



**Round Table Implementation Meeting (RTIM)
Vientiane, 23 November 2012**

Background Document

**Ministry of Planning and Investment
Department of International Cooperation**

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Abbreviations and acronyms

AEC	ASEAN Economic Community
AEPF	Asia-Europe People's Forum
AIDS	Acquired Immune Deficiency Syndrome
AMP	Aid Management Platform
ANC	Ante Natal Care
ARD	Agriculture and Rural Development
ASEM	Asia–Europe Meeting
ASYCUDA	Automated SYstem for CUstoms DAta
BOL	Bank of Lao
DFA	Data Focal Agent
DMFAS	Debt Management and Financial Analysis System
DoP	Department of Planning
DP	Development Partners
DPT3	Diphtheria-Pertussis-Tetanus
DTIS	Diagnostic Trade Integration Study
EFA-FTI	Education for All-Fast Track Initiative
FDI	Foreign Direct Investment
FY	Financial Year
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GFIS	Global Financial Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GOL	Government of Lao
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HSDP	Health Sector Development Plan
IMF	International Monetary Fund
LDC	Least developed Country
LM	Line Ministries
LSIS	Lao Social Indicator Survey
LSMP	Legal Sector Master Plan
LWU	Lao Women's Union
MCH	Mother and Child Health
MDG	Millennium Development Goal
MICS	Multiple Indicators Clusters Survey
MNCH	Maternal Newborn and Child Health
MOES	Ministry of Education and Sports
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOH	Ministry of Health
MOHA	Ministry of Home Affairs
MONRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
NA	National Assembly
NAFRI	National Agriculture and Forestry Research Institute
NCAW	National Commission for the Advancement of Women
NCHS	National Centre for Health Statistics
NERI	National Economic Research Institute
NGO	Non-Governmental Organisations
NGPAR	National Governance and Public Administration Reform

NHDR	National Human Development Report
NPA	Non Profit Associations
NSEDP	National Socio Economic Development Plan
NSP	National Strategic Plan
NTP	National TB Programme
NUDP	Northern Upland Development Programme
ODA	Official Development Assistance
PEI	Poverty Environment Initiative
PIP	Public Investment Plan
PLHIV	People Living with HIV/AIDS
PMO	Prime Minister's Order
PPG	Public and Public Guaranteed
PWID	People Who Inject Drugs
RTIM	Round Table Implementation Meeting
RTM	Round Table Meeting
RTP	Round Table Process
SME	Small and Medium Enterprises
SPF	Safe Path Forward
SSWG	Sub-Sector Working Group
SUN	Scaling Up Nutrition
SWG	Sector Working Group
TB	Tuberculosis
UNICEF	United Nations Children's Fund
UXO	Unexploded Ordnance
VAT	Value Added Tax
VDCAP	Vientiane Declaration Country Action Plan
VTE	Vocational Teacher Education
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organization

Chapter 1: Introduction

The Round Table Process (RTP) is the national mechanism for policy dialogue, review of progress, and fostering mutual accountability for the implementation of plans and undertakings between the Government of the Lao PDR and development partners. The next High Level Round Table Meeting (RTM) will be held in 2013 at the mid-point of the implementation of the 7th NSEDP. The highly effective policy dialogue amongst senior government officials and representatives of development partners at the Round Table Implementation Meeting (RTIM) in 2011 agreed on some 20 action points for follow-up by all parties, and progress on these issues is reflected in the text and in Annex 1 of this background document.

The RTIM 2012 is scheduled to take place on 23 November 2012, and the Government of Lao PDR is pleased to provide this background document to guide distinguished participants in their review of key policy issues at the heart of the RTIM 2012 agenda. As such it provides an account of further national progress in the implementation of the 7th NSEDP and the achievement of the MDGs. The analysis mainly relies on the progress reports of the 10 Sector Working Groups (SWGs) prepared for the RTIM 2012. A consolidation of all these reports is available to participants as a separate document.

The RTIM 2011 was held just before the Busan High Level Forum (2011) on Aid Effectiveness, and the Government is pleased to report that this year's preparations for the RTIM 2012 focused on shifting the policy paradigm from the traditional 'aid effectiveness' agenda to the more progressive principle of 'cooperation for effective development'. The milestones achieved since the RTIM 2011 include the empowerment of Sector Working Groups (SWGs), which increased from 8 to 10, consultations on the revision of the Vientiane Declaration Country Action Plan (VDCAP) 2012-2015, and the full implementation of the Aid Management Platform (AMP). These matters are dealt with in greater detail in chapter 5.

One of the other key building blocks contributing to the RTIM 2012 was the provincial RTIM 2012 consultation on the northern region, which took place in Xieng Khouang province in May 2012. The provincial consultation played a very important role in improving stakeholders' appreciation of development challenges in local contexts in achieving the valuable goals of the 7th NSEDP, as well as the MDGs. The final report on the RTIM 2012 provincial consultation in Xieng Khouang identified the following three priority areas for the RTIM 2012 agenda:

- (i) Accelerate progress to attain the MDGs, especially in the areas of malnutrition, education, maternal health and UXO;
- (ii) Improve the synergy between national budgeting and planning processes for better development results;
- (iii) Broaden stakeholder participation to include the private sector and civil society to enhance development effectiveness.

These three issues are the focus of this RTIM. Thus chapter 2 presents a review of key macro and sector policy aspects of the implementation of the 7th NSEDP, while Chapter 3 provides an extensive account of progress towards achieving the MDGs. Chapter 4 discusses the rationale for strengthening the links between plan, budget and policy implementation. Finally, chapter 5 outlines key milestones in terms of Government's efforts to enhance 'cooperation for effective development'.

Chapter 2: Progress in the implementation of the 7th NSEDP

The National Socio-Economic Development Plan (NSEDP) represents Governments' overarching framework to guide all development interventions in the Lao PDR. The 7th NSEDP (2011-2015) aims to achieve sustainable economic growth and poverty reduction, while prioritizing the achievement of the MDGs by 2015.

Based on official government reports, including the progress reported by SWGs, this chapter reports on the key areas of interventions,, namely in macro-economic management, trade and private sector development, agriculture and rural development, and governance. An update on the LDC graduation by 2020 strategy is presented as well, as a follow-up to the chapter in the RTIM document for the 2011 meeting.

Macro-economic management

Progress in implementing the National Socio-Economic Development Plan (NSEDP) is reported annually to the National Assembly which also provides guidance for the parameters of the next annual plan. Thus the NSEDP annual plan for 2012/13 approved by the National Assembly in June 2012 highlights the Government's commitment to continue to effectively enhance macro-economic management and stability by maintaining a low budget deficit policy, together with a stable exchange rate and inflation below the rate of GDP growth recorded at 8% over the first six months of the FY 2011/12 - see table 1.

Table 1: Macroeconomic achievements and targets

Macroeconomic indicators	FY 2011/2012 (October-March)	FY 2012/13 (Targets)	FY 2014/15 (Targets)
GDP per capita	\$1,355	\$1,520	\$1,700
GDP Growth rate	8%	8.3%	8%
(Agriculture)	2.7%	3.3%	3.5%
(Industry)	13.5%	15.5%	15%
(Services)	8.1%	7%	6.5%
Budget deficit	3.02% of GDP	5% of GDP	< 5% of GDP
(Revenue collection)	22.53% of GDP	24.7% of GDP	
(Budget expenditure)	25.55 of GDP	29.7% of GDP	
Exchange rate	8,027kip/\$	+/- 5%	+/- 5%
Inflation rate	6.74%	< GDP growth (%)	< GDP growth (%)

Source: NSEDP 2012/13

To reaffirm Government's conviction to a budget deficit below 5% of GDP, Government is undertaking the following compounding measures to further strengthen its capacity (i.e. RTIM 2011/follow-up action no. 11) and meet revenue targets: (i) Strengthening revenue centralization and administration; (ii) tightening administration of technical revenue; (iii) closely monitoring leakages associated with imports of vehicles and fuels for investment projects; and (iv) improving implementation of taxation legislations, including VAT and the revised tax law.

In this framework, and in view of moderate revenue growth supported by ASEM preparation grants, FY 2011/12 revenue collection (including grants) amounted to 22.53% of GDP, and is projected to rise to 24.69% of GDP in FY 2012/13. On the expenditure side, FY 2011/12 budget expenditure was equivalent to 25.55% of GDP, and projected to increase to 29.69% in FY 2012/13. Noticeably, total fiscal outlays are expected to increase in FY 2012/13 due to a combination of factors including flood recovery efforts, preparations for ASEM, large infrastructure projects and higher recurrent spending.

Damage from Haima and Nock Ten storms crippled the lives and local economies of thousands. In response to the disaster, Government allocated significant resources to flood recovery efforts. In parallel, ASEM preparations have augmented public capital expenditures through several projects such as the construction of the International Conference Centre, Wattay International Airport expansion, and the Wattay International Airport upgrade. Increased spending on large infrastructure projects such as the railway and the Xayabouly dam are also expected to contribute to the expanded projections in public outlays. On recurrent expenditures, wages are expected to rise following the planned wage index increase in October 2012 and a higher than expected staff quota. Higher compensations and allowances are also projected as Government continues to promote the expansion of social services to remote areas.¹ **Notwithstanding the FY 2012/13 anticipated increase in the budget deficit, the deficit remains within the FY 2014/15 target.**

Underlying such vigorous macro-economic performance, and in keeping with further progress in implementing the public finance management reform programme, **a number of key areas of reform have undergone important developments.** In 2011, the National Assembly approved the General Tax Law introducing public finance to a transparent, turnover based presumptive tax regime for businesses with a turnover below the VAT registration threshold. The treasury single accounts reform also showed clear signs of progress after oversight functions for all major large accounts at the central level and technical revenue accounts were transferred over to the National Treasury.

¹ PM Decree on Incentive Provision to Civil Servants Working in Rural and Inaccessible Areas, Nov 2010.

In addition, customs revenue management is expected to benefit from the deployment of the ASYCUDA World System currently in place at the largest border checkpoint, Thanaleng Friendship Bridge. In relation to this, in view of WTO accession and GATT requirements, in December 2011 the National Assembly passed the revised Customs Law, and the Ministry of Industry and Commerce has updated the Diagnostic Trade Integration Study and its associated Action Matrix that lays out the framework for the next phase of trade-related reforms. Finally, the implementation of the 'one-stop' service (as stipulated on the Enterprise Law and the new Investment Promotion Law) commenced in October 2011.

In relation to public debt, the Government has committed to strengthen debt management capacity, particularly in terms of debt sustainability, as illustrated by progress towards a fully operational Debt Management and Financial Analysis System (DMFAS), a clearly defined debt management legal framework, and publication of an annual debt bulletin on aggregated external debt on MOF's website. The result is an improvement to a moderate risk of debt distress as defined by the IMF.

Trade and Private sector development

After 15 years of negotiations, on 26 October 2012, the World Trade Organization (WTO) accepted the Lao PDR as a member. The National Assembly is expected to consider and ratify the WTO accession protocol in the next few months, which would enable full membership in the global trading body early next year. Over the 15 years of negotiations with WTO, Government successfully amended over 90 laws and regulations to meet WTO requirements. This legislation is anticipated to support Government in its efforts to integrate the national economy with that of the international community, whilst further improving the domestic business climate.

Trade policy is central to the external and internal trading environment, and an efficient business and investment environment is critical to promoting the growth of the private sector and trade. Over the past few years the Lao PDR has become a better place to do business for both domestic and foreign firms. However, gaps still exist between policy and implementation, and without reducing this gap the potential of key economic sectors is likely to go unrealized. The WB's Investment Climate Assessment 2011 and GIZ's Enterprise Survey identified taxation, access to finance and an inadequately educated workforce as the top constraints to growth. The preliminary results of the Enterprise Survey 2011 indicate that: (i) The business enabling environment shows marginal signs of improvement; (ii) whilst experiencing growth, enterprises are not well positioned to fully exploit the opportunities which lie ahead in light of AEC and WTO accession; and (iii) entrepreneurs do not

appear adequately prepared to absorb and benefit from the impact of the increasing liberalization of international trade.

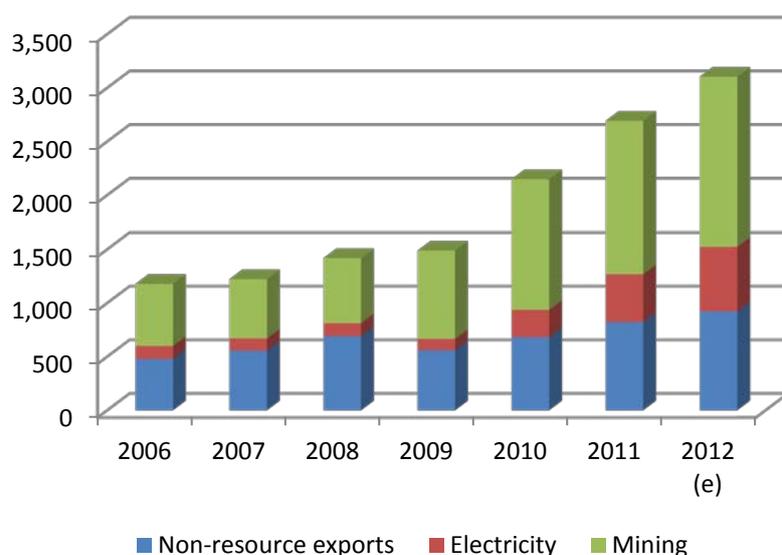
In the medium term improving access to finance will require further improvements to financial infrastructure as well as improvements to laws and regulations related to secure lending. A specialized risk-sharing facility or credit facility for SMEs should be set up. The Government has recently set up an SME development fund.

In collaboration with the public sector, industry associations in the garment, construction and tourism sectors have begun short-term practical training courses for their workers. This type of initiative needs to be further supported. A comprehensive labour market study would identify the causes of mismatch between demand and supply, explore disincentives to skills upgrading and look at options for improving labour market information. Links between vocational educational institutions and the business community need to be improved.

A number of other business constraints exist, including regulations on business entry, investment policy and incentives, industrial zones, property rights, competition, consumer protection and infrastructure. Access to business development services like market and technology information, technical and management training, standards upgrading, and market access need to be promoted. More generally, the availability, quality and usage of (international and domestic) trade statistics will improve the basis for increasingly effective policy making.

While manufacturing has performed well since the late 1980s, it faces significant challenges and risks in core non-resource export sectors such as the manufacture of garments, agro products, textiles and furniture, wood and wood products. Figure 1 shows that in the first half of 2012 mining and hydropower exports accounted for the majority of total exports; this share is expected to rise further in the medium term. It follows that the balance of payments in the resource sectors is expected to be in surplus at approximately 11% in 2012. Nonetheless, the overall balance of payment will be determined by the size of the current account deficit in the non-resource sectors. The latter is projected to moderately decrease from 12.3% to 10.2% in 2011 and 2012, respectively.

Figure 1: Merchandise exports, US\$ million



Source: WB Lao Economic Monitor, May 2012.

The Government links the achievement of Vision 2020 to attaining an annual GDP growth rate of 8% from the present to 2020, on the basis of total investments made each year of around 30% of GDP. More than 50% of the investment is expected to be mobilized from the domestic and foreign private sector (i.e. RTIM 2011/follow-up action no. 3). Guided by the NSEDP and research for the Diagnostic Trade Integration Study (DTIS), the key concrete strategy and measures for maintaining a high growth rate in the manufacturing industry and service and commerce sectors include: (i) The establishment of a conducive trade and investment environment through promoting trade integration, improving business environment, improving trade facilitation, and building quality infrastructure; (ii) the improvement of competitiveness, quality and value of agribusiness, manufacturing and service sectors through implementing SME firm level quality and productivity support measures, supporting public-private dialogue and sector specific support measures, agribusiness, tourism, textile handicraft, garments, wood processing, and promoting offshoot industries from the mining and hydropower industries; and (iii) the improvement of aid for trade governance framework for mainstreaming trade and private sector development through mainstreaming poverty, gender and the environment, institutional capacity development, SWG development, mainstreaming trade in national development planning, and trade and aid for trade governance framework and implementation.

Public, private sector and development partners discussed and validated findings of the full update of the Diagnostic Trade Integration Study and resulting Trade and Private Sector Development

Roadmap on May 15, 2012. A key theme that underpins the whole DTIS Update 2012 is the need to enhance the diversification of exports into sectors with high social impacts in order to ensure that trade has the maximum impact on improving the livelihoods of the poor. Furthermore, at the sector and intervention level, specific measures are noted throughout the DTIS to boost the direct impacts of Aid for Trade interventions on the poor and disadvantaged, and take environmental considerations into account.

The Action Matrix for this DTIS update has been included into a Roadmap for Trade and Private Sector Development for Lao PDR. This will be the Programme for the Trade and Private Sector Development Working Group under the Round Table process. As such, it will be a living document where Action Matrix priorities are linked to the overall results.

Agriculture and Rural Development

The Agricultural Census results were released in 2012 and provide a wealth of information on the sector which is summarised in the SWG progress report. The SWG provides also a broader platform for reviewing the results of studies carried out by sub-sector working groups and policy research carried out by individual donors and projects where this has relevance to the ARD sector. In 2012, four policy issues were prioritized for policy discussions at the sector level and results from studies were presented related to the quality of investment in the agriculture sector, factors that promote and hinder improving food security and nutrition in the uplands, support for Farmer Organizations, Rice Policy and there are two studies on the role of Non State Actors on service delivery to smallholder farmers and Increased commercialization of agriculture sector and production of cash crops and a Farmers Organisation conference was held with a full participation from member countries.

Governance

The FY 2011/12 also witnessed the launch of several key policy initiatives related to governance reform. In an important step, following the government restructuring in 2011, the Politburo issued Resolution 03 in February 2012 on Building Provinces as Strategic Units, Districts as Comprehensively Strengthened Units, and Villages as Development Units as a development oriented strategy and to provide framework for sharing responsibilities across different levels in the administration, and to further assign executive roles to the districts in implementing local development programmes. 15 ministries have been mandated to pilot this policy in 51 targeted districts covering 105 villages. This initiative is expected to increase ownership and leadership of local administrations for effective

delivery of services and rural development. Under the *Sam Sang* pilot, local authorities will take greater responsibility for the development of plans, mobilization of revenues, allocation of resources and execution of budgets.

Secondly, there has been a move towards using a programme based approach and better alignment of development cooperation with national goals and plans. The National Leading Committee on Governance was established in February 2012 as a high-level body to guide and oversee implementation of governance sector programmes.. The governance sector is now moving towards programme based approach, utilizing more national systems and reducing project-based initiatives, thereby honouring the Vientiane Declaration principles.

The National Governance and Public Administration Reform (NGPAR) Programme 2011-2015 was officially launched early this year, marking the transition from a set of development assistance projects to a fully integrated programme of the government. Moreover, the first comprehensive Legal Sector Master Plan (LSMP) Implementation Support Programme is being formulated. This Programme will seek to achieve synergy and greater impact by coordinated and concerted efforts across the legal sector. It will also seek to streamline and improve efficiency of legal and judicial technical assistance administration by drawing together various donors and agencies under the LSMP framework, as well as previously ad hoc reform initiatives. A framework for future support to the National Assembly (NA) is also being developed. Furthermore, processes and systems are being put in place to adequately ensure quality assurance of the implementation of the decrees related to Lao Civil Society with the aim of developing an enabling environment for people's participation.

Progress in further civil society participation has been achieved. So far, 98 NPAs are registered at nationwide (30 at central level and 68 at provincial level). In this regard, more stakeholders, including Non Profit Associations (NPAs) joined the Round Table provincial consultation in Xieng Khouang Province in May 2012. In addition, Large scale awareness raising was conducted on the decree related to Foundations and Associations and INGO Decree through workshops and print media.

Graduation from LDC status

Government has revised the Vision 2020 that was first issued in 2000 and which contained as a goal the Government's decision to graduate from LDC status by 2020. In a workshop for Government officials held in Vientiane in May 2012, it was concluded that the Lao PDR national development strategy already includes a number of economic and social policies which would help the nation to

progress towards LDC graduation. To reinforce their role and to monitor this progress, it was further agreed to integrate and prioritise LDC graduation in the Vision 2020 revision and the upcoming review of the NSEDP. To this end, Government plans to utilise the next National Human Development Report (NHDR) as a valuable resource to inform the way forward. In light of the complexity of feedback loops between the three criteria for LDC graduation and also the importance of sustaining graduation and dealing with middle income country traps, Government recognised the need to improve medium to long-term modelling.

Chapter 3: The Millennium Development Goals (MDGs)

Since the release of the first MDG progress report (2004), the Lao PDR has been successful in sustaining robust economic growth with real GDP growing well beyond the economic performance of other landlocked LDCs in Asia Pacific. This point was further highlighted in the second (2008) MDG progress report, which showed that economic growth effectively served as a key determinant leading to the decline of poverty, as well as a number of associated improvements in terms of the Human Development Index (HDI) and other socio-economic indicators.

Notwithstanding such progress, a number of challenges threaten to compromise the benefits associated with high and sustained economic growth. In anticipation of the third MDG progress report expected to be completed in 2013, this chapter aims to provide an up to date assessment of progress in achieving the MDGs by 2015 (i.e. RTIM 2011/follow-up action no. 9). To this end, table 2 provides a summary of progress relative to all MDG indicators for which current data has recently become available through sources such as the Annual School Census 2011/2012, the Lao Social Indicator Survey (LSIS) 2012, the Paris Declaration monitoring survey (2011), the Aid Management Platform (AMP) among others.

The remainder of this chapter is structured in three sections: Sections 3.1 and 3.2 respectively address progress towards achieving the currently *on-track* and *off-track* MDGs. In turn, section 3.3 singles out the local MDG 9 on UXO.

Table 2: MDG progress

MDG	Indicator	1990 <i>Baseline</i>	2005 ^T	2012*	2015 <i>Target</i>
1. Eradicate extreme poverty and hunger	1.1 Number of people living below the poverty line	45%	33.5% (2002)	27.6% (2008)	24%
	1.8 Prevalence of underweight children under 5 years of age	40% (1994, NCHS standard)	37% (MICS 2006, NCHS standard)	32% (NCHS standard)	22% (NCHS standard)
			31% (WHO growth standard)	26.6% (WHO growth standards)	

MDG	Indicator	1990 <i>Baseline</i>	2005 ^T	2012*	2015 <i>Target</i>
	1.9 Prevalence of stunting in children under-5 years of age	47% (1994, NCHS standard)	40% (NCHS) 48% (WHO growth standard)	38% (NCHS) 44% (WHO growth standards)	24% (NCHS standard, NPAN)
2. Achieve universal primary education	2.1 Primary school net enrolment rate	58% (1991)	84%	95.2%**	98%
	2.2 Children reaching grade 5 of primary	47.7% (1991)	62%	69.9%**	95%
	2.3 Lower secondary education gross enrolment rate	n/a	51.7%	66.1%**	75%
	2.4 Literacy rate among young people	71% (1991)	84%		91%
	2.4a Women age 15-24 years			68.7%	
2.4b Men age 15-24 years			77.4%		
3. Gender equality	3.1 Ratio of girls to boys in				
	3.1a Early Childhood	1.02 (2005)	1.02	1**	1
	3.1b Primary	0.86 (2005)	0.86	0.96**	1
	3.1c Lower secondary	0.77 (2005)	0.77	0.89**	1
	3.1d Upper secondary	0.73 (2005)	0.73	0.83**	1
	3.1e TVTE	0.64 (2005)	0.64	0.61**	1
	3.1f University	0.62 (2005)	0.62	0.74**	1
4. Reduce child mortality	4.1 Under-five mortality rate	170x1,000	131x1,000	79x1,000	55x1,000
	4.2 Infant mortality rate	134x1,000	104x1,000	68 x1,000	45x1,000
	4.3 Measles immunization coverage		41%(MOH/EPI) 33% (MICS, 2006)	68% (MOH/EPI) 55.3%	90%
	5.1 Maternal mortality ratio	750x100,000	405x100,000	357x100,000	260x100,000
5. Improve maternal health	5.2 <i>Trained</i> attendant at delivery ²	14%	23%	41.5%	80%
	5.3 Contraceptive prevalence rate	13%	38%	49.6%	55%

² Unavailable data to report on the proportion of deliveries supervised by a *skilled* birth attendant.

MDG	Indicator	1990 <i>Baseline</i>	2005 ^T	2012*	2015 <i>Target</i>
5. Improve maternal health (continued)	5.4 Adolescent birth rate	76x1,000 (2000)	76x1,000	94x1,000	
	5.5 Antenatal care coverage				
	5.5a At least once by skilled personnel	n/a	28.5%	54.2%	60%
	5.5b At least four times by any provider	n/a	n/a	36.9%	40%
	5.6 Unmet need	40% (2000)	27%	19.9%	
6. Combat HIV/AIDS, malaria and other diseases	6.1 HIV prevalence for adults age 15-49			0.3% [#]	
	6.2 Condom use at last high risk sex			92.5% (2011) ⁼	
	6.3 Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS			Women: 24% Men: 27.6%	
	6.5 Proportion of the population with access to antiretroviral treatment		54.4%	52.3%	
	6.6 Death rates associated with malaria			0.26x100,000	
	6.7 Morbidity rate due to malaria			2.8x1,000	
	6.8 Proportion of children under 5 sleeping under bed nets			81.2%	
	6.9 Incidence, prevalence and death rates associated with TB			213x100,000 (incidence) ^{&} 540x100,000 (prevalence) ^{&} 11x100,000 (deaths) ^{&}	
7. Ensure environmental sustainability	7.4 Proportion of species threatened with extinction		115 (2008) [~]	167 (2011) [~]	
	7.8 Use of improved	28%	74%	79.5% [~] (2010)	80%

MDG	Indicator	1990 <i>Baseline</i>	2005 ^T	2012*	2015 <i>Target</i>
	drinking water sources				
	7.9 Use of improved sanitation	11%	55%	55%~ (2010)	70%
8. Develop a global partnership for development	8.a Proportion of total bilateral ODA from OECD/DAC members to basic social services		35% (2004)	29.3% ⁺ [Health & Education; FY 2011/12]	
	8.b Proportion total bilateral ODA from OECD/DAC members that is untied			71% [DAC, 2011]	
	8.c Ratio [ODA/GDP]		5.5%	5.9% ⁺ [FY 2011/12]	
9. UXO	9.a Ensure the complete clearance of UXO from priority/high value agricultural land by 2020			50,524 UXO destroyed; 3,439 Hectares of land released through clearance & technical survey	
	9.b Reduce substantially the number of casualties as a result of UXO incidents	302 (2008)		43 (Jan-Sept 2012) Risk education activities effectively carried out in 10 provinces; 562 villages; 114,558 beneficiaries (Children: 53,633; Adults: 60,925)	
	Target 9c: Ensure that the medical and rehabilitation needs of all UXO survivors are met in line with treaty obligations under the Convention on Cluster			Pilot project 'UXO Survivor Tracking System' to register survivors and monitor service provision	

MDG	Indicator	1990 <i>Baseline</i>	2005 [†]	2012* <i>Target</i>	2015 <i>Target</i>
	Munitions			in 10 provinces	
				Financial support provided to 26 UXO victims for a total amount of approximately 6,250 USD	

Source: [†]MDG Progress Report, 2008; *Lao Social Indicator Survey, 2012; **Annual School Census 2011/12; # National Strategy and Action Plan on HIV/AIDS/STI 2011-2015; %CHAS/UNAIDS/WHO Estimation and Projection, AEM modelling workshop outcomes; ~ MoNRE; [†]Aid Management Platform (AMP); [‡]2011 Survey for female sex workers; [&]WHO 2012

Section 3.1: The on-track MDGs

According to the analysis in table 2 above, on-track MDGs include MDG 3 on gender equality, MDG 4 on reducing child mortality, and MDG 6 on combating HIV/AIDS. In addition, progress towards MDGs 8 on developing global partnership for development is discussed in Chapter 5 in a broader context including key milestones to integrate the recommendations from the Busan Forum into the national addenda.

MDG 3: Achieve Gender equality

In addition to being an important goal in itself, gender equality is critical for the achievement of all MDG goals. To achieve gender equality, it is necessary to place women’s empowerment at the centre of national development plans. The Lao NCAW and the Lao Women’s Union (LWU) strive to mainstream gender in the national development agenda. The work of these organizations reaches far and wide across sectors and provinces, and most recently resulted in the inclusion of the following action for consideration in the revised Vientiane Declaration Country Action Plan (VDCAP) 2012-2015: “GoL to develop a result-based (gender-disaggregated) monitoring framework to monitor and evaluate the implementation and impact of NSEDP”.

According to the LWU, on the basis that increased availability of gender disaggregated data is expected to provide valuable insights on gender disparities at sub-national levels (where real rigidities on gender roles may persist), a better understanding of the dynamics that sustain and/or

create gender inequalities is likely to yield a more responsive legal platform in support of targeted policies, strategies, and actions to re-prioritize public expenditure. Such interventions may include:

- Ensuring equitable and inclusive decision-making in sustainable development;
- Decreasing the burden of unpaid work on women by, inter alia, increasing their access to technology and modern energy services (i.e. RTIM 2011/follow-up action no. 4);
- Shifting focus from growth alone to human well being by developing and using new measures of well being that include care services for households and communities;
- Strengthening women's property rights, access to finance and to green employment;
- Increasing support to mechanisms of women's advancement.

The 2008 MDG progress report highlighted slow progress in the elimination of gender disparity in education. Table 2, however, clearly shows how in recent years this agenda has progressed substantially especially in terms of gender parity in basic education. Similar conclusions, however, do not apply to post-basic education and this illustrates the importance of more specific policy interventions for integrating gender equality into all elements of the national development framework.

MDG 4: Reducing Child Mortality

The Lao PDR has recorded significant progress in the area of child mortality reduction. Between 1990 and 2012 the under-five mortality rate declined from 170 per 1,000 live births to 79 per 1,000 live births. This corresponds to an annual rate of reduction of over 4%, which according to the criterion of the UN Interagency Group on Child Mortality Estimations puts the country on-track for meeting MDG 4. Despite this positive trend, the pace of mortality reduction is slowing down and there are significant disparities in the child mortality rates across provinces and districts, which need to be addressed if the pace of decline is to be maintained. The high variations in the levels of mortality across provinces are explained by differences in access and utilization of essential health services.

Neonatal mortality has also declined over the same period, but the rate of reduction has been slower when compared to other components of under-five mortality. Neonatal mortality is now responsible for more than one third of all child deaths. In view of the above, Government is highly committed to address the neonatal component of child mortality. And given the inter-linkages between maternal and newborn health, Government's strategy to reduce maternal mortality (i.e.

improving access to family planning, skilled birth attendance, Emergency Obstetric and Newborn Care) is also expected to have a positive impact on neonatal deaths.

The main factors explaining the decline in child mortality levels are continuous improvements in the socio-economic status of the population, as measured by poverty reduction, and improved utilization of essential health services, in particular immunization services.

Thus, the coverage of measles vaccination improved from 41% in 2005 to 68% in 2011 (MOH/EPI data). Similarly, immunization coverage with three doses of the Diphtheria-Pertussis-Tetanus (DPT3) vaccine increased from 45% in 2004 to 78% in 2011 (MOH/EPI data). The upwards trends in immunization coverage reported by the administrative data have been confirmed by the Lao Social Indicator Survey 2011-2012. The results of the survey showed that over the past 6-7 years measles and DPT3 coverage climbed from 33% and 32% in 2006 to 55% and 52% in 2011, respectively. Despite these increases, the immunization coverage rates did not improve as expected and fall short of the national target of 90%. One of the key challenges is high disparities in the immunization coverage across provinces with rural areas without roads experiencing very low coverage (under 25%). One of the key Government strategies to address this situation and to accelerate progress is to ensure an adequate frequency and quality of health outreach services, to strengthen linkages with the communities, and to improve the availability and delivery of services at the health center level.

In view of the main causes of child mortality (neonatal conditions, pneumonia and diarrhoea), the Ministry of Health has been working to strengthen the response in these areas. Thus, the Ministry has prioritised support to preventative and essential curative services for children by including them into the first phase of the Health Reforms (2013-2015), developing and initiating the implementation of the Free MCH Policy, and increasingly prioritizing the use of domestic funds to support scale-up of interventions necessary for achievement of the MDG 4 (such as Immunization, Vitamin A, and deworming.).

MDG 6: Combat HIV/AIDS, Malaria and Other Diseases

HIV/AIDS

The national HIV prevalence among adults age 15-49 in the general population is estimated at 0.3%. The total number of people living with HIV was estimated to have increased from 9,000 in 2010 to 10,000 in 2011. If the current efforts are maintained this figure is expected to increase to 14,000

people by 2015.³ In addition, by the end of 2011, a total of 1,988 adults and children had access to antiretroviral treatment; this is equivalent to 52.3% of estimated PLHIV⁴ in need of treatment.

Whereas the national HIV prevalence remains low, it varies considerably among key affected populations. Significant variations also exist within provinces across the country. Table 2 indicates a low proportion of the population aged 15-24 years with a comprehensive knowledge of HIV/AIDS.

Gender is a critical factor in the prevention and control of AIDS as women and girls remain more vulnerable due to physiological factors, due to gender based violence as well as gender inequalities. In addition, the rapidly changing socio-economic environment results in new vulnerabilities with a potential to accelerate the spread of the epidemic. For instance, because the Lao PDR is surrounded by countries with high HIV prevalence, as well as injecting drug use, and its working-age population has become increasingly mobile within and across borders, it faces the threat of an expanding pandemic. The Lao National Commission for Drug Control and Supervision, together with the Ministry of Health and the Ministry of Public Security is supporting the provision of health services to people who inject drugs (PWID).

Reaching MGD 6 on HIV/AIDS within the next 3 years requires a multi-sectoral response with national stakeholders and development partners working together to adapt to this changing environment. A recent external review of the AIDS response suggests that the focus of further collaboration between state agencies and development partners should be on the following: (i) Revamp the HIV prevention and treatment models with a view to increase quality and coverage of its outreach services for key affected populations; and (ii) prioritize cost effective interventions, while considering financial sustainability with increased domestic contributions and diversification of sponsors. To guide this important and pressing process, Government recently endorsed the new political declaration on AIDS and the “Getting to Zero” strategy which aims to lay out an effective framework for sectors to actively engage key stakeholders to accelerate progress towards the MDGs.

Malaria

The National Strategic Plan (NSP) 2011-2015 for Malaria Control and Elimination is fully in-line with the principles set out in national development plan. Further, the overall goal is to intensify malaria control efforts, targeting remaining endemic communities and key risk groups, and to progressively roll out malaria elimination in selected provinces.

³ National Strategy and Action Plan on HIV/AIDS/STI 2011-2015

⁴ CHAS/UNAIDS/WHO Estimation and Projection, AEM modelling workshop outcomes

Malaria decreased by almost 50% during the ten year period 2000 – 2009. In 2010, the annual incidence was 3.7 per 1,000 population compared to 6.6 per 1,000 in 2003. In 2011, this number dropped further to 2.7 per 1,000 population. The NSP aims to achieve an annual incidence of 0.8 cases per 1,000 population by 2015. In terms of mortality, Government also successfully reduced the number of deaths due to malaria from 187 in 2003 to 17 in 2011. The national program has set a target of achieving mortality below 15 cases annually by 2015.

The primary preventive measure is the use of long-lasting insecticide-treated bed nets for the populations at risk and pregnant women attending ANCs. By 2010, a total cumulative number of 1,528,186 insecticide treated bed nets had been distributed over a 5 year period with a total 3,565,756 persons protected (99 % of the 3.6 million target population at risk). The population at risk of malaria is now estimated at 2,580,029 and with current funding levels full coverage is expected by the end of 2013.

By implication, the MDG target is on-track. However, December 2011 witnessed an unexpected malaria outbreak in 6 southern provinces of the country. These outbreaks have been associated with large-scale development projects yielding changes in vector behaviour and human mobility and migration. The combination of these factors poses a serious threat of developing drug resistant malaria. In response, the Government has strengthened the enforcement of relevant legislation, while intensifying both national and local oversight of private sector projects.

Tuberculosis

Between 1990 and 2012, Government successfully achieved a reduction by more than 50% in both prevalence and mortality due to TB (thus reaching targets in decreasing TB burden). During the same period, the mortality due to TB declined from 44 per 100,000 to 11 per 100,000. Through the Lao National TB Programme (NTP), Government strategy focuses on increasing earlier case detection and adequate treatment. The NTP also plans to revise the National TB strategic plan accordingly for the period 2013-2017.

Section 3.2: The off-track MDGs (i.e. RTIM 2011/follow-up action no. 6)

According to the analysis in table 2 above, off-track MDGs include MDG 1 on eradicating poverty and hunger, MDG 2 on achieving universal primary education, MDG 5 on reducing maternal mortality, and MDG 7 on environmental sustainability.

MDG 1: Eradicate extreme poverty and hunger

Notwithstanding existing short- and long-term challenges associated with high rates of poverty and malnutrition, Government's efforts are beginning to yield the desired outcomes. More specifically, according to survey data, the proportion of people living below the poverty line declined from 33.5% in 2002 to 27.6% in 2008. This performance reaffirms the conclusions from the second MDG progress report (2008) that the country is on course to attain the MDG target of halving poverty by 2015.

In addition, following Government's substantive efforts and accompanying effective interventions, between 2005 and 2012 the proportion of underweight children under the age of 5 declined from 31% to 26.6%. Stunting, however, remains a significant nutritional problem, affecting 44% of children under 5. Progress on stunting has been rather slow, going from 48% (MICS) in 2005 to 44% (LSIS) in 2012 vis-à-vis the national MDG target of 24% by 2015.

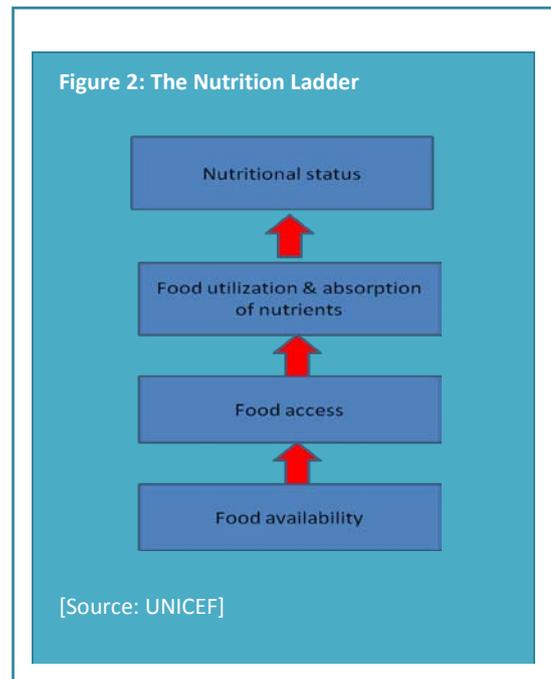
In support of the national policy on nutrition, the Ministry of Health established a nutrition centre to oversee the effective coordination of all its nutrition related interventions. In addition, Government and development partners identified a number of practical measures that can be taken to reduce the levels of chronic under-nutrition in the country in the short-run. These include nation-wide implementation of Vitamin A supplementation, de-worming and exclusive breastfeeding for children and iron folic acid supplementation of pregnant women. Some others that are being implemented in the Northern and Southern provinces include culturally-tailored nutrition education, and the provision of ready-to-use foods to meet the additional energy requirements, fats and protein to help children less than 2 years of age to grow during the first critical 1,000 days of their lives.

The long-term response is slightly more intricate and much more dependent on complementary policy interventions. To illustrate with an example, the likelihood that a child will experience being underweight and stunted has been proven to drop dramatically with increases in the level of the mother's education.

In a decisive effort to further accelerate this progress, Government joined the global Scaling Up Nutrition (SUN) movement last year. The two main recommendations from the SUN road map include (i) the scaling-up of 13 direct nutrition interventions focused on the first 1,000 days of life, and (ii) the promotion of broader multi-sectoral approaches to nutrition (nutrition sensitive

interventions in the areas of agriculture or food security, social protection, education, water and sanitation, public health etc.).

Training people on how to grow their own food, promoting diversification in agricultural production and raising awareness about their diets are among the most sustainable ways to tackle nutritional problems. Nutritional status, however, is an outcome of good health, a hygienic environment, and good caring practices in addition to food availability at the household level.



On the basis that malnutrition does not only originate from the lack of sufficient food, Government efforts are focused on fostering inter-sector collaboration in the interest of developing a more effective mechanism to address malnutrition by influencing each component of the nutrition ladder depicted in figure 2: food availability, diversification, access and utilization. Cross-sectoral meetings on linking food security and nutrition have been held with a view to set up a multi sectoral working group, finalise a joint concept note on support to food and nutrition security, with an agreed coordination structure, and involve lead ministries, line ministries and DPs.

The Government is fully committed to continue supporting such interventions to achieve the MDG target by 2015.

MDG 2: Achieve Universal Primary Education

The 2008 MDG progress report recognised education as one of the better-performing sectors in the Lao PDR. Much in the same spirit, the FY 2011/12 witnessed important improvements in participation rates for primary education and survival rates to grade 5. More specifically, net enrolment increased from 94.1% in 2010-11 to 95.2% in 2011-12. During the same period, net intake rate increased from 84% to 90% and survival rate to grade 5 increased by 1.9% to 69.9%, although with provincial disparities.

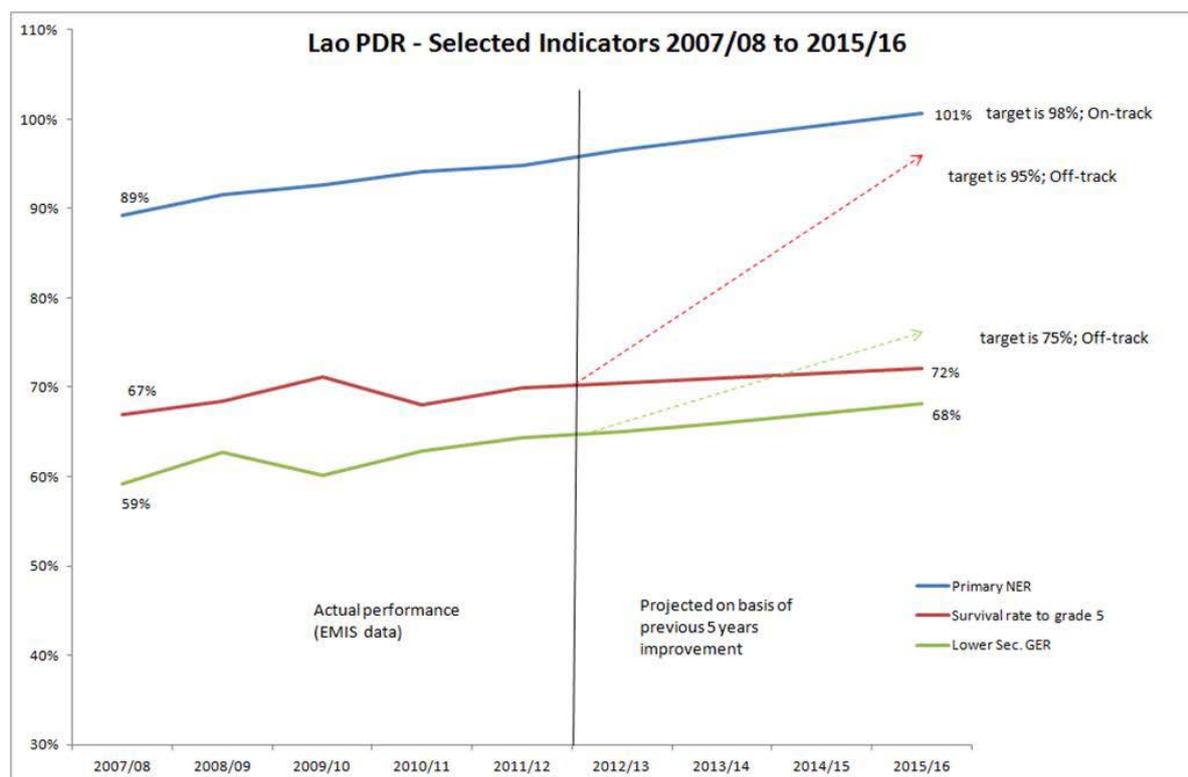
To encourage school enrolment and improve the likelihood of cross-year retention, the Ministry of Education and Sports developed a platform to provide school meals in 30 districts within 6 target provinces. In addition, the Ministry of Finance approved a central budget line to provide a school administration block grant to all primary schools nationwide based on a unit cost 2.5 USD per student per year (i.e. RTIM 2011/follow-up action no. 12).

Despite these interventions, repetition and dropout rates continue to be a problem, particularly in grade 1 with some provinces having a grade 1 repetition rate greater than 30%, and in remote areas where many students regularly drop out of school to support their families with agricultural work. Dropout rates are also made worse by the large percentage of incomplete primary schools, and growing evidence that teachers (especially under-qualified teachers) have difficulty in implementing a complex and long curriculum, particularly for mathematics.

The lack of district-level budgets to provide academic and pedagogical support to teachers through the pedagogical advisor system acts as a barrier to improving the quality of education. If parents do not see schools providing quality educations, their children will drop out. Limited capacity among village education development committees makes it more difficult to ensure that appropriate school development plans can be developed and implemented.

Whereas the sector may be on track to achieve the target of 98% primary school enrolment, the Ministry of Education and Sports has indicated that from the current status and an analysis of progress over the previous 5 years the MDG 2 target for primary completion cannot be achieved by 2015. To elaborate, in order to achieve the MDG 2 target, 95% of all children enrolled in grade 1 during the school year 2010/11 are required to be enrolled in grade 5 during the school year 2015/16. During the school year 2011/12, however, almost 12% of these children are reported to have already dropped out of school. To provide a more intuitive explanation, figure 3 shows that at current rates of improvement, the survival rate to grade 5 will only grow to 72% by 2015, remaining significantly below the target of 95%. Similarly, based on current levels of improvement, participation in lower secondary education will only reach 68% by 2015.

Figure 3



Source: MoES

The education sector objectives of the current plan are consistent with the Resolution of the 9th Party Congress: Achieve universal primary education (MDG 2), gender parity (MDG 3), 75% participation rate in lower secondary education, while strengthening human resource development within a balanced approach to development across all sub-sectors. This vision is clearly reflected in table 3 linking sector objectives, key interventions and GoL financial allocations in FY 2011/12 and FY 2012/13.

Going forward, under the assumption that the EFA-FTI Program will finance the construction of 70% new required classrooms, an extra 3,700 classrooms will be needed by 2015. Based on existing unit costs, this is equivalent to USD 32,700,000. This additional investment in classrooms will also require extra human resources (i.e. RTIM 2011/follow-up action no. 18). The current deployment of primary teachers is heavily unequal with an over-supply of teachers in urban areas and a critical under-supply in rural areas. If re-deployment cannot be achieved, then an extra 3,700 primary teachers will be required at an annual cost of 4,375,000 USD. This cost is comparable to a 10% increase in the existing primary teacher salary bill.

In order to provide quality education and abolish cost barriers to primary education, a school block grant scheme was introduced in FY 2011/12. The budget for this scheme in FY 2011/12 was

2,000,000 USD, based on a unit cost of 2.5 USD per publically enrolled primary school student. To achieve universal primary education, and assuming that repetition rates drop to an average of 3%, overall total enrolments are expected to increase by approximately 15%. By implication, on the basis of the earlier unit cost of 2.5 USD per publically enrolled primary school student, the annual budget for school block grants ought to increase from 2,000,000 USD to 2,300,000 USD. Notably, however, if the target of 12.5 USD per student per year were to be achieved, the total annual budget for primary school block grants would have to increase to 11,500,000 USD.

Table 3: Key sector interventions and financial resources (GoL)

NSED objectives/MDGs	sector	Key interventions	FY 2011/12 (Approved figures, USD)		FY 2012/13 (Estimated figures, USD)	
			GoL recurrent	GoL investment	GoL recurrent	GoL investment
MDG 2 related		Early childhood	4,658,125	1,570,375	n/a	792,125
MDG 2&3		Primary	46,419,000	5,418,125	n/a	4,877,875
MDG 3 and LDC exit		Lower secondary	21,823,500	3,160,125	n/a	5,055,750
MDG 3 & skilled workforce		Upper secondary	18,307,125	3,094,125	n/a	3,043,625
MDG 3 & skilled workforce		TVET	5,940,000	2,272,000	n/a	803,625
MDG 2&3		Teacher training	6,481,750	2,146,125	n/a	3,815,375
MDG 3 & skilled workforce		University	13,660,625	1,837,875	n/a	1,564,750
MDG 3 & skilled workforce		Non-formal	1,523,750	122,875	n/a	693,625
Efficient management		Admin	22,299,875	1,833,625	n/a	1,803,250
Improved health of population		Sports	761,125	1,316,250	n/a	1,081,125
TOTAL			141,874,875	22,771,500	n/a	23,530,750

Source: MoES

MDG 5: Reducing Maternal Mortality

On the basis of the estimates shown in table 2, it appears that maternal deaths are not declining rapidly enough to reach the MDG target by 2015. Between 1995 and 2012 the rate of maternal mortality declined from 750 to 357 per 100,000 live births. Notwithstanding such improvements, the

maternal mortality ratio remains one of the highest in the region. Moreover, the adolescent fertility rate remains high, and antenatal care coverage also falls well below regional averages.

Under the auspices of the Health Sector Reform, aimed at achieving universal coverage by 2020, the health sector response to MDG 5 on reducing maternal mortality focuses on access to family planning to reduce unwanted pregnancies, presence of skilled birth attendants at delivery, and access to emergency obstetric and neonatal care especially in rural and remote areas.

In line with the RTIM2011/follow-up action no. 19, Government prioritised training and capacity strengthening for health personnel. To date, the sector has graduated 307 community mid-wives, and prepared 191 additional candidates who are due to take the national accreditation exam in December 2012; the 2015 target is 1,800.

Further, in 2010 the Government endorsed a detailed strategic plan to improve human resources for health. Within this framework, training institutions are encouraged to formulate targeted plans to implement specific strategies and up-scale training capacity (with priority to training for community midwives). Such efforts were recently augmented with new regulations to require graduates to serve in rural areas for three years, whilst ensuring adequate incentives for retention of staff in remote areas. Additional efforts were also taken to improve the quality of health education programs through the establishment of an Education Development Centre for Health Professions within the University of Health Sciences. This, in turn, facilitated the establishment of quality standards, teacher training in collaboration with international institutions, and curriculum reviews.

In recognition of the significant financial barriers affecting uptake of Maternal Newborn and Child Health (MNCH) services especially for the poorest and most disadvantaged sections of the population, the Government approved the National Policy on Free Delivery and Free Health Care for Children less than 5 years old and is in the process of developing its implementation guidelines. A pilot of free MNCH services started in Xieng Khouang, Oudomxay, Huaphanh, and Saravanh (i.e. RTIM 2011/follow-up action no. 5).

Notably, however, on the basis of the cross cutting nature of reproductive health, without a holistic approach that includes an adequate roads network providing easier access to health facilities, the expectation to reduce high maternal mortality rates is unrealistic. Such efforts must be combined with concerted interventions in support of mass education campaigns and community mobilization.

In the interest of fostering greater stakeholder coordination, the Ministry of Health is developing a common sector work-plan/monitoring framework as a way to monitor progress in the implementation of 7th five year HSDP and the MDGs (i.e. RTIM 2011/follow-up action no. 2). In addition, sector-wide coordination mechanisms have also been introduced at local level, by establishing SWG satellites in Attapue and Sekong provinces.

MDG 7: Environmental sustainability

Through the newly established Ministry of Natural Resources and Environment, Government is promoting a wide array of legislation and regulations for environmental conservation and protection, to ensure that necessary exploitation of the country's natural resource base is done in a sustainable manner. To illustrate, in support of the decree on environmental and social impact assessments, a new target in the most recent draft of the revised VDCAP demands sustained increases in the proportion of infrastructure projects with completed environmental, health and/or social impact assessments (i.e. RTIM 2011/follow-up action no. 16/17).

The 2008 MDG progress report shows that forest resources, which once covered 70% of total land area, declined to 42% in 2002. This was largely the result of clearing of lowland forest for permanent agriculture, unsustainable logging, and the impact on upland forest of slash-and-burn cultivation. While being a critical component of the ecosystem, forests also represent an important source of livelihood. To yield better outcomes and increase coverage up to 65% by 2015, Government recently reclassified forest areas into three types: conservation forest, protection forest and production forest.

The 7th NSEDP advocates for allocating land and forests in a sustainable manner to producers that continue to practice shifting cultivation, by balancing utilization and protection of allocated land and forest. Government is determined to improve the management of agricultural land concessions, whilst equitably promoting investment in priority and remote upland areas (i.e. RTIM 2011/follow-up action no. 8). With increasing pressure on natural resources, this year Government granted the first community land titles to five villages in Vientiane Province in a clear effort to prioritise environmental protection while safeguarding the livelihoods of villagers.

Equitable agro-industrialization of rural areas is expected to add value to agriculture and provide a forward link in the value chain with a view to safeguard natural resources, develop green zones, and

having a pollution-free environment. In this framework, the vulnerability of farming in lowlands and uplands environments makes farmers particularly susceptible to the negative effects of climate change. Government recognizes that mitigation and adaptation measures are needed to minimize such shocks. Initiatives to offset the impact of climate change in the northern uplands have already been supported by a number of development partners.

Lack of systematic data collection is a significant obstacle to measure progress in the sector vis-à-vis a number of indicators within the monitoring framework of MDG 7. Aside from the inability to generate regular estimates of the proportion of land area covered by forests, similar conclusions can be drawn for the consumption of ozone depleting substances, and the proportion of total resources used. In terms of the proportion of species threatened with extinction, the Ministry of Natural Resources and Environment reported a marked increase from 115 to 167 species between 2008 and 2011.

Moving on to quantifying the proportion of the population with access to improved water sources and sanitation facilities, the 2008 MDG progress report indicates significant increases during the period between 1996 and 2006. Table 2 shows that currently 79.5% of the population utilises improved sources of drinking water, and 55% of the population lives in households using an improved type of sanitation facility.⁵

Use of improved sources of drinking water and sanitation facilities are more common in the northern region, and vary profoundly between urban vs. rural areas. To illustrate, the proportion of the population using an improved source of drinking water varies significantly from a low of 48% in Savannakhet to a high of 98% in Luangnamtha, and it increases steadily from about 60% to 90% or higher with increasing education and household income. Similarly, the proportion of the population using improved types of sanitation facilities varies significantly from a low of 22% in Saravane to a high of 98% in Vientiane Capital.

Section 3.3: Local MDG 9 - UXO

UXO contamination represents an ongoing development challenge as it continues to threaten the physical safety, livelihoods, and food security of people in more than 25% of villages. Some of the most UXO contaminated communities are also among the poorest in the country on the basis that any kind of development program taking place in UXO affected areas (road building, school

⁵ 38% of the population has no sanitation facilities at all (LSIS, 2012).

construction, or tourism development) is at risk from UXO and requires substantial extra resources for UXO clearance. According to the Agricultural Census of 2012, over 1,100 rural villages in Lao PDR – one in six rural villages – have agricultural land affected by UXO. The worst affected provinces are Xiengkhuang (54% of villages) and Sekong (58%). The total area of agricultural land affected by UXO in all areas (urban and rural) is estimated at over 170,000 ha.

Whilst placing clear emphasis on focusing clearance activities in areas that have been identified as development priorities, the national strategic plan Safe Path Forward (SPF) II 2011-2020 includes a number of strategic objectives and indicators to simplify and streamline the process of assessing progress at sector level (i.e. RTIM 2011/follow-up action no. 7). Table 2 summarizes key achievements in the sector during the FY 2011/12.

While UXO LAO remains the main operator responsible for approximately 50% of all clearance activity, the UXO sector continues to evolve and it has become an extraordinary example of effective collaboration between Government, civil society and the private sector at both central and local levels. Both civil society and the private sector support MDG 9 by delivering services in clearance, risk education and victim assistance. Commercial companies are involved primarily in clearance activities. In addition, Government is beginning to engage the Lao Army in survey and clearance activities.

During the FY 2011/12, funding for the UXO sector amounted to USD 31,774,766. Of this amount, USD 21,723,294 came from development partners as Official Development Assistance (ODA), and the remaining USD 10,051,472 through commercial clearance operators. In order to accelerate progress in achieving the targets of the national strategic plan Safe Path Forward (SPF) II 2011-2020, the UXO sector requires an additional USD 20,000,000 per year to significantly scale up its activities in the future.

Chapter 4: Strengthening the links between plan, budget and policy implementation

In order to support the implementation of the 7th NSEDP, Government has undertaken a number of measures to strengthen the links between the plan and the development budget, and to improve coordination between the latter and the recurrent budget. These issues were clearly identified during the RTIM 2011 (i.e. RTIM 2011/follow-up action no. 10), and the recent RTIM 2012 provincial consultation in Xieng Khouang.

While the rationale for strengthening the linkages between planning and budgeting is clear, putting in place concrete measures to improve cooperation and coordination is a challenge that the Government is addressing. Thus Government's commitment to improve financial allocations to policy priorities is reflected in higher allocations to the social sectors. FY 2012/13 funding for the Health and Education sectors, for instance, are set to increase to 9% and 17% of the national budget, respectively.

In addition, according to the approved 2012/13 Budget Preparation Instruction No. 999/MoF dated April 2012, public expenditure must adhere to the budget plan approved by the National Assembly (NA). This instruction represents Government's commitment to curb spending beyond the NA's approval parameters that may dilute the focus on national priorities. And through the Decree No. 398/PM on the implementation of the NSEDP and State Budget FY 2012/13 dated 12 September 2012, Government introduced yet another important measure to ensure that the implementation of the Public Investment Plan (PIP) is implemented in compliance with the Law on Public Investment. In this respect, sectors and local authorities are only allowed to implement investment projects endorsed by the National Assembly (NA).

Beyond the policy framework articulated above, there are also additional examples of successful collaboration between sector planning authorities and finance functions to develop budget reports that meet policy requirements. To illustrate, the disaggregation of education budgets into primary, secondary, tertiary, teacher training etc. at the centre, provincial and district level and the reports that can be prepared as a result demonstrates how collaboration between planning and finance at all levels of government can make more visible the link between budgets and sector plans and the effective implementation of national policies.

Notwithstanding the progress outlined above, Government also recognises some challenges associated with its ambitious goal to strengthen the links between planning and budgeting. Table 4 sets out the annual cycle for the preparation of the budget and the PIP as set out in laws and implementation decrees.

Table 4: Annual cycle for the preparation of the budget and the PIP

DATE	Finance	Planning
October		Ministries/provinces/districts to commence appraisal of new projects
January	MOF Budget Instruction (incl. resource envelope for capital projects)	Evaluation Depts. receive project appraisals (no later than 15 January)
February	Receive Submissions from Line Ministries & Provinces for recurrent expenditures	Issue domestic 'capital ceilings' to guide project selection (beginning of February)
	Receive domestic capital allocations from Ministry of Planning & Investment	
	Compare Submissions & contribution to development budget to total Resource Envelope	
February	Consultations with LMs & Provinces	Consultations with LMs & Provinces
February/ March	Consultations with LMs & Provinces	Ministries and provinces (including consolidated districts) to submit investment plans within allocation (15 March)
April	First Public Budget Draft	PIP draft
	Submit Draft to Economic Committee	Submit NSEDP and PIP to the Government Cabinet Meeting (end of April)
May - June	Adjust Public budget as required by Economic committee	Modify and improve NSEDP and PIP according to comments from Government Cabinet Meeting
	Second Public Budget Draft	
	Submit to National Assembly	
July/ August	Incorporate National Assembly Adjustments	Issue Prime Minister Decree on implementation and preparation of NSEDP (July)
	Further Budget Drafts until Approval by National Assembly	
August/ September	Meeting of finance Officers	Issue instruction on implementation and preparation of NSEDP (August)
	Breakdown of Approved budget to detail by Budget Dept (amend LM & Province submissions)	
	Receive foreign capital allocations from Ministry of Planning & Investment	
	Enter Budget Detail in GFIS	
October	Fiscal Year Commences	Fiscal Year Commences

According to the budget law, the annual budget preparation process begins in January with the circulation of the Ministry of Finance's budget instruction. The budget instruction provides guidance to finance officers in line ministries, provinces (and now districts) on how budgets should be prepared. In practice, the budget process often begins later than outlined in the Budget Law with the

budget instruction sometimes circulated in May. This means budget preparation is squeezed into a narrow time-frame of a few weeks, providing little space for critical evaluation of budgets to see how they might be linked to plans. The time available for MPI to vet the sufficiency of budgetary allocations for investment projects is also squeezed within a few weeks as the total resources available for the public investment plan are determined in tandem with the preparation of Ministry of Finance's budget instruction.

To ensure better synergy and alignment between planning and budgeting processes, the development of a unified planning and budgeting calendar that sets out the responsibilities of key actors and timings could help to monitor progress and identify potential bottlenecks.

Finally, it is important to recognise that although the NSEDP outlines priority programs and projects, as well as targets, it is yet to quantify the costs associated with funding priorities. On this note, the Ministry of Finance is developing a fiscal strategy until 2020. Providing an outline of the likely overall resource envelope for NSEDP VIII could serve as a useful platform to enhance the link between planning and policy implementation. Indicative overall resource envelopes in place for sectors and provinces are expected to create greater scope for prioritizing interventions based on the likely resources available.

Chapter 5: From ‘aid effectiveness’ to ‘cooperation for effective development’

Under the auspices of the Vientiane Declaration on Aid Effectiveness, and with a view to enhance several aspects of MDG 8, Government has taken important steps to integrate the recommendations from the Busan forum into the national agenda. Such efforts mark an important departure from the traditional policy paradigm focused on the ‘aid effectiveness’ agenda to the novel and more progressive principle of ‘cooperation for effective development’ (i.e. RTIM 2011/follow-up action no. 20).

The aim of this chapter is to outline some important milestones achieved since the RTIM 2011. These include (i) the effective localization of the development agenda through the RTP provincial consultations and Government policy to ‘Build Provinces as Strategic Units, Districts as Comprehensively Strengthened Units, and Villages as Development Units’ (i.e. *Sam Sang*), (ii) the empowerment of SWGs, (iii) the revision of the Vientiane Declaration Country Action Plan (VDCAP) 2012-2015, and (iv) the full implementation of the Aid Management Platform (AMP).

Localisation of the development agenda

In keeping with Government vision to bring the development process closer to its direct beneficiaries as clearly envisaged with the *Sam Sang* pilot, Government is also reviewing the scope of the RTP with a view to continue empowering SWGs and local authorities to take charge in organizing provincial consultations with all relevant stakeholders. The progress reports of several SWGs, notably in agriculture/rural development, education and health, refer to efforts to pilot more effective coordination at the provincial and district levels.

Another improvement is the Non Profit Associations’ (NPAs) active involvement in this year’s RTIM 2012 provincial consultation in Xieng Khouang, which represents an important milestone to gradually integrate wider stakeholder involvement in the policy dialogue as agreed upon during the RTIM 2011 (i.e. RTIM 2011/follow-up action no. 15) and further instructed by the PMO/No.1459 dated 8 August 2012.

Sector Working Group (SWG) Empowerment

SWGs provide a forum for negotiation, policy dialogue, and agreement of plans and undertakings among stakeholders at sector level. In addition, they represent a key mechanism to implement the Vientiane Declaration and Country Action Plan (VDCAP), and to achieve the MDGs.

Since the RTIM 2011, Government prioritised the empowerment of SWGs by establishing a SWG Help Desk in the Department of International Cooperation, Ministry of Planning and Investment. The SWG Help Desk facilitated the finalisation of SWG generic terms of reference, which in turn supported the development of SWG specific terms of reference and institutional structures.

In addition, through the SWG Help Desk, the Ministry of Planning and Investment developed a SWG progress reporting template to guide the provision of SWG inputs in preparation for the RTIM 2012. The ten SWG progress reports submitted to the SWG Help Desk form the basis for this RTIM 2012 background document and are available as a separate consolidated document.

The Vientiane Declaration Country Action Plan (VDCAP) 2012-2015 revision

The Vientiane Declaration on Aid Effectiveness represents the Government's commitment to enhancing development cooperation with a view to achieve the goals of the NSEDP and the MDGs, whilst fully satisfying the LDC graduation criteria by 2020. The existing VDCAP covered the period to December 2011 and with a view to align also the new VDCAP to the key recommendations emerging from the Busan High Level Forum (2011) the Government led an implementation review in consultation with all stakeholders to provide a clear account of progress on the VDCAP goals and associated actions.

The overarching conclusion of this evaluation was that the Vientiane Declaration and its associated Country Action Plan have provided a very effective platform to advance key policy issues and record a number of critical improvements in the implementation of the aid effectiveness agenda in the Lao PDR. Notably, however, lack of clear indicators nested within existing reporting structures has hampered Government and development partners' ability to provide regular progress updates on key policy areas of intervention.

In view of the above, and in full consultation with all stakeholders, Government is leading the VDCAP revision process with the clear objective to focus on indicators which are clearly embedded within existing reporting channels. The revised VDCAP is already in an advanced stage, and is expected to be finalised in early 2013.

The Aid Management Platform (AMP)

The AMP on-line database presents Government and development partners with an unprecedented opportunity to move forward collectively in order to live up to the commitments of the Busan High

Level Forum (2011) to strengthen cooperation for effective development. With a view to clearly differentiate between different types and sources of development financing (e.g. ODA, South-South cooperation), the Ministry of Planning and Investment identified a Data Focal Agent (DFA) for each organisation active in the Lao PDR, and led a series of targeted training sessions aimed at familiarizing DFAs with all aspects of data collection, submission and verification.

Whilst still ongoing, these efforts have resulted in a marked improvement in the availability and quality of existing data for development financing, helping in turn to enrich policy discussions at sector level. The AMP currently accounts for 471 projects, including project descriptions, total commitment amounts, funding plans and disbursements based on the Lao FY, location, MDG alignment, sector, type of assistance, individual contributions from other organizations, implementing agencies, and other key information for each project.

In view of the recent success in the implementation of the AMP, Government is in the process of creating a public online portal that will allow all interested parties to access the information available in the Aid Management Platform. With this data readily available to all Government agencies, development partners, civil society, the private sector, and citizens the scope to foster smoother coordination for effective development will be drastically increased.

Finally, the public portal will also soon be complemented by a more effective visual tool in support of better planning and greater coordination. To this end, the information on each project currently in the AMP is being complemented with specific geo-coordinates. This process involves identifying the exact location for each project. This effective visualisation of development initiatives is expected to generate new insight on the spatial distribution of development interventions with a view to reduce duplication and/or overcrowding and augment Government efforts to enhance strategic planning and policy implementation especially at the local level.

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Annex I: RTIM 2011 follow-up actions

RTIM 2011 Follow-Up Matrix	
Result/task	Relevant SWGs
Cluster 1. Socio-Economic Development / MDG	
1. Support to the implementation of the 7th NSEDP towards achieving the MDGs, especially those are off-track	All
2. Review, develop and improve measurements and tools in monitoring and evaluation of programme/project implementation to ensure greater transparency and achievement of the 7th NSEDP/MDGs	All
3. Promote and approve domestic and foreign investment to ensure quality and sustainable investment that contribute significantly to the Government's development financing for development results.	Trade and Private Sector Development
4. Develop and create sufficient jobs for skills labours especially women and protect them from any unfair issues, including the management of labour migration	Trade and Private Sector Development, and informal <i>gender</i> working group
5. Provide continued support to the improvement of quality public health services throughout the country ensure local people can have access to sufficient services.	Health, and informal <i>gender</i> working group
6. Focus on the implementation of the off-track MDGs, including reduction of maternal and child mortality and malnutrition rates, considering greater participation of all parties concerned	Agriculture and Rural Development, Education, Health, and informal <i>gender</i> working group
7. Continue implementing all necessary activities in order to achieve the localized MDG 9, aiming at reducing the impact of UXO in Lao PDR	UXO
8. Agricultural land management to ensure all Lao people especially those are living in uplands area can have access to agricultural land particularly relevant to the area of slash and burn agriculture	Agriculture and Rural Development, and informal <i>gender</i> working group
9. Preparation of MDG progress report	All
Cluster 2. Public Financial Management	
10. Strictly implement all legal documents related to the management of finance and budget, revenues and	Macro-Economics

expenditures and other expenses to ensure greater synergy and alignment of <i>planning</i> and <i>budgeting</i> activities	
11. Strengthen capacity of MOF and BoL staff in managing all finance and banking related activities	Macro-Economics
12. Take into account the intergovernmental fiscal relations and capacity building for expenditure management as the Government is moving towards public expenditure management at the district level through a block grant system.	Macro-Economics
Cluster 3. Good Governance	
13. Disseminate and implement GPAR Strategy 2011-2020, including capacity development for district authorities in planning and monitoring their services at district level	Governance
14. Promote and encourage greater participation of all parties in the society in development process through capacity building for National Assembly, Government Agencies in line Ministries and other institutions to ensure good governance, governing the country by the Rule of Law, including social drawback prevention and relevant solutions	Governance
15. Consider improving the approval process and duration of establishing Non Profit Associations, including their appropriate participation in the RTP and SWG mechanism	Governance
Cluster 4. Natural Resources and Environment Management	
16. Develop and monitor implementation of policies, rules and regulations and other legal documents related to climate change initiative, green growth development, and sustainable usage of natural and water resources.	Natural Resource and Environmental Management
17. Strengthen capacity of the Government agencies in line Ministries concerned to ensure existing laws and regulations, and natural and water resources have been effectively implemented and managed, respectively.	Natural Resource and Environmental Management

Cluster 5: Human Resource Development	
18. Enhance human resource development through providing capacity development for teachers towards achieving the MDGs	Education, and informal <i>gender</i> working group
19. Expand health related services to cover all areas at all levels of the society through increasing a number of and providing adequate training for health staff and workers, and creating enabling environment for attracting and mobilizing more resources to health sector.	Health
20. Build greater partnership with development partners to ensure effectiveness of aid utilization and development -	All