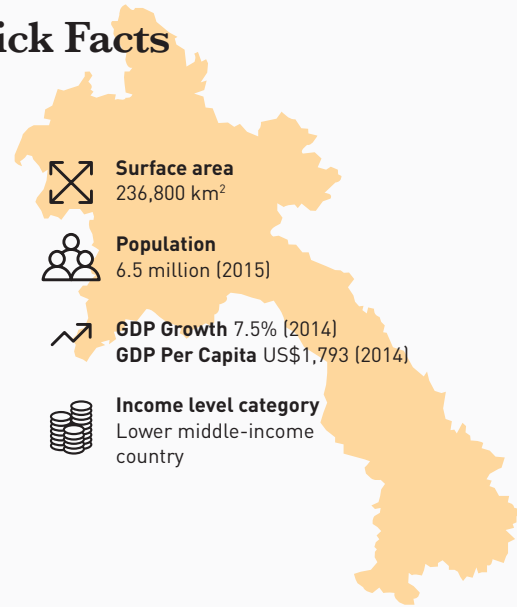


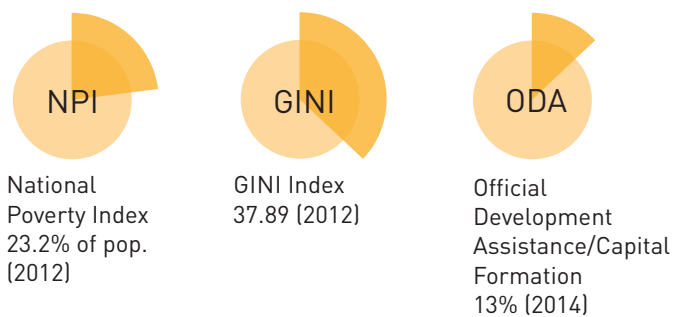
1. Country Context

Having celebrated its 40th anniversary in 2015, the Lao People's Democratic Republic (PDR) is a lower middle-income economy with 6.5 million inhabitants and a GNI per capita of US\$1,600 in 2014. Lao PDR's rich natural resources and its use for power generation play a key role in its high annual economic growth of around 7% in the past years. One of the results is the consistent reduction of poverty from 33.5% in 2002 to 23.3% in 2012 as well as progress in multiple social arenas. Its Human Development Index stood at 0.575 in 2014, with Lao ranking 141st among the 188 countries participating in the HDI. Co-chaired by UNDP Administrator Helen Clark, the government and development partners adopted in November 2015 the Vientiane Declaration on Partnership for Effective Development Co-operation, which will guide development co-operation until 2025 in support of national socio-economic development plans and the Sustainable Development Goals. For this year's monitoring round, 31 partners reported total development co-operation of US\$513.8 million. Lao PDR's top five development partners are Japan, the Republic of Korea, the Asian Development Bank, the United States and the World Bank, which contributed a total of 78% of all development co-operation reported in 2015.

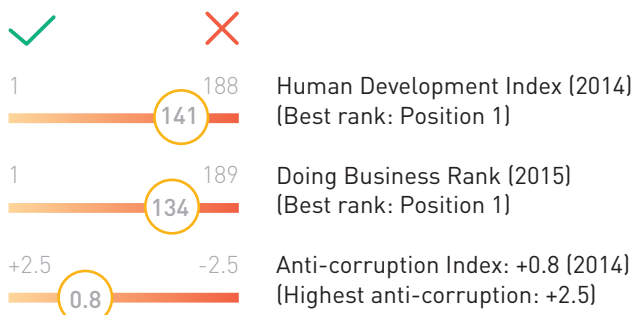
Quick Facts



Key Development Indices:

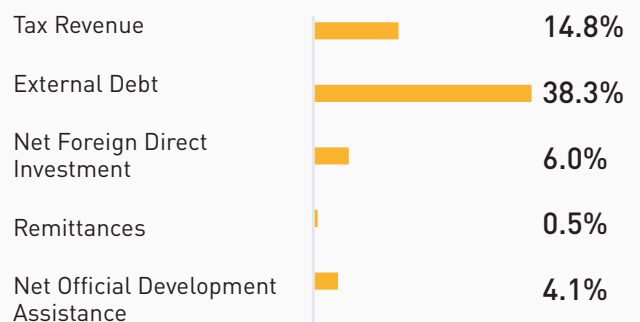


ODA per Capita US\$70.62 (2014)



Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE



Key Development Challenges

Lao PDR has advanced substantially in fighting poverty and achieving social goals in areas such as health, education and food security. Legal reforms have created a dynamic environment for economic activity and the 8th National Socio-Economic Development Plan is framed by the SDGs and the future graduation to a middle-income country. Sustainable development in Lao PDR will largely depend on a sound management of economic risks as a power exporter, careful attention to environmental challenges, and consequent investments in social goals, with particular needs among children (health and education).

2. Efforts to Implement the Effectiveness Principles

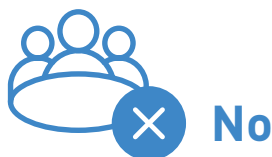
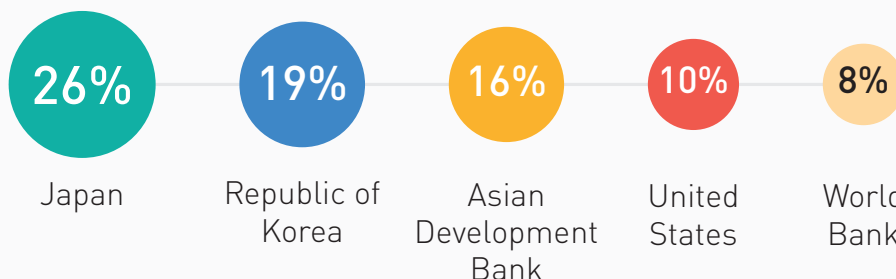
A. Policies and Tools for Partners' Alignment

The Government of Lao PDR has just launched the 8th five-year National Socio-Economic Development Plan (NSEDP 2016-20), which includes a comprehensive results framework. The NSEDP sets priorities to be reflected in the budget via the Medium-Term Financial Framework

(MTFF) and Medium-Term Expenditure Framework (MTEF). It is embedded in the longer-term policies of the Socio-Economic Development Strategy for 2016-25 and the 2030 Vision Development Strategy, which already mention the Sustainable Development Goals (SDGs)

and their indicators. The main objective of the current NSEDP is graduation from LDC status and its outcomes call for inclusive growth, human resource development, environmental sustainability and climate resilience.

Major Development Partners of this Round (by Reported Disbursements)



Participation in 2014 Monitoring



Existence of a National Co-operation Policy

B. Governance and Management of Development Finance and Co-operation

After the Mexico High-Level Meeting in 2014, the Government of Lao PDR jointly with development partners signed the Vientiane Declaration on Partnership for Effective Development Co-operation (2016-25), which includes lessons learned from previous partnership mechanisms (including the 2006 Declaration), localizes the Global Partnership process in the national context and is informed by the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development. Apart from the principles, the Partnership Declaration covers domestic resource mobilization, South-South co-operation and inclusive partnerships, among others. A country action plan is currently under preparation and will build on the Global Partnership indicators. Since 2005, institutional coordination has taken

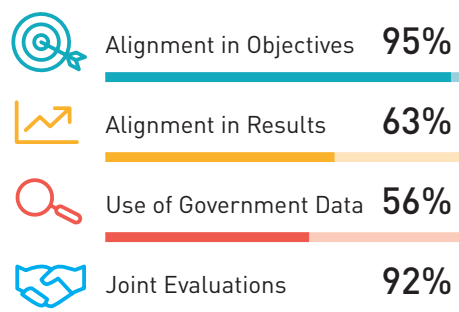
place through the round table process, with 10 sector working groups (SWGs) and annual round table meetings that are open to multiple stakeholders, including South-South co-operation development partners, civil society and the private sector. One outstanding example is the SWG on agriculture, which plays a proactive role in ensuring development effectiveness in its respective sectors, fully involving all relevant stakeholders. The official development finance information management system faces challenges due to a combination of technical issues of the system itself, high turnover of data focal agents and inconsistency of data validation. There is a plan to develop a national system in the coming years, which should override multiple platforms of database currently in the country.

3. Country Ownership

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

Ninety-five percent of development co-operation reported in this year's exercise is aligned to the objectives outlined in the NSEDP and sector plans. Alignment to country-led results stands at 63%. Only slightly more than half of development co-operation (56%) uses national M&E systems. Where evaluations are planned

(60%), the Government of Lao PDR takes a relatively active role, often contributing technical and financial means. A few development partners with smaller portfolios are still struggling to adjust to Lao PDR's frameworks, although most of them have shown progress in this area.

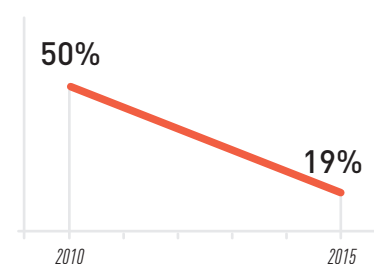


Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

In 2015, only 19% of development co-operation finance was recorded in the government budget, down from 50% in 2010, the last figure available. Only the World Bank Group (100%), IFAD (94%) and the Asian Development Bank (83%) provide financial support that is largely under parliamentary scrutiny. In contrast, larger partners such as UNDP,

UNICEF, WFP, WHO, Australia, France, the Republic of Korea, Switzerland and the United States are all operating completely outside national budgets. Ongoing partnership mechanisms need to be strengthened with better joint planning and data-sharing tools, including through official development finance management systems.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

In line with a limited integration in the national budget, the use of country systems was rudimentary in 2015, reflecting a negative tendency compared to the last data available from 2010, where use of national public finance management (PFM) and procurement were almost double: 41% and 37%, respectively. A significant number of

development partners do not use country systems at all and manage their co-operation in parallel to the national public sector. For its part, progress in untying official development finance remains slow, achieving 74% in 2015, a slight deterioration from 80% in 2013. The use of national PFM systems is a top priority in the ongoing government-

partner dialogue, which looks into country capacity, on the one hand, and partners' use of parallel implementation units, on the other. One way forward is to jointly assess key country systems in order to identify capacity gaps (for instance, in line ministries), solutions to bridge these and standards for development partners to use national PFM more systematically.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	27%	22%	19%	21%		
INDICATORS 9A & 10.					3.5	78%

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Over the past years, the Government of Lao PDR has increasingly engaged with civil society organizations (CSOs) and private sector companies, in particular through consultations around the NSEDP and the Vientiane Declaration on Partnership for Effective Development Co-operation. Due to capacity constraints at the domestic level, international NGOs (INGOs) tend to be more active players than their national counterparts, the non-profit associations (NPAs), which often operate in local, rural areas. INGOs and NPAs participate

in the round table process and contribute to the sector working groups. Organized in chambers of commerce, private companies have advanced in a number of fields, including corporate social responsibility, women's empowerment, human rights and extractive industries. Development partners have called for greater inclusion of these players, which has been consequently reflected in the Vientiane Partnership Declaration. In sum, progress has been made in deepening the dialogue and generating

a basic framework to engage in a solid multi-stakeholder dialogue while identifying specific advantages of each actor. In the next years, particularly NPAs might benefit from an improved legal and administrative environment, while enhanced spaces for coordination between government and CSOs, and between government and the private sector, would help fully harness the comparative advantages of all partners in Lao PDR's development.

Indicator 8. Gender Empowerment

So far, gender equality cannot be tracked in the national budget, which still restrains Lao's capacity to advance women's

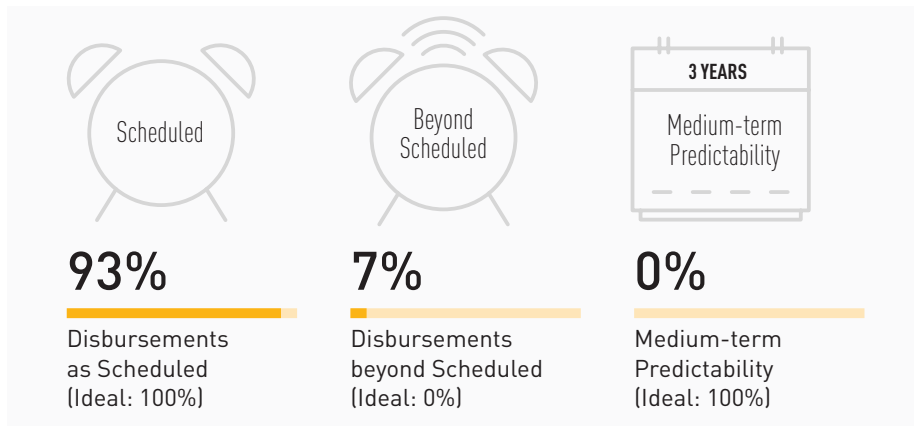
empowerment. However, through the 2016-25 Vientiane Partnership Declaration, the government and partners have committed

to set up a system to monitor gender inequality in order to jointly collect, analyse and report sex-disaggregated data.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

While annual predictability is very high, with 93% of disbursement being effective as scheduled, medium-term predictability is 0%. The stark contrast reflects the absence of joint planning and forward expenditure. The Government of Lao PDR and partners are aware of this limitation and are discussing how to improve longer-term predictability of development co-operation through the development of the country action plan for the implementation of the Vientiane Declaration.



Indicator 7. Mutual Accountability

The Vientiane Partnership Declaration is the main vehicle for mutual accountability, which is further operationalized through the round table process and sector working groups. The updated country action plan, currently under preparation, is a vital tool to strengthen and guide dialogue

between the government and development partners regarding practical action for development effectiveness principles. This might also accelerate progress toward those indicators requiring most attention, especially the use of country systems and predictability. These elements are already

stressed by the Vientiane Partnership Declaration and might further benefit from the increasing inclusiveness towards non-traditional actors such as South-South partners, CSOs and the private sector.

National Priorities Going Forward

“

Lao PDR will address challenges in each of the eight key areas of the revitalized Vientiane Declaration (2016-25). The national focus is on ownership (instituting broad-based, robust consultation mechanisms); alignment (further strengthening public financial management and procurement to improve the likelihood of the partner use); harmonization and simplification (promoting complementarity and a division-of-labour approach across sectors and the use of joint programming and delegated co-operation arrangements); inclusive partnership for development results (transparent national results frameworks and platforms will need to be adopted as a common tool among all concerned actors); transparency, predictability and mutual accountability (increasing the longer-term predictability and transparency of development financing); domestic resource mobilization (enhancing revenue collection and strengthening measures to counter corruption, tax evasion and illicit financial outflows); South-South co-operation, triangular co-operation and knowledge-sharing (focusing on more strategic and innovative institutional arrangements for effective development co-operation); and business as a partner in development (an immediate focus is on appropriate platforms for a broad range of public-private partnership).

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Deputy Director General, Department of International Cooperation, Ministry of Planning and Investment,
Government of Lao PDR**

Disclaimer This document was prepared based on data collected from voluntary reporting to the Second Monitoring Round of the Global Partnership for Effective Development Co-operation and, for Country Context, other open source information available online. The views presented cannot be used or cited as an official UNDP source of information.

For ease of reference, the term ‘country’ is used to refer to developing countries and territories that reported to the Monitoring Round. Participation in this process and mention of any participant in this document is without prejudice to the status or international recognition of a given country or territory.