HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Public Sector Debt Statistics Mission (In-country)

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Statistics Department

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: A technical assistance mission from the IMF's Statistics Department visited Lao People's Democratic Republic during May 11-12, 2023, to support the authorities in continuing to improve the compilation and dissemination of public sector debt statistics (PSDS). The mission assisted the authorities to compile annual PSDS and also discussed the correct recording of Lao PDR's "arrears clearance bonds."

Summary of Mission Outcomes and Priority Recommendations

BACKGROUND

1.   **In consultation with the Ministry of Finance (MOF) of Lao People's Democratic Republic, an in-country technical assistance mission on Public Sector Debt Statistics (PSDS) was conducted from May 11-12, 2023.** The main objective of this mission is to assist the MOF in making further progress in PSDS compilation and dissemination. The mission collaborated with a United Nations Conference on Trade and Development (UNCTAD) mission that was at the same time in Vientiane to further implement the Debt Management and Financial Analysis System (DMFAS). The mission worked with the Public Debt Management Department (PDMD) on developing (semi-)automatic procedures to compile quarterly PSDS (QPSD).

FINDINGS

2.   **The mission joined a part of UNCTAD's workshop provided to the Planning and Evaluation Division of the PDMD.** Participants successfully learnt to generate reports from the DMFAS (semi-) automatically, inter alia, for the debt bulletin and in line with the Quarterly PSDS (QPSD) template. Once all relevant loans and debt securities' terms data are recorded in DMFAS, this should allow the PDMD to easily generate quarterly QPSD reports conform the template.

3.   **The MOF will manually compile annual PSDS, with the assistance of the GFS expert, covering 2021Q4 and 2022Q4 after the 2022 debt bulletin is released by the end of June 2023**. The MOF will also use the DMFAS to compile an annual time series 2015-2020 to supplement these data by the end of 2023. Once all loans and debt securities data are recorded in DMFAS (scheduled for end-2023), the MOF will compile quarterly PSDS using DMFAS.

4.   **The PDMD asserted that the 9.6-trillion-Kip bonds, so-called 'arrears clearance bonds', issued in 2021 should be reduced from the 34 trillion Kip the January 2023 Article IV mission learnt of.** The PDMD indicated that the Ministry of Planning and Investment (MPI) was late in reducing this amount from the stock. The mission reiterated the need to collect time series capital expenditure arrears data from the MPI to also see how this has historically developed and confirm this assertion.

5.   **The mission learned that the *arrears clearance bonds* were issued on individual terms to the thousands of contractors whose invoice claims would be extinguished with these bonds.** Thereby tens of thousands of terms of bonds need to be recorded in DMFAS, which are currently administered from a MS Excel database file. As noted in earlier mission reports, the bonds are split in so-called (i) 'investor bonds' – disbursed directly to the contractors and (ii) 'triangular bonds' – disbursed to banks, whereby contractors' invoices are paid, and contractors pay outstanding bank loans. The bonds have 1-, 3-, 5- and 7-year maturities. Each bond is issued to individual contractors on separate dates with all four maturities with individual terms and are more akin to promissory notes, though tradeable.

6.   The thousands of terms were originally recorded by the Budget Department in the MS Excel file. The management of these bonds and the MS Excel file was transferred to the PDMD in 2022, who needs to record these in DMFAS. Given the volume, this is a very demanding task and is estimated to take at least until the end of 2023 when recorded manually. The Advisor discussed with the UNCTAD expert the possibility to use a SQL import into DMFAS once the Excel file can be structured in a suitable format.

PRIORITY RECOMMENDATIONS

7.   The mission recommends the PDMD to start compiling and disseminating to the World Bank and IMF annual PSDS data by October 2023. Initially with 2021Q4 and 2022Q4 data, thereafter an annual time series 2015 -2020, and finally with quarterly data starting with 2020Q1.

8.   Research with UNCTAD IT experts the possibilities to SQL import the terms of the arrear's clearance bonds into DMFAS instead of manual recording by September 2023