

	digital connectivity energy transport health education and research	YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @ (methodology for marker and tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line(s) (article, item): 14.020131 South and East Asia Total estimated cost: EUR 11 412 723 Total amount of EU budget contribution EUR 5 000 000 This action is co-financed in joint co-financing by: - Australian Department of Foreign Affairs and Trade (DFAT) for an amount of AUD 10 000 000 (EUR 6 412 723 <sup>1</sup> equivalent)			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing</b>	<b>Indirect management</b> with the World Bank			

## 1.2 Summary of the Action

Laos' **rapid economic growth** over the last three decades (annual average of over 7%) propelled the country from a low-income to a lower middle-income status, and it is expected to **graduate from LDC status in 2026**. Nevertheless, rapidly rising debt and the COVID-19 pandemic are creating important **macroeconomic and fiscal challenges**, which require more efficient public finance management. Although Lao PDR managed to avoid the spread of the COVID-19 pandemic in 2020, its economy was severely impacted (estimated GDP growth of only 0.5% in 2020 and 2% in 2021). The Government has embarked on the **9<sup>th</sup> National Socio-Economic Development Plan (NSED) 2021-2025**, which has fully embraced the Agenda 2030, and seeks to foster **sustainable, green and inclusive growth**. In a context of reduced revenues and rising debt, the need for PFM reforms have become very high on the agenda of the new Lao Government and National Assembly. The new Prime Minister has expressed very strong commitments to macroeconomic and fiscal policy actions, and to improve the efficiency and transparency of public administration, including fighting corruption.

In this context, the proposed action seeks to support the Government of Lao PDR to improve the management of its public finances and human resources, as a key pillar for pursuing sustainable and inclusive growth. **The Specific Objectives** are to contribute to: 1. enhanced budget credibility and transparency; 2. Improved domestic revenue mobilization; 3. Strengthened public procurement; 4. modernizing human resources management; and 5. Ensuring effective project implementation, analytical and just-in-time support. The proposed activities are fully aligned with the GoL's PFM Strategy and the 2021-2025 Action Plan and will contribute to the SDG16 related to good governance.

<sup>1</sup> Monthly exchange rate (InfEuro) of January 2022: 1 AUD = 0.64127 EUR