

**Annex 6:**  
Statement on Progress in the 6<sup>th</sup> NSEDP  
implementation and 7<sup>th</sup> NSEDP direction and priorities  
by the Asian Development Bank

**Development Partner's perspective on progress within the 6th NSEDP implementation, the response to mitigate the effects of the global crisis on achieving the Plan's targets, and strategic direction and priority areas of the 7th NSEDP**

**Statement by the Asian Development Bank**

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1. H.E Dr. Sinlavong Khoupaythoune, Minister of National Planning and Investment; Ms Sonam Yanchen Rana, UN Resident Coordinator and UNDP Resident Representative to the Lao PDR; Excellencies, and Distinguished Participants:

2. I am honoured as co-chair of the Macroeconomics/Private Sector Development Working Group to deliver a supplementary statement which was prepared in consultation with a number of development partners.

**Implementation progress of the NSEDP6**

3. First of all, Mr. Chairperson, please allow us to congratulate the Government for the successful implementation progress of the 6<sup>th</sup> National Socio-Economic Development Plan. Among the many important achievements, higher economic growth has been sustained and the poverty incidence has been reduced to 27%. Steady progress is also being made towards meeting the MDGs.

4. While we commend the good progress, we would like to share some views for better performance during the remaining implementation period of the NSEDP6:

- *First, economic growth has been driven by natural resource based foreign direct investment and has not appropriately translated into small and medium enterprise development and job creation.*
- *Second, there are increasing concerns on the sustainable natural resource management, in particular land management.*
- *Third, while income poverty was reduced, inequality increased and progress on non-income MDGs lags behind targets, in particular malnutrition and maternal and child health status.*
- *Fourth, there is much room to improve efficiency of public expenditures and public finance management, particularly at the local level..*

**Impact of the Global Economic Crisis**

5. Mr. Chairperson, the Lao economy weathered the crisis relatively well so far, even though significant impact was felt in copper price drop and government budget short fall, FDI project implementation delays, and garment export and tourism arrival decline. While there are positive signs that the world economy is now on the recovery side, the process will take quite some time.

6. The Government will need to continue to accord a high priority to macro stability and closely monitor the progress. At the same time, please allow us to share some lessons drawn from this crisis.

- *First, a coordinated approach/ mechanism within the Government is necessary to better manage macroeconomic stability and economic crisis.*
- *Second, there is a need to enhance the banking and financial sector regulatory and supervisory setting to mitigate potential risks.*
- *Third, the crisis has further exacerbated the situation of the poor and vulnerable. The social impact of the crisis should be addressed as a priority for government's actions and budgetary allocations.*

### **Directions and Priorities for the NSEDP7**

7. Mr. Chairperson: now I would like to turn to the 7<sup>th</sup> National Socio-Economic Development Plan. We support the general directions of the 7<sup>th</sup> Plan, which the Government has underlined under the 6 pillars including Sustainable Economic Growth, Poverty Reduction, Industrial Development and Modernization, International Integration, Governance and Public Administration Improvement, and National Security and Stability. We also welcome the development themes, emphasizing equity, quality, and sustainability. We wish to share the following views:



- First, we appreciate that an ambitious plan is necessary to achieve the Government's 2015 MDG targets and 2020 country development goals. This will have significant implication on resource mobilization, allocation, and utilization. While the increase in the amount of FDI and ODA is important, enhancement of quality, efficiency, productivity, and results management should be much emphasized.
- Second, we welcome the significant role of private sector in moving toward industrial development. Building on the recent improvement, conducive business environment should be further promoted - particularly for non-resource sector and SME development. This will require bold reforms in public sector management and public service delivery mechanism. Policies and laws should be implemented in a transparent and consistent way, business related procedures should be further streamlined, and gaps and bottlenecks for enterprise development should be addressed as a matter of high priority.
- Third, we underline the importance of human resource development as the Lao people are the most valuable resources for sustainable development. We appreciate the Government's efforts to develop and adopt a comprehensive education sector development framework. Much effort has gone into developing accessible and affordable basic education, and continued efforts should be made to steadily improve access and quality of basic education. At the same time, we need to ensure that the universities are able to produce creative and innovative human resources; and the vocational and technical education should be able to provide the skilled labor to meet the demands of a growing economy.
- Fourth, we need to further improve the way to manage natural resources to ensure sustainable development and to maximize benefits over the long term. Considerable progress has been made in planning and establishing natural resource management regulations. Transparent implementation and enforcement of laws and regulations are crucial, and further institutional capacity building is required in these areas. Climate change should be mainstreamed in related areas in particular water resource management and rural livelihood improvement, in line with the National Climate Change Strategy Action Plan.

- Lastly, given the importance of NSEDP 7, we would like to suggest more consultative process during its preparation and implementation monitoring process. This will help to clarify priority areas, identify and reflect concrete actions and resources required for full implementation of NSEDP 7, and encourage development partners including ADB to better align their assistance with NSEDP 7 priorities. We expect the Macroeconomics/Private Sector Development Working Group meetings will be a useful venue for constructive consultation between the Government and development partners in the NSEDP 7 preparation process

Thank you.

## **Annex 7:**

Presentation on Accelerating progress towards the MDGs  
by Mr. Saleumxay KHOMMASITH, Director General,  
Department of International Organization, Ministry of Foreign  
Affairs

**Round Table Implementation Meeting**

**Millennium Development Goals:  
Progress and Challenges**

November 03, 2009

**Mr. Saleumxay KHOMMASITH, Director  
General of Department of International  
Organization Ministry of Foreign Affairs**

#### Progress in Achieving MDGs

- Poverty declined from 33 percent in 2003 to 26.9 percent in 2008, However, Hunger remains a challenge
- US dropped from 170 to 98 per 1,000 live births, and the infant mortality rate from 104 to 70
- MMR fell from 650 per 100,000 births in 1995 to 405 in 2005
- Low coverage of skilled birth attendants (25% only, target: 50% for 2015)

#### Five Priority Areas for Achieving the MDGs in Lao PDR



#### Improving Nutrition and Food Security

- Recent progress in implementing policies and programmes
  - First ever National Nutrition Policy was issued in December 2008
  - First ever National Nutrition Strategy and Plan of Action will be issued this month
- Challenges ahead that need particular attention and resources
  - Malnutrition remains a serious challenge
  - Comprehensive strategy with 99 interventions for implementation
  - Extremely fragmented stakeholder landscape
  - Funding: \$600M over next 5 years; \$25M in 2010 for priority 1 interventions alone
  - Significant shortage of institutional and human capacity

#### Reducing Child and Maternal Mortality

- Recent progress in implementing policies and programmes
  - Maternal, Neonatal and Child Health (MCH) Strategy approved in 2009
- Challenges ahead that need particular attention and resources
  - Increased access to Skilled Birth Attendants
  - Strengthening health systems, incl. infrastructure and HR
  - Addressing social and cultural barriers which influence populations' health behavior, ie through IEC and CCT
  - Increase public spending on health care and reduce financial burden of health care on households

#### Providing Basic Education For All Boys and Girls

- Recent progress in implementing policies and programmes
  - Education Development Sector Framework approved in April 2009
- Challenges ahead that need particular attention and resources
  - Access to quality schooling even in remote areas
  - Ensuring that girls have equal access to schooling at all levels
  - Ensure that all children complete primary school
  - Reduce financial burden of sending children to school

#### Promoting Environmental Sustainability

- Recent progress in implementing policies and programmes
  - National Adaptation Programme of Action to Climate Change (NAPA) and National Capacity Needs Self Assessment for Global Environment Management (NCSA) approved
  - National Climate Change Strategy drafted
  - Revised Environment Protection Law drafted
  - Environment and Social Impact Assessment Decree drafted
  - Responsibility for coordinating biodiversity and land degradation transferred to MAF

#### Promoting Environmental Sustainability (II)

- Challenges ahead that need particular attention and resources
  - Drafted policies and strategies need to be approved
  - Strengthened land use planning and land titling processes
  - Strengthened protected area management and forest inspection
  - Sustainable management of production and protection forests
  - Sustainable management of watersheds
  - Sound investment processes to minimize environmental impacts and maximize social outcomes
  - Improved cross-sectoral coordination for sound environmental management, including the strengthened integration of poverty-environment issues into national, sub-national and sectoral plans

#### Improved Water and Sanitation for All

- Recent progress in implementing policies and programmes
  - Harmonized monitoring system through Joint Monitoring Programme
  - Revised MDG Targets for Lao PDR
    - Total improved water 69%
    - Total improved sanitation 54%
- Challenges ahead that need particular attention and resources
  - Rural areas and small towns are not reached
  - 76% of schools do not have access to safe water and sanitation
  - Even if targets are met 1/3 of the population will not have adequate access to safe water and sanitation

#### Investing in an Enabling Environment for MDG Achievement

- Expansion of Rural Roads
  - Reduce number of villages without access to a road
- Electrification of Rural Areas
  - 80% of all villages need to be connected to grid by 2015
    - Subsidies should be provided to poor households in rural areas that cannot afford the grid connection
  - Expand employment and income generating activities especially to youth
  - Increase vocational skills
  - Expansion of access to affordable credit to micro, small and medium enterprises

#### MDGs and the Key Objectives for the 7<sup>th</sup> NSEDP

- High economic growth projected at not less than 8 percent
- Achieving the MDGs
- Focus on balanced growth- economic & social development and environmental protection
- Improving public administration and rule of law
- Global and regional integration
- Key social targets are in line with MDGs

## **Annex 8:**

### **Statement on the Millennium Development Goals (MDGs) by United Nations**



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**Round Table Implementation Meeting**  
**3 November 2009**  
**UN Statement on the Millennium Development Goals**  
**(MDGs)**

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Excellencies,  
Distinguished Participants,

On behalf of the UN Country Team, I would like to commend the Government for the important achievements made toward reaching the MDGs in the Lao PDR and for its commitment to use the 7<sup>th</sup> National Socio-economic Development Plan as an opportunity to accelerate progress. For the first time the MDGs will be at the core of the next five-year plan, with both planning cycles ending in 2015.

The second MDG Progress Report launched last April clearly shows that the Lao PDR's robust economic growth in recent years has translated into encouraging human development:

- The overall poverty rate has declined substantially from 33.5% of the population in 2002/03 to some 26% in 2007/08;
- Education is among the better-performing sectors as reflected in continuous progress across most of the key indicators, primary school enrolment in particular;
- Child mortality indicators are also showing significant improvements;
- HIV prevalence in the general population remains low, although the threat of an expanding HIV epidemic in the country is still real in a context of globalization;
- We have also witnessed improved access to safe drinking water, although more than half of the population remains without adequate water and sanitation coverage; and,
- Communicable diseases have steadily decreased, in particular malaria.

It is now critical to build on these achievements, and to include specific strategies and interventions in the 7<sup>th</sup> NSEDP focusing on **improving nutrition, food security and health, protecting the environment and reducing inequalities**.

Despite the overall decrease of income poverty, 23% of the population and 37% of children under five remain malnourished, with virtually no improvements over the past decade. In fact, food insecurity seems to have risen in recent years, leaving large segments of the population highly vulnerable to shocks such as those caused by rodents and floods this year. It is increasingly clear that addressing this "chronic crisis" of **malnutrition, food insecurity** and hunger is a prerequisite not only to achieve the MDGs, but also to unlock the country's full potential and thereby exit LDC status by 2020. Productivity losses to malnutrition are estimated at more than 10%, and GDP losses are as high as 2 to 3 % per year. Without malnutrition over the next decade, GDP could be as much as 30% or \$3.8 billion higher in 2020.

We congratulate the Government for recognizing this challenge and for taking decisive action to address it. The approval of the first *National Nutrition Policy* last year and the subsequent development of a *National Nutrition Strategy and Action Plan* that will be both signed off this month are critical milestones. Now that this policy framework is in place, the Lao PDR has reached a tipping point: With strong Government leadership and full Development Partner commitment, it can become a great success story in terms of significantly reducing malnutrition and achieving MDG 1. It is our collective responsibility to make it happen and to use the unique window of opportunity that we have before us.

The health sector as well, **maternal and child health** in particular, calls for more decisive and concerted action by all partners. It will also require significantly more domestic and donor resources and support under the next five-year plan.

The launch of the *Maternal, Neonatal and Child Health Package* and the initiation of the *Skilled Birth Attendants Development Plan* implementation are important achievements of the year. It is now critical to further develop the capacity of the health system and ensure that it has the right human resources, such as skilled birth attendants. Only then will quality essential health care packages be provided and used by mothers and children, including in remote and ethnic villages. In this regard, the community midwife training which started in October 2009 is a significantly step toward improving maternal and neonatal health. However, to have all births assisted by competent midwives will require full community mobilization and a policy decision to remove financial constraints that limit use of midwifery services.

During 2009, both **climate change and environment** have grown in importance on the national and international agendas. Extreme weather events, including floods and storms, have affected thousands of people all across the country. We commend the Government for its effective response to Typhoon Ketsana, as well as for completing the *National Adaptation Programme of Action to Climate Change* and drafting a *National Climate Change Strategy*. With climate change a reality, further strengthening of the disaster management system is needed, from early warning to mitigation and response.

The revision of the *Environment Protection Law* and the drafting of an *Environment and Social Impact Assessment Decree* are also important undertakings. When adopted and if properly implemented, these documents should help ensure that changes in the rural landscape are carefully managed. Increases in commercial and concessional farming, in particular, need to be handled with care. Many rural people, especially vulnerable groups, remain heavily dependent upon their natural environment and are exposed to new vulnerabilities when their traditional livelihoods systems are disturbed.

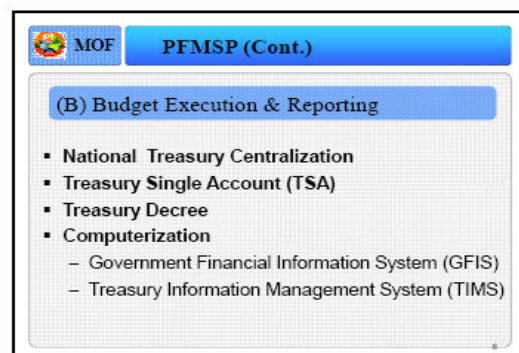
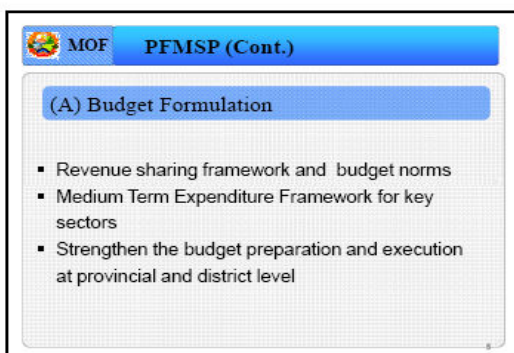
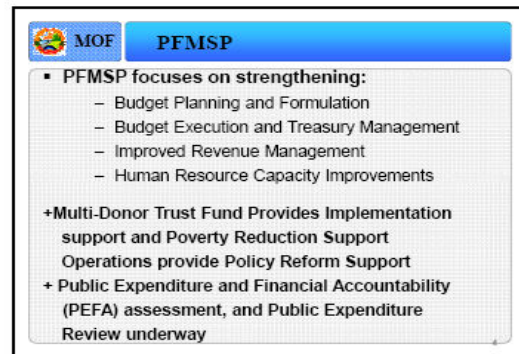
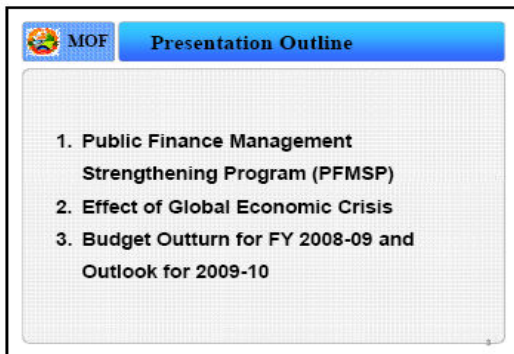
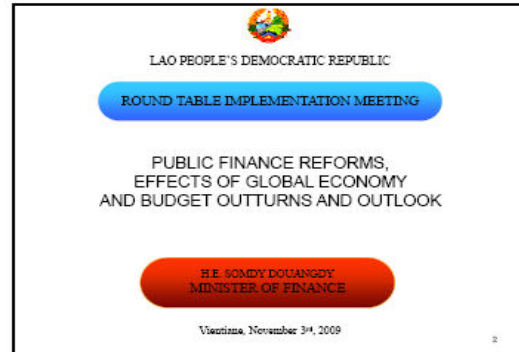
The process of achieving the MDGs needs to take into account **disparities and inequity** throughout the country. Regional disparities as well as the urban/rural divide and gender inequities challenge development efforts across the board and must be addressed if the MDG targets are to be met. Efforts should continue so that the decrease in overall poverty levels and investments in social development benefits all groups in society. In this regard, we encourage the Government to pay special attention to the protection of vulnerable populations, in particular women and children. We also encourage the Government to formulate and implement policies aimed at the promotion of women's full and equal participation in decision making at all levels, in line with the Concluding Observations of the 2009 *CEDAW Periodic Review*.

Excellencies,  
Distinguished Participants,

I would like to renew the commitment of the UN Country Team to build on the important progress made so far. I would also like to emphasise that sustained support from all Development Partners will be vital to the formulation and implementation of the 7<sup>th</sup> Plan, so that it fulfils its role to help the Lao PDR achieve the MDGs by 2015 and exit LDC status by 2020. These years are the critical make-or-break years for MDG achievement, and Laos needs all partners to stay the course and redouble efforts towards this goal.

## **Annex 9:**


Presentation on Recent developments within Public Finance  
Management, impact of the global crisis and outlines of the  
National Budget for FY 2009-10  
by H.E. Mr. Somdy DOUANGDY, Minister of Finance



 **MOF** **PFMSP (Cont.)**


**(B) Budget Execution & Reporting**

- Computerizing debt management (DMFAS)
- Standardize financial management of development assistance.
- Transparency of Procurement Process
  - <http://www.pp.gov.la> is launched
- Moving toward International Accounting standards
- Strengthening Independent External Audit

 **MOF** **PFMSP (Cont.)**

**(C) Revenue Management**

- Tax and Customs Centralization
- Improve Revenues from State Assets
- Implementation of Value Added Tax (VAT)
- Automated Customs System (ASYCUDA)

 **MOF** **PFMSP (Cont.)**


**(D) HR CAPACITY BUILDING**

- Draft Human Resource Development Strategy and Action Plan for public finance sector.
- Ongoing Training:
  - For implementation of GFIS, VAT
  - English language skills
  - District/ provincial training


 **MOF** **Effect of Global Economic Crisis**

The Main Impacts have been:

- Financial sector relatively unaffected
- Reduction in global commodity prices led to a fall in tax revenues
- Second order impact – slowdown in tourism and demand from trading partners
- Changes in exchange rate from our budget plan

 **MOF** **Effect of Global Economic Crisis**

- Our responses included:
  - Tightened up internal controls
  - Raise excise taxes on luxury products
  - Eliminate tax exemption on vehicles of administrative purposes
  - Controlled expenditures without revising budget
  - Domestic borrowing (Treasury bills)
  - Increased budget support through PRSO
- The Budget Deficit was increased very slightly

 **MOF** **The Budget Outturn For FY08-09**

- Budget out turn for FY 2008/09 compared to revised plan
  - Domestic revenue under performed by 2.4%
  - Tax revenue below projections by 5.8%
  - Non-tax revenue below target by 8.3%
  - Grants exceeded the target by 44%

MOF The Budget Outturn and Outlook		
Comparison of Overall Budget ( Million Kip )		
	2008-2009	2009-2010
Total Revenues	8,140	10,653
Of which, Domestic	7,052	8,115
Total Expenditures	10,679	12,470
Recurrent	7,350	7,345
Capital	3,329	5,125
Deficit	2,539	1,817

MOF The Budget Outturn and Outlook		
Overall Budget as per cent of GDP		
	2008-2009	2009-2010
Total Revenues	16.2%	19.7%
Of which, Domestic	14.0%	15.0%
Total Expenditures	21.2%	23.1%
Recurrent	14.6%	13.6%
Capital	6.6%	6.1%
Deficit	5.0%	3.4%

MOF In Conclusion .....	
Government has been implementing wide ranging PFM reforms supported by Development Partners – Outcomes already being realized	
Global financial crisis led to fiscal problems – so far Lao PDR has weathered the storm relatively well	
Need for continued partnership for reform implementation	

  
 LAO PEOPLE'S DEMOCRATIC REPUBLIC

# THANK YOU

H.E. SOMDY DOUANGDY  
 MINISTER OF FINANCE  
 Vientiane, November 3rd, 2009

## **Annex 10:**

Statement on Recent developments within Public Finance  
Management, impact of the global crisis and outlines of the  
National Budget for FY 2009-10  
By the World Bank



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**Round Table Implementation Meeting**  
**3<sup>rd</sup> November 2009**  
**International Cooperation Training Center (ICTC)**  
**Statement on**  
**Public Financial Management, Impact of the Global Financial Crisis and**  
**Budget Outlook for FY 2010**

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As noted by the H.E. Mr. Somdy Douangdy, Minister of Finance, the implementation of the Government's Public Financial Management Strengthening Program (PFMSP) continues to be impressive. We congratulate the Government on these achievements. This Statement first reviews the progress since the last RTIM, and then outlines the medium-term agenda for fiscal sustainability and improved service delivery.

**Progress since last RTIM**

The implementation of the budget law, notably the establishment of the National Treasury and the consolidated treasury account framework along with centralization of the Tax and Customs function are noteworthy achievements. At the same time, the rationalization of tax exemptions on motor vehicles and implementation of e-filing system for tax declaration have helped to simplify and improve tax administration. The recent launch of the Standard Bidding Documents and Standard Procurement Manual will help to enhance transparency and accountability of public procurement and also is a significant step forward in facilitating Development Partners support using 'country systems' for ODA delivery. Publication of budget outturn information and summary budget information has improved transparency around the budgetary execution and outlays. These reforms clearly demonstrate the governments steadfast resolve to implement reforms.

However, the fall in revenues due to the decline in commodity prices and expenditure pressures have presented challenges to macro-fiscal management. It has become more difficult to implement the budget norms for the social sectors, as the overall resource envelope has shrunk for the current fiscal year. In the medium-term, Government has committed to implementing budget norms fully during the 7th NSEDP period.

**The Medium Term Agenda for Fiscal Sustainability and Improved Service Delivery**

**Maintaining Macro-Fiscal Sustainability.** PFM reforms need to ensure that the government maximizes the revenue potential within an equitable and effective revenue policy framework. This would require that: (i) Value-Added Tax be implemented to replace turnover tax; (ii) the fiscal regime for the natural resource sector is transparent and internationally competitive; (iii) tax administration is efficient and rules-based; and (iv) and all revenues are included in the budget transparently. The PFM reforms will contribute to these revenues maximizing efforts. On the **expenditure** side it will be important to ensure full synchronization between recurrent and capital budget, and balance between operating and fixed costs. There is also need to bring all off-budget expenditure, including development partners' ODA resources, to on-budget and to avoid any new off-budget activities including major investments. In this regard, the recent Government decision to restrain state agencies from undertaking any further quasi-fiscal spending that is not within the budget/expenditure plan approved by the National Assembly is the right course of action. Ensuring macro-fiscal sustainability and that public debt does not give rise to fiscal risks and a build-up of contingent liabilities



necessitates that the government has a **debt management strategy** in place. These issues should continue to remain a priority for the Government.

**Enhancing Service Delivery through Sound PFM Management:** Efficient and effective implementation of national development strategy requires effective coordination between central and local government organizations and departments as well as an intergovernmental fiscal system that supports these policy objectives. During the 7th NESDP it will therefore be important to ensure implementation of all provisions of the Budget Law 2007, especially as they relate to the budget norms and the fiscal transfer system and ensure that education and health at both central and local levels receive the required attention for achieving MDGs. It will also be important to continue the efforts to strengthen the human and financial capacities of the State Audit Organization for external audit.

This Statement has been prepared with the involvement of many Development Partners and reflects their views and commitment to support the continued implementation of Government's PFMPSP.

Thank you.