



**European Development Partners' Statement
at Lao PDR's Round Table Meeting**

Vientiane, 19th November 2013

The European development partners active in Lao PDR – the European Union and the Member States of the European Union together with Switzerland – would like to congratulate the Government of Lao PDR on the progress achieved in economic growth, poverty reduction and social development over the past three years of the implementation of the 7th National Socio-Economic Development Plan.

Lao PDR's strong economic growth is expected to continue in the medium term, however around one and a half million Lao people still live in poverty and a large proportion of the population is living precariously close to the poverty line. There are increasing inequalities between rich and poor, rural and urban, and life continues to be particularly difficult for the majority of rural families. Poverty is reflected in persisting malnourishment of children and high maternal death rates. We therefore welcome the substantive and frank discussion today on how we can, in partnership, effectively address these challenges and accelerate the implementation of the MDGs, especially those that are off-track.

European development partners have committed approximately USD 550 million in support of the implementation of the Government's 7th NSEDP. This represents over 30 percent of all the ODA received by the Government to date. Nearly all of the European ODA is provided in grants.

Our development cooperation in support of the 7th NSEDP has been provided to promote sustainable social and economic development, with a clear focus on: improved health services, better education and stronger human resources; agriculture and forestry; trade and business facilitation; and on reduction of the UXO threat. Important cross-cutting areas of European support are human rights, governance, support to civil society and citizen participation, climate change and environment.

Graduation from the Least Developed Country status and developing a prosperous society with a resilient economy and an equitable distribution of opportunities will require not only enhancing the impact of development resources, both domestic and external, but also accelerating reforms that will improve the quality of public services and promote sustainable and inclusive growth and development. In this context – and consistent with our previous Round Table Statements – the European development partners would like to highlight the following issues:

1. Good governance, the respect of human rights, and an active civil society are core pillars of harmonious and sustainable development

European development partners welcome the continued and sustained effort of the Government to implement the institutional reforms directed at the strengthening of the public sector, to enhancing the National Assembly's oversight role and outreach of parliamentarians to their constituencies, to promoting people's participation in national development and strengthening the rule of law through the implementation of the Legal Sector Master Plan. We remain committed to our partnership in support of these reforms, which are the key to improving fundamental human rights, enhancing public service delivery and strengthening the capacity of national institutions.

We concur with the findings of the RTM Background Document that civil society in Lao PDR is nascent and small and that the enabling environment for civil society remains challenging. In this respect in our view the last year has been a difficult year. This includes, for example, limited institutionalised mechanisms for policy dialogue with the Government, complex registration procedures for Non-profit Associations (NPAs) and a difficult operating environment for International NGOs (INGOs) which would further deteriorate were the draft INGO guidelines adopted in their current form. European Development Partners provided detailed comments on how the draft INGO guidelines could be improved and we hope that our suggestions will be taken on board.

We take note of the need to create a better understanding in the Government regarding the benefits of the work of civil society in the country as well as to enable NPAs to effectively communicate their contribution to national development. Increasing the impact of our development cooperation requires broadening partnerships, embracing diversity and recognising the distinct roles and diverse competencies that all stakeholders bring to bear on the success of development cooperation. We therefore commend the progress in registering NPAs, an increasing participation of NPAs in SWGs and Sub-SWGs and welcome the self-selection process which enabled NPAs and INGOs participation in this year's Round Table Meeting.

We agree that development results must be for the benefit of the people. Their voice and needs must therefore be the ultimate guide for our partnership in order for us to achieve these results. We therefore stand ready to support the Government in creating an enabling environment for civil society organisations to facilitate their full contribution to achieving the

Lao MDGs and, aligned with the work of the Government, we intend to focus our development cooperation on this effort.

We consider respect for human rights a vital prerequisite for Lao PDR's harmonious and thus sustainable development. European development partners are therefore strongly committed to the universal principle of protection and promotion of individual political, social and economic human rights and civil liberties. Accordingly, we welcome the commitment of the Lao Government and its efforts to fulfil its international obligations in promoting the rule of law for the promotion and protection of the fundamental rights of all people, as was recently expressed by H.E. Deputy Prime Minister Dr. Thongloun Sisoulith, at the 68th Session of the UN General Assembly.

We also note, however, that reform of national legislation to reflect international human rights obligations and strengthen citizen participation, voice and access to justice as prescribed in the NSEDP and the Legal Sector Master Plan has been slowing down. We are therefore looking forward to discussing existing challenges and measures to speed up progress and we stand ready to support the Government in this endeavour.

People cannot enjoy their rights unless they are fully informed and we concur with the findings of the RTM Background Document noting that there is a need to strengthen citizens' understanding of their rights and obligations so that they can fully enjoy and exercise their rights. We therefore urge the Lao Government to disseminate information on the provisions of national laws and international treaties, to raise awareness among the Lao population on the citizens' rights and obligations, and to encourage implementation of the laws for the benefits of Lao citizens and society.

European partners regard the unexplained disappearance of Mr Sombath Somphone as a very serious matter. We express our grave concern regarding his safety and wellbeing. European partners regard the statements made by the Government of Lao PDR on this case as neither sufficient nor convincing. We call on the Government of Lao PDR to conduct a comprehensive and transparent investigation of this case and to fully cooperate with UN bodies such as the Working Group on Enforced Disappearances in Geneva. In this context, we call upon Lao PDR to ratify the International Convention for the Protection of All Persons from Enforced Disappearance.

2. Accelerating progress towards the MDGs

Lao PDR is making good progress towards achieving the MDGs. The Government has been successful with first-order reforms in health and education that have increased access to these services. These reforms have contributed to reductions in maternal and child mortality and increased enrolment rates in primary schools. However, as reported in the Third MDG Progress Report, the country is off-track on five targets i.e. MDG 1 (malnutrition); MDG 2 (low education survival rates); MDG4 (under-5 mortality rate); MDG 5 (maternal mortality); MDG 7 (environmental sustainability) and MDG 9 (UXO). This implies that the quality of public services remains a concern. The key challenge, therefore, is to implement second-

order reforms that improve the quality of services, which requires strengthening monitoring and accountability in public and private sectors to ensure quality of services.

An important indicator that is off track is reducing malnutrition. The MDG progress report found that Lao PDR faced food security challenges and alarming rates of malnutrition, which in the long run can have a serious impact on cognitive development, health, and poverty alleviation. Stunting in children remains a major challenge, whilst the rate of decline in under-nutrition is so slow that, given the population growth, the number of stunted children is more likely to increase than to decrease. Addressing malnutrition requires, inter alia, increased food availability, diversification and intake; secure access to food sources and resources for producing food; access to clean water and sanitation; and providing quality education and health services. This requires a multi-dimensional cross-sector approach and, above all, enabling policy conditions to combat the underlying causes of food insecurity and malnutrition.

We therefore welcome the Lao Government's decision taken during the Provincial Round Table Meeting in Luangnamtha province in June 2013 to initiate the development of the Multi-sectoral Food and Nutrition Security Action Plan. This will involve a range of relevant ministries as well as provincial and district level authorities. Putting this plan into action, as noted in the RTM Background document, will contribute to accelerating achievement of MDGs. We welcome the Lao Government's leadership and guidance on how development partners can assist, as well as an indication of prioritisation by committing increased Government resources to support the implementation of the Action Plan.

3. Fiscal challenges, budget transparency and accountability

The Lao PDR economy has been growing at an average annual rate of 8 percent, supported by brisk credit expansion and robust inflows of foreign direct investment (FDI). This is highly commendable. The IMF Article IV consultations, in 2013, concluded, however, that rising food prices are accelerating inflation that adversely affects the poorest. Credit growth, which is partially driven by increased public spending, raises concerns about the health of the banking system. The current account deficit has deteriorated significantly as a result of a currency appreciation in real terms, a growing fiscal deficit, and strong domestic demand. Ongoing fiscal expansion has exacerbated vulnerabilities. Achieving high, sustainable growth over the medium term requires strengthening fiscal policy by improving tax collection and concentrating expenditure on priority social spending and productive investments.

Effective and efficient public financial management is the necessary core foundation for national development and poverty reduction, especially through ensuring sustainable economic growth and improving the efficiency of public services. We agree with the Lao Government that financing the implementation of core reforms will be an important challenge given the fiscal constraints. Hence, reforms in the Public Financial Management system will be a key to achieving the objectives of the reforms and to improve the quality of spending. In addition, fiscal transparency, especially with regard to the national budget, is one of the key

instruments for achieving good governance, an important factor for economic development and fighting poverty. Taking decisive steps in the fight against corruption and a transparent and predictable business environment are also of great importance.

The macroeconomic framework and the national budget are amongst the most important tools for implementing the national socio-economic development plan and, as such, they should include all public revenues, expenditures, and borrowing. There are currently however substantial deficiencies in the predictability and reliability of Lao's national budget. This in turn represents a challenge not only for the Lao government but also for its development partners as they need to ensure consistency between, on the one hand, the NSEDP, annual budget allocations and budget execution and, on the other, their own budgeting and programming. We welcome the information provided in the RTM Background Document on funding and sources of revenue provided to date towards the 7th NSEDP and we support the need to broaden our focus from managing aid to facilitating, leveraging and strengthening the combined impact of these diverse sources of finance for development, both domestic and external. This should be accompanied by a reduced dependence on aid, particularly as the Lao Government needs to adopt the right balance between 'soft' and 'hard' investments for development, whilst not relying solely on the donor community to ensure continued funding for 'soft' investment. In this respect, mobilizing Lao Government's own resources should play a primary role. Against this background it is important to stress that it is the responsibility of the European development partners to ensure that their taxpayers' money is used in an efficient and sustainable manner. This includes securing sufficient government funding to maintain infrastructure and other investments undertaken.

We therefore look forward to discussing how to improve domestic revenue management and administration and further strengthen transparency and accountability in the management of Lao PDR's public finances. We agree with the Lao government that this will be fundamental for ensuring sustainable and equitable growth and lay the foundation for public accountability.

4. Strengthening land use and management policies is essential for ensuring inclusive, equitable and sustainable development

European development partners have supported sustainable land management in Lao PDR since many years. Our objective is to enhance land tenure security for the rural and poor population.

The Mid-Term Review of the 7th NSEDP noted that rural communities in Lao PDR are being negatively affected by a number of interrelated developments including non-transparent granting of land concessions and monopoly purchasing (monopsonies), as Laos has 'opened its doors' to foreign investment expansion of export-focused plantations, logging, and hydropower projects that result in village resettlements.

Against this background European partners support the on-going legislative efforts to clarify and improve laws, and law enforcement procedures, related to land use and management.

These are fundamental for sustainable, but also harmonious and just, development. We are, however, concerned that in the existing draft of the National Land Policy the provisions for securing land tenure rights are still inadequate. In particular:

The population's role in the process of identifying and approving suitable areas for public and private investments in land should be further strengthened.

Land ownership or user rights should not be able to be revoked without the consent of the land holders, with the only exception for purposes that directly and primarily benefit the general public, and provided that the affected parties receive full and fair compensation. This applies to individually and communally held land, be it land held under customary ownership or with formal title.

If the proposed expropriation is not directly and primarily for a public purpose, then such land or land use rights cannot be transferred to any other party without the consent of the holders of each individual land proposed and the consent (through a vote) of an 80% majority of the community members, for each communal land proposed, taken in accordance with the principles of Free Prior and Informed Consent.

Revoking land ownership and forcing displacement causes increases in poverty and food insecurity by limiting access to income generation and increasing debt. It also results in violations of economic, social and cultural rights, psychological trauma and disruption to communities and family cohesiveness. Women and children are particularly vulnerable. The displacements also pose challenges for the effectiveness of European development cooperation because forced relocation and poorly planned resettlement places a strain on the proper planning of development interventions and infrastructure investments and impacts on other sectors in which development partners devote resources (i.e. health, education, or livelihood promotion).

Knowing that it will still take time before community land titles are registered on a wide scale, customary land use will continue to be a very common land tenure system in rural areas. The term "Customary land" must therefore be clearly defined.

An effective land conflict resolution mechanism needs to be put in place to solve numerous land disputes in a fair and transparent manner. This could be addressed by, for example, establishing an independent agency outside of involved government offices that would have the responsibility to receive and resolve grievances related to land conflicts and having the authority to enforce implementation of the resolutions and relevant laws.

In addition, setting up a joint database, by the relevant ministries concerned (MPI, MONRE, MAF) would be an essential step to improve land management by providing all actors with access to up to date documents and maps relevant for the approval of land concession and lease contracts.

We welcome the fact that the National Assembly (NA) did not overly hastily pass the National Land Policy (NLP) in its last session. We congratulate the NA on its decision to allow more debate and dialogue. The redrafting of the policy requires the input of the affected people and making the draft available for public comment, as is stipulated in the Law on Making Legislation.

The Government has a policy of turning land into capital. Reaching the government's goal of sustained strong economic growth is only possible with a sound National Land Policy and a good and comprehensive land law. Lao PDR needs to establish a favourable context for quality investors. Those quality investors will only make investments to the extent that they have security that their investments will not be easily taken away from them. To provide this security, clear and comprehensive legislation matching international standards is needed.

5. Sustainable development depends on effective environmental management and trans-boundary cooperation

The RTM Background document notes that the industrial sector, especially energy and mining, has grown rapidly at an average rate of about 13.7 percent annually, and now contributes 30.3 percent of GDP. Almost 50 percent of the growth in this sector can be attributed to the large private domestic and foreign investments in the natural resource sector (mining and mineral exploitation and hydro-electric generation). It is important to acknowledge the growing energy demand in the region as well as the contribution of hydropower to economic growth. However, without effective trans-boundary cooperation, the environment and ecological balance of the Mekong basin will be in jeopardy and, with it, the livelihoods and food security of many people in Laos and elsewhere in the region. European development co-operation has instruments for both, supporting the preservation and the exploitation of natural resources. Striking the right balance between saving and using resources is the paramount challenge for Laos. When it comes to exploitation it is important that this happens in a sustainable manner and ensuring an equitable distribution of income/benefits generated by these activities.

The success in achieving our shared goal – to ensure the wellbeing of all Laotians and in particular to strengthen the opportunities for poor and vulnerable Laotians to enjoy healthy, happy and secure futures – depends in part on the strength of our partnership. The regular Round Table Meetings are important events which enrich our partnership by giving us the opportunity for dialogue, constructive appraisal of progress on development results, and transparency and accountability to our stakeholders – especially to the ultimate beneficiaries, the Lao people. In this spirit, we wish the 2013 Round Table Meeting fruitful discussions and a successful outcome.