



ROUND TABLE PROCESS NEWSLETTER

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The Round Table Process Newsletter is 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. Landlocked Least Developed Countries Summit

The first Summit of the Landlocked Least Developed Countries (LLDCs) took place in Havana, Cuba on the 14th of September 2006, in conjunction with the 14th Summit of the Non-Aligned Movement. The LLDCs meeting was chaired by H.E. Mr. Choummaly Xayasone, Secretary-General of the Party and President of the Lao PDR. The President of the Republic was accompanied by H.E. Dr. Thongloun Sisoulith, Deputy Prime Minister and Minister of Foreign Affairs and other senior officials. The meeting was attended by representatives from the 30 LLDCs and five observing nations and organizations as well as three guests, including Japan, the World Bank and some UN agencies. The participants in the meeting passed a declaration to achieve the action plan agreed on three years ago in Almaty, Kazakhstan.

B. 14th Summit of the Non-Aligned Movement

The 14th Summit of the Non-Aligned Movement (NAM) was held in Cuba from the 14th to the 16th of September 2006, with the participation of 118 country delegations led by their Heads of State and Government. The high-level Lao Delegation was led by H.E. Mr. Choummaly Xayasone, Secretary-General of the Party and President of the Lao PDR. In his speech to the Summit, H.E. the President emphasized the NAM's principles and the state of imbalance and inequality in pursuing a uni-polar policy. The Summit highly valued the past activities of the NAM and concluded that the principles and objectives of the Movement continue to remain valid. The Summit approved the membership of two new countries, Haiti and Senkrivit; and agreed on Cuba's chairmanship of the NAM for another three years. The Summit concluded with a Political Declaration by the Heads of State and Government and the endorsement of a final document, which indicate the unique solidarity among the member states of the NAM to address the current global problems.

C. National Conference on Foreign Affairs

The tenth National Conference on Foreign Affairs was organized in August 2006. First, a technical level conference was held during 7-9 August 2006 followed by a policy level conference from 14th to 16th August 2006. H.E. Mr. Choummaly Xayasone, Secretary-



General of the Party and President of the Lao PDR, delivered the key-note speech. The Conference was chaired by H.E. Dr. Thongloun Sisoulith, Deputy Prime Minister and Minister of Foreign Affairs. It was attended by more than 400 people including Ministers, Vice Ministers, Governors, Vice Governors, and other high ranking officials from the centre and provinces.

The Conference focused on four main themes: (i) official development assistance or ODA, (ii) international economic integration, (iii) non-governmental organizations or NGOs, and (iv) human rights. In addition, issues relating to ASEAN, Lao-American relations on personnel missing in action or MIA, Bilateral Meetings (JC), activities of the Party Central Relations Committee, Border management including survey and marking of border (border post), consular affairs, and upgrading of personnel were discussed. A consensus was reached that foreign affairs is the noble task of every citizen of the Lao PDR.

At conclusion, the Conference agreed to establish or upgrade the Offices of External Relations in the Provinces, which are affiliates of the Ministry of Foreign Affairs, to be responsible for the foreign affairs work.

D. Ninth Round Table Meeting

The Ninth Round Table Meeting (RTM) is scheduled to be held on the 28th and 29th of November 2006 at the Don Chan Palace Hotel, Vientiane. This will again be a momentous event for the Lao PDR as it will be the third time that the meeting will be held in the country. The meeting will be opened by the H.E. Mr. Bouasone Bouphavanh, Prime Minister of the Lao PDR, and chaired by H.E. Dr. Thongloun Sisoulith, Deputy Prime Minister and Minister of Foreign Affairs. It will be co-chaired by Dr. Hafiz Pasha, Assistant Administrator and Director, Regional Bureau for Asia and the Pacific, UNDP. Members of the National Assembly, senior officials of the Government, other domestic stakeholders, and high level representatives of the international partners of the Lao PDR are expected to attend the meeting.

In the last week of September, the Government will send an information letter on the meeting to all partners; and a formal invitation letter will be sent thereafter. Circulation of the Public Investment Programme (PIP) and the Sixth Five-Year National Socio Economic Development Plan (2006-2010) will follow in October 2006. The Government plans to undertake informal consultations with representatives of the partners in development (resident in Vientiane and in the region) on the PIP and resource mobilization for implementation of the Sixth Five-Year Plan. Also, the Government proposes to mount sensitization missions to selected donor capitals/headquarters to exchange views and mobilize resources in preparation for the Ninth RTM. Other preparations for the meeting are underway, including the drafting of a Background Document that will take stock of the developments since the Eighth RTM, which will be circulated before the meeting.

The first day of the meeting is expected to focus on Government presentations on and discussion of Governance Measures to Implement the Sixth Five-Year Plan; Measures to Promote Private Sector and Trade Development; Implementation of FY 2005/06 Annual Plan and Proposals for FY 2006/07 Annual Plan; and FY 2005/06 Budget Execution and Proposals for FY 2006/07 Budget. The tentative theme of the first session in the morning of the second



day is expected to be “Resource Mobilization to Implement the Sixth Five-Year Plan to Reduce Poverty and Achieve the MDGs,” with adequate time allocated for formal statements and pledges by the partners in development to support the Plan implementation. The signing of a Joint Lao-Partner Declaration on Aid Effectiveness (localized Paris Declaration) by the Government and the partners in development is expected to be the culminating event of the Meeting. The formal sessions of the meeting are planned to conclude by lunch time on the second day. An optional tour of the Unexploded Ordnance (UXO) sites and other projects in Xiangkhouang Province is being arranged for interested participants from the 29th to the 30th of November 2006.

E. Country Assistance Programmes

The country assistance programmes with Germany and Luxembourg were negotiated and finalized during September 2006. At the beginning of September 2006, a Lao Delegation led by H.E. Mr. Phongsavath Boupha, Vice-Minister of Foreign Affairs, visited Germany to undertake negotiations on their bilateral cooperation. His Excellency briefed the German delegation on the current socio-economic situation in the Lao PDR and the achievements made so far in reaching the development goals, especially in relation to German assistance. His Excellency explained that the comprehensive Sixth NSEDP (2006-2010) was developed in a participatory manner. Also, in accord with the Paris Declaration, the Government has also drafted a Joint Lao-Partner Statement and an Action Plan on Aid Effectiveness, through harmonization, alignment and managing for results. He highlighted the importance of Germany’s support to the ongoing programs in the Northern Region of the Lao PDR, including on rural development. This support has been particularly valuable in beginning to advance the development of the region, reduce poverty and improve the living conditions of the people. The Head of the Lao Delegation stressed that continuation of German support in this region is critical to maintain the development momentum and achieve the full benefits. At the conclusion of the negotiations, Germany has agreed to provide € 17 million in assistance to the Lao PDR during 2006-2008.

On 18 September 2006, the Third Partnership Commission between the Grand Duchy of Luxembourg and the Lao People’s Democratic was held in Vientiane. H.E. Mr. Jean-Louis Schiltz, Minister of Cooperation, Humanitarian Action, Communication and Defense of the Grand Duchy of Luxembourg, led his country’s delegation, while the Lao delegation was led by, H.E. Mr. Soulivong Daravong, President of the CPI. In his opening remarks, the President of CPI stated that good progress is being made in implementing the first and second Indicative Programmes of Cooperation (IPCs I and II) between the Lao PDR and Luxembourg. The support of the Grand Duchy of Luxemburg in areas such as education and human resources development and health have been catalytic in filling important gaps and contributing to economic growth, poverty reduction and human development. He stressed that the continued support of the Grand Duchy of Luxemburg would be valuable in enabling the Lao PDR to make adequate progress toward achieving some of the MDG targets, particularly those on health. At the conclusion of the Commission, the third Indicative Programme of Cooperation (IPC III) between the Lao PDR and the Grand Duchy of Luxembourg was concluded with a pledge of support of €35 million for the period 2007-2010.



On 19 September 2006, H.E. Mr. Jean Claude Juncker, Prime Minister of the Grand Duchy of Luxembourg visited the Lao PDR to further strengthen the good friendly relations between the two countries. While in the Lao PDR, the Prime Minister visited some of the projects supported by Luxembourg in Bolikamxay and Khammoune Provinces, to see the progress on their implementation. The timely and fruitful visit of H.E. the Prime Minister is highly appreciated by the Government of the Lao PDR.

F. Second Meeting of the Sector Working Group (SWG) on Macroeconomic Issues and Private Sector Development

The second quarterly meeting of the Sector Working Group (SWG) on Macroeconomic Issues and Private Sector Development was held on 03 August 2006 at the Novotel in Vientiane. The meeting, chaired by Dr. Khamlien Pholsena, Director General, Department of General Planning, Committee for Planning and Investment (CPI), was attended by Government officials and representatives of the partners in development. It focused on three topics: progress on implementation of the Small and Medium Enterprises (SME) Policy, progress on strengthening the Financial and Banking Sector and a briefing on the National Validation Workshop on the Integrated (Trade) Framework (IF)/Diagnostic Trade Integration Study (DTIS). Brief summaries of the presentations follow.



1. Progress on Implementation of the Small and Medium Enterprises Policy

In this presentation the important milestones in the implementation of the Prime Minister's Decree on the Promotion and Development of SMEs were presented to the meeting. The SME Promotion and Development Office (SMEPDO) has begun work on the formulation of an SME Development Strategy. A consultation workshop with stakeholders was held on 4-5 July 2006. Feedback from the workshop will be incorporated into the first draft of the strategy, and a final draft should be completed by the end of 2006. A number of valuable comments and suggestions were made by the participants and many queries were clarified. In reply to the comments made, it was indicated that it is desirable to identify enterprises that are likely to be at risk due to compliance with AFTA in 2008 and WTO accession thereafter. It is unlikely that the SME Fund could be a direct provider of credit to SMEs. The



formulation of the SME Strategy is being done through a participatory process and an action plan is being formulated for the 2006-2010 period. The process of achieving consistency between the Enterprise Law and the Investment Law has begun. The Foreign Trade Department and the SMEPDO were recently brought under a single Ministry (MOIC) to coordinate the SME Development Strategy and the IF. There is need for increased harmonization between donors in promoting the private sector. It was suggested that the Action Matrix proposed in the DTIS be adopted as the umbrella mechanism to facilitate coordination among donors. It was emphasized that the Government should take the lead in the coordination of all activities in private sector development.

2. Progress on Strengthening the Financial and Banking Sector

The presentation covered the banking sector development during 1986-2005 and the agenda for strengthening the sector during 2006-2010. The presentation covered, among others, the structural reforms, legal and regulatory frameworks, the central bank activities, the commercial bank businesses, and cooperation with the international community. Overall there are good opportunities and conditions within the Lao PDR and the region for further development of the Financial and Banking Sector over 2006-2010. Economic and financial integration are progressing, and the Lao PDR is working toward WTO accession. In the discussion that followed, it was suggested that the recapitalization of banks is not the best solution and that the privatization of the State-Owned Commercial Banks (SOCBs) should be considered. The performance of the SOCBs has been improving with the ratio of non-performing loans (NPL) in new lending declining to 7 percent. The commercial banks are using the improved loan appraisal and approval procedures. The Government is considering the partial privatization of the Lao Development Bank (LDB) as a joint venture with a suitably qualified party. It was enquired how SMEs' access to credit will be improved. It was mentioned that the ADB is providing technical assistance to examine this and other issues. In response to a query, it was explained that the IT network provided under the EC-assisted project covered only the management information system for bank supervision, whereas that proposed in the Agenda for Strengthening the Financial and Banking Sector during 2006-2010 is more comprehensive.

3. Briefing on National Validation Workshop on IF/DTIS on 12 September 2006

The Government is committed to the IF because improved trade performance will help achieve national economic development. A draft report on the DTIS has been completed and the findings of the DTIS and a draft Action Matrix will be discussed at the National Validation Workshop; and agreement reached on follow-up actions. Australia (AusAID) will provide a full-time IF facilitator for a two-year period, and is discussing with UNDP the establishment of a fund under the IF Window 2. Also, discussions are under way with other donors on a multi-donor trust fund to support the trade sector. The UNDP representative stated that in addition to the funds under the IF window 2, the Lao PDR will also have access to those under the Enhanced IF (track 2). The draft Action Matrix will be a good starting point, but it needs to be updated every year or two years to respond to emerging opportunities and integrating the strategies as they are finalized. It was explained that the Government is keen to proceed on WTO accession, but is reluctant to set a target date, as it is necessary to



ensure that the accession terms allow adequate time for different sectors of the economy of the country to adjust and are beneficial.

G. Status of the other seven Government Sector Working Groups

The Sector Working Group (SWG) on Education and Gender seems to be the only other SWG that had its first meeting on 10 August 2006, under the designated chairman, Dr. Lytou Bouapao, former Director General of Planning and now Vice Minister of Education. The other six SWGs have yet to convene their first meetings by the designated chairpersons.

Meanwhile, some partners in development continue and plan to lead the initiatives in a few sectors. This may be contrary to the spirit of the Paris Declaration on Aid Effectiveness. Also, it runs the risk of bypassing and undermining the roles of the Government SWGs as the primary mechanisms for dialogue and coordination at the sectoral and thematic area levels. As agreed at the Joint Meeting of Government and Donor Sector Working Groups Meeting in May 2006, the Government Ministries and Agencies and the partners in development are jointly responsible for nurturing the Government SWGs as effective mechanisms for dialogue and coordination at the sectoral and thematic area levels. It is important for partners to work with the Government SWGs in all initiatives relating to the sectors and thematic areas.

H. 2004/05 Foreign Aid Report

The Foreign Aid Report for FY 2004/05 was completed in August 2006 and has been disseminated to all in recent weeks. The report shows that ODA continues to be a major part of the Public Investment Programme (PIP) of the Lao PDR, accounting for slightly more than 60 percent of the total public investment in FY 2004/05. The report provides details on the ways in which ODA has been used. Some highlights from the report are detailed below.

In FY2004/05, the total ODA commitments by bilateral and multilateral donors to the Lao PDR amounted to US\$ 383.79 million equivalent. Bilateral commitments accounted for 48 percent (US\$ 184.24 million) of the total and multilateral commitment for the rest (52 percent). The International Financial Institutions accounted for the lion's share (about 80 percent) of the multilateral commitments. The report also provides data on projected disbursements based on the programme and project agreements, which are largely indicative.