



ROUND TABLE PROCESS NEWSLETTER

Number 2006/2, June 2006



The Round Table Process Newsletter has been reactivated in November 2005. It is seen as a mechanism for sharing information on recent developments with our colleagues in the Government, partners in development and other stakeholders. We consider the active participation of all partners as essential to a successful Round Table Process. For this reason we would greatly appreciate your suggestions and comments. Please send your comments to Dr. Bountheuang Mounlasy, Director General, Department of International Cooperation, Ministry of Foreign Affairs, That Luang Road, Vientiane, Lao PDR. Tel. (856 21) 416500, Fax: (656 21) 416067, e-mail: k_vong04@yahoo.com

A. New Leadership at Ministry of Foreign Affairs

At its Inaugural Session in June 2006, the Sixth National Assembly approved the appointment of His Excellency, Dr. Thongloun Sisoulith, Deputy Prime Minister as the Minister of Foreign Affairs. His Excellency, Dr. Thongloun Sisoulith succeeds His Excellency, Mr. Somsavat Lengsavad, Deputy Prime Minister, who has taken over as the Government Representative On-duty. His Excellency, Dr. Thongloun Sisoulith brings forth considerable experience both in foreign affairs and in national development. He has served earlier as Vice Minister of Foreign Affairs and most recently as President of the Committee for Planning and Investment. The RTP Newsletter extends a warm welcome to His Excellency, Dr. Thongloun Sisoulith.



B. Country Action Plan on Harmonisation and Alignment

In November 2005, the Prime Minister's Office approved the proposal to prepare a Country Action Plan on Harmonisation and Alignment in the Lao PDR. Soon after, the Department of International Cooperation (DIC) have prepared a note on some possible ideas for a Country Action Plan and shared with the RTP Technical Working Group and the Focal Points Group. In early 2006, a joint Government-Donor task group was convened to help prepare a draft of the Country Action Plan on Harmonisation and Alignment. The task group comprised Government representatives from the Ministries of Foreign Affairs and Finance and CPI and ADB, SIDA, UNDP and the World Bank. At the end of May 2006, the task group met in Luang Prabang and formulated a draft Country Action Plan on Harmonisation and Alignment in the Lao PDR. The draft Plan has been shared with all partners in development and Government agencies seeking their feedback. The draft will be revised incorporating the feedback from the different stakeholders. Thereafter, it is planned to organise a joint meeting of Government and donor representatives to review the revised draft and agree on the final draft of the Action Plan. The final draft will be submitted to the higher authorities for approval.

C. Joint Meeting of All Government and Donor Sector Working Groups

As a part of the Round Table Process, a joint meeting of all Government Sector Working Groups and informal Donor Working Groups was held on 12 May 2006. The objectives of the meeting were to: (i) familiarize both the Government officials and representatives of the partners in development on the SWGs and the informal DWGs; (ii) discuss the arrangements for the preparations for convening the first meetings of the SWGs including the likely technical support that may be required/provided by the partners; and (iii) agree on tentative schedules for the first meetings of the SWGs.



H.E. Mr. Mr. Phongsavath Boupha (right) and Mr. Finn Reske-Nielsen (left) at the Joint Meeting

The meeting was chaired by H.E. Mr. Phongsavath Boupha, Vice Minister, Ministry of Foreign Affairs; and co-chaired by Mr. Finn Reske-Nielsen, UN Resident Coordinator and UNDP Resident Representative. About 50 participants including the chairs and vice chairs of the Sector Working Groups, other Government officials, the co-chairs of the Donor Working Groups, other donor representatives and a few observers joined the meeting.

After the opening address by H.E. Mr. Phongsavath Boupha, and the opening remarks by Mr. Finn Reske-Nielsen, Dr. Bountheuang Mounlasy, Director General, Department of International Cooperation, Ministry of Foreign Affairs, briefed the meeting on Aid Coordination and Management through Government Sector Working Groups. It was followed by a presentation by Ms. Joanna Shaw, Head, UN Resident Coordinator's Office, on Experiences with Informal Donor working Groups. Thereafter, a third brief presentation on Proposed Arrangements for Convening the first meetings of the Sector Working Groups was made by Dr. Bountheuang Mounlasy. Both the Government officials and partner representatives actively participated in the discussions that ensued.

Every one welcomed the initiative of the Government in establishing the first joint meeting of the Government-Donor Sector Working Groups under the strong leadership of the Government. The meeting agreed on Government leadership of Sector Working Groups, and indicated that each group needs to address its specific issues at its first meeting identify a few key areas of national priority identified in the National Socio-Economic Development Plan, and focus on some quick wins (low-hanging fruit). The working groups should utilize flexible



operational mechanisms with each group evolving its own mechanism based on its top priorities. The eight Sector Working Groups should be used as the main vehicles at the sectoral level to serve the Round Table Process including in the preparations for the Ninth Round Table Meeting to be held in November 2006. It is necessary to ensure smooth and timely provision of information to both Government and Donor Sector Working Groups and all stakeholders concerned to keep them updated on action and progress of each Working Group aiming at more manageable meeting arrangements. Also, non-traditional donors should be drawn into the Government-Donor Sector Working Groups. Crosscutting issues including gender and HIV/AIDS should be mainstreamed.

The Harmonisation and Alignment agenda should be pursued within the framework of the Round Table Process of cooperation and dialogue between the Government and the partners in development, utilising the Sector Working Groups as appropriate. The meeting recognised the need for a single structure (i.e. Government Sector Working Group) in each sector, which might take some time to establish firmly. Meanwhile, both the Government and donors need mechanisms to facilitate internal coordination; and it is felt necessary to maintain Donor Sector Working Groups for such coordination among donors. The UNDP confirmed that the Support to Round Table Process project will provide the necessary financial support to facilitate the work of the Government Sector Working Groups in the near-term. The Government of the Lao PDR thanked the participants for their active involvement in the meeting and their compliments and constructive suggestions. A report of the meeting is being finalised for circulation to all.

D. First Meeting of the Sector Working Group on Macroeconomic Issues and Private Sector Development

The Government Sector Working Group on Macroeconomic Issues and Private Sector Development held its first joint meeting with its counter-part Donor Working Group on 12 April 2006. The meeting was chaired by Dr. Khamlien Pholsena, Director General, Department of General Planning, Committee for Planning and Investment, who is the designated Chairman of the Group, and co-chaired by Mr. Pachamuthu Illangovan, Resident Manager of the World Bank, and Mr. Philippe Beaugrand, Resident Representative of IMF, who are co-chairs of the Donor Working Group on Macroeconomic Issues and Private Sector Development. It was attended by various Government officials including Vice-Chairperson, Ms. Thiphakone; and several donor representatives including H.E., Ms. Patricia Haslach, Ambassador of the United States of America and Mr. Finn Reske-Nielsen, UN Resident Coordinator and UNDP Resident Representative.

Three presentations were made at the meeting. The first by Dr. Khamlien briefed on the status on formulation of the Sixth Five-Year National Socio Economic Development Plan (2006-2010). It was followed by a presentation by Dr. Bounleua Sinxayvoravong, Division Director, Fiscal Policy Department, Ministry of Finance, reporting on progress on the Public Expenditure Management Strengthening Programme or PEMSP. The third and final presentation was a briefing on the Report of the IMF Board of Executive Directors on the 2005 Article IV Consultation with Lao PDR, by Mr. Philippe Beaugrand, IMF Resident Representative.



Dr. Khamlien Pholsena (right) and Mr. Philippe Beaugrand (left) at the Sector Working Group Meeting

The presentations and the comments and suggestions that followed are summarised in the following:

- 1. Presentation on the status of preparation of the **Sixth National Socio Economic Development Plan (2006-2010)****

Dr. Khamlien started his presentation with an overview of the Plan preparation process that began in the last quarter of 2003 adopting a bottom-up approach. It drew upon the lessons learned in implementing the Fifth Five-Year Plan and various macro and sector strategies. The preliminary ideas on the Plan were shared with the partners in development, Lao and foreign private investors and Lao researchers and mass organizations in June 2005. Thereafter, the draft Plan was presented to the Party Central Committee and the National Assembly. A draft of the Plan was shared with the partners in January 2006. The gist of feedback from partners at the meeting and soon after (in written comments) was conveyed to the higher authorities and the main issues discussed with the Ministries and Agencies in early March 2006.

The draft Plan was presented to 12th Meeting of Party Central Committee and then to the 8th Party Congress in March 2006, which discussed and endorsed the Plan. The more significant points from the Party Congress included (i) the need to achieve a target growth rate of at least 7.5 percent in each year of the Sixth Five-year Plan Period; (ii) emphasis on anti-corruption measures; (iii) need to increase assistance to *slash and burn* cultivators to find alternative livelihoods; (iv) need to prepare a land use plan and market for land; (v) need for clarification on village development; and (vi) the need for clarity on the roles of the state and the private sector.



The next steps involve the presentation of the draft Plan to private investors and other Lao stakeholders, revision of the draft incorporating feedback from Party and other stakeholders and submission of the Five-Year Plan and the Annual Plan for FY 2006/07 to the National Assembly in June 2006. Thereafter, the Government plans to consult with the partners in development individually on the Public Investment Programme

Comments and Suggestions: The partner representatives congratulated the Government/CPI on organising the Joint SWG-DWG meeting. It is necessary to clarify the roles of ODA and the private sector in implementing the Plan, which was also emphasised recently by the Party Congress. It is encouraging to note that the Plan will be presented to Lao and foreign private investors and other Lao stakeholders. Clarifications were sought on: (i) whether the macro framework including the resource requirements is being revised; (ii) how the \$ 2 billion resource gap presented in January 2006 will be bridged; and (iii) how the investments and ODA are aligned and incorporated in the Annual Plans and Budgets within the overall framework of the Sixth Five-Year Plan. It will be necessary to reconcile the public investments with the resources (likely to be) available, through prioritising and sequencing the planned investment with the budget driving the Plan.

2. Report on progress on the **Public Expenditure Management Strengthening Programme (PEMSP)** by Dr. Bounleua Sinxayvoravong, Division Director, Fiscal Policy Department, Ministry of Finance

Dr. Bounleua explained the objectives of the Public Expenditure Management Strengthening Programme (PEMSP) and informed the meeting that an annual implementation plan was formulated and presented to a meeting with partners on 27 November 2005. Significant progress has been made since then in implementing the annual plan, including some consultations with the provinces. Dr. Bounleua indicated that the Government hoped for further support from the partners to implement the PEMSP.

Comments and Suggestions: The partner representatives congratulated Dr. Bounleua on the presentation. All partners and the Government are committed to the PEMSP and it is well coordinated and progressing well. It is necessary to address the policy consistency in the programme such as the centre-province relations (especially on the fiscal side). Also, it is important to build the capacities of the sector Ministries as they are the ones that deliver the services. The second and third Poverty Reduction Strategy Operations (PRSOs) put measures in place to ensure that provinces adhere to budget items approved by the National Assembly. The Treasury side is also being improved from the bottom up. The National Statistics Centre is carrying out the Public Expenditure Tracking Survey (PETS). It is necessary to take into account all the initiatives by the Government that are under way. The PEMSP's links with other public administration programmes such as GPAR Luang Prabang and GPAR Central are commendable. Utilising the GPAR provinces as pilots would facilitate some quick-wins. It was indicated that the EU was ready to provide short-term assistance in 2006 and hopes to contribute to the pooled fund in support of PEMSP in 2007.



3. Briefing on the Meeting of the IMF Board of Executive Directors on the 2005 Article Four Consultation with Lao PDR by Mr. Philippe Beaugrand

Mr. Beaugrand briefed the meeting on the discussion of the 2005 Article Four Consultation Report by the Board of Executive Directors of the IMF in March 2006. The Directors commended the Government of the Lao PDR for maintaining stable macroeconomic conditions and welcomed the robust economic growth and the progress in reducing poverty, with disciplined economic management. However, many challenges remain. The macroeconomic situation remains fragile reflecting weaknesses in the fiscal position and the banking system, as well as the large external debt burden. The Directors stressed the importance of mobilizing revenue to enable the country to meet its substantial expenditure needs within a sustainable fiscal framework. The Directors considered the Lao PDR's exchange rate system to be appropriate. There is also a need to improve the trade and investment regime to enhance the competitiveness of the economy. Public expenditure management needs to be strengthened to ensure a more effective use of public resources for poverty reduction. Directors encouraged the Government to use the opportunity provided by the sixth national development plan to move forward in these critical areas. Specific references were made to the need to advance the Public Expenditure Management Strengthening Program, strengthening fiscal management including a review of center-province relations to establish a clear and credible revenue-sharing framework, and expedite the restructuring of the financially weak state-owned commercial banks and improve bank supervision. The Directors agreed that the Lao PDR had made significant progress in reducing poverty and moving towards a market based economy.

Comments and Suggestions: A clarification was sought on the current and planned role of IMF's engagement with the Lao PDR. Mr. Beaugrand explained that the IMF is involved in the World Bank supported Poverty Reduction Support Operations (PRSOs), and will continue with the six-monthly macroeconomic assessments and the annual Article Four Consultations. Also, the IMF will continue to be involved in some technical assistance activities in the country.

In concluding the meeting, the Chairman mentioned that the next (second) joint meeting of the Sector Working Group on Macroeconomic Issues and Private Sector Development is planned to be held in July 2006.

E. Forum on National Plans as PRSPs in East Asia¹

The Regional Forum on National Plans as Poverty Reduction Strategies (PRSPs) in East Asia was held in Vientiane during 5-6 April 2006. It was the third in the series of Regional Forums on Poverty Reduction Strategies in East Asia. The Forum was hosted by the Government of the Lao PDR supported by the Asian Development Bank, the International Monetary Fund, the United Nations Development Programme and the World Bank. More than 100 people participated in the Forum including country delegates representing government organizations and civil society groups from Cambodia, Indonesia, Lao People's Democratic Republic, Mongolia, Timor Leste, and Vietnam; observers from other countries in the region including China and Thailand; and international experts as well as representatives of donor organizations.

¹ Most of the information presented in this section is taken from the World Bank's Press Release.



His Excellency, Dr. Liane Thykeo, Vice President of the Committee for Planning and Investment opening the Forum

The Forum was opened by His Excellency, Dr. Liane Thykeo, Vice President of the Committee for Planning and Investment. The participants shared the experiences in their respective countries and discussed ways to move forward in the elaboration and implementation of poverty reduction strategies; with specific focus on: (i) the formulation of national plans that can function as poverty reduction strategies contributing to the achievement of the Millennium Development Goals (MDGs); (ii) principles and processes to enhance the consistency between the poverty-focused plans and their implementation tools, especially sector strategies and budgets; (iii) monitoring and evaluation systems to effectively monitor progress; and (iv) alignment of donor support (aid) with country priorities and with country-specific processes and timetables so as to maximize the development impact.

During the two-day meeting, the participants shared their perspectives on the implementation of key principles of poverty reduction strategies – *broad participation and transparency, strong poverty focus, results-orientation, and alignment of aid cycles and reporting mechanisms.*

F. Tripartite Meeting on Support to Round Table Process Project

A Tripartite Review Meeting on Support to Round Table Process Project funded by UNDP was held on 04 May 2006 from 09:00 AM to 12:00 noon. The objective of the meeting was to take stock of the achievements and challenges faced in implementing the project during the 13-month period from January 2005 to January 2006, review the work plan for calendar 2006 and explore future support for the Round Table Process (RTP). The meeting was chaired by Dr. Bountheuang Mounlasy, Director General, Department of International Cooperation, Ministry of Foreign Affairs, and the Project Director; and co-chaired by Ms. Setsuko Yamazaki, Deputy Resident Representative (Programmes) of the UNDP. The participants included the Project Manager, the Deputy Project Manager and the Project Coordinator;



members of the Technical Working Group on the Round table Process and the Focal Points Team; UNDP staff and the Senior Adviser.



Dr. Bountheuang Mounlasy (right) and Ms. Setsuko Yamazaki (left) at the Tripartite Meeting

Dr. Bountheuang welcomed the participants and explained the objectives of the meeting. After introductions, he made a presentation on the achievements and challenges faced in implementing the project during the 13-month period from January 2005 to January 2006. The objectives of the project are to (i) facilitate consolidation of the Round Table Process so that effective forms of aid coordination, integration and management are established, (ii) build sustainable technical capacities for aid coordination, integration and management, and (iii) support the Government in mobilisation of sufficient resources.

The main achievements included the following: (i) dissemination of the Prime Minister's Decree on the Management and Utilisation of Official Development Assistance (No. 168/PM) and preparation of rules and regulations to implement the Decree; (ii) establishment of a new National Steering Committee merging the Steering Committees on the Round Table Process, MDGs and NGPES; (iii) successful organization of an RTP Semi-Annual Information Meeting (29 June 2005) and an RTP Annual Information Meeting (19 January 2006); (iv) establishment of Sector Working Groups to act as sectoral-level aid coordination mechanisms within the Round Table Process; (v) Technical Assistance to the Ministry of Education for a mini-RTM; (vi) preparation and distribution of the Foreign Aid Report for 2003/04; (vi) study tours for key officials to international workshops on aid coordination and management in Burkina Faso and the Philippines; (vii) reactivation of the publication of the RTP Newsletter; and (viii) strengthening the capacities of NERI, NOSPA, DME and NUOL



to analyse and evaluate ODA issues through research studies on the impact of aid on growth, poverty reduction and inequality, and capacity development, as well as provision of some equipment and some books and journals on ODA issues for NERI, NOSPA and NUOL.

The challenges include capacity limitations in DIC including limited capacity of project support staff, need for stronger coordination within DIC and with cooperating agencies and capacity limitations in cooperating agencies. Also, it is necessary to improve communication with UNDP. The presentation was followed by discussion.

After the coffee-break, Dr. Bountheuang presented the Annual Work Plan for 2006, which covered largely the continuation and completion of the activities planned under the project. Some of the more significant planned activities include the (i) dissemination and implementation of the rules and regulations on the ODA Decree, (ii) organisation of a joint meeting of all Sector and Donor Working Groups to agree on suitable arrangements for convening first meetings of Sector Working Groups (held on 12 May 2006), (iii) continued preparation and distribution of the RTP Newsletter each quarter, (iv) improvement of the ODA database, (v) preparation and distribution of the Foreign Aid Report for 2004/05, (vi) organisation of a training course for 20 senior officials on ODA issues; (vii) formulation of a Country Action Plan on Harmonisation and Alignment and begin its implementation; and (viii) organisation of the 9th Round Table Meeting in November 2006. The presentation was followed by clarifications and discussion.

Thereafter, Dr. Bountheuang presented a summary of the future directions, which included the following: (i) proposal for a new round cooperation with UNDP on the Round Table Process (RTP); (ii) continue with the RTP and organise Annual RTP Information Meetings Round Table Meetings every three years; (iii) utilise the Government Sector Working Groups as the main vehicle to improve aid coordination within the RTP; (iv) facilitate the implementation of the Country Action Plan on Harmonisation and Alignment; and (v) strengthen the capacity of the Department of International Cooperation.

In her closing remarks, Ms. Setsuko Yamazaki commended the progress and confirmed UNDP's continued support to the Round Table Process and further strengthening the Government's capacity in effectively managing ODA including through harmonisation and alignment. She highlighted that project management can be summarized in terms of the "PDR" in Lao PDR, where P stands for plan, D – do and R – review.