

Foreword

The Foreign Aid Implementation Report (FAIR) aims to provide overall pictures of the implementation of Official Development Assistance (ODA) to Lao PDR by Development Partners on an annual basis. Continuous monitoring and reporting of ODA is an important task to facilitating better alignment and harmonization of supports for the achievement of Lao national development goals and objectives with the framework of our 8th National Socio-Economic Development Plan (8th NSEDP 2016-2020).

FAIR is an important report prepared by Department of International Cooperation/Ministry of Planning and Investment to provide necessary data and information in tracking progress toward national and global principles of partnerships for effective development cooperation. This year report is a second attempt to highlight ODA figures in a new Lao calendar year, moving from typical Fiscal to a new Gregorian calendar.

ODA reporting, particularly, data collection and validation processes, is collaboration with the Government and Development Partners. Taking into consideration of experience so far on ODA reporting, the Government has taken further steps to develop national database recording ODA information which will be user friendly and contain detail of project/program interventions.

This year report will be a little different from previous year; we combined report with different year of 2017, some actual disbursement for 2018 and estimation for 2019.

Reporting on effective development cooperation in Lao PDR has been a result of strong collaboration between the Government of Lao PDR and Development Partners. On behalf of the Government and Ministry of Planning and Investment would like to express our gratitude and appreciation for continuous support and enhanced cooperation, as well as efforts that have been put together to strengthen mutual accountability, alignment, predictability, and transparency.

H.E Dr. Kikeo CHANTHABOULY

**Deputy Minister
Ministry of Planning and Investment**

Acknowledgement

It is a great pleasure to express our thank you and gratitude to national counterparts and Development Partners who devote themselves to provide information and data, despite their busy schedules, on ODA and other requests based on template provided. Your information is essentially valuable for the FAIR analysis. This set data is the key success of FAIR each period. We also kindly look forward to the endless well cooperation with your organizations.

Abbreviation

RTM – Round Table Meeting

ODA – Official Development Assistance

CAP – Country Action Plan

VDCAP – Vientiane Declaration Country Action Plan

DFAA – Development Finance Assistance and Assessment

INFF – Integrate National Financial Framework

FAIR – Foreign Aid Implementation Report

NSEDP – National Socio-Economic Development Plan

SSC - South-South Cooperation

IFI – International Financial Institute

SDGs – Sustainable Development Goals

MTR – Mid-Term Review

LDC – Least Developed Country

Development Partners – Development Partners

SWGs – Sectoral Working Group

LMIC – Lower Middle Income Country

MIC – Middle Income Country

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I. Introduction

Given the complexity and diversity of sources of development finance and dynamically changing development cooperation landscape, Lao PDR has found value in galvanizing its efforts to improve and adjust laws, policies and partnership mechanisms at all levels to reflect the current reality. The increasing focus on greater and more inclusive partnerships, bringing on board private sector, partners from the region, civil society and others represent something of a breakthrough. One of the major outcomes of the 12th HL RTM 2015 was unanimous endorsement by all participants of the Vientiane Declaration on Partnership for Effective Development Cooperation (The Vientiane Partnership Declaration). This signaled a shift from traditional ODA towards greater partnerships, and towards a more comprehensive and inclusive range of development financing and resourcing options. Since the adoption of the Vientiane Partnership Declaration, a number of key activities have been carried out in 2016 and 2017.

To guide implementation of the eight principles of the Vientiane Declaration and for strategic monitoring and reporting, the Government and its partners have been developing a Country Action Plan (CAP 2016-2025). This VDCAP (2016-2025) is an important document for stakeholders at all levels as it outlines 14 focused action areas needed to achieve effective development cooperation, which in turn will help accelerate the 8th NSEDP and SDG implementation. At the same time, the Government is currently in the process of revising the Prime Minister Decree No. 75 on ODA management in accordance to be clearer mandate and responsibilities for each main ministry concern. A framework for this revision is for effective management, monitoring and reporting on impacts of different sources of development finance. Furthermore, it has also been valuable to work towards a more integrated and coherent approach to managing various sources of development finance. A recent conducted Development Finance and Aid Assessment (DFAA) in Lao PDR provides important evidence and analysis to begin to work towards an Integrated National Financing Framework (INFF).

ODA and more traditional development cooperation provides crucial support and remains important to address national development priorities, including the graduation from LDC status and the achievement of the Sustainable Development Goals. The structured partnership mechanism 'the Round Table Process' has greatly contributed to development effectiveness, especially promoting greater national ownership, partners' alignment with national priorities/goals and better harmonization among various partners. Given the changing landscape of development finance and the need for strong partnerships which are essential for policy dialogue and which underpin systemic change; Lao PDR is at an important juncture in terms of enhancing its existing partnership mechanisms at all levels.

With strong and continuous commitments by both Government and Development Partners, improving mutual accountability through systematic report of ODA implementation is one of important action area highlighted in recent VDCAP. Therefore, the reporting of ODA implementation is another important document producing annually. However, with current changes, particularly the change of fiscal year reporting to Gregorian calendar year, some data produced and reported previously cannot be used for comparable, which should have verified. In order to

overwhelm such issue, modernize and friendly users of ODA database has been developing to main source for data collecting and support all relevance report producing. Officially and more accurate data for 2018 will be populated and verified in next issue of FAIR.

Together with the process of reviewing the Prime Minister Decree No. 75 on the management and utilization of Official Development Assistance (ODA), the Ministry of Planning and Investment is now developing an online database for ODA Management Information System (ODA-mis.gov.la) that will ease and streamline the tracking, monitoring and tracking of ODA project implementation. The system will be online from 2018 with series of training all project managers. Once fully operate, ODA data will be more accurate and timely available.

This report will comprise of four parts consist of overall ODA inflow and allocation in 2017 that will give us some pictures on ODA disbursement by donor agency to each development sector and area coverage; secondly report will show some actual disbursement in 2018, that will provide overall trend of disburse in a year with optimize on increasing of disbursement figures; later on third part of this report will touch of upon ODA estimation and requirement for 2019, which is another remarkable year for implementation of 8th NSEDP because long journey will come to almost the end, there are a lot of important work need to be done to achieve the goals. Last part of this report will show contribution and commitment to global and region on effective development cooperation which is Lao PDR has been conducted, localized and integrated into national development agenda.

II. Overall ODA inflow and allocation in 2017

2.1. Actual disbursements 2017

The year 2017, it is second year of Lao PDR implementing of 8th 5 year plan (8th NSEDP), however it is also first year of the government has decided to change from fiscal year to international calendar year. To implement the national development plan, the official development assistance (ODA) still take part and consider as significant source of development fund to implement plan. The current year of implementing development plan, ODA proportion in number of investment around 977 million USD or equivalent to 8.078 billion kip as planned, it covers 16,2% of total investment of the year 2017.

From statistics data that has been collected from various development partners and system recorded, we have approximately ODA disbursed/inflow amount of 8.307 billion kip, equivalent to 1,032 million USD, it is little bit left-over to planned that has been set for a year. Key important factor to make ODA disbursed to achieve to target set, all implementing agencies/project owners has shown their ownership to take lead on implementing and working closely to those projects' activities. Based on type of ODA mentioned in Decree No 75/PM, we have categorized into types of assistance by Loan projects/programme disbursed amount 5.975 billion kip, Grant projects/programme disbursed 2.329 billion kip.¹

¹ Draft ODA Annual Report 2017, DIC/MPI

2.2. By Donor disbursements

To further explore the growth of total ODA disbursement to Lao PDR annually, we have prepared data shown which has collected from system and some donor agencies.

Table1: Lists the total disbursement figures by donor in 2017

Unit: million kip					
No	Donor	Actual Disbursement 2017			Percentage(s)
		By Grant	By Loan	Total Disbursement	
1	ADB	338.257,60	212.496,52	550.754,12	6,82%
2	Australia	26.880,36	-	26.880,36	0,33%
3	Austria	-	362.766,47	362.766,47	4,49%
4	Canada	3.321,50	-	3.321,50	0,04%
5	China	-	3.865.151,23	3.865.151,23	47,85%
6	EU	224.120,75	-	224.120,75	2,77%
7	FAO	21.010,93	-	21.010,93	0,26%
8	France	18.720,70	-	18.720,70	0,23%
9	Germany	139.824,44	-	139.824,44	1,73%
10	Global fund	220.653,58	-	220.653,58	2,73%
11	Hungary	-	23.758,43	23.758,43	0,29%
12	IFAD	47.205,67	8.000,00	55.205,67	0,68%
13	India	-	7.632,54	7.632,54	0,09%
14	Japan	190.791,79	138.216,15	329.007,94	4,07%
15	Korea	117.250,65	223.619,41	340.870,06	4,22%
16	Kuwait	-	43.644,87	43.644,87	0,54%
17	Luxembourg	95.037,32	-	95.037,32	1,18%
18	Multi-Development Partners	92.643,23	-	92.643,23	1,15%
19	NDF	2.509,40	-	2.509,40	0,03%
20	New Zealand	49.359,22	-	49.359,22	0,61%
21	OFID	-	27.632,96	27.632,96	0,34%
22	Switzerland	33.754,89	-	33.754,89	0,42%
23	Thailand	21.179,57	445.013,41	466.192,99	5,77%
24	UNCDF	-	-	-	0,00%
25	UNDP	104.075,15	-	104.075,15	1,29%
26	UNFPA	20.236,23	-	20.236,23	0,25%
27	UNICEF	64.445,04	-	64.445,04	0,80%
28	UNIDO	5.177,21	-	5.177,21	0,06%
29	United Kingdom	898,38	-	898,38	0,01%
30	USA	26.628,04	-	26.628,04	0,33%
31	Vietnam	32.980,96	-	32.980,96	0,41%
32	WB	288.625,12	617.297,29	905.922,41	11,21%
33	WFP	143.940,84	-	143.940,84	1,78%
	Total	2.329.528,58	5.975.229,28	8.304.757,86	102,81%

Source: ODA Annual Report, DIC/MPI, 2017

Note: Decimal is thousand unit
Comma is cent unit

The above table shows a disbursement by PR. China as emerging donor is completely provided loan total 3.865 billion kip (47, 8%), it covers the largest share of ODA disbursement from bilateral and South-South donor to Lao PDR. Unwavering supported from World Bank contributed about 905 million kip (11,21%), ADB contributed about 550 billion kip (6%), Thailand contributed about 446 billion kip

(5,77%), and Korea contributed about 223 billion kip and Japan contributed about 138 billion kip to support implementation of NSEDP in the year 2017.

In short, overall increase of ODA disbursement in 2017 is driven by growth in disbursement from South-South Cooperation partners. World Bank and ADB are two major donors among their group with combined disbursement accounting for 17,9% of total fund. Korea's disbursement was one tenth of total disbursement. China remains the top external development partner, provided 3.865 billion kip and representing 47,8%) of total ODA disbursement in 2017.

2.3. ODA Disbursement by type of cooperation

The table and figures below are illuminating about the comparison of cooperation among Bilateral, International Financial Institutes (IFI), Multilateral, and South-South development partners.

Overall it can be seen that SSC is sharing the most of amount of actual disbursement with more than 5.866 billion kip equivalent to about 69,9% compare to the whole year disbursements, follow by bilateral, IFI and multilateral respectively. This means that trend of financial aid to Lao PDR, arguably, will be more from the emerging donor countries in the same region.

Table2: ODA disbursement by Type of Cooperation 2017

Disbursement by Type of Cooperation for 2017

Unit: million kip					
No	Donor	Actual Disbursement			Percentage(s)
		By Grant	By Loan	Total disbursement	
1	Bilateral	756.627,83	5.109.802,51	5.866.430,34	72,62%
2	Multi-lateral	583.006,15	-	583.006,15	7,22%
3	Financial Institution	897.251,37	865.426,77	1.762.678,14	21,82%
4	Multi-Development Partners	92.643,23	-	92.643,23	1,15%
	Grant total	2.329.529	5.975.229	8.304.758	102,81%

Source: ODA Annual Report, DIC/MPI, 2017

Note: Decimal is thousand unit
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In short, it is noticed that the proportion from SSC contributed 69,9 % of actual disbursement for 2017. Additionally, IFI was able to disburse 17% in the year. However, the rest proportions held the same size. Although the report is showing the level of regional cooperation that being on a rise, this cooperation is not equivalent to traditional ODA. A more precaution interpretation will be needed and more in-depth analysts shall be followed in the next issue of FAIR.

2.4. Bilateral cooperation

Bilateral cooperation is another type of development cooperation between Lao government and partnership country's government to tighten relationship and effective cooperation. This cooperation is one of the most important and successful on economic and development areas. There are numbers of major sources of development assistance; however

bilateral cooperation is key sources for support and implement of development activities. By annually, the volume of ODA from bilateral is slightly increased, as we can see from table shows below. Major growth of bilateral is from traditional donor and some emerging donor such as China. Assistance provided by bilateral cooperation focuses on infrastructure of education, telecommunication, and some short-term and long-term scholarship for human resource development.

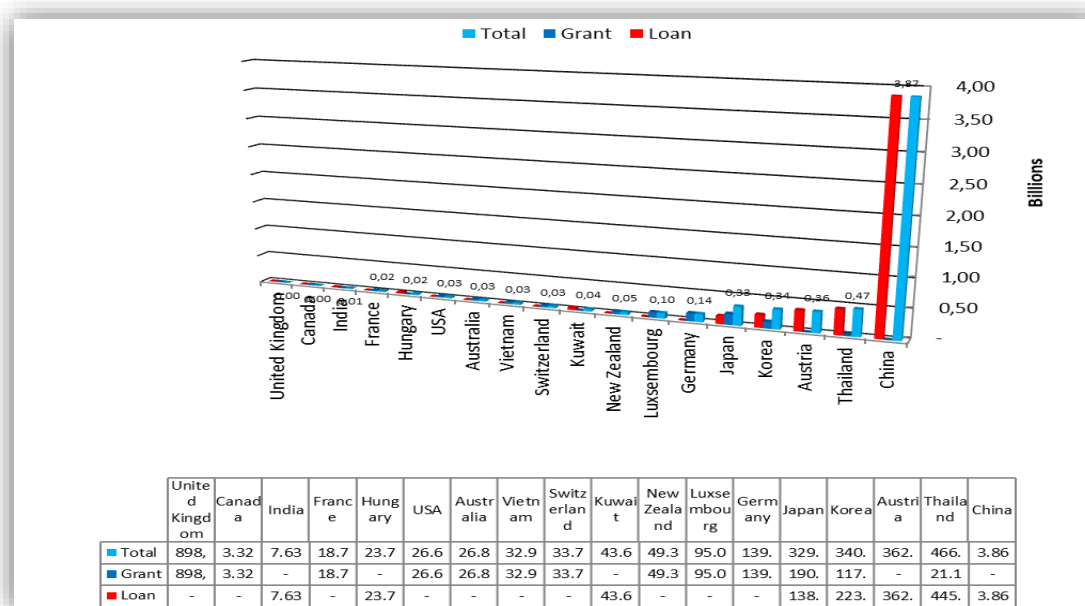
Table3: ODA Disbursement by Bilateral Cooperation 2017

Unit: million kip						
No	Donor	Actual Disbursement			Percentage (%)	
		By Grant	By Loan	Total Disbursement	Planned (8.629.300)	Revised (8.078.000)
1	China	-	3.865.151,23	3.865.151,23	44,8%	47,85%
2	Thailand	21.179,57	445.013,41	466.192,99	5,4%	5,77%
3	Austria	-	362.766,47	362.766,47	4,2%	4,49%
4	Korea	117.250,65	223.619,41	340.870,06	4,0%	4,22%
5	Japan	190.791,79	138.216,15	329.007,94	3,8%	4,07%
6	Germany	139.824,44	-	139.824,44	1,6%	1,73%
7	Luxembourg	95.037,32	-	95.037,32	1,1%	1,18%
8	New Zealand	49.359,22	-	49.359,22	0,6%	0,61%
9	Kuwait	-	43.644,87	43.644,87	0,5%	0,54%
10	Switzerland	33.754,89	-	33.754,89	0,4%	0,42%
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12	Australia	26.880,36	-	26.880,36	0,3%	0,33%
13	USA	26.628,04	-	26.628,04	0,3%	0,33%
14	Hungary	-	23.758,43	23.758,43	0,3%	0,29%
15	France	18.720,70	-	18.720,70	0,2%	0,23%
16	India	-	7.632,54	7.632,54	0,1%	0,09%
17	Canada	3.321,50	-	3.321,50	0,0%	0,04%
18	United Kingdom	898,38	-	898,38	0,0%	0,01%
	Total	756.627,83	5.109.802,51	5.866.430,34	67,99%	72,62%

Source: ODA Annual Report, DIC/MPI, 2017

Note: Decimal is thousand unit
Comma is cent unit

Chart: 1 Comparison for bilateral disbursement by grant and loan in 2017



2.5. Multi-lateral cooperation

Multi-lateral cooperation mostly led by United Nations Agencies such as UNDP, UNICEF, UNFPA, UNCDF, WFP, WHO, FAO and other UN Agencies that has residence office and regional office based in Thailand and Viet Nam. Multi-lateral cooperation carried out under long-term and medium term cooperation frame work which has been prepared government and signed by MoFA of government with UNCO Representative. Move forward from managing for result to effective development cooperation, most cooperation projects turn to programme based approach and sector wide approach that requires more alignment and harmonization among development partners. A side core funding from Head Quarter, development projects and programme from multi-lateral needs to mobilize from other sources to full-fill budget for projects and programmes.

Data collected shown us that disbursement trend for development projects and programme from multi-lateral cooperation is slightly....because of instability of global economic and some out-break diseases in other regions. United Nations has key mandate to provide humanitarian aid to those countries. In Lao PDR, development cooperation projects and programme supports from Agencies focuses on education, governance, poverty reduction, nutrition, agriculture and rural development, trade and UXO clearance.

In 2017 development projects and programme from multi-lateral cooperation covered total disbursement 583,01 billion kip, about 7,02% of total investment.

Table4: ODA disbursement by multi-lateral cooperation 2017

No	Donor	Actual Disbursement			Percentage (%)	
		By Grant	By Loan	Total disbursement	Planned (8.629.300)	Revised (8.078.000)
1	EU	224.120,75	-	224.120,75	2,60%	2,77%
2	WFP	143.940,84	-	143.940,84	1,67%	1,78%
3	UNDP	104.075,15	-	104.075,15	1,21%	1,29%
4	UNICEF	64.445,04	-	64.445,04	0,75%	0,80%
5	FAO	21.010,93	-	21.010,93	0,24%	0,26%
6	UNFPA	20.236,23	-	20.236,23	0,23%	0,25%
7	UNIDO	5.177,21	-	5.177,21	0,06%	0,06%
8	UNCDF	-	-	-	0,00%	0,00%
	Grant total	583.006,15	-	583.006,15	6,76%	7,22%

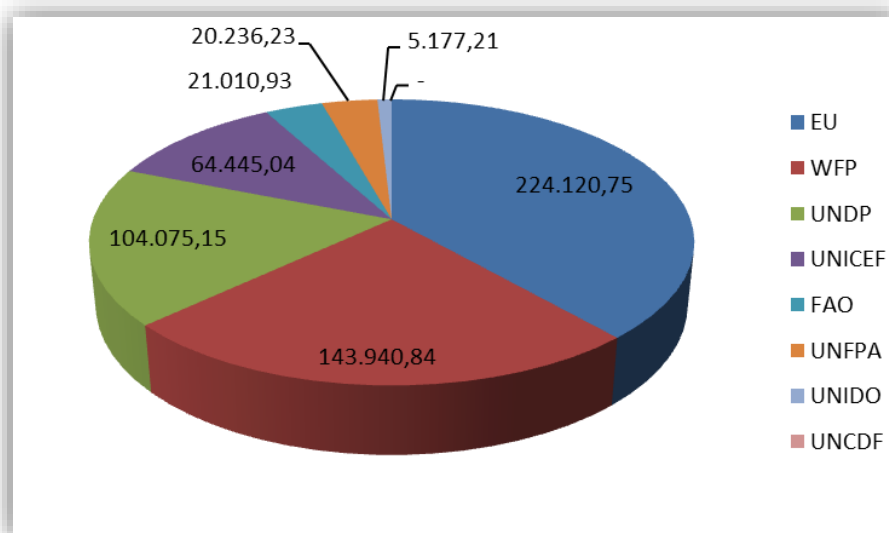
Unit: billion kip

Source: ODA Annual Report, DIC/MPI, 2017

Note: Decimal is thousand unit

Comma is cent unit

Chart 2: Share of disbursement by multi-lateral cooperation



2.6. International Financial Cooperation

International Financial Cooperation has been developed and enhanced in various sectors development plan based national socio-economic development plan. The government and development partners have been developed cooperation strategy to align with national development strategy. Since 2016 our development partner has changed policy on providing loan to grant attached with loan (by half), and ADB has been changed to 100% grant to Lao PDR, from 2017 and 2019. Start from 2019 onward, ADB will provide 100% loan credit to Lao PDR, WB has provided concessional loan in early 2015 and IFAD has granted numbers of project to agricultural and forestry sector. In overall, development projects and programme supported from International Financial Institute (IFI) focus on infrastructure connectivity, sustainable development, rural development, natural resources and environmental protection, social improvement and poverty reduction by capacity building on financial management and governance.

In 2017 development projects and programme supported from IFI has been allocated and disbursed it budget 1,762.68 million kip on 56 projects. These disbursement figures consist of grant worth 897.25 billion kip, concessional loan 865.43 billion kip, coverage proportion was about 21.22% of total investment in the year.

Table5: ODA disbursement by IFI Cooperation 2017

Unit: billion kip

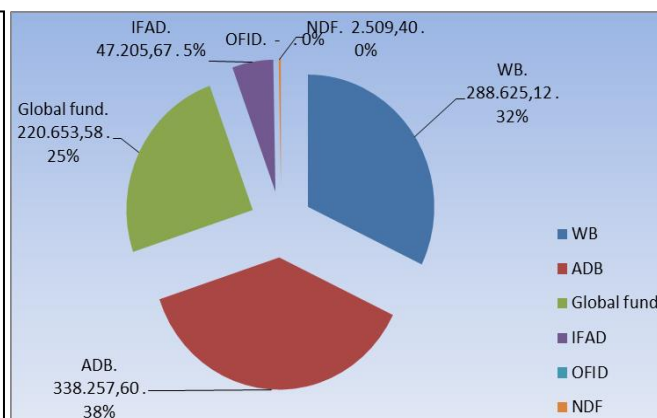
No	Donor	Actual Disbursement			Percentage (%)	
		By Grant	By Loan	Total disbursement	Planned (8.629,30)	Revised (8.078,00)
1	WB	288.625,12	617.297,29	905.922,41	0,10%	0,11%
2	ADB	338.257,60	212.496,52	550.754,12	0,06%	0,07%
3	Global fund	220.653,58		220.653,58	0,03%	0,03%
4	IFAD	47.205,67	8.000,00	55.205,67	0,01%	0,01%
5	OFID	-	27.632,96	27.632,96	0,00%	0,00%
6	NDF	2.509,40	-	2.509,40	0,00%	0,00%
	Grant total	897.251,37	865.426,77	1.762.678,14	0,20%	0,22%

Source: ODA Annual Report, DIC/MPI, 2017

Note: Decimal is thousand unit
Comma is cent unit

Chart3: Share disbursement by IFI

Chart3: shown us proportions for each donor in development cooperation area. We still recognize that ADB and WB still remain their higher budget disbursed in the year compare with other agencies. However, we still need to look into detail and effective of budget expensed and how much output and outcome made by those high expend for each project's and programme's activities



2.7. ODA disbursement by Sector

Development is broad concept, so in order to give readers with an insight to what Lao PDR and Development Partners have been working on ODA funds, the total disbursement has categorized into development classification areas that embody the developmental endeavor of the Lao PDR as set out in the NSEDP.

Table shows classification development area disbursement in the year. In 2017 economic development area received the largest share accounting for 44,2%, of total ODA disbursement, following by infrastructure development area 27%, social development area and multi-sectoral 16,3% and 12,3% share, respectively.

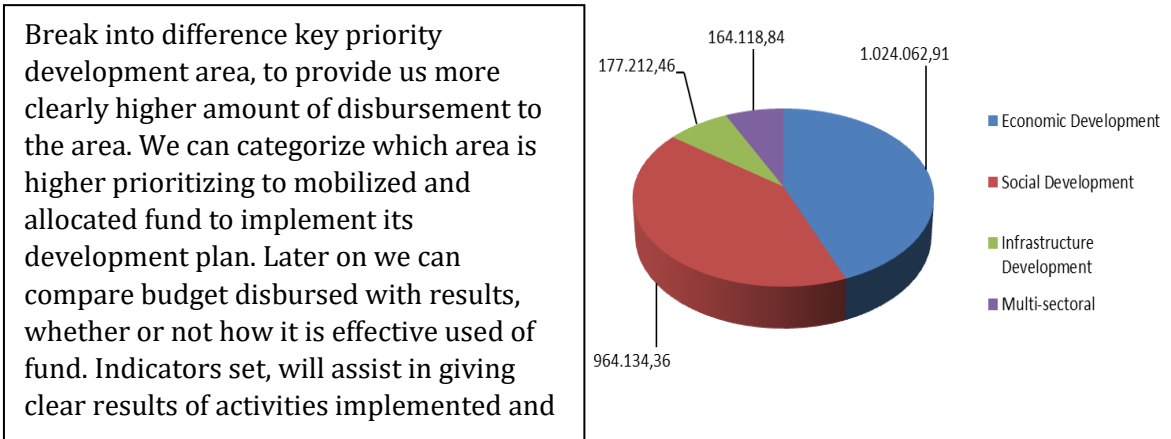
Table6: ODA disbursement by development area 2017

Disbursement by Sector 2017							
Unit: million kip							
No	By Development Area(s)	Actual Disbursement					
		Grant		Loan		Total Disbursements	
		Amount (Kip)	Amount (USD)	Amount (Kip)	Amount (USD)	Amount (USD)	Amount (Kip)
1	Economic Development	1.024.062,91	125,54	2.650.674,91	331,33	456,88	3.674.737,81
2	Social Development	964.134,36	117,04	396.472,97	49,56	166,60	1.360.607,33
3	Infrastructure Development	177.212,46	22,05	2.067.556,73	258,44	280,50	2.244.769,20
4	Multi-sectoral	164.118,84	20,41	860.524,67	107,57	127,97	1.024.643,52
Grant total		2.329.528,58	285,05	5.975.229,28	746,90	1.032	8.304.757,86

Source: ODA Annual Report, DIC/MPI, 2017

Note: Decimal is thousand unit
Comma is cent unit

Chart4: shows development area



In 2017, total ODA disbursement was 1,02% above planned. This increase could be found in economic development and infrastructure development areas. The increase in these areas due to disburse to support infrastructure for energy and mines, agriculture and forestry and industrial and commerce and etc.,

Moreover, we are expecting to see further increase of ODA disburse to Lao PDR for next calendar year which it considered as remarkable year for 8th 5 year plan. The upcoming year there will be many importance development agenda to take place include: Mid-term Review report for 8th NSEDP, Volunteer report for SDGs implementation and other importance event will be taken place as well.

III. Overall ODA inflow (9 months), estimated 3 months of 2018 and outlook for 2019

3.1. Actual ODA inflow 9 months

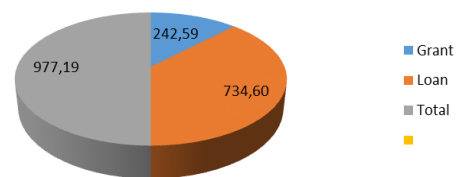
In 2018, it is second year of Lao PDR to implement its NSEDP with calendar year but 3rd year on implementing development plan. It is round to conduct review of implementing 5 years plan as called: Mid-Term Review (MTR), it consists of year 2016, 2017 and first six months of year 2018. In this year, the country confronted with many challenges and struggle in country's economic development, these challenges and struggles may obstacle and push down development activities and the growth. In contradict to those challenges and difficulties in implementing of national development plan, especially financial and budget constrain to disburse to plan. During 9 months of 2018, from data collection shows that ODA has significant increase which shows positive trend in total ODA disbursements. We have collected ODA disbursement from several of 36 development partners and recorded volume of disbursement makes small significantly increase. We optimistically increase in the volume for whole year.

The table and pie chart below explain us theory of change for grant and loan projects/programme disbursed in last three quarters compare to year planned.

Table7: ODA 9 Months Actual Disbursement 2018 Chart 4: shows disbursement in 9 months between Grant Loan

ODA 9 months Actual Disbursement 2018			
Unit: million USD			
Type of ODA	Year 2018	Planned 2018	Percentages
	Disbursed for 9 months		
Grant	242,59	331,57	73%
Loan	734,60	638,55	115%
Sub-total	977,19	970,12048	101%
Grand total	977,19	970,12	1,01

ODA 9 months Actual Disbursement 2018 Year



Source: ODA nine months and three months Report, DIC/MPI, 2018

Note: Decimal is thousand unit

Comma is cent unit

3.2. Estimated for 3 months

The below chart and table show us remaining last three months planned disbursement, we still optimize that we will achieved our planned/target set on ODA disbursement in 2018. Last quarter of the year, most of projects are at peak point on budget disburse if they could not meet plan on budget disbursement, they will face difficulty on projection for next year and some issues on annual budget expend recorded. Parallel with urging on budget expend for each project, we need also pay attention to effectiveness of activities and budget utilization.

From past experienced, we observed that last quarter of each year of projects/programme could not disburse as planned. There were some internal and external factors distresses all activities such as some delayed on implementing activities from previous quarters may cause delay to last quarter planned.

Chart5: ODA Disbursement Planned

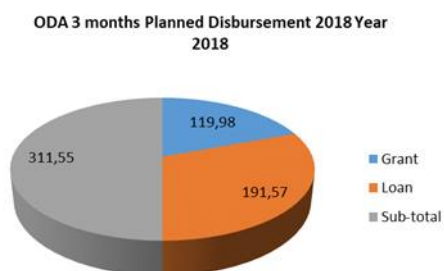


Table8: ODA Last 3 months planned

ODA 3 months Planned Disbursement 2018			
Unit: million USD			
Type of ODA	Year 2018	Planned 2018	Percentages
	Planned 3 months		
Grant	119,98	331,57	36%
Loan	191,57	638,55	30%
Sub-total	311,55	970,12	66%
Grand total	311,55	970,12	66%

Source: ODA nine months and three months Report, DIC/MPI, 2018

Note: Decimal is thousand unit

Comma is cent unit

In overall, year 2018 is yielding satisfactory results as line ministries/implementing agencies who are projects owner on their leadership and development partners commit to enhance their responsibility on effective development principle pays off in term of results. Cumulative ODA disbursement in the

year is aligned with NSEDP’s resource needed, as annual planned for ODA contribution to NSEDP implementation total 8.052 billion kip (about 16.2%) of total investment for 2018. In 2018 country is facing with some challenges and difficulties from natural disaster, climate change and manmade on economic instability. With the government ownership and support from development partners.

In 2018, we still notice some key challenge on ODA management, there are some commitment that our Development Partners has declared on alignment and harmonized to use national system, however we still face some struggling with some regulation of Development Partners’ head quarter. Budgets expend or disbursement has not yet been recorded in national financial management system. During collecting data for report this year, we still reliance on difference source of data and information flow, so it causes us expends more time and longer process. We are looking forward to see this issue will be address and solved by both side in coming year or near future.

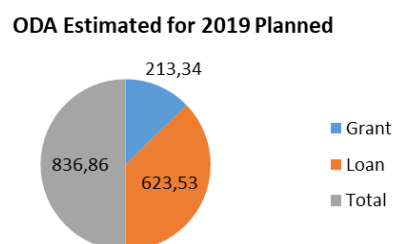
IV. ODA outlook for 2019

In 2019 will be another year for the government of Lao PDR has to handle with challenges and difficulties on budget constrain. During mid-2018, from north to southern parts was effected by natural disaster which it takes away people and livestock as well as cash crop with values could not be calculated. Therefore, disaster relief and recover plan for short, “medium and long term needs will be integrated into 9th NSEDP”; the government needs more than 514 million USD, equivalent to 3% of GDP to spend on recover and restoration of affected areas².

ODA will be another source of fund to allocate to ongoing projects and some new approved projects, and there will be some millions USD of ODA funded to allow by focusing to affected regions. On the other hand, trend of ODA is slightly decreasing in some development areas.

Table9: ODA estimated by percentages of Loan & Grant and chart shows share loan and grant in 2019

ODA Estimated for 2019		
Type of ODA	Planned	Percentage
Grant	213,34	25%
Loan	623,53	75%
Total	836,86	100%



Source: ODA Estimation Report, DIC/MPI, 2019

Note: Decimal is thousand unit
Comma is cent unit

² Summary Outcomes of the RTM Pre-consultation on the Post-Disaster Needs Assessment and the Disaster Recovery Framework 21 November 2018, National Convention Centre

The above table and chart has classified estimation of ODA figures in different type and its proportion to allocate to annual development plan. From estimated data given some signal on decreasing of fund, specifically grant allocation, its proportion of coverage is typically lower than planned 2018. The cause of declining of grant allocation, it may come from last year disbursement plan could not meet target, so implementing agencies and its partners agreed on setting up coming year plan lower than current year. In contradict to total ODA plan for 2019; total investment plan requires more sources to allocate to each sector. The most requirement and higher than other sector would be social, rural development and poverty eradication and infrastructure sectors, these sectors are key driven for LDC graduation and post disaster development in coming year and long-term period.

V. Current initiative contributing to Effective Development Cooperation

5.1. Global Partnership for Effective Development Cooperation Monitoring Survey 2018

Contribution to global and regional on effective development cooperation is another commitment for developed and developing countries, to show off commitment been made in the international conference and forum. This current conducting on monitoring survey on Global Partnership for Effective Development Cooperation is 3rd times for Lao PDR as recipient country. Objective of this survey is to collect data and evidence; provide opportunity for dialogue on effective Development Cooperation; and base on Busan Global Partnership (4th High Level Forum on Aid Effectiveness), to provide progress on commitment between government and development partners. Moreover, the survey will link the result to implementation of Vientiane Development Declaration, which has been localized version with five pillars and later on developed to 8 principles for Vientiane Declaration on Effective Development Cooperation with its country action plan. It is also this global survey will focus on more integrate to implement of Sustainable Development Goal 17, and on “Means of Implementation” SDG 5 “Gender”. Lao PDR has completed draft of report on the survey with commitment from DPs on providing information and data with about 20 agencies has provided and 7 more agencies are remaining.

5.2. VDCAP Monitoring Framework

The purpose of the VDCAP monitoring framework is to support the national accountability for making progress in the implementation of commitments and actions agreed in the VDCAP (2016-2025). Indicators and targets are formed to ensure that all stakeholders work together to advance partnerships for effective development cooperation in Lao PDR. Its aim is not to monitor development outcomes, but it places emphasis on behavior change in development cooperation efforts, which is in turn expected to contribute to the achievement of results as defined in the 8th NSEDP including Sustainable Development Goals and beyond. Similar to the global monitoring framework on effective development cooperation, participation in the VDCAP monitoring efforts is important to provide evidence of progress and signal opportunities as well as obstacles for further progress.

The VDCAP endorsed by the Government of Lao PDR, Development Partners and other stakeholders during the 2016 RTIM consists of 14 action areas/indicators classified under eight principles as per Table 1 below. To understand more about construction of each indicator and relevant information on each action, target, source

of verification and responsibilities, please refer to Annex 1 for more detailed information.

Monitoring and reporting on the VDCAP implementation progress is also a mutual responsibility of line ministries, their partners in development and in particular the focal points. At this stage, the VDCAP is monitored through: - Meetings of chairs and co-chairs of Sector Working Groups - VDCAP annual review meeting - Round Table Meetings/Round Table Implementation Meetings. The Department of International Cooperation (DIC), Ministry of Planning and Investment (MPI) is the overall coordinating agency for the Country Action Plan of the Vientiane Declaration on Aid Effectiveness. Led by DIC, the VDCAP Secretariat has the role of monitoring and reporting on VDCAP progress.³

5.3. ODA Mobilization Strategy 2030

In order for the Lao PDR to graduate from Least Developed Countries (LDC) status and avoid falling into the development trap of low-middle income countries, there is a need to focus on creating potentials that will drive economic, socio-environmental and productivity growth. These three aspects form the pillars of development. In order for the Lao PDR to implement its vision under the 2030 Agenda and to reduce the country's reliance on ODA, thus becoming one of the self-sustaining countries in terms of socio-economic development through effective management of national assets, there is a need for an emphasis on mobilization of financial and human resources. Therefore, the vision of the Lao PDR in mobilizing and managing ODA is ***“Effectively manage ODA to ensure the strengthening of human resources and create an accommodating infrastructure for modern and environmental-friendly services and product.”***

In order to guarantee the efficiency and effectiveness of the mobilization and management of ODA until 2030, the processes of classifying priorities, assessing the needs and identifying providers of technical and financial support must be aligned with the requirements of the sectors as the Lao PDR strives to become a Middle-High Income Country: 1) Focus on incorporating ODA in the process of graduating from LDC status by 2024 and the preparation to graduate into an MIC country; 2) continue the implementation of Millennium Development Goals by promoting the strengthening of capacities. However, until the outstanding MDGs are achieved, Development Cooperation in the Lao PDR will focus on the implementation of Sustainable Development Goals (SDGs). For this reason, the strategy for the mobilization of ODA will be centered on 3 pillars in the National Socio-Economic Development, which are: ***the Economic Development Pillar, the Social Development and Protection Pillar and the Environmental Pillar*** in accordance with the vision of 2030.⁴

5.4. ODA Decree revision progress

Prime Minister's decree no 75/PM, dated 20 March 2009 revised version is second revised version of decree on Official Development Assistance (ODA) utilization and management which has been approved in 2019, and has been used as reference for ODA management for some period of time. However, after sometimes, there are

³ Guideline for monitoring and reporting on implementation of the Vientiane Declaration Country Action Plan (VDCAP 2016-2025 Monitoring Framework)

⁴ ODA Mobilization Strategy 2030

numbers of law and regulation have been revised and established, it requires some decrees and regulation under-law need to be revised. Moreover, in ODA management system needs clearly mention on role and responsibilities of main ministries and provincial authorities.

Since early 2016, after the Prime Minister's Office has issued notice and approval for ODA decree revised, we, Ministry of Planning and Investment, Department of International Cooperation as Head of Secretary of ODA revising committee, in collaboration with development partners who provided support to revise decree, we have conducted several and series of meetings and consultation workshops at central and provincial level to get comments and suggestion from different perspective including line ministries, provincials as well as development partners to improve content and articles of decree. After workshop and meeting we have revised more than ten times and up-to-now we have drafted 10th and presented to the government monthly meeting on 19th October 2018, during the government monthly meeting there are a lot of comments and suggestion to draft of decree. Ministry of Planning and Investment will take lead on revise draft decree and planned to submit to the Prime Minister Office again on February 2019.

In short, ODA decree revise version will be approved by government in early 2019 and MPI planned to conduct dissemination workshop for our government agencies and development partners by mid-year 2019.

5.5. Lessons learnt, challenges and measures

5.5.1. Lessons learnt

- Taken some lessons learnt from previous years on effective allocated and utilized of ODA to target sectors, fund allocation process needs to focus on priority projects and programmes, and most resources expend to project's or programmes' activities must produce more effective results and outcome for the sector;
- Establishment of ODA mobilization should be in place for medium and long term strategy, we do have specific cooperation strategy with specific development partner, however we still lack of national strategy that can be reference for each sector and then they can develop as sector's strategy and sector's plan to propose or discuss with interest development partners in their sector.
- Improvement of coordination mechanism for all level, it should be started from central to provincial levels. Coordination is very great channel on communicate between sector, ministry to ministry, ministry to provincial, government with private sector, government with international organizations, this is including INGOs and CSOs. If there is clear coordination mechanism may reduce gap of miscommunication, misunderstood and provide clear and accurate data management agencies.
- Sectors and agencies needs to be ensured planned and government counter-part budget to be allocated to projects and programmes as committed with development partners. Coordination agency need to do monitor and double check to reconfirm accuracy and stated of contribution to projects and programmes' activities.
- Enhance capacity building for human resource that is in-charge with ODA projects and programmes management to be qualified and at least understood how to provide comments or advise to line ministries and provincial department concern on ODA management.

5.5.2. Challenges

- Global economic and political instability will be main factor to affect to volume of ODA in down ford slope, mainly affected would be recipients countries, Lao PDR is on the list, even though many donor countries have announce to remain their assistance to Lao PDR.
- Income classifications are a World Bank tool for determining access to World Bank funding windows. They do not formally imply any other change in a country's status, including for example, creditworthiness, ability to access export markets, investment desirability or access to ODA. Investors and donors do take note of reclassifications, however, and factor them into their financing decisions. For ODA providers, reclassification can mean a review of a programme, including a shift from grants to concessional loans or increased counterpart funding.
- LDCs are eligible to access a wide range of International Special Measures, mainly in the areas of trade, development and technical assistance. LDC status also entitles these countries to access the LDC Programme of Action, now in its fourth iteration. The 4th Programme of Action was adopted in 2011 and has a strong focus on productive capacity and structural transformation, including building physical, human and social capital. The programme includes 5 actions in eight priority areas: productive capacity, agriculture, trade, commodities, human and social development, multiple crises and other emerging challenges, mobilization of resources and governance.

5.5.3. Measures

- To revise the existing ODA decree no 75 on management and utilize of official development assistance (ODA Decree), to be ensured that revise version contains much more details and clear mandate for main ministries concern and local authority on ODA management from central to provincial level;
- To establish of new ODA mobilization strategy 2030, this has been discussed with line ministries and development partners and present to government monthly meeting. Expecting early of 2019 will be approved and after that will develop into development cooperation plan for specific sector, program and project to discuss with Development Partners to find source of fund to support and implement plan;
- To develop and conduct training workshop on modernize ODA-MIS system for line ministries, provincials and development partners, to ensure that system in place for ODA management, monitoring and multi-reports system will be able to provide an information for sector and ministry in processes of establish their own sectors' plan and resource mobilization is aligning with viability strategy;
- To develop regulation to be reference for new developed ODA database to be applied to all agencies from central to provincial levels, as well as development partner;
- To organize consultation meeting with Development Partners to find out strategy on being partnership on development between public and private sector, and improve environment of investment in the country;
- To establish and set up key championship institute to handle with effective development cooperation with new emerging donors, none-DAC member and south-south partnership in the same and difference regions.

VI. Conclusion and Recommendations

6.1. Conclusion

Annual FAIR 2017 has been prepared to give overview of the current ODA situation in the country. At the same time, challenges and key substances for attention have also been highlighted. 2017 is the first year of the change in fiscal year to calendar year, annual foreign aid financial report, to capture absolute accurate data to fulfill report still is challenging for us. Some parts of data were the combination from government agencies which was not able to compare to what we received directly from Development Partners. In future, integration of ODA implementation to the national the 8th NSEDP (2016-2020) and the long-term goals, which emphasized on LDC graduation still, is priority and necessary work need to be carried out. Non-function of Aid management platform is another issue which impact ODA data collection which has been relied on development partners' submission rather than generation from reliable system. This consequence has urged some new flexible ODA management has to be immediately developed and applied to be national system, integrated with line ministries existing system, and to be better set quality of data. Ministry of Planning and Investment as national coordinator for ODA management is working harder to find out best and suitable methodology to reduce and solve all related issues and challenges have been raised from past to current situation.

6.2. Recommendations

In order to improve quality of ODA figure collected for FAIR, there are certain steps that need to be taken. Therefore, it is recommended that these following steps will be needed:

- Impulse to adapt and create baseline of quality dataset for evaluation of ODA impact after completion of 8th NSEDP(2016-2020), which dataset conversion for 2016 is needed;
- Straightaway to develop and modernize of ODA monitoring and evaluation management system to minimize the time consuming on ODA data request and collect from those related Development Partners through development and implementation of ODA MIS;
- Strengthen coordination mechanism in order to ensure quality dataset;
- Be punctual on preparing and producing annual report each period, however annual RTM needs to be organized/conducted in early of next calendar year then the data from the last whole year will be straightforwardly to generate;
- Strengthen the mutual accountability between Development Partners and government agencies ensuring financial performance activities will be reported in regular basis.

