

**CASE STUDY  
(WRITING PUBLIC  
POLICY CASES FOR  
SDGs)**

Course No. 5010738  
2019S1S2

Day 4—May 8, 2019

**A case of Lao PDR—policy options to  
achieve SDGs without compromising  
fiscal sustainability**

Toshiro Nishizawa

Day 1	Wed, April 10	Introduction	TN & SR
Day 2	Wed, April 17	A case of sanitation	TN & SR
Day 3	Wed, April 24	A case of Lao PDR—debt implications of a mega transportation project	TN
...	Wed, May 1	No class (public holiday)	...
<b>Day 4</b>	<b>Wed, May 8</b>	<b>A case of Lao PDR—policy options to achieve SDGs without compromising fiscal sustainability</b>	<b>TN</b>
Day 5	Wed, May 15	Group work assignment	TN
Day 6	Wed, May 22	Guest lecture by Prof. Ryosuke Shibasaki, University of Tokyo	TN & SR
...	Wed, May 29	No class (reserved for Friday classes)	...
Day 7	Tue, June 4 (make-up)	Group work	TN
Day 8	Wed, June 5	Group work	TN
Day 9	Wed, June 12	Guest lecture “Spillover effects of infrastructure” by Prof. Naoyuki Yoshino, Dean of Asian Development Bank Institute	TN & SR
Day 10	Wed, June 19	Group work	SR
Day 11	Wed, June 26	Group work	SR
Day 12	Wed, July 3	Student presentation in a mock teaching setting	TN & SR
Day 13	Wed, July 10	Student presentation in a mock teaching setting	TN & SR
...	Mid-August	Case submission	...

Day 4—May 8, 2019

**A case of Lao PDR—policy options to achieve SDGs without compromising fiscal sustainability**

Introduction—10 minutes

Student reporting and discussion—60 minutes

Allocated for your group work—40 minutes +



Discuss the public policy-related challenges and opportunities to achieve SDGs



Problem solving in public policy using teaching cases



Cases on a range of topics relating to SDGs



Participant-centered learning methods



Group work / Learn to write a teaching case



Narrative on a real-world situation to make a decision or solve a problem.



Analytical work by interpreting the relationships among incidents, identifying possible options, evaluating choices and their outcomes.



Understand the relevance and importance of abstract concepts and theory in practice.

# Student reporting and discussion



Narrative on a real-world situation to make a decision or solve a problem.



Analytical work by interpreting the relationships among incidents, identifying possible options, evaluating choices and their outcomes.

- ❑ How could Lao PDR achieve SDGs without compromising fiscal sustainability?
- ❑ What are the policy options?

How can we help developing countries to accelerate delivery of public services?

How to reduce vulnerabilities that affect sustainability of services?

# Student reporting and discussion (continued)



Narrative on a real-world situation to make a decision or solve a problem.



Analytical work by interpreting the relationships among incidents, identifying possible options, evaluating choices and their outcomes.

Could you share your answers to the following three questions **within ONE minute?**

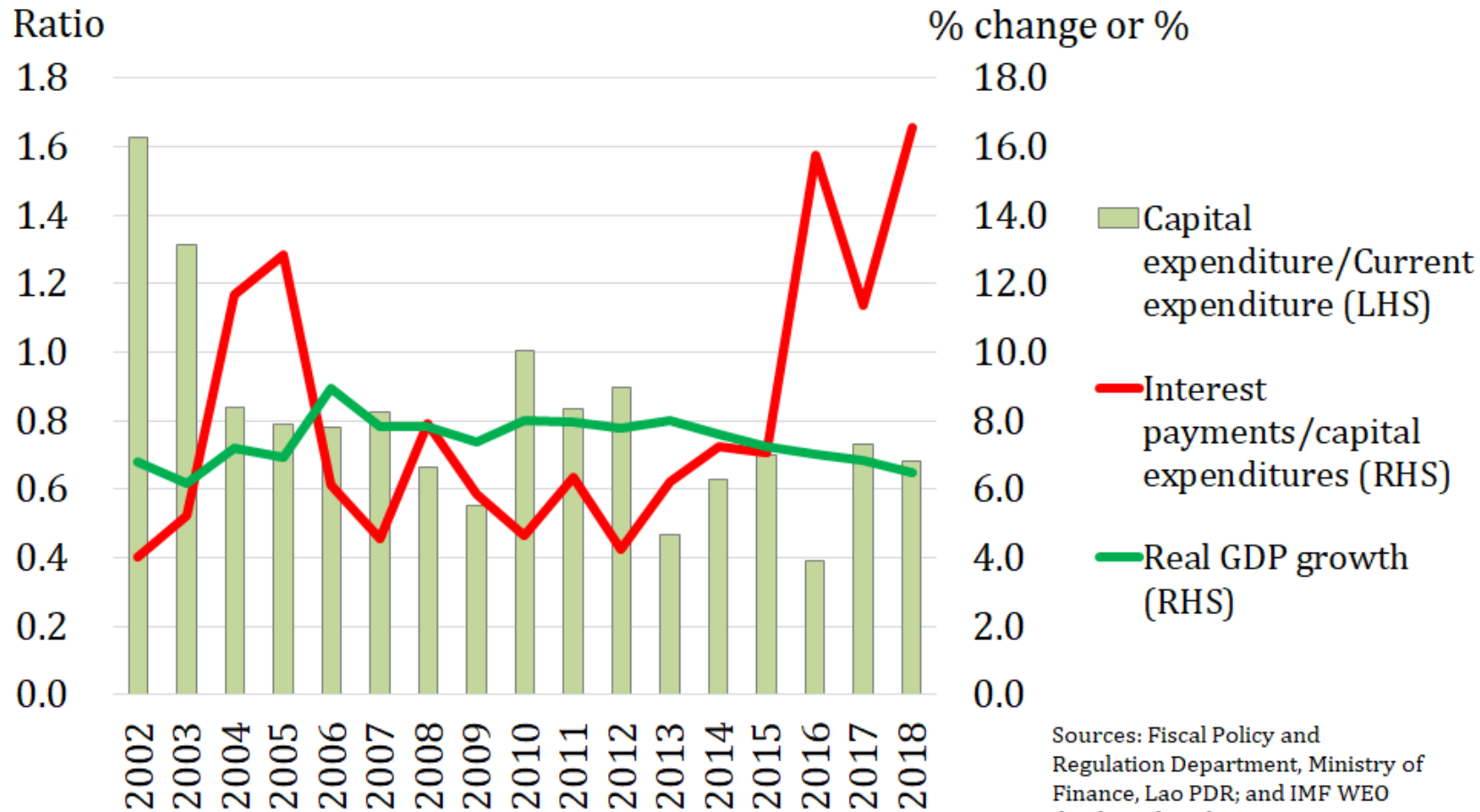
Q1. Which SDG is most relevant in the context of Laos and why?

Q2. What is the most critical constraint to achieving this particular SDG and why?

Q3. What policy option would you suggest to PM Thongloun?

# Student reporting and discussion (continued)

Figure 9. Lao PDR: Capital and Real Growth Rate, 2002-2018



Sources: Fiscal Policy and Regulation Department, Ministry of Finance, Lao PDR; and IMF WEO database (GDP).



Narrative on a real-world situation to make a decision or solve a problem.

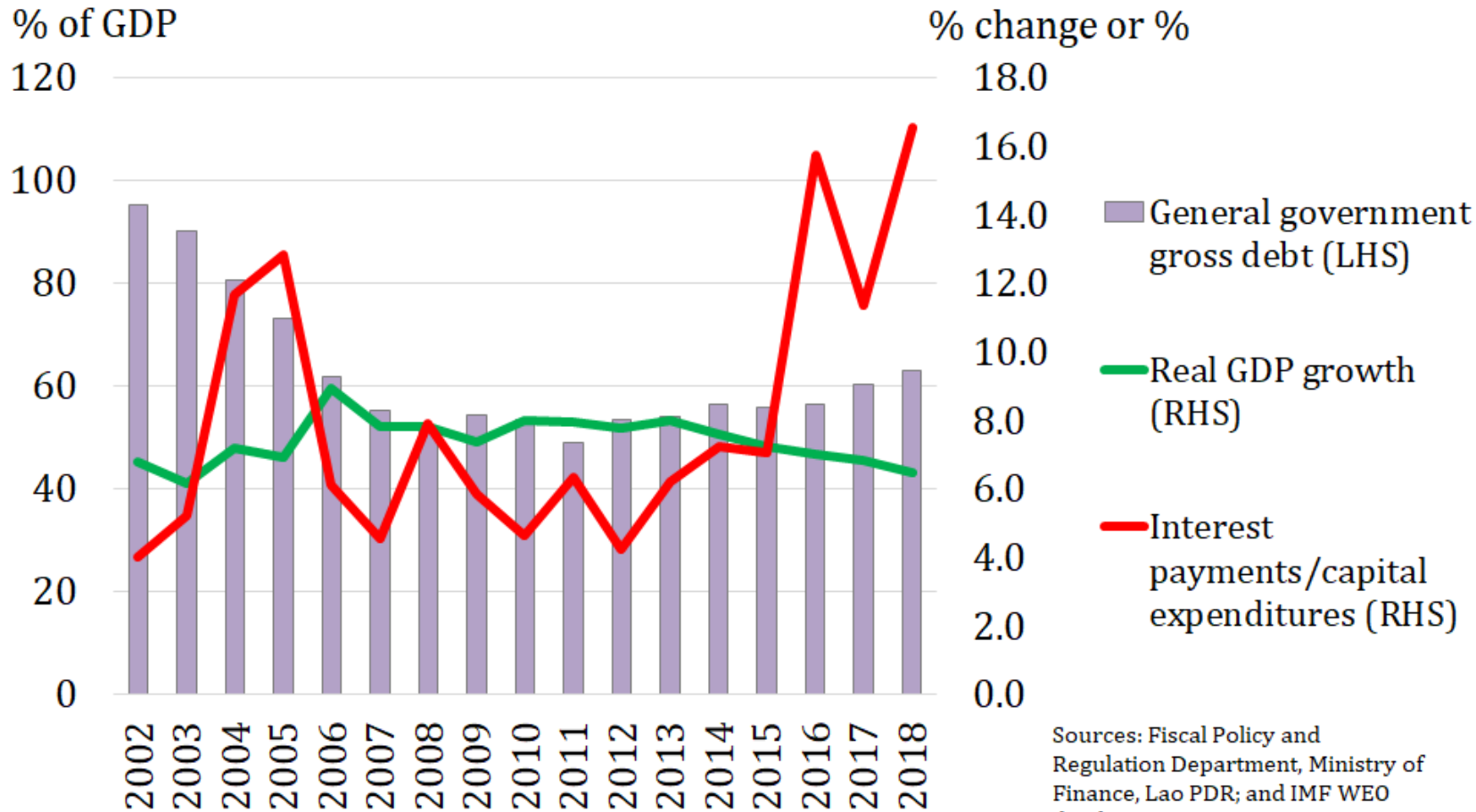


Analytical work by interpreting the relationships among incidents, identifying possible options, evaluating choices and their outcomes.



# Student reporting and discussion (continued)

Figure 10. Lao PDR: Government Debt Cost and Real Growth, 2002-2018



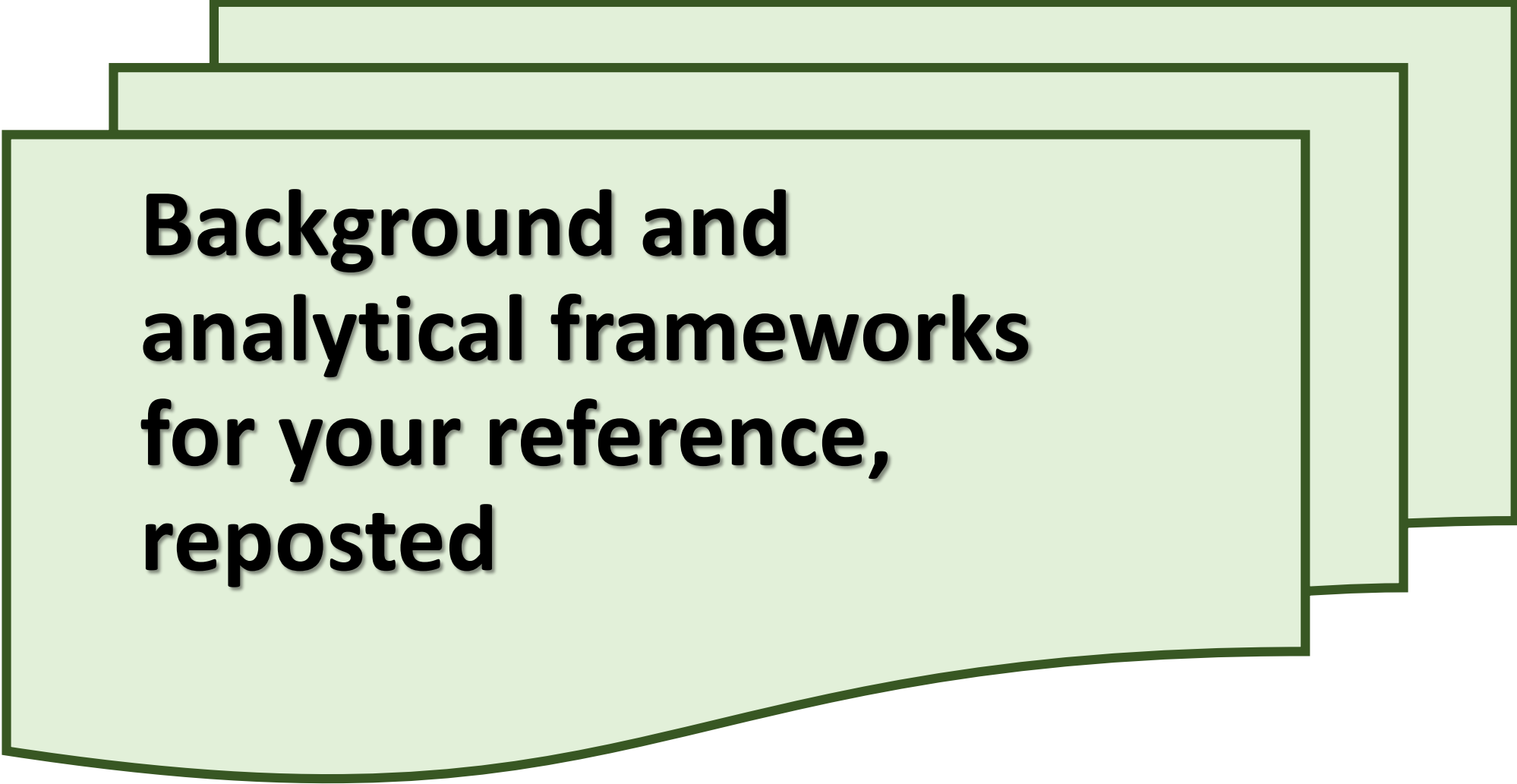
Sources: Fiscal Policy and Regulation Department, Ministry of Finance, Lao PDR; and IMF WEO database.



Narrative on a real-world situation to make a decision or solve a problem.



Analytical work by interpreting the relationships among incidents, identifying possible options, evaluating choices and their outcomes.



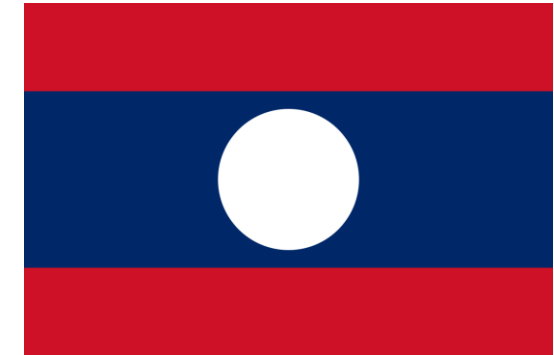
**Background and  
analytical frameworks  
for your reference,  
reposted**

A case of Lao PDR—debt implications of a mega transportation project

## Background



Source: Laos Tourism.



- ❑ Landlocked
- ❑ Mostly mountainous and thickly forested
- ❑ About 7 million population with low density

A case of Lao PDR—debt implications of a mega transportation project

## Background (continued)

- ❑ 7%+ GDP growth during the past decade
- ❑ Per capita income at US\$2,457
- ❑ 20% of GDP and 70% of labor force in agriculture



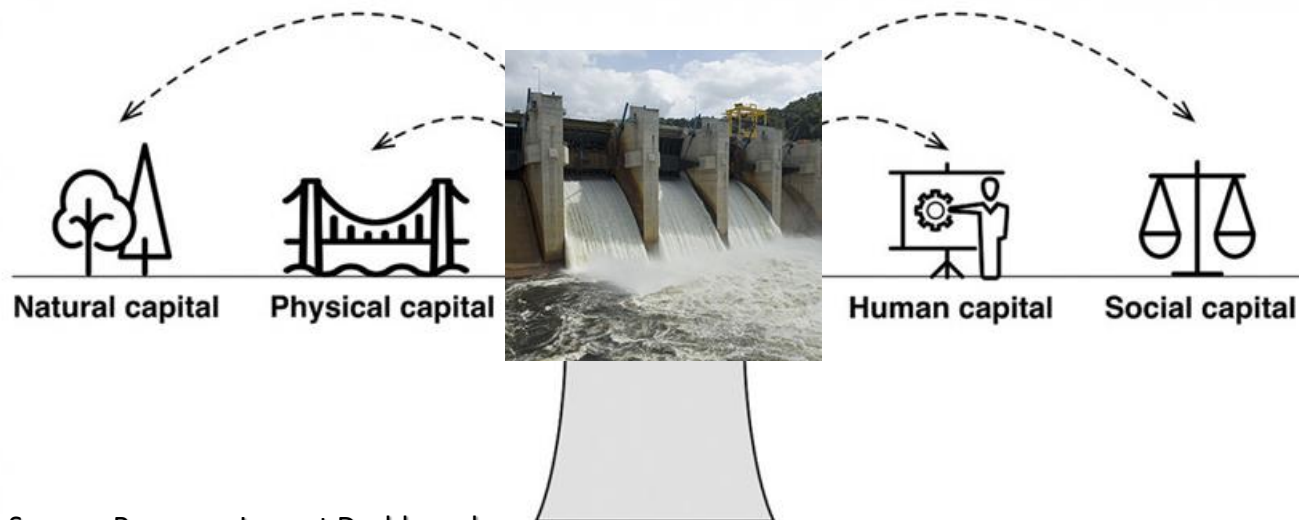
Source: Laotravelagency.



A case of Lao PDR—debt implications of a mega transportation project

## Background (continued)

- ❑ Capital-intensive natural resource exports made possible by foreign direct investments in the hydropower and mining sectors
- ❑ Resources for future investment



Source: Resource Impact Dashboard.



Source: Nam Theun 2 Power Company Ltd.

A case of Lao PDR—debt implications of a mega transportation project

## Background (continued)



Source: ASEAN-Japan Centre.

- ❑ Underdeveloped infrastructure particularly in rural areas
- ❑ A limited labor pool, a small domestic market
- ❑ 141st among 190 countries in 2018 by World Bank's ease of doing business ranking



A case of Lao PDR—debt implications of a mega transportation project

## Background (continued)



Source: The Economist, September 14, 2017.



## Background (continued)

- ❑ Prime Minister Shinzo Abe announced the Japan-Lao PDR Joint Development Cooperation Plan for the Sustainable Development of Lao PDR at the Japan-Lao PDR Summit Meeting with Prime Minister Thongloun Sisoulith in September 2016.
- ❑ Prime Ministers expect that specific initiatives under the Cooperation Plan would contribute to the formulation of Lao PDR's 9<sup>th</sup> Five-Year National Socio-Economic Development Plan (2021-2025).
- ❑ As one of the initiatives under the Cooperation Plan, Joint Policy Research and Dialogue Program for Fiscal Stabilization in Lao PDR was launched in March 2018. Under the Program, four working groups consisting of experts from Japan and Lao PDR were formed to cover respective issues with the implications for fiscal stabilization.



A case of Lao PDR—debt implications of a mega transportation project

## Background (continued)

*“We would appreciate Laos-Japan experts’ contribution to the formulation of Lao PDR’s 9<sup>th</sup> Five-Year National Socio-Economic Development Plan (2021-2025).”*



## Background (continued)

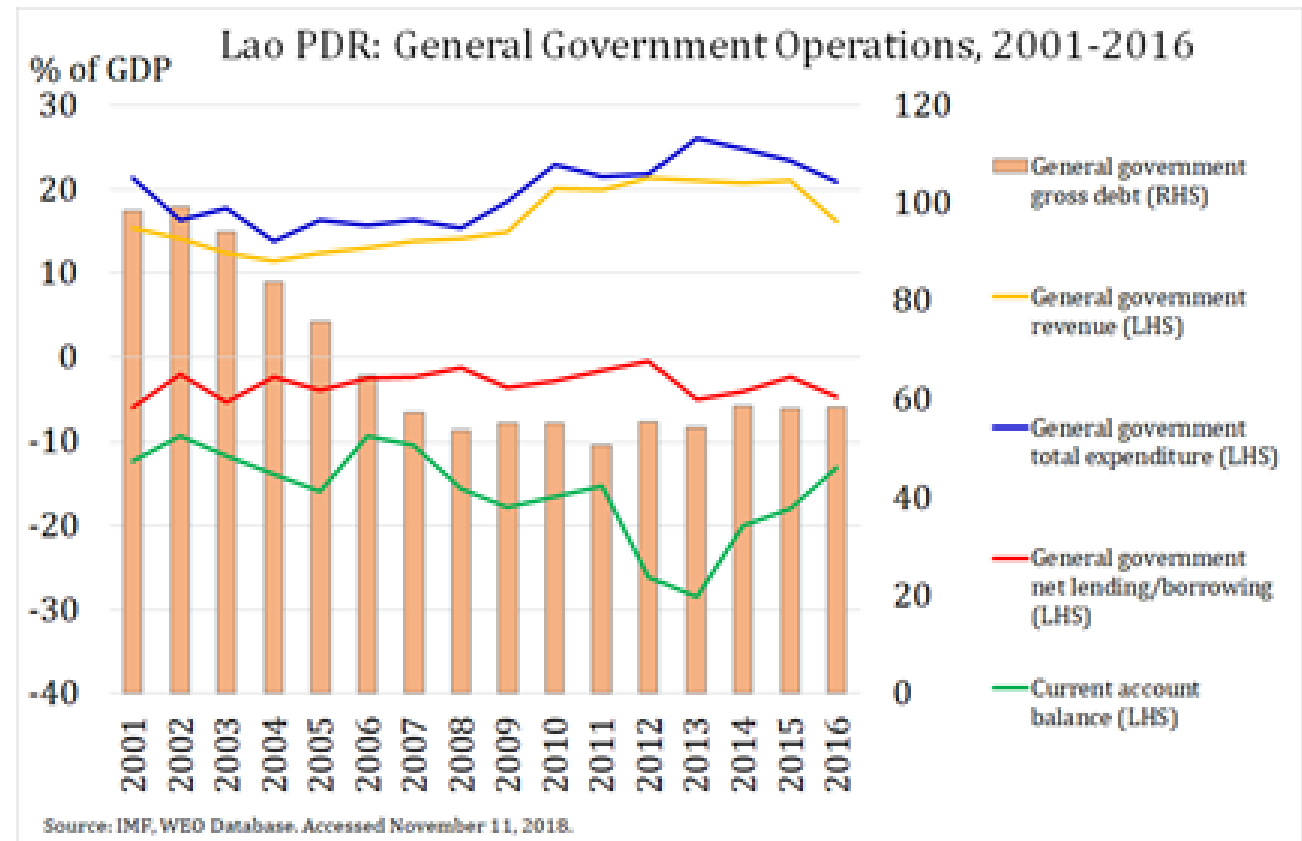
- ❑ Chronic fiscal deficits (5-10% of GDP) financed by external grants and borrowing
- ❑ Fiscal risks due to the increasing amount of foreign-currency-denominated external debt as well as the growing government contingent liabilities
- ❑ A dilemma of public investment for long-term economic development versus reliance on external debt

## Analytical frameworks

- The chronic fiscal deficit is the reflection of a large negative savings-investment balance of its economy.



Understand the relevance and importance of abstract concepts and theory in practice.





## A case of Lao PDR—debt implications of a mega transportation project

### Analytical frameworks (continued)



Understand the relevance and importance of abstract concepts and theory in practice.

$$I = S^* + (T-G) + (EX-IM)$$

TABLE 3. GROSS DOMESTIC PRODUCT

Production Approach		Expenditure Approach	
Output, basic prices	3,604	Final consumption expenditure	
Less intermediate consumption	-1,883	Government ( <i>G</i> )	368
<b>Gross value added</b>	<b>1,721</b>	Households and NPISH ( <i>C</i> )	1,031
		Gross capital formation ( <i>I</i> )	
		Gross fixed capital formation	376
Taxes less subsidies on products	133	Change in inventories	28
		Acquisitions less disposals of valuables	10
		Exports of goods and services ( <i>X</i> )	540
		Less imports of goods and services ( <i>M</i> )	-499
<b>GDP</b>	<b><u>1,854</u></b>	<b>GDP</b>	<b><u>1,854</u></b>

Source: IMF, The System of Macroeconomic Accounts Statistics—An Overview, 2007.

A case of Lao PDR—debt implications of a mega transportation project

## Analytical frameworks (continued)



Understand the relevance and importance of abstract concepts and theory in practice.

$$Y = A \cdot F(K, L)$$

Y: Income

A: Productivity

K: Capital

L: Labor

## Analytical frameworks (continued)



Understand the relevance and importance of abstract concepts and theory in practice.

*Uncertain and diminishing returns*

*Challenging political option*

Assets	Liabilities
Power to tax	
	Contingent liabilities

*Pre-determined costs*

*Foreign exchange risk, call of guarantee, etc.*

*Project failure, bank bailouts, etc.*

A case of Lao PDR—debt implications of a mega transportation project

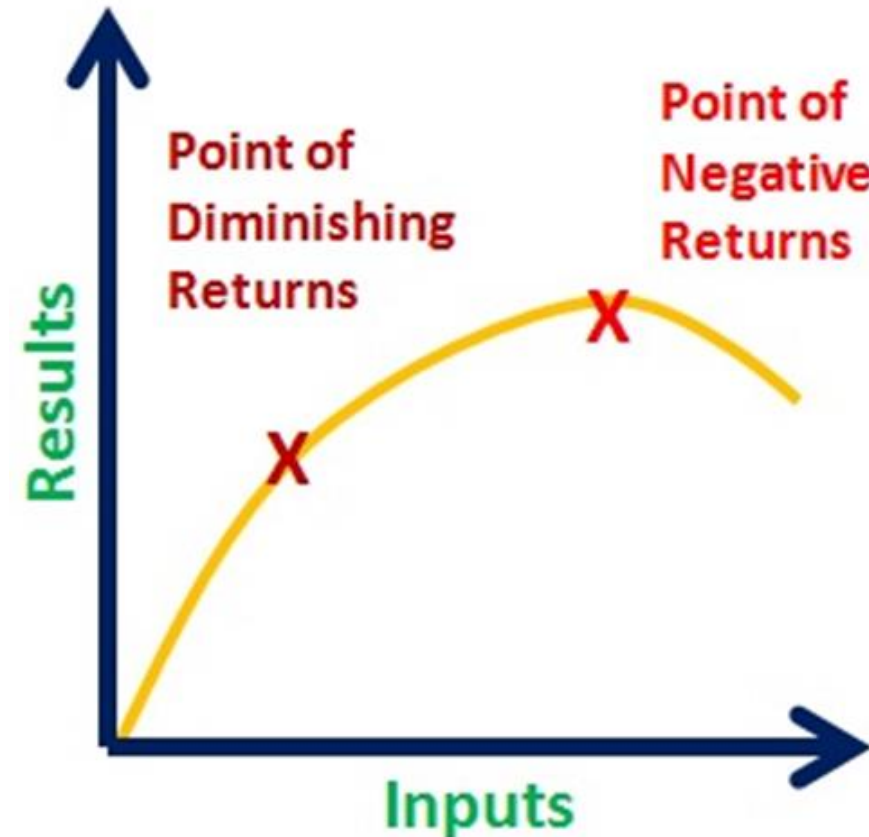
## Analytical frameworks (continued)



Understand the relevance and importance of abstract concepts and theory in practice.



Source: Hosk's Dynamic CRM Blog.



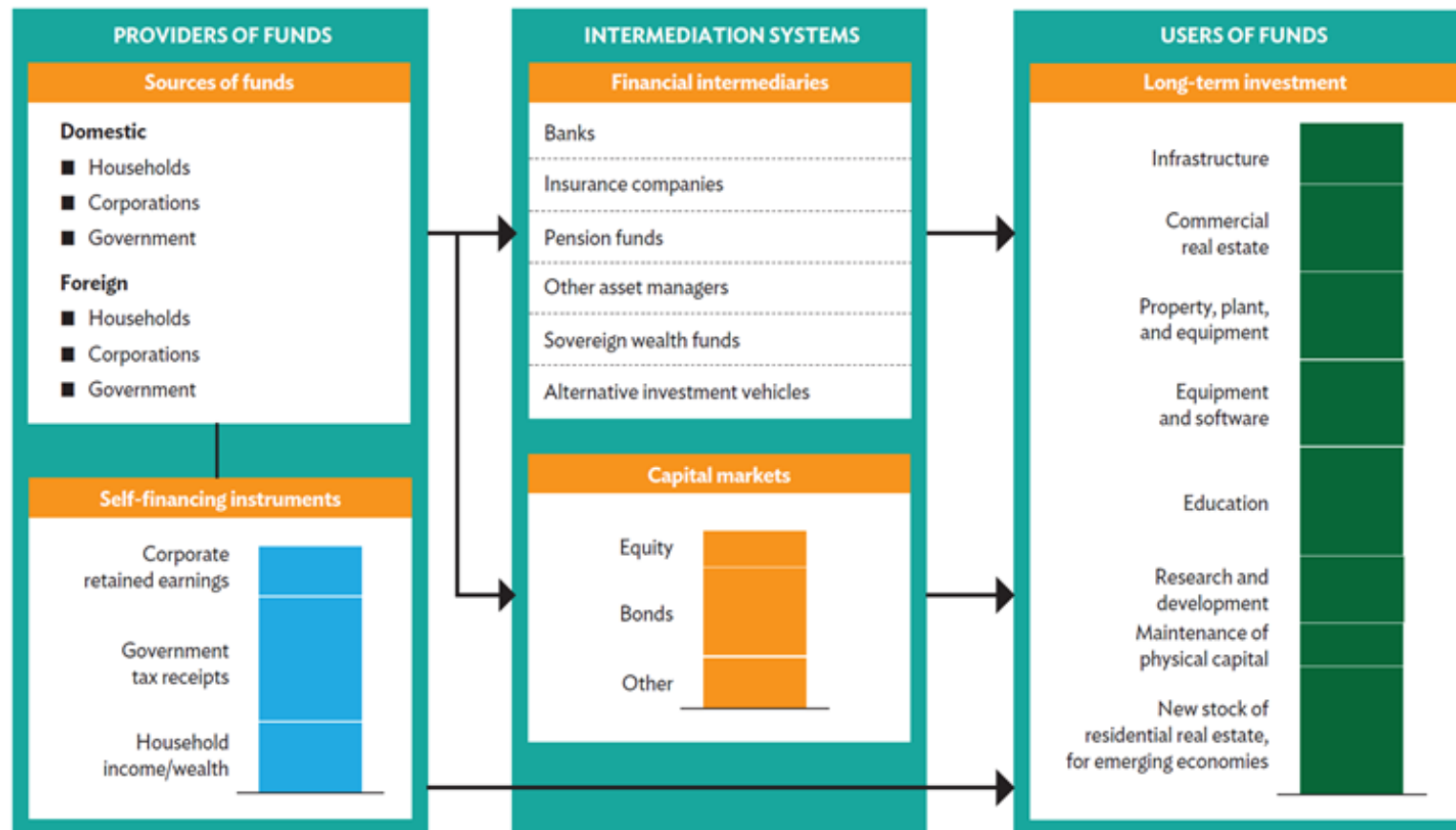
# A case of Lao PDR—debt implications of a mega transportation project

## Analytical frameworks (continued)



Understand the relevance and importance of abstract concepts and theory in practice.

### 2.2.6 Framework for the provision of finance for long-term investment



Source: Asian Development Outlook 2015, page 63.

Source: McKinsey Global Institute as cited in Group of Thirty (2013).