

JOINT STATEMENT ON AID EFFECTIVENESS IN THE LAO PEOPLE'S DEMOCRATIC REPUBLIC¹

(DRAFT, 13 September 2006 rev².)

Preamble

We, the Government of the Lao People's Democratic Republic (the Government) and the partners in development (the partners), agree to take appropriate monitorable actions to make aid more effective and assist the country in achieving the Millennium Development Goals (MDGs) by 2015 and the long-term development goal of exiting the status of least developed country by 2020 (the 2020 goal). We recognise that while increased volumes of aid and other development resources are devoted to achieving the MDGs, aid effectiveness must also increase significantly to support the efforts of the Lao PDR to strengthen governance, improve development performance, and enhance development outcomes. At this Ninth Round Table Meeting, we agree to localise the "The Paris Declaration" that emerged at the conclusion of the High Level Forum on Aid Effectiveness held in Paris in March 2005 to fit the circumstances of the Lao People's Democratic Republic (PDR). We resolve to enhance the impact of aid in reducing poverty and inequality, increasing growth, building the capacity of human resources and institutions, and accelerating the achievement of the MDGs and the 2020 goal.

Partnership Commitments

The following "Partnership Commitments" are developed in a spirit of mutual respect, support and accountability. They reflect the ambitions and structure of the Paris Declaration and build on the ongoing development efforts and experiences in the Lao PDR.

1. OWNERSHIP

Government exercises effective leadership over the development policies, strategies and coordinates development actions

1. The Government leads in developing and implementing its five-year National Socio Economic Development Plan (NSED) through a broad consultative process that integrates the overseas development assistance into mainstream planning.
2. The Government will translate the NSED priorities into operational programmes as expressed in the Public Investment Programme (PIP) and the annual plans and budgets.
3. The Government further strengthens its leadership role in coordinating aid at macro and sectoral levels through chairing the Round Table Meetings and Sector Working Groups respectively, involving relevant stakeholders including the partners in the deliberations.

¹ This draft statement is based on the Paris Declaration on Aid Effectiveness and follows closely the Hanoi Core Statement with appropriate adjustments to fit the situation of the Lao PDR.

² The minor revisions are the inclusion of some additional partners in the list at the end of the statement, which were inadvertently left out in the earlier version.

4. The partners will respect the leadership of the Government and help strengthen the Government's capacity to exercise its leadership.

2. ALIGNMENT

Partners align with the Government's strategies and commit to use strengthened country systems

Partners align with Government's strategies

5. The partners shall base their dialogue with and support to the Lao PDR on the Government's NSEDP and related national, sectoral and provincial strategies and plans and periodic reviews of progress in implementing these strategies.

Government strengthens country systems with support from partners, with partners increasingly using the country systems

6. The Government and the partners shall establish mutually agreed frameworks that provide reliable assessments of country systems, procedures and their performance, and commit to work together to strengthen these as necessary and appropriate.
7. The partners shall use the systems and procedures of the Lao PDR to the maximum extent possible, including through integrating project implementation arrangements into line ministries. Where use of the country's systems is not feasible, the partners shall establish additional measures and safeguards in ways that strengthen the country's systems and procedures.
8. The partners shall avoid creating parallel structures, such as Project Implementation or Management Units (PIOs or PMUs), for day-to-day management and implementation of aid-financed projects and programmes.
9. The partners shall adopt harmonized performance assessment frameworks for country systems so as to avoid presenting the Government with an excessive number of potentially conflicting targets.

Government strengthens development capacity with support from partners

10. The Government integrates the capacity building objectives in the NSEDP into related national, sectoral and provincial strategies and plans and leads a comprehensive, long-term capacity building programme.
11. The partners shall align their analytic and financial support with the Government's capacity development objectives, strategies and long-term capacity building programme; make effective use of existing capacities; and coordinate and harmonise support for capacity development accordingly.

Strengthening public financial management

12. The Government commits to timely, transparent and reliable reporting on and publication of budget execution, and take leadership in the public financial management reform process.
13. The partners shall enhance the predictability of future aid through transparent decision making processes, provide reliable indicative commitments of aid over a multi-year framework (including aid commitments covering multi-year expenditures of projects) and release aid in a timely and predictable fashion in relation to the Government's budget cycle.
14. The partners shall progressively rely on the Government's public financial management system, once mutually agreed standards have been attained.

Strengthening national procurement systems

15. The Government and the partners commit sufficient resources to support and sustain reforms and capacity building in public procurement.
16. The partners shall progressively rely on the Government's procurement system, once mutually agreed standards have been attained.

Strengthening environmental and social assessments

17. With the partners' support, the Government develops specialised technical and policy capacity for social and environmental impact analysis and enforcement of legislation.

3. HARMONISATION AND SIMPLIFICATION

Partners' actions are more harmonised, transparent and collectively effective

Partners implement common arrangements and simplify procedures

18. The Government and the partners shall jointly conduct and use core diagnostic reviews; carry out other reviews jointly wherever possible; and systematically share the results of all reviews undertaken.
19. The partners commit to work together to reduce the number of separate and duplicative missions to the field; and promote joint training to share the lessons learned.
20. The partners shall rationalise their systems and procedures by implementing common arrangements for planning, design, funding, disbursement, implementing, monitoring, evaluating, and reporting to the Government on the partners' activities and aid flows/disbursements. .
21. The Government and the partners shall explore the feasibility of using increasingly programme based and sector wide approaches³.
22. Each partner shall maximise the decentralisation and delegation of authority to their country office level.

Complementarity: more effective division of labour

23. The Government provides its views on the comparative advantages of the partners, different aid modalities and on ways to achieve partner complementarity at country and sectoral levels.
24. The partners shall make full use of their respective comparative advantages at sectoral level by aligning support and agreeing, where appropriate, the lead partners for coordinating programmes, activities and tasks, including delegated cooperation.

Incentives for collaborative behaviour

25. The Government and the partners shall reform procedures and strengthen incentives – including recruitment, appraisal and training – for management and staff to work towards harmonisation, alignment and managing for results.

³ As defined in Box 3.1, Chapter 3 "Sector Approaches" of *Harmonising Partner Practices for Effective Aid Delivery, Volume 2* (OECD, 2005). In this definition programme-based approaches share the following features irrespective of aid modalities: (i) leadership by the host country; (ii) single comprehensive programme and budget framework; (iii) formalised process for partner coordination and harmonisation of procedures; and (iv) efforts to increase use of local systems for the whole project cycle.

4. MANAGING FOR RESULTS

Managing resources and improving decision-making for results

26. The Government and the partners commit to work together through a participatory process to strengthen the country's capacities towards results based management. Together, they will endeavour to establish results-oriented reporting and assessment frameworks that monitor progress on vital dimensions of the national and sectoral development strategies, based on a manageable number of key indicators for which data can be collected and presented cost-effectively.
27. The Government commits to strengthen the linkages between national development strategies and annual and multi-annual budget processes.
28. The partners commit to harmonise their monitoring and reporting requirements, and - until they can rely more extensively on the Lao PDR's statistical, monitoring and evaluation systems - work with the Government to the maximum extent possible on joint formats for periodic reporting.

5. MUTUAL ACCOUNTABILITY

Both Government and partners are accountable for development results

29. The Government and the partners shall jointly assess, and carry out annual independent reviews, on progress in implementing agreed commitments on aid effectiveness and improved development outcomes through existing and increasingly objective country level mechanisms.
30. The Government commits to reinforce the participatory processes by systematically involving a broad range of the partners in development in formulating and assessing progress on implementation of the national development strategies.
31. The partners shall provide timely, transparent and comprehensive information on aid flows and programme intentions to enable the Government to present comprehensive budget reports to the National Assembly and citizens, and coordinate aid more effectively.

6. THE WAY FORWARD

Partnership agreement

32. We, the Government of the Lao People's Democratic Republic and the partners in development, hereby confirm our willingness to implement the above partnership commitments to enhance aid effectiveness in the Lao PDR.

Signed at this Ninth Round Table Meeting on 29 November 2006, in Vientiane, Lao People's Democratic Republic.

For the Government of the Lao People's Democratic Republic:

H.E. Thongloun Sisoulith
Deputy Prime Minister and
Minister of Foreign Affairs
Government of the Lao People's Democratic Republic

For the Partners in Development:

1. Representative of ADB
2. Representative of Australia
3. Representative of Belgium
4. Representative of Brunei Darussalam
5. Representative of Canada
6. Representative of the People's Republic of China
7. Representative of Cuba
8. Representative of Denmark
9. Representative of EU/EC
10. Representative of Finland
11. Representative of France
12. Representative of Germany
13. Representative of India
14. Representative of Indonesia
15. Representative of IFAD
16. Representative of IMF
17. Representative of Ireland
18. Representative of Japan
19. Representative of Republic of Korea
20. Representative of Luxembourg
21. Representative of Malaysia
22. Representative of New Zealand
23. Representative of Norway
24. Representative of Poland
25. Representative of Russia
26. Representative of Singapore
27. Representative of Sweden
28. Representative of Switzerland
29. Representative of Thailand
30. Representative of Vietnam
31. Representative of the United Kingdom
32. Representative of the United States of America
33. Representative of the World Bank
34. Representative of FAO
35. Representative of ILO
36. Representative of UNDP
37. Representative of UNESCO
38. Representative of UNFPA
39. Representative of UNICEF
40. Representative of UNODC

41. Representative of WFP
42. Representatives of other partners