders effective policy formulation and implementation.
- Insufficient technical expertise limits the ability to conduct robust data analysis and strategic planning.

IV. **Challenges** and Ways Forward

Coordination Issues

- Different sectors may have conflicting priorities, making it difficult to achieve consensus .
- Weak coordination among various sectors may leads to fragmented efforts and inefficiencies.
- Lack of public awareness of the STS and its objectives hampers public support and engagement.

IV. Challenges and **Ways Forward**



Restoration of macroeconomic stability:

- Adjust monetary policies to stabilize inflation and exchange rates.
- Implement fiscal consolidation measures to reduce fiscal deficits and manage debt sustainably.
- Promote economic diversification to reduce reliance on a few sectors and enhance resilience to economic shocks.



Resource mobilization and efficient utilization:

- Given limited domestic resources, ODA remains an important source of development finance, improving administrative and project management efficiency can improved delivery of ODA.
- Explore various funding and technical assistance sources.
- It is important to ensure the efficient and effective utilization of available resources in order to maximize the impact.

IV. Challenges and **Ways Forward**



Enhancing the business environment to optimize trade and investment potential:

- Harmonizing and improving regulations related to cross-border trade, business establishment, and operating licenses.

Toward resilience, sustainable and inclusive development:

- Increase trade and investment beyond the resource sector is crucial. This includes the promotion of transport & logistics, global value chains, tourist, agricultural and food products that have the potential to significantly reduce poverty.

Improve trade policy and strengthen trade negotiation capabilities

- Leveraging on trade liberalization and regional integration – ASEAN and RCEP to
- Building trade policy and negotiation capacity is essential for both the preparation for graduation and the post-graduation period.

IV. Challenges and **Ways Forward**

Governance and Coordination



- Establish strong inter-ministerial coordination mechanisms to align sectoral priorities.

International Collaboration & Social Engagement



- Utilize the support of international organizations for capacity-building and technical assistance
- Ensure that local communities are informed and involved by engaging them through a participatory approaches

Monitoring and evaluation



- Implement robust monitoring and evaluation systems to assess the effectiveness of outcomes

The background of the slide is a dark blue gradient. On the right side, there are several overlapping, semi-transparent circular shapes in varying shades of blue, creating a modern, abstract design.

Thank You