

Updating the Chart of Accounts

Innovating Social Protection Financing in Lao PDR



Innovating SP Finance

Social protection (SP) financing in Lao PDR has traditionally been funded through 2 channels; (i) Public Sector Budget and (ii) ODA. The public sector budget has provided SP as part of the civil service remuneration system, and not as a universal public service.

To support basic SP coverage, ODA has been mobilized to ‘kick-start’ the process being delivered through off-budget systems using a project-based approach.

The limitations of the current public finance management system and the off-budget SP projects over the decades have coalesced bringing forward issues related to; (i) tracking and accounting of SP financing, (ii) limited disaggregation of SP financing data ranging from types of recipients, age, gender and geographic location, (iii) unpredictable public sector budget allocations for SP, and (iv) unknowns related to forecasting short- and medium-term public expenditure.

Within the framework of the current project UNCDF will work in 2 output areas namely supporting the government to introduce universal SP into the public budget process by (i) developing a comprehensive Chart of Account (CoA) for SP that provides separate codes for each SP expenditure area as defined by best international practice and to establish, in partnership, with ILO a costing analysis for SP expenditure in order to enhance budget predictability and volume and (ii) establishing the National Social Protection Fund (NSPF) to enable its capitalization through blended finance options.

Given the constraints on the public sector budget and the tight fiscal and monetary policies in place the value added of the project lies in the budget optimization process, that reduces waste and over-runs of finance.

Project Objectives

The UN Joint Project “Leaving no one behind: Establishing the basis for social protection floors in Lao PDR” brings together three UN agencies lead by ILO to support the Government of Laos to implement the National Social Protection Strategy through enhanced government planning, and managerial and executing capacity.

The main objective of the UNJP is to support the Government in the implementation of the new National Social Protection Strategy (NSPS) by an approach focused on systems development and implemented through the piloting and proof of concept of a Mother Early Childhood Grant.

In addition, the UNJP through UNCDF will assess and present innovative financial solutions that will lead to development of sustainable options to finance the social protection system, particularly regarding the need for investment capital. The programme foresees the development of (i) budget expenditure codes, (ii) the generation of a coherent business plan for the development of a National Social Protection Fund (NSPF), (iii) the development of an investor prospectus and investor matching event to attract new partners (traditional and non-traditional) to invest in the NSPF; and (iv) undertaking a credit rating for the fund as a pre-cursor for the development of a SPF Bond for the Thai market (Thai Bond issue).

The UNJP will contribute to the following SDGs, specifically addressing SDG indicator 1.3: Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

	End poverty in all forms everywhere
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
	Strengthen the means of implementation and revitalize the global partnership for sustainable development

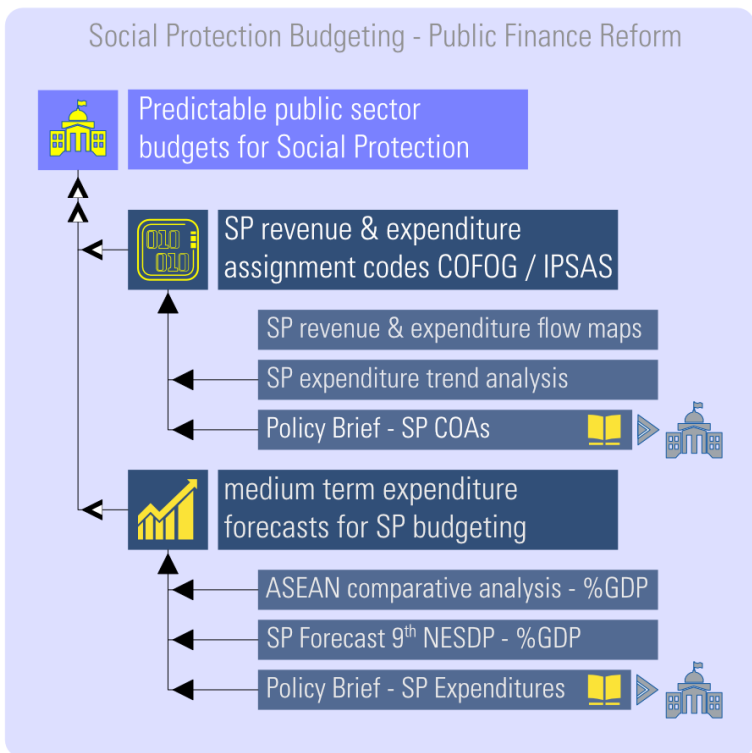
Updating the Chart of Accounts for Budget Optimization

Following the 2019 PEFA exercise and the outline of Public Finance Management Reform strategy, the MoF partnership with the World Bank, IMF and UNCDF are reviewing and overhauling the Chart of Accounts (CoA) for the Public Sector Budget from its structure to its classification. Underpinning this exercise is the introduction of a government wide Intergrated Public Financial Management Information System that is being procured.

The current system, that is built on an 8-digit code does not allow for disaggregation of expenditures and is non-compliant with IPSAS. The proposed updated COA will apply a 16-digit code for expenditure and revenues allowing for disaggregated reporting. The new system will also apply COFOG and GFS classification standards for expenditures and revenues.

To enhance and expand the delivery of SP services an increase in public sector expenditure will be required. With the use of correctly structured and classified CoAs, new conduits for ODA inflows (potentially through earmarked budget support) will be established that can provide trackable and accountable SP expenditures.

UNCDF is working in partnership with the Government of Laos' CoA committee, Ministry of Finance, Ministry of Labor and Social Welfare and ILO in developing the CoAs that will cover all future scenarios for SP budgeting. The underlying strategy being related to the realization of predictable public sector budgets for SP. In this context UNCDF are completing various research studies, developing policy briefs and defining the COA structure for SP assignments as illustrated.



Predictable Public Sector Budgets for SP

Two integrated workstreams are currently being implemented

Workstream 1 Revenue & Expenditure Codes

This work will include; (i) the mapping of SP revenue and expenditures, (ii) developing a trend analysis to determine if increase of SP are in alignment to CPI and (iii) identifying CoAs for the SP revenues and expenditures as visualized by the National Social Protection Strategy.

Workstream 2: SP Expenditure Forecasts

Lao PDR is facing debt sustainability issues as previous bond issues raised for large infrastructure projects are coming to maturity. The government has implemented strict monetary and fiscal policy that restrict expenditure so as to maintain year on year budget deficits to 4%.

UNCDF in partnership with ILO will conduct a regional analysis of SP expenditure by GDP, linking the findings to a SP expenditure forecast model. A medium-term expenditure framework will be generated for MoLSW that will match and compliment the 9th NESDP.

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