



**A Desk Review Summary**  
**The implementation of the Vientiane  
Declaration on Aid Effectiveness (2006)**  
**&**  
**Lessons learnt for the formulation of the  
Vientiane Declaration on Partnership for  
Effectiveness Development Cooperation (2015)**  
**and its Country Action Plan**

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# I. Introduction

## 1.1 Vientiane Declaration on Aid Effectiveness

In 2006, the Government of Lao PDR (“the Government”) and its Development Partners (“the Partners”) signed the Vientiane Declaration on Aid Effectiveness (“VD”), Lao PDR’s localised version of the Paris Declaration.<sup>1</sup> Though not a legally binding instrument, this VD represented the shared recognition of the Government and the Partners of the importance of enhancing the effectiveness of Official Development Assistance (ODA) in Lao PDR. The VD reflected the ambitions and structure of the Paris Declaration and built on the unique circumstances and experiences of Lao PDR. The Declaration also laid the foundation for deepening a partnership between the Government and the Partners rooted in the core principles of aid effectiveness.

The Vientiane Declaration Country Action Plan (“VDCAP”) followed in 2007 and was subsequently revised in 2012. The VDCAP represented the practical articulation of the VD and laid out actions guided by the five underlying principles of the Paris Declaration: ownership, alignment, harmonisation, managing for results, and mutual accountability. The revised VDCAP’s targets and indicators also reflected subsequent international dialogue and agreements around good practices for development cooperation, including the Busan Partnership for Effective Development Cooperation.

## 1.2 Description of the Review

This desk review aims to summarise the achievements and the lessons learnt since the introduction of the VD and the VDCAP. The primary purpose of the review is to reflect on the successes and challenges in order to contribute to the formulation of Lao PDR’s post-2015 development effectiveness agenda, especially the Vientiane Declaration on Partnership for Effective Development Cooperation 2015 (“VD II”) to be signed at the 12<sup>th</sup> High Level Round Table Process and its subsequent Country Action Plan that will be formulated in 2016.

The key findings for the review are based on various monitoring and survey reports produced during the course of implementation, including the Paris Declaration Monitoring Survey 2008, the Paris Declaration Monitoring Survey 2011, and the Snapshot of the Implementation of the VDCAP (2012-2015) done in 2014.

Monitoring of VDCAP implementation has not taken place in a systematic manner. Following a review of implementation in 2008-09, there was no comprehensive review before the exercise in 2014 that was summarized in the Snapshot of Implementation mentioned above. This exercise received inputs from only 10 DPs and 2 SWGs and therefore cannot be considered fully representative of the state of implementation. Nor can it be used to generate representative data for the VDCAP targets.

The Paris Declaration reviews also do not monitor precisely the same set of indicators. There is no review available assessing the full VDCAP period as Lao PDR did not participate in the 2013 first round of the global partnership’s survey on effective development cooperation. Therefore, up-to-date information which are compatible with the Paris Declaration reviews and the national review of the VD implementation in 2008-

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<sup>1</sup> The VD was signed by the Government and 22 development partners at the 9<sup>th</sup> High Level Round Table Meeting in November 2006 in Vientiane. It was subsequently signed by an additional 3 development partners in 2007.

2009 is not available. As a result, there is not a clear monitoring framework that assesses progress over time. The need for more systematic monitoring is one of the lessons going forward.

Nevertheless, this review aggregates information on key aspects of the available assessments to help give a better understanding of progress and challenges in implementing VD and VDCAP. It includes an overview of the five main principles guiding the VD and details examples of progress, challenges, and lessons learnt to help inform the follow up development effectiveness agenda “The Vientiane Declaration on Partnership for Effective Development Cooperation 2015.”

#### **1.4 Supporting Documents**

The key supporting documents reviewed for this assessment include:

- Paris Declaration Monitoring Survey 2008
- Paris Declaration Monitoring Survey 2011
- A Snapshot of the Implementation of the VDCAP (2012-2015)
- Vientiane Declaration on Aid Effectiveness (2006)
- Busan Partnership for Effective Development Cooperation (2011)
- Foreign Aid Implementation Report (FAIR), Fiscal Year 2013/14

## III. Key principles, evidence of progress, and challenges in implementing the VD and VDCAP

### 3.1 Ownership

In the context of the VD, ownership concerned how the Government carries out two inter-linked activities: exercising effective leadership over its development policies and strategies; and coordinating the efforts of various development actors working in the country.

#### Evidence of national progress towards greater ownership

- Within the VD I timeframe, three NSEDPs were produced in Lao PDR (6<sup>th</sup> NSEDP 2006-2010, 7<sup>th</sup> NSEDP 2011-2015 and 8<sup>th</sup> NSEDP 2016-2020). The formulation of these NSEDPs was considered to be more inclusive than previous years. In particular, other stakeholders such as International Non-Governmental Organizations (INGOs), Non-Profit Associations (NPAs), the private sector and donors have been involved and consulted. Government recognizes the need to have a wide range of stakeholder involvement to support planning and has increasingly expanded the range for more dialogue and consultation with both civil society and the private sector.
- The NSEDPs produced during the VD timeframe have also been linked to the Government's long-term vision and are consolidated from sectoral strategies. Specifically, the current NSEDP (7<sup>th</sup> NSEDP 2011-2015) and the upcoming 8<sup>th</sup> NSEDP 2016-2020 provide a priority-setting framework which aims to be reflected in the budget via the Medium-Term Financial Framework (MTFF) and Medium-Term Expenditure Framework (MTEF).
- For the 8<sup>th</sup> NSEDP (2016-2020), the Government has been taking care to ensure that its preparation is evidence based. It is set in the context of the Government's longer term planning and in particular the 10 year plan to 2025 and the 2030 Vision. These three strategic documents are being prepared simultaneously. For the first time, the 8<sup>th</sup> NSEDP has also been designed as a results-oriented plan. The Plan's overall objective is derived from directions from the Party Resolution and the Government.<sup>2</sup> The Plan is also informed by a thorough analysis of what has been achieved in the 7<sup>th</sup> NSEDP to date (including reasons for successes and for the remaining challenges) and analyses of external issues.
- Since 2005, the creation of the SWG mechanism has also help improve collaboration between the Government and the Partners. Chaired by the relevant Government ministries, each SWG now plays a meaningful role in supporting the preparation of the sector development plans fed into the 7<sup>th</sup> and 8<sup>th</sup> NSEDP formulation and implementation, especially ensuring that sector priorities are reflected in national plans.

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<sup>2</sup> The overall objective has, at its core, graduating from LDC status. To achieve this core objective the 8<sup>th</sup> NSEDP was designed with three outcomes, each with a set of performance targets, achievements of which are necessary within the Plan period if the overall objective is to be achieved. The three outcomes are based on the three categories of assessment required for achieving eligibility for graduation from LDC status.

## **Implementation challenges and lessons learnt related to ownership**

- While there have been numerous positive developments related to the planning process, challenges remain in instituting broad-based and robust consultation mechanisms. Co-ordination structures and processes will need to be made more effective, including through further efforts to widen stakeholder participation to include INGOs, NPAs, south-south partners and the private sector. While these partners are invited to participate in and contribute to cooperation and planning initiatives and many report good cooperation with Government, especially at the local level, more space can be given to make sure these groups can make a more meaningful contribution to Lao's national development planning. There is also a difference in the level of involvement and participation of the different stakeholders, with INGOs having been more involved throughout the VD period in national development planning and NPAs only more recently and less systematically.
- It is also recognised that there is an under-investment in the core capacity of ministries to manage SWGs effectively. Resources from Partner supported projects and programmes could be reallocated to ensure that the overall coherence and coordination functions are adequately maintained. Those SWGs where there has been higher investment in staff and finance are seen as having been most effective.
- In addition to resource allocation, there are other improvements that can help make SWGs more effective tools of collaboration. For example, there is scope to improve coordination between Ministry of Planning and Investment (MPI) and line ministries to help ensure sector level inputs are systematically reflected in the NSEDPs. SWGs have also not always submitted timely sectoral progress reports. For example, the 2014 implementation review found that none of the 10 SWGs submitted progress reports by the DIC/MPI deadline. Monitoring at the sector level can also be improved as there the quality and consistency of SWG monitoring processes varies. Participation of other stakeholders such as INGOs, NPAs, South-South partners and private sector in SWGs also remains limited in some cases.
- Increased attention is also needed to further expand decentralisation and to develop aid coordination processes and mechanisms at the local level.

### **2.2 Alignment**

For aid to be effective it should align with national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management.

The VD called for the Partners to align their support with the Government's aims and objectives. It also envisioned that Government—with support from the Partners—would strengthen regulations and procedures, and that the Partners would increasingly use those strengthened regulations and procedures.

### **Evidence of national progress towards closer alignment**

- There is evidence of the Partners aligning strategies and programmes with the NSEDP. For example, all respondents in the 2014 review stated that their strategies and programmes were aligned with the NSEDP.

- The Government is working toward the improvement of public sector management, initiatives that can help enhance Partner confidence in using national systems. An anti-corruption law was approved by the National Assembly and the Government is implementing a Governance and Public Administration Reform Program which focuses on four priority areas: public service reform, people's participation, rule of law and sound financial management. Within this programme, the Government is taking several strategic steps to strengthen the machinery of administration, including establishing a National Civil Service Training and Development Framework and National Training Curriculum, which draw lessons from an in-depth review of capacity building activities with all segments of the Government.
- Progress has also been made reinforcing public financial and audit regulatory frameworks. The Public Finance Management Strengthening Programme commenced in 2005 has contributed to substantial progress in overall public financial management. Implementation of a budget law has resulted in changes in the central-local fiscal relations as well as clearer revenue and expenditure assignments. An independent auditor general has recently been established which reports directly to the National Assembly, enhancing transparency in the oversight functions of the State Audit Office and National Assembly. Lao PDR received a rating of 3.5 on the quality of the national public finance management system as measured by the World Bank in 2013 and 2014 — an improvement from 2.5 in 2005.
- In terms of the national procurement system, the Government fully recognises the importance of implementing an effective public procurement framework and has introduced capacity building and monitoring measures in the Public Finance Management Strengthening Programme to address procurement capacity limitations. Currently, standard bidding documents and a procurement manual have been developed and the guideline mandates their use has been disseminated to all public procurement entities.
- Standard Operating Procedures (SOPs) for ODA funded projects are under review and are expected to be finalized and fully operational by 2016. There has also been a discussion over the development of a Financial Management Manual for ODA funded initiatives which will cover budgeting, accounting, internal control, disbursement, reporting and auditing requirements and other related procedures. This manual, in conjunction with the ODA SOP manual, will form the primary procedural platform for driving increased adoption of national system by development partners.
- Efforts by the Partners to untie aid is usually a policy decision taken at donors' headquarters and cannot generally be influenced at the country level. The Lao Government therefore has no mechanism in place to monitoring the percentage of aid that is untied. However, the Government has strongly advocated for a reduction of untied aid through discussions with individual donors. According to the OECD-DAC, in 2013<sup>3</sup>, 83% of aid to all countries was untied. Among Lao PDR's main bilateral assistance providers, Australia untied 100 percent of its ODA, Germany 98 percent, Switzerland 98 percent, and Japan 89 percent.

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<sup>3</sup>This is the latest information on untied aid to Lao PDR. The data on untied aid for Lao PDR will be available in 2016.

Korea, meanwhile, tied 62 percent of its total ODA.<sup>4</sup> Lao PDR does, however, receive a good share of resources in non-ODA flows that is likely to be tied.

### **Implementation challenges and lessons learnt related to alignment**

- Despite extensive reform initiatives, more progress is needed to further strengthen implementation capacity and coordination mechanisms for the Public Finance Management Strengthening Programme (PFMSP). There is a need for further Government efforts to develop comprehensive and transparent reporting on aid/its use and the transparent national budget to help the Partners align aid flows with national development priorities. Progress on PFMSP has been slowed due to limited financial resources and implementation capacity.
- In particular, more effort is needed to accelerate the work to improve revenue and budget systems for addressing the challenge of low levels of domestic revenue and the difficulties in aligning public expenditures with the national development plan and related limited capacity for implementation.
- Aid management is crucial to achieving greater progress towards alignment. Different aid modalities have different implications for putting aid on budget. However, limited management capacity for a central ODA database (Aid Management Platform - AMP) has made it difficult to predict, track and align ODA behind national priorities. To ensure further effective development cooperation in this regard, it is important that the AMP, and especially the quality of its data, is strengthened. For example, data from the AMP on the share of assistance on budget was not available for the 2014 assessment. In particular, if the usefulness of the AMP is well articulated, relevant stakeholders are more likely to commit to provide accurate, standardised and regular inputs to the AMP. The Government could commit to develop and implement quality assurance mechanisms. Therefore, more analytical work is required in this area, especially on the regulatory requirements to report on all ODA (irrespective of whether it passes through Government or through other channels). A full comprehensive study/review on the requirements of all stakeholders and the quality of information on aid flows would help.
- Concerns also remain among the Partners regarding the reliability of country PFM systems and have limited their use by the Partners. The Government is examining additional ways of establishing coordinated systems for procurement capacity building and the monitoring of procurement performance and outcomes. However, substantial reforms need to be undertaken in order to improve the quality of procurement systems to ultimately increase confidence in national systems.
- Reasons for slow adoption of country systems include weak capacity of line ministries in budget execution and financial reporting. In some cases the Government systems are not fully functional and both Government and Partners lack confidence.
- The use and strengthening of country systems should be placed within the overall context of national capacity development for sustainable outcomes. To ensure the use of country systems, the Government and the Partners will need to jointly

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<sup>4</sup> Data taken from OECD-DAC data on tying status. Data is only available for partners at the global level and is not available specifically for ODA to Lao PDR.



assess key country systems, using mutually agreed diagnostic tools. Based on the results of these assessments, a decision could be made to decide on the extent to which the Partners can use country systems.

- There is a perception among some key stakeholders that parallel PIUs ensure a stable mechanism for accountability, provide greater flexibility and enable government project officials to take risks and be innovative, which would not otherwise be possible within a Government structure.
- Regarding the predictability of assistance, it is important to ensure accuracy of ODA dataset. This requires major efforts to collect, analyse and report on overall aid picture in the country. Bearing in mind that accurate ODA figures can actually lead to higher level of aid predictability.

### **2.3 Harmonisation and Simplicity**

Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of procedures and lower the transaction costs associated with aid management.

To support harmonisation, the VD focused on the Government and the Partner efforts to increase the use of common arrangements, including through Programme Based Approaches (PBAs); the conduct of joint missions and coordination of analytical work; and the decentralization of decision-making authority to country offices.

#### **Evidence of national progress towards harmonisation and simplicity**

- Some of the basic building blocks of PBAs are currently in place. For instance, comprehensive sector or programme strategies have been developed and progress has been made towards PBAs in sectors such as UXO, trade and private sector, education, health, agriculture and rural development, governance, agriculture and public financial management. According to the 2014 assessment, ODA disbursed through PBAs was around 79 million for partners reporting.
- In addition, efforts to establish a joint and coordinated sector work programme have been made. There are some well-advanced PBAs in Laos and show significant progress for example Poverty Reduction Support Operation (PRSO), Public Expenditure Management Strengthening Programme (PEMSP), Education for all and other sectors such as education, food and nutrition security, health, public financial management, and UXO. The Northern Uplands Development Programme also provides an example where the government and four DPs test out how PBA works both at the national and local level. It is difficult to demonstrate the impact of PBAs in Laos, since these processes are still in their early stage. Currently, a national framework for a PBA application in Lao PDR has been under formulation which could be finalized in 2016. The Government also adopted the SWG coordination mechanism to initiate the development of sector-level analytical work.
- Efforts to coordinate and facilitate joint missions have mainly taken place within 'like-minded' groups of donors, for example within the European donors' group, IFIs or UN agencies. Co-ordination has been based around joint programming and joint portfolio review. For the 10 Partners responding to the 2014 assessment, about 70 percent of missions were conducted jointly, a significant increase from 2010.

## Implementation challenges and lessons learnt related to harmonisation and simplicity

- There are many different approaches and modalities that can make more wide use of PBAs, and harmonization takes place at various levels. At one level, the partner country is responsible for defining clear, country owned programmes (e.g. a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, the Partners are responsible for taking steps to use local systems for programme design and implementation, financial arrangement, monitoring and evaluation. Finally, the Partners and donors are jointly responsible for donor co-ordination and the harmonization of donor procedures.
- Currently, line ministries, the Partners and other stakeholders in Lao PDR do not share a common understanding of PBAs. A 2009 study on the implication of PBAs highlighted that rapid moves towards PBAs should not be attempted lightly, but that discrete steps can be taken to align donors' policies and financing behind nationally owned sector strategies. The key challenge, however, is to develop a broad common understanding of PBA principles and opportunities.
- In order to reduce aid fragmentation, the Government recognises the benefits of more joined-up programming, co-financing and delegated cooperation arrangements - including the benefit of PBAs. However, actively promoting complementarity and a division of labour approach across sectors has not yet been done in a coordinated manner. The SWG secretariats are also insufficiently resourced in terms of their ability to further facilitate this work.
- In light of the modest increase in the use of PBAs in Lao PDR, further efforts will be needed. Specifically, clear and well-defined criteria for the development of PBAs and Sector Wide Approaches (SWAs) based on the OECD-DAC guidelines need to be documented and tailored to the Lao conditions in order to ensure the common understanding across stakeholders. SWG could be a platform to promote PBAs and SWAs.
- The SWGs are an appropriate mechanism to ensure relevance and coordination of analytical work. Therefore, one of the indicators/outputs of each SWG should be contributing to the efforts of joint analytical work in support the implementation of the 8<sup>th</sup> NSEDP. The use of a web-based information exchange portal may be used to facilitate the joint analytical work and research. According to the 2014 implementation assessment, approximately 43 percent of analytical work was conducted jointly during the period of the VDCAP, reflecting the space for more progress.

### 2.4 Managing for Results

Better development outcomes are supported when the Partners and the Government manage resources according to well-defined results, measure progress towards those results, and use the subsequent evidence to inform decision-making. The VD explicitly recognized the importance of results-based management and focused on joint efforts to adopt high quality results-oriented frameworks.

## **Evidence of progress towards stronger management for results**

- Coordination of the Monitoring & Evaluation (M&E) framework has now been carried out in a more systematic manner, led by MPI. In particular, the national M&E system tracks NSEDP input, output and outcome indicators, which are a part of the sector ministries' work plans.
- From the experience of the 7<sup>th</sup> NSEDP, reporting on key national development results has been done on a regular basis. Currently, MPI collects periodic reports (monthly, quarterly, semi-annual and annual) from line ministries, central and sub-national agencies (provinces, districts and villages) to gather information on progress. Summary reports are then produced for submission to the government and the National Assembly, as well as for discussion in the SWGs and presentation at the Round Table Meetings (RTMs) and the annual Round Table Implementation Meetings (RTIMs).
- A comprehensive review of national statistics systems was conducted in 2007 and based on this work the government has adopted a national statistics strategy. A technical assistance framework is now in place to replace support that was phased out by Sweden in 2010.
- Since 2006, a comprehensive review of 6<sup>th</sup> and 7<sup>th</sup> NSEDP (6<sup>th</sup> NSEDP mid-term review and 7<sup>th</sup> NSEDP mid-term review) and MDGs (2008 and 2013 MDGs reports) was conducted. Their findings have been tabled at RTIMs and RTMs. The review has served as a valuable tool for realigning and refocusing efforts for the NSEDPs in different periods, whilst providing valuable recommendations direction for the 8<sup>th</sup> NSEDP preparations.
- The AMP was launched in 2012 and later added new features, including a public portal and geo-coding capabilities to support more accessible planning and research.

## **Implementation challenges and lessons learnt related to managing for results**

- To ensure that the Government and all stakeholders in Lao PDR work towards common development results, transparent national results frameworks and platforms will need to be adopted as a common tool among all concerned actors to assess performance. They should be based on a manageable number of output and outcome indicators drawn from country's development priorities and goals.
- In this regard, using additional frameworks and the introduction of performance indicators that are not consistent with national development strategies should be avoided. At the same time, greater efforts are urgently needed to address issues of technical and human capacity for collating, processing and analyzing robust data.
- As mentioned earlier, monitoring of VDCAP implementation has not been taken place in a systematic manner. There was not a comprehensive review from 2009 to the exercise in 2014. The recent exercise also received inputs from just 10 DPs and is not therefore representative of the state of implementation. As a result there is not a clear monitoring framework that assesses progress over time and the need for systematic monitoring is one of the lessons going forward.
- The AMP has not always been maintained in a timely manner. While most DPs

have assigned DFAs for entering ODA data into the AMP, functionality issues and communications shortages have led to the lack of regular updating of data. For example, though there were four training sessions when the AMP was launched there has been little systematic follow up. This limited up to date ODA data has limited the effectiveness of timeliness and usefulness of the annual Foreign Aid Reports. The result is that AMP is not fully up to date and does not always align with other data sources, including OECD-DAC.

## 2.5 Mutual Accountability

Mutual accountability in the context of the VD was largely centered on the mutual responsibility of the Government and Partners to provide inputs to and take part in assessments of the implementation of the national development effectiveness agenda through the RTP. It also called for efforts to increase collaboration around the implementation and assessment of progress of national development plans and the timely sharing of information on aid flows.

### **Evidence of progress towards stronger management for results**

- Within the RTP, the high-level Round Table Meetings (RTMs) take place every three to five years. The interim (annual) Round Table Implementation Meetings (RTIMs) provide government and donors with the opportunity to review progress of NSEDP implementation as well as to discuss about critical emerging issues. The mechanism is complemented by SWG, which stimulate substantive dialogue on progress and development plan at sector and provincial levels, respectively.
- The RTP has become more inclusive over time. In 2010, representatives from INGOs and NPAs were invited to the 10<sup>th</sup> HLRTM for the first time and have participated ever since. There has also been an effort to involve the private sector through the Lao Business Forum—though there is a need to improve linkages in terms of logistics and substance. The RTP has also become more inclusive of local authorities, including through provincial consultations since 2008 to ensure the understanding of the local authorities on key issues. All SWGs have also reported that sectoral progress reports have included consultations with a range of stakeholders.
- Lao PDR's introduction of the VD and VDCAP were assessed to have been strong mutual accountability mechanisms. The VD represents a common consensus and understanding between government and Partners in achieving aid effectiveness and national development goals.
- Lao PDR is notably engaged in a regional Joint Initiative on Mutual Accountability (along with Cambodia, Viet Nam) organised in September 2009, which is considered to be a model for south-south capacity development and for promoting mutual accountability at both the country and regional levels.

### **Implementation challenges and lessons learnt related to mutual accountability**

- Mutual accountability for results should be at the centre of the shared agenda where clearly defined commitments on both sides (the Government and the Partners), the rules of engagement and how progress will be monitored can be included. In this regard, to hold each other accountable, vision and priorities for aid management and how aid fits into its broader development efforts should be

clearly spelt out. This could be contained in an aid policy document, a joint assistance strategy or another tool that identifies the Government's priorities on how donors should engage.

- To ensure greater mutual accountability, the Government and its stakeholders will need to work together to increase the predictability and transparency of development financing. To this effect, there is a need to rethink what aid should be spent on and how, in ways that are consistent with agreed international rights, norms and standards, so that aid catalyses development. Both the Partners and the Government recognise that aid is only part of the solution to development. The shift from aid effectiveness to the challenges of effective development calls for a framework and predictable plans for not only aid but other forms of cooperation.
- Transparency is a powerful ingredient for mutual accountability and there is space for both sides to enhance timely information sharing. Comprehensive information on aid activities is crucial for the Government and the Partners to monitor aid effectiveness and plan development. Limited transparency at the country level limits the extent to which the partners can hold each other to account for mutual commitments. On the Partner side, providing regular, accurate and timely information on aid activities is an important step to contribute to transparency and mutual accountability.
- Since inputs to sustainable development extend well beyond financial cooperation to the knowledge and development experience of traditional donors. South - South and triangular cooperation have the potential to transform policies and approaches to service delivery by bringing effective, locally owned solutions that are appropriate to country contexts. Also, it is important for a better enabling platform for the private sector to participate in the design and implementation of development policies and strategies to foster sustainable growth and poverty reduction. At the same time, it is important to accelerate and deepen the implementation of the national commitment to strengthen the role of parliaments in the oversight of development processes, including by supporting capacity development backed by adequate resources and proper plans.
- It is important to assure that mutual accountability supports rather than undercuts domestic accountability institutions. But domestic accountability and mutual accountability can reinforce each other. For instance, one way of linking mutual and domestic accountability is to support meaningful and adequate involvement, as appropriate, of domestic stakeholders in joint technical working groups, budget support reviews, sector reviews, and monitoring of national development strategies and aid policies. Despite progress in widening participation to a broader group of stakeholders, there is still room to enhance substantive engagement by diverse stakeholders—including in the RTP.
- Mutual accountability is unlikely to be achieved through one mechanism or forum but instead requires an integrated network of relationships, commitments and accountability systems. Country performances are often scrutinised extensively in various sector and budget review processes where there is little or no room to discuss donor performance and behaviour. Partners can engage at different levels to make the partnership more mutual.

### III. Conclusion

In conclusion, Lao PDR has made much progress towards a number of its national goals to increase aid effectiveness. The VD and VDCAP can be seen as having, overall, made an important contribution to the development effectiveness agenda in Lao PDR across each of the guiding principles.

- **Ownership.** NSEDP formulation have been more inclusive and has involved consultation with a wider range of stakeholders. The national plans have also been more closely linked to the Government's long-term vision and sectoral strategies, including through the SWG mechanism.
- **Alignment.** There is evidence of the Partners aligning more closely their strategies and programmes with the NSEDP. Government is also working toward the improvement of public sector management, initiatives that can help enhance Partner confidence in using national systems.
- **Harmonisation.** Some of the basic building blocks of PBAs are currently in place and some comprehensive sector or programme strategies have been developed. Efforts to coordinate and facilitate joint missions have also taken place, including joint programming and joint portfolio review.
- **Managing for results.** Coordination of the M&E framework has now been carried out in a more systematic manner, especially the national M&E system to tracks NSEDP input, output and outcome indicators. Reporting on key national development results has also been done on a more regular basis and comprehensive reviews of NSEDPs have been conducted and tabled at RTIMs and RTMs.
- **Mutual accountability.** The RTP has provided the Government and the Partners with the opportunity to review NSEDP implementation as well as to discuss about critical emerging issues and has become more inclusive over time, both for more stakeholder participation and for expansion to the local level. Lao PDR is notably engaged in a regional Joint Initiative on Mutual Accountability (along with Cambodia, Viet Nam).

But Lao PDR also recognises that much progress still needs to be made. The country is facing challenges in each of the five key areas of the VD and further efforts are needed in the follow up development cooperation agreement and action plan in order to enhance progress. This desk review of Lao PDR's progress and achievements on aid effectiveness agenda has identified the lessons learnt and Lao PDR is already taking corrective action on several fronts to address the areas where the country is facing challenges.

- **Ownership.** While there have been numerous positive developments related to the planning process, challenges remain in instituting broad-based, robust consultation mechanisms. This includes further efforts to widen stakeholder participation to make sure these groups have the space to make a more meaningful contribution to Lao's national development planning. It is also recognised that there is an under-investment in the core capacity of ministries to manage SWGs effectively and other improvements that can help make SWGs better tools of collaboration. For example, monitoring at the sector level can also be improved as the quality and consistency of SWG monitoring processes varies. Increased attention is also needed to further expand decentralisation and to develop aid coordination processes and mechanisms at the local level.

- *Alignment.* More progress is needed to further strengthen public financial management and procurement to improve the likelihood of the Partner use. There is also a need for further the Government efforts to develop comprehensive and transparent reporting on aid and the national budget to help Partners align aid flows with national development priorities. To further these efforts, the Government and its Partners can jointly assess key country systems, using mutually agreed diagnostic tools and make decisions based on these assessments.
- *Harmonization.* The Partners and other stakeholders in Lao PDR do not share a common understanding of PBAs. Their use has been growing but is relatively low. Actively promoting complementarity and a division of labour approach across sectors has not yet been done in a coordinated manner and the use of joint programming and delegated cooperation arrangements can be increased. This includes for the amount of analytical work conducted jointly.
- *Managing for results.* To ensure that the Government and all stakeholders in Lao PDR work towards common development results, transparent national results frameworks and platforms will need to be adopted as a common tool among all concerned actors. The VDCAP was not monitored in a systematic manner and the follow up arrangement would be well served to both put in place a monitoring framework but also ensure its follow up in order to ensure accountability and implementation of agreements. Improvements to the AMP are also needed to ensure timely and accurate data.
- *Mutual accountability.* The Government and the Partners need to work together to increase the predictability and transparency of development financing. This includes the expansion from aid effectiveness to the challenges of effective development and the need for frameworks that comprise aid and other forms of cooperation. Both sides can also increase transparency and timely information sharing to enhance holding each other to account for mutual commitments. There is also room to explore expanding arrangements with new partners, including neighbours and through different forms of development cooperation. It is also important for an enhanced enabling platform for the private sector to participate in the design and implementation of development policies and strategies. Despite progress in widening participation to a broader group of stakeholders, there is still room to enhance substantive engagement—including in the RTP.

In addition to the VD core areas where additional progress is needed, the dialogue around development cooperation has evolved since the launch of the VD. A follow up partnership “The Vientiane Declaration on Partnership for Effective Development Cooperation” can build on additional areas of focus for development cooperation, especially those outlined in the Busan Partnership for Effective Development Cooperation. This includes greater inclusion of new actors, increasing transparency and public access to development cooperation information, South-South and triangular cooperation, and private sector for development. Developing a Country Action Plan with a limited set of indicators that can be monitored on a more regular basis than the VDCAP would ensure increased accountability by all partners.

## Annex I: Summary of Paris Declaration Assessments

VD principles and key indicators corresponding to the Paris Declaration	2006 Reference	2008	2011
<b>I. Ownership</b>			
Indicator 1 – Operational development strategies <i>(A country puts in place national development strategies with clear strategic priorities. Rating based on the WB methodology ranking from A_D)</i>	C	C	B
<b>II. Alignment</b>			
Indicator 2 – Reliable public financial management (PFM) system <i>(A country develops reliable national fiduciary systems or reform programmes to achieve them.)</i>	2.5	3.0	3.5
Indicator 3 – Reliable procurement systems <i>(A country develops reliable national procurement systems or reform programmes to achieve them.)</i>	Not available	C	Not available
Indicator 4 – Aid flows are aligned on national priorities <i>(Donors align their aid with national priorities and provide the information needed for it to be included in national budgets.)</i>	Not available	66%	88%
Indicator 5 – Strengthen capacity by coordinated support <i>(Co-ordinated programmes aligned with national development strategies provide support for capacity development.)</i>	Not available	54%	74%
Indicator 6 – Use of country PFM systems <i>(As their first option, donors use fiduciary systems that already exist in recipient countries.)</i>	N/A	31%	41%
Indicator 7 – Use of country procurement systems <i>(As their first option, donors use procurement systems that already exist in recipient countries.)</i>	N/A	16%	38%
Indicator 8 – Strengthen capacity by avoiding parallel Project Implementation Units	N/A	25	22



<b>VD principles and key indicators corresponding to the Paris Declaration</b>	<b>2006 Reference</b>	<b>2008</b>	<b>2011</b>
<i>(Country structures are used to implement aid programmes rather than parallel structures created by donors.)</i>			
Indicator 9 – Aid is more predictable <i>(Aid is released according to agreed schedules.)</i>	N/A	28%	50%
Indicator 10 – Aid is untied <i>(Bilateral aid is not tied to services supplied by the donor.)</i>	98%	70%	71%
<b>III. Harmonisation and simplification</b>			
Indicator 11 – Use of common arrangements or procedures <i>(Aid is provided through harmonised programmes co-ordinated among donors. 10a. Donors conduct their field missions together with recipient countries.)</i>	N/A	9%	18%
Indicator 12 – Joint missions <i>(Donors conduct their field missions together with recipient countries.)</i>	N/A	18%	26%
Indicator 13 – Joint country analytic work <i>(Donors conduct their country analytical work together with recipient countries.)</i>	N/A	25%	53%
<b>IV. Managing for Results</b>			
Indicator 14 – Results-oriented framework <i>(A country has transparent, measurable assessment frameworks to measure progress and assess results. Rating based on the WB methodology ranking from A_D)</i>	D	C	C
<b>V. Mutual Accountability</b>			
Indicator 15 – Mutual accountability <i>(Regular reviews assess progress in implementing aid commitments.)</i>	N/A	Y	Y

## Annex II: Summary of 2014 Snapshot of Implementation

Key indicators	Indicative baseline, current status & targets		
	Baseline (2011/2012)	Status (2013/2014)	Target (2014/2015)
<b>Ownership</b>			
1. Government progress reports show level of achievement against NSEDP and MDG targets and indicators	Partly	To be determined	Yes
		To ensure the review of the progress and corrective actions are identified to accelerate the achievement of the NSEDP goals including MDGs, Mid Term Review of the NSEDP, annual NSEDP reports and the third MDG progress report were prepared in a timely manner. There are areas where positive progresses have been made and there are those that need extra attention.	
2. % of development partners using national objectives and/or targets set out in the NSEDP and MDGs as a reference for their interventions	Medium	To be determined	High
		10 Development Partners submitted formal inputs for the VDCAP monitoring – all of them stated that their strategies and programmes are in line with the NSEDP and MDGs	
3. Reviews and forward planning linked to the NSEDP, MDGs and sectoral plans are led by the Government and carried out through a broadly inclusive and consultative process, including through SWGs and with civil society and the private sector	Partly	Positive progress	Yes
		Formulation of the NSEDP is considered to be significantly more inclusive than previous times and in recent years a number of NGOs, the private sector as well as the donors have been increasingly involved. However, challenges remain in instituting broad-based, robust consultation mechanisms. Co-ordination structures and processes need to be made more effective through widening stakeholder participation to include a broader segment of civil society organisations and private sector, and through expanding aid co-ordination process and mechanism to local levels. It is also recognised that there is a dramatic under-investment in the core capacity of ministries to manage Sector Working Groups effectively. A review recommends that resources from development partner supported projects and programmes be reallocated accordingly.	
4. % of SWGs that submit timely reports and make inputs for the RT(I)M and its background document, including information on south-south cooperation, cooperation at sub-national levels, and capacity development initiatives	10%	0%	80%
		Deadline for the submission of the sectoral progress reports for the production of the 2014 RTIM Background Document is 8 <sup>th</sup> October 2014. Instruction from DIC/MPI on the preparation of the RTIM preparation including the Background Document was shared with all stakeholders on 14 <sup>th</sup> August 2014.  None of 10 SWGs could submit their sectoral progress reports as per the deadline indicated by DIC/MPI.	

5. Ratio of investment and development cooperation projects (where applicable) that conduct social, environmental and health impact assessments	Low	To be determined  DIC/MPI is working with Department of Investment and Promotion – data is not yet available.	Medium
<b>Alignment</b>			
6. Increase in proportion of government institutions using improved national systems (SOP for development projects, FM, Procurement guideline & Auditing).	Low	To be determined  In 2013, Lao PDR received a rating of 3.4 on the reliability of its public financial management Systems as measured by The World Bank Country Policy and Institutional Assessment (CPIA). This is an improvement since 2005 (overall CPIA of 2.98)  Since 2011, Lao PDR has achieved progress in a number of measures to strengthen country PFM systems. The Public Finance Management Strengthening Programme commenced in 2005 has contributed to substantial progress in overall public financial management. Implementation of a budget law has resulted in changes in the central-local fiscal relations as well as clearer revenue and expenditure assignments. An independent auditor general has been established which reports directly to the National Assembly, enhancing transparency in the oversight functions of the State Audit Office and National Assembly.  However, according to the World Bank assessment (2013), progress in the Public Finance Management Strengthening Programme (PFMSP) has taken a slower pace than initially envisaged by government, mainly on account of inadequate funding and lack of implementation capacity and co-ordination mechanisms.  In term of the procurement, the Government fully recognises the importance of implementing an effective public procurement framework and there are capacity building and monitoring measures in the Public Finance Management Strengthening Programme to address procurement capacity limitations. Lao PDR is also examining additional ways of establishing co-ordinated systems for procurement capacity building and the monitoring of procurement performance and outcomes. However, substantial reforms need to be undertaken in order to improve the quality of procurement systems and to ultimately build development partner's confidence in the national systems.	High
7. Numbers of DPs using Government Public Finance Management Systems (Government Budget Execution, Financial Reporting, Auditing and Procurement procedures).	TBC	To be determined.  7 out of 10 DPs reporting on the VDCAP implementing states that they use the Government Public Finance Management Systems for their supported projects and programmes	At least one third of the DPs

8. % of Development Assistance utilised Government Public Finance Management Systems	TBC	To be determined	At least one third of the DPs
		Against those reported, 70% of ODA utilized the Government public finance management system. However, if all DPs reported and cross check is made. This percentage may be reduced. Further discussions with DPs will be needed.	
9. Quality of the national Public Finance Management Systems, measured.	3.50 as per WB CPIA 2011 (1=low & 6=high)	Positive trend	4.0 (to be consistent with global target which aim for improvement of 0.5 point)
		Lao PDR received rating of 3.5 on the quality of the national public finance management system as measured by the World Bank in 2013 (2005 rating – 2.5). This is a major improvement. To achieve the rating of 4.0 by 2015, major efforts are needed to speed up the implementation of the PFMS.	
10. % of untied development assistance.	71% as per OEDC DAC 2011	To be determined	90%
11. % of development assistance recorded on-budget.	74% as per OEDC DAC 2011	To be determined as the figure from AMP is not yet finalized	90%
12. Reduction in the number of parallel PIUs.	22 as per OEDC DAC 2011	8 PIUs reported by those DPs (except the World Bank) who submitted the input from the VDCAP monitoring.	15
		Note: Some clarification is needed for the reported input from the World Bank on the number of PIUs which seem to be very high – 7 PIUs and 13 semi-PIU.	
13. Actual disbursements as a proportion of planned disbursements.	93%	Positive progress	100%
		A yearly figure is not available. However, the six month disbursement ratio is around 48%. If this trend is sustained, it is likely that the disbursement ratio will be over 95%.	
<b>Harmonisation and Simplicity</b>			
14. % of development assistance delivered through common management arrangements (e.g. PBAs, delegated cooperation, trust funds).	18% as per OEDC DAC 2011	To be determined	50% (national)  66% (international)
		Among those reported, ODA disbursed through PBA is around USD 79 million. Percentage of ODA disbursed through PBA will be identified when the yearly figure from AMP is finalized.	
15. % of missions conducted jointly.	26% as per OEDC DAC 2011	To be determined	50%
		Among 10 DPs reported, there were 529 missions conducted and out of this total missions 371 mission were conducted jointly. This means 70% of mission conducted jointly. Although there are only 10 DPs	

		reported on this, this is an encouraging trend.	
16. % of analytical work conducted jointly.	53% as per OEDC DAC 2011	To be determined	75%
		Among 10 DPs reported, there were 91 analytical work conducted and out of this total analytical 39 were conducted jointly. This means 43% of analytical work conducted jointly.	
<b>Managing for Results</b>			
17. Availability of a results-oriented NSEDP M&E framework.	In the process of drafting	To be determined	Finalization
		Lao PDR's national development strategy contains a monitoring and evaluation framework. The co-ordination of the M&E framework is led by the Ministry of Planning and Investment (MPI). The MPI relies on periodic reports on annual NSEDP implementation from the line ministries at central and subnational levels to compile summary reports for consideration by the government, the National Assembly, and then shared with donors and the general public. While the NSEDP and public expenditure data are publically available through several routes, data for the M&E framework provided by line ministries etc. is not always readily available.  Currently, MPI is in the process of preparation the 8 <sup>th</sup> NSEDP which is more outcome based plan. This means Lao PDR is moving toward more results-oriented M&E framework.	
18. % of DPs that use the national indicators set out for the MDGs and in relevant sectoral action plans as a reference for their performance assessment.	Medium	To be determined	High
		From reviewing programme strategies of most DPs in Lao PDR, national indicators relating to MDGs have been currently used.	
19. % of DPs that use national statistics and M&E systems for their performance assessment and reporting (e.g. statistics from MDG reporting, sectoral assessments, NSEDP reviews).	Low	Not yet available	Medium

20. % of DPs with trained DFAs effectively utilising the AMP.	66%	To be determined	90%
		Currently, most DPs have assigned DFAs for entering ODA data into the AMP. However, with the functionality issues and communication shortage, updating information in the AMP has not been done on the regular basis. There were four trainings when the AMP was first installed in 2012. However since then, a systematic follow up has not been done	
21. Fully operational AMP with public portal.	Low	Medium	High
		New features of AMP introduced during the 11 <sup>th</sup> High Level Round Table Meeting (public portal and geo-coding capabilities) are now working. These allow users to explore and use data from AMP for planning and research purposes. Also, the two new features will help improve the transparency and effectiveness of ODA implementation in Lao PDR.  Building on the experience so far with the AMP implementation with the aim to improve consistency and reliability of the ODA information, DIC/MPI has embarked on an assessment of the current Official Development Assistance (ODA) information and management including support from International Non-Governmental Organization (INGO) and Public Investment Project (PIP) and Government contribution to assess options to integrate and improve quality of project data from various sources. Initial discussions have focused on planning and monitoring process of development project implementation across the Government of Lao PDR Line Ministries, Provinces and Districts.	
22. Availability of annual development assistance report using AMP data, including reporting on south-south cooperation and sub-national ODA distribution.	Yes		Yes with a revised format to capture the VDCAP implementation progress
		The availability of both semi-annual and annual Foreign Aid Reports has been suffered from the availability of ODA figures recorded in the AMP. As systematic and regular update have not been done, it is different to come up with comprehensive and rigorous report on a timely basis.	
<b>Managing for Results</b>			
23. % of SWGs conducting joint annual sector reviews with all relevant stakeholders, including civil society and the private sector.	30%	Positive trend	Above 80%
		All SWGs submitted their sectoral progress reports highlighting that their reports based on consultations with relevant stakeholders. However, there is a request from some DPs during the production of the 2014 RTIM Background Document to review the process of preparing sectoral progress reports. It is highlighted that some co-chairs of SWGs were not informed about the report submitted.	
24. Availability of annual	Partly (First	To be determined	Yes in

review report on progress against the VDCAP.	review of the VDCAP was done in 2008-2009)	Following the review of the implementation of the VDCAP in 2008-2009, 2014 VDCAP monitoring framework has been prepared. This report is the first attempt to monitor the VDCAP since its revision. This VDCAP monitoring report falls short as there are only 10 DPs reporting on the implementation and only two SWGs provide formal inputs for the monitoring purpose.	accordance with the VDCAP monitoring framework
25. Recommendations from RT process implemented.	Partly	Work in progress	Yes (implementation report available)
		Lao PDR was assessed to have mutual accountability mechanism in place under the Round Table Process. The 11 <sup>th</sup> High Level Round Table Meeting organized in 2013 produced 16 action points for follow up. The progress of the implementation of these action points is reported during the 2014 Round Table Implementation Meeting. They have also been integrated into the work of SWGs who ensure effective implementation and proper monitoring. While progresses vary, this is a positive movement in term of creating common understanding on various development issues.	
26. RT meetings include significant participation from wider stakeholders	Partly	Positive progress	Yes
		The Round Table Process has been more inclusive than before. In 2010, it was the first time that CSOs (INGOs and NPAs) were invited to attend the 10 <sup>th</sup> High Level Round Table Meeting. Since then, CSOs have been participating in the process based on self selection criteria.  There has also been an effort to involve private sector through the Lao Business Forum. There are areas that need improvement in term of linking the Round Table Process with the Lao Business Forum in term of the logistic and substantive matters.  In addition, the Round Table Process has also gone through an evolution in recent years in term of the involvement of local authorities. The Round Table provincial consultations organized since 2008 have played a significant role to ensure the understanding of local authorities on key development agenda in particular the MDGs and the LDC graduation.	
27. % of SWGs that include participants from all concerned stakeholders in their regular meetings and related activities.	N/A	To be determined	80%
		From the sectoral progress reports submitted by SWGs, there appears to be good representations from various stakeholders attending SWGs' meetings. However, communication across SWGs needs improvement to ensure that sectoral issues are actually known across sectors leading to cross-sectoral development approach.	