

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Focus and Key Activities

1. The development partners of the Lao Democratic People’s Republic (Lao PDR) are active supporters of public sector management reforms in the country. The Asian Development Bank (ADB) is one of the country’s leading development partners and has provided significant assistance to improve its public financial management (PFM). ADB has been working within the government’s public financial management strengthening program (PFMSP) framework through a series of technical assistance (TA) projects, a PFM-focused project as well as through PFM-related components of projects in the health and education sectors.<sup>1</sup> Specifically, ADB helped strengthen the planning, formulation, execution, accounting, reporting and monitoring of budget and improve internal and external audit capabilities; develop a methodology for and pilot test medium-term fiscal and expenditure frameworks; improve government financial information system for better budget reporting and audit purposes. ADB has also worked with the World Bank on analytical work, such as integrated fiduciary assessments.<sup>2</sup> Overall, ADB ensures complementarity and mutual reinforcement of efforts with development partners and avoids overlap or duplication of initiatives.

2. The table below provides a summary of ongoing and recently completed development partner projects in public sector management.

<b>Major Development Partners</b>			
Development Partner	Project Name	Duration	Estimated Amount (million)
ADB	Governance and Capacity Development in Public Sector Management, Subprograms 1 and 2	2010–2014	\$25.0
ADB	Governance and Capacity Development in Public Sector Management Project	2014–2016	\$6.0
ADB	Technical Assistance for Strengthening the Capacity of the State Audit Organization	2012–2014	\$0.75
ADB	Policy and Capacity Support for Aid Effectiveness	2014–2015	\$0.45
ADB	Health Sector Governance Program/Project	2015–2017	\$20.0
ADB	Road Sector Governance and Maintenance Project/Program	2015–2017	\$30.0
EU	Poverty Reduction Support Operation 8 (with the World Bank)	2012–2015	€3.0
EU	Building the Capacity of Lao Civil Society to Promote	2012–2015	€0.18

<sup>1</sup> ADB. 2003. *Technical Assistance to the Lao People’s Democratic Republic for Enhancing Government Accounting Regulations and Procedures, Phase II*. Manila (TA 4180-LAO); ADB. 2001. *Technical Assistance to the Lao People’s Democratic Republic for the Institutional Strengthening of the National Audit Office*. Manila (TA 3771-LAO, \$0.7 million); ADB. 2005. *Technical Assistance to the Lao People’s Democratic Republic for Public Expenditure Planning for National Growth and Poverty Eradication Strategy* Manila (TA 4627-LAO, \$0.7 million); ADB. 2007. *Technical Assistance to the Lao People’s Democratic Republic for Improved Public Financial Management Systems*. Manila (TA 4954-LAO, \$0.85 million); ADB. 2008. *Technical Assistance to the Lao People’s Democratic Republic for Strengthening Public Financial Management*. Manila (TA 7077-LAO, \$1.1 million); ADB. 2011. *Strengthening the Capacity of the State Audit Organization*. Manila; ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan and Grant, and Grant Assistance to the Lao People’s Democratic Republic for Governance and Capacity Development in Public Sector Management Program, Subprogram 1*. Manila; ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to the Lao People’s Democratic Republic for the Basic Education Sector Development Program*. Manila. (Loan 2306-LAO, \$8.9 million; Grant 0069-LAO, \$12.66 million); ADB. 2009. *Technical Assistance to the Lao People’s Democratic Republic for Building Capacity for the Health Sector Program Approach*. Manila. (TA 7446-LAO \$0.5 million); ADB. 2013. *Technical Assistance to the Lao People’s Democratic Republic for Health Sector Governance*. Manila. (TA 8576-LAO, \$1 million).

<sup>2</sup> ADB. 2008. *Technical Assistance to the Lao People’s Democratic Republic for Strengthening Public Financial Management*. Manila (TA 7077-LAO, \$1.1 million).

Development Partner	Project Name	Duration	Estimated Amount (million)
GIZ	and Protect Children's Rights Land Management and Rural Economic Development	2011–2014	€7.5
IMF	Support to MOF for IPSAS Standard	2012–2013	\$0.1
JICA	Project for Human Resource Development in the Legal Sector, Phases 1 and 2	2010–2014	¥312
SDC	Community Participation and Communication Support Project	2012–2014	\$1.6
UNDP	National Assembly Strategic Support Project	2014–2016	\$2.3
UNDP	GPAR: Strengthening Capacity and Service Delivery of Local Administration (in partnership with UNCDF, SDC, GEF, and the Republic of Korea)	2012–2015	\$12.5
UNDP	Civil Society Support Program	2011–2014	\$1.3
World Bank	Poverty Reduction Support Operation 9 (in partnership with EU)	2013–2014	\$20.0
World Bank	Public Financial Management Strengthening Program	2009–2013	\$8.0
World Bank	Strengthening Lao Statistics System Project	2013–2017	\$8.0
World Bank	Lao PDR Customs and Trade Facilitation Project	2008–2017	\$6.0

ADB = Asian Development Bank, AusAID = Australian Government Overseas Aid Program, EU = European Union, GEF= Global Environment Facility; GIZ = German Agency for International Cooperation IMF = International Monetary Fund, GEF = Global Environment Facility, GPAR = Governance and Public Administration Reforms, IPSAS = International Public Sector Accounting Standard, JICA = Japan International Cooperation Agency, MOF = Ministry of Finance, SCE = Singapore Cooperation Enterprise, SDC = Swiss Agency for Development and Cooperation, SIDA = Swedish International Development Cooperation Agency, UNCDF = United Nations Capital Development Fund, UNDP = United Nations Development Program.

Source: ADB.

## B. Institutional Arrangements and Processes for Development Coordination

3. The government is responsible for development partner coordination. The core coordination mechanism is a roundtable process chaired by the government and supported by the United Nations Development Programme (UNDP). Roundtable meetings (RTMs) are held every 3–4 years, and roundtable implementation meetings are held annually. These meetings provide a regular opportunity for high-level dialogue between senior government officials and development partners on national plans, strategies, and reform initiatives. The most recent RTM was held on 19 November 2013, and the next is scheduled for November 2014. The 2013 RTM discussed the midterm review of the country's seventh socioeconomic development plan, which covers 2011–2015, as well as food and nutrition issues in Lao PDR, and progress on achieving Millennium Development Goal targets, and ensuring sustainable economic growth through better management of natural resources.

4. Apart from the RTM mechanism, ADB is also a member of (i) the United Nations country team, (ii) all of the 10 government–development partner sector and thematic working groups, and (iii) an informal development partner group that meets quarterly. ADB is an active participant in the roundtable process and a signatory to the 2006 Vientiane Declaration on Aid Effectiveness. ADB helped prepare the country action plan on aid effectiveness through participation in a high-level forum and its task force. ADB recently completed a TA project to build capacities in support of improving aid effectiveness.<sup>3</sup>

<sup>3</sup> ADB. 2008. *Technical Assistance to the Lao People's Democratic Republic for Capacity Strengthening for Enhancing Aid Effectiveness*. Manila (TA 7193-LAO, \$600,000).

5. The Department of International Cooperation of the Ministry of Planning and Investment is responsible for mobilizing and using aid. The Ministry of Finance is responsible for negotiating loans and grants and monitoring of implementation of projects funded through such loans and grants. Line ministries are responsible for planning and coordinating aid in their sectors. The government is committed to strengthening the alignment between aid-financed public investments and budget the resources required to ensure their sustained operation and maintenance. The government adopted a decree in 2009 on official development assistance management to streamline coordination of this assistance between government agencies.

6. In 2006, it had established sector and thematic working groups (SWGs) of representatives of the government and development partners. With the support of development partners, 10 SWGs are working in the areas of governance; macroeconomic management and private sector development; infrastructure; agriculture, rural development, and natural resource management and environment; education; health and HIV/AIDS; drug prevention; and land mine action. The SWGs are cochaired by the government and development partners and serve as the main mechanisms for coordination and policy dialogue at the sector and thematic levels. Some SWGs meet on a more informal basis than others. ADB cochaurs the infrastructure, the macroeconomic management and private sector development, and the natural resource management and environment SWGs. To share information with development partners, the government publishes an annual foreign aid report, based on the aid coordination and monitoring system database developed with UNDP assistance.<sup>4</sup>

7. **Key aid effectiveness initiatives.** The annual joint country portfolio review meeting, organized by the government and the World Bank, was held on 21–22 August 2014. The review produced a joint action plan that listed solutions, timetables, and implementation arrangements for improving portfolio performance. This action plan also addresses crosscutting issues related to use of country systems, improved safeguards compliance, and governance. ADB, the government, and the World Bank signed a memorandum of understanding with the government on 22 August 2014 that reflected the review’s findings and agreed actions on the 2014 joint action plan and updated the project readiness filter.

### **C. Achievements**

8. The development partner coordination mechanism is well institutionalized in the Lao PDR and is embedded in the government-owned reform program. The participatory approach used in meetings of the SWGs and in development partner meetings with the Ministry of Finance, the Ministry of Planning and Investment, and sector ministries have improved coordination and harmonized the agenda of development partners with the sector priorities. This will contribute substantively to implementation of the Paris Declaration on Aid Effectiveness.

### **D. Summary and Recommendations**

9. The development partners have a shared understanding of the key implementation challenges and the strategic directions of public sector management reforms. The Lao PDR faces up to its governance challenges and the momentum of reforms to improve public sector efficiency and accountability is strengthened to deliver fair, speedy, and affordable service to the public and the poor and vulnerable in particular. Hence, development assistance must be delivered more strategically and effectively in alignment with the country systems and context. Policy dialogue between all stakeholders must be more visible and extensive to tackle difficult crosscutting reforms that will spur growth and service delivery.

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<sup>4</sup> Accessible at [www.rtm.org.la](http://www.rtm.org.la).