



**European Development Partners' Statement**  
**at the Lao PDR's 2014 Round Table Implementation Meeting**

Vientiane, 14 November 2014

*Implementation of the 7<sup>th</sup> NSEDP*

The European Development Partners active in Lao PDR – the European Union and the Member States of the European Union together with Switzerland – would like to congratulate the government on achieving lower middle-income country status during the implementation of the 7<sup>th</sup> NSEDP and turning its focus on LDC graduation by prioritising actions that address the three main LDC criteria – income, human development and economic vulnerability.

We also congratulate Lao PDR for being on track to meet an important number of the MDGs but note that the focus towards the end of the 7<sup>th</sup> NSEDP implementation period needs to be placed on malnutrition (MDG 1), infant and under-five mortality rates as well as improved maternal health (MDGs 4+5), primary and high-school drop-out rates (MDG 2) and ensuring environmental sustainability (MDG 7). While poverty has been decreasing over the last 12 years, more than one and a half million Laotians still live in poverty and a large proportion of the population is living precariously close to the poverty line. Growth alone does not automatically lead to better lives for the majority of people and development can result in social and geographical inequalities that need to be mitigated.

*Progress of implementation of the Action Points agreed at last year's RTM*

At last year's high-level Round Table meeting we had open and frank discussions about a wide range of development challenges facing Lao PDR. We summarised our discussions in **16 follow-up Action Points** and agreed that progress would be monitored throughout the year. We welcome that an important part of today's discussion will be devoted to discussing progress against these Action Points.

On **macro-economic management and growth**, the recent IMF Article IV consultations have confirmed that government has taken measures to address important macro and fiscal imbalances. Still, the country remains vulnerable to domestic and international shocks and international reserves remain insufficient. Oversight and scrutiny of Public Investment projects need to be strengthened and measured against broader development benefits. Effective and efficient public financial management is a core foundation for national development and poverty reduction, especially through ensuring sustainable economic growth, value for money including further progress in the fight against corruption and

improving the efficiency of public services. We attach great importance to an effective implementation of PM decree 008 on the use of Daily Subsistence Allowances (DSAs) to ensure sound financial management and an effective use of public funds including ODA.

On **off-track MDGs**, while we reaffirm the importance of agriculture and rural development as a key sector for achieving MDG 1, we welcome the encouraging progress in the implementation of the Multi-sectoral (convergence) Food and Nutrition Security Action Plan including the establishment of the National Nutrition Committee. The provincial Round-Table consultations that took place in September highlighted a number of important lessons from the early stages of implementation including the key role that civil society has to play and the need to put local communities and villages at the heart of any development approach. National and international evidence suggests that there is a strong correlation between agriculture, education, women's empowerment, health and nutritional outcomes. These cross-sectorial linkages have to be fully recognised and inform effective and well-coordinated policy responses. In spite of an overall tight fiscal situation, funding for the education and health sectors needs to be safeguarded through reprioritisation of expenditure from less productive areas in the budget. Regarding MDG 7 it is important to recognise that forest coverage alone is not a sufficient indicator. We encourage the Lao government to include sustainable management of natural resources into national policies, strategies and laws and to put greater emphasis on biodiversity protection as an important pillar of MDG 7. We welcome the government's efforts to reduce illegal logging and to engage with the EU in the FLEGT process. We hope that the FLEGT process will move forward decisively in 2015.

On **governance and human rights**, we welcome the recent consultation meeting on the Universal Periodic Review (UPR) and the INGO Conference that took place on October 28. It is encouraging that government has explicitly recognised the important contribution made by INGOs to national development and we hope that in this spirit the new INGO guidelines will be implemented in a transparent and predictable manner at central level and across provinces. We suggest assessing the implementation of the new guidelines in one year in an effort to further improve them.

**Local not-for-profit associations (NPAs)** are equally essential for national development and people's participation. While we acknowledge the consultations that have taken place around the revision of the new NPA decree, we remain with serious concerns with regard to the more restrictive definition of permitted activities for NPAs and the ceiling introduced for external financial support without prior approval.

At last year's RTM, we raised the issue of the **unexplained disappearance of Mr Sombath Somphone**. We were re-assured by the government that it had taken all steps to continue the investigation and to bring the perpetrators to justice. One year later (and almost two years after the disappearance occurred), we note with grave concern that no progress has been made and Mr Sombath has still not returned to his family. Once again, we urge the government to resolve this case urgently. We also suggest inviting the UN Working Group on Enforced or Involuntary Disappearances with regard to this specific case. Continued

uncertainty around this case will not reflect well on the Lao PDR in the upcoming Universal Periodic Review (UPR).

**On land,** we welcome recent signals from the government not to allow expropriation for private purpose in the National Land Policy. We encourage the government to restrict expropriation to public purpose only. This would contribute to improved tenure security in line with the FAO Voluntary Guidelines, ASEAN regulations and bilateral agreements related to investment protection, including those with EU member states. In case of expropriation for public purpose, affected parties should receive full, fair and prior compensation – both in cases of individually and communally held land. Since only about 30% of land holdings in Laos have been 'titled' yet, we would encourage the government to define clear policies and laws to protect customary rights in order to secure the livelihoods especially of rural and vulnerable groups.

#### Development Cooperation for Results

European Development Partners have committed approximately USD 550 million in support to the implementation of the 7<sup>th</sup> NSEDP. This represents over 30% of all the ODA received by the government to date. Nearly all of the European ODA is provided in grants.

In order to further strengthen our partnership we would like to propose to the government and our fellow Development Partners that in 2015 we launch a common review of how the Round Table process – including at the Sector Working Group level - could be made more relevant, substantive and inclusive in particular in the context of the 8<sup>th</sup> NSEDP.

#### The 8<sup>th</sup> NSEDP and long-term development strategy

We welcome the Lao government's preparation for the drafting of the 8<sup>th</sup> NSEDP and enabling a fully consultative drafting process, with a view to achieving a high-quality final document with a well-designed and outcome-based monitoring framework.

We support the proposed focus on graduation from LDC status with the commitment to achieve inclusive economic growth and sustainable development. At the same time attention to the 'affordability' of the 8<sup>th</sup> NSEDP is essential. Current indications that a large part of 8<sup>th</sup> NSEDP financing would be sought from the private and the banking sectors are of concern. As is acknowledged in the RTIM background document there are 'risks associated with the current Financing Plan which could constrain the achievement of the outcome and overall goal'.

Going forward, we encourage the Lao government to consider shifting to a growth model that is more quality-based and in line with a sustainable management of natural resources, reducing the negative effects of climate change and ensuring food security. "Green growth" does have enormous potential in Laos if the right incentives and regulatory frameworks are put in place. This would also support social inclusion including for the growing number of young people that enter the labour market.

It is our hope that at today's RTIM we will be able to discuss this and other issues in a constructive and frank manner so as to make further decisive progress in the development of Lao PDR and its people. European Development Partners re-iterate once again their strong commitment to accompany and support this development for better lives and enhanced human rights for all Lao citizens.