



*Final draft for final comments - 13 November 2015*

**VIENTIANE DECLARATION  
ON PARTNERSHIP  
FOR  
EFFECTIVE DEVELOPMENT  
COOPERATION  
(2016-2025)**

## I. Introduction

1. We, the Government of the Lao People's Democratic Republic (The Government) and the Development Partners (the Partners), met in Vientiane Capital, Lao PDR on 27<sup>th</sup> November 2015 in a spirit of full solidarity to enhance our partnership for effective development cooperation. The successful conclusion of the 12<sup>th</sup> High Level Round Table Meeting has enabled us to assess progress made and learn valuable lessons from the implementation of the 7<sup>th</sup> National Socio-Economic Development Plan (NSEDP) 2011-2015 and to generate the means of implementation of the 8<sup>th</sup> NSEDP 2016-2020. We are united in partnership that is broader and more inclusive, founded on shared principles, common goals and determined commitments for effective development cooperation.

2. We recognise that Lao PDR and the international community stand at an important juncture. Therefore, we have embarked on a new phase in the unfoldment of our partnership. We look forward to further deepening our dialogue and cooperation across an ever broadening range of development opportunities in order to manage both persistent and new challenges and to achieve greater development success.

3. The Government continues to strive towards graduating from Least Developed Country (LDC) status, particularly through the implementation of the 8<sup>th</sup> NSEDP 2016-2020 including the attainment of the unmet Millennium Development Goals (MDGs). We are united in working towards the realisation of this cherished goal, based on inclusive and sustainable levels of economic growth.

4. A new universal agenda for inclusive and sustainable development (the 2030 Agenda for Sustainable Development and the Sustainable Development Goals – SDGs) was adopted at the United Nations Sustainable Development Summit in September 2015. We are looking forward to implementing these goals within the framework of the 8<sup>th</sup> NSEDP (2016-2020), the 10 year Socio-Economic Development Strategy (2016-2025) and the National Vision 2030.

5. We also recognise that there has been a shift towards greater partnership for effective development cooperation. Development cooperation has been sustained by the contribution and catalysing effect of Official Development Assistance (ODA) as an important source of international development assistance. ODA remains to play this role but will increasingly also complement other important forms of development resources, for example, via greater use of joint development partner-Government co-financing of priority projects. In particular we recognise that strengthened mobilisation of domestic public and private sector resources, foreign direct investment, south-south and triangular cooperation, knowledge and technology transfer on voluntary and mutually agreed terms, yields important additional resourcing towards our shared development objectives. Not least, the engagement of the private sector and civil society as partners in development at the national, sectoral and sub-national levels also brings considerable benefits.

6. Our original Vientiane Declaration on Aid Effectiveness signed in November 2006 during the 9<sup>th</sup> High Level Round Table Meeting served us well for the purposes of laying the foundations of our partnership in the core principles of aid coordination. We have made progress in many areas of collaboration. However, there are areas which can be strengthened in order to deliver the un-met MDGs, ensure LDC graduation, pursue the SDGs and ensure better development results. We have therefore determined to

revitalize the original Vientiane Declaration as the framework of our evolving development collaboration within the context of the Global Partnership for Effective Development Cooperation (GPEDC) to fit the circumstances of Lao PDR.

7. We acknowledge the important role of the Vientiane Declaration Country Action Plan (VDCAP) Secretariat in monitoring and reporting on the implementation of the Vientiane Declaration on Aid Effectiveness. Since 2006 we have welcomed the valuable information provided by the VDCAP Secretariat: 2008 country survey on the implementation of the Paris Declaration; 2008 country report on the implementation of the Vientiane Declaration on Aid Effectiveness; 2011 country survey on the implementation of the Paris Declaration; 2014 country survey on the implementation of the Vientiane Declaration on Aid Effectiveness, and the 2015 VDCAP desk review exercise.

## **II. Enhanced Partnership Declaration**

8. This Declaration has been developed in a spirit of mutual understanding, transparency and accountability of all relevant development stakeholders. It aims to enhance the partnership to provide greater support for national poverty reduction efforts and sustained and inclusive growth taking into consideration the economic, social and environmental dimensions of sustainable development and the capacity of human resources and institutions.

9. This Declaration represents a shared recognition between the Government and the Partners on enhancing the partnership for effective development cooperation in the Lao PDR. In this regard, we will undertake a joint exercise to prepare a Country Action Plan (CAP) to implement this Declaration. The CAP will identify concrete time-bound actions that will be reviewed and reported on an annual basis. We will make available appropriate resources, knowledge and capacity to implement this CAP in a manner consistent with the Government and Partners' policies and strategies. While this Declaration and the CAP do not constitute legally binding instruments, they represent a shared recognition between the Government and the Partners to further strengthen partnerships for greater development results.

## **1. Ownership**

10. We acknowledge the strong leadership and high level of commitment from the Government over the development, implementation and reporting of successive NSEDPs and in facilitating an open, thorough and inclusive consultative processes taking into account different levels of participation and perspectives from all relevant development stakeholders.

11. The Partners will support the Government's leadership to harness the policy, programmatic and operational partnership that exists to appropriate effect on a sector by sector basis. This will require concentrated and sustained efforts to strengthen the functioning of the Sector Working Groups (SWGs) as mechanisms for consultation, technical analysis and effective cooperation to advance the national development agenda. This entails greater efforts and participation of relevant Government line ministries and development partners working together to follow the effective development cooperation principles specified under this Declaration. It also involves strengthening the linkage between the agenda and work program of the SWGs to the national planning priorities.

12. The Government will lead in the development and operationalisation of the monitoring and evaluation (M&E) framework of respective NSEDPs with improved national statistical information. In addition, the Government will accelerate its efforts to translate NSEDPs into prioritised and results-oriented operational programs within the Government's Medium Term Expenditure Framework (MTEF) and associated annual plans and budgets.

13. The Government will continue to integrate ODA and other major sources of development financing into mainstream planning and budgeting frameworks alongside that of domestic public investment in core development programs. The Government is committed to enhance budget transparency including efforts to **ensure an increasing proportion of aid is on budget**. This will help facilitate the use of country systems by the Partners. In particular, the Government will continue to exercise effective leadership, coordination, tracking, analysis and reporting of development financing in a timely and transparent manner through facilitating and maintaining a quality partnership based on dialogue and consensus.

14. With support from the Partners, the Government will lead in identifying capacity needs at different levels for improved service delivery. Specifically, the Government is committed to further strengthening capacity building objectives in the NSEDP, translate them into practical strategies and plans, and work with the Partners to develop and implement comprehensive long-term capacity building programs.

## **2. Alignment**

15. We will build further on our respective aspirations set out in the Vientiane Declaration on Aid Effectiveness (2006) to use country systems for development cooperation in support of activities managed by the public sector. To facilitate this, the Government and the Partners will jointly pursue mutually agreed diagnostic tools, risk assessments and mitigation measures with a view to maximizing the use of such country systems in the medium term, on the basis of comprehensive and transparent national budget information. This will contribute to building and reinforcing the capacity of national systems, thereby gradually reducing the need for project implementation units

(PIUs) within line ministries. The Government and the Partners will strive to avoid parallel structures and processes wherever possible.

16. Where the use of country systems is not possible, the Partners will state the reasons for non-use, and will discuss with the Government what would be required to move towards their appropriate use, including any necessary assistance or changes for the strengthening of systems.

17. To help ensure the alignment of aid flows with national development priorities the Government and the Partners will jointly work on the management and reporting of increasingly harmonized development assistance which should be systematic, effective, accountable and transparent, consistent with the OECD-DAC and the International Aid Transparency Initiative (IATI) standards, and others as appropriate.

18. The Government and the Partners will work together to enhance future development cooperation using the existing Sector Working Group (SWG) consultative mechanisms and processes, and provide indicative commitments of development cooperation over the period of the Government's Medium Term Expenditure Framework. In particular, to facilitate the use of country systems by the Partners, the Government will accelerate its efforts to release the national budget and its development financing requirements in a timely and transparent manner. The Government and its Partners also commit to make more regular use of PFM analysis tools such as updating the last PEFA and will continue to do so in a periodic and timely manner.

19. In addition, the Government and the Partners acknowledge the importance of the transparency of the national budget for a meaningful consultation process. In this context, the Government will further enhance the linkage between budgetary and planning processes within the formulation of prioritised, evidence-based and results-oriented annual NSEDPs (annual implementation plans) with accompanying development sector programs and indicative budgets.

### **3. Harmonisation and Simplification**

20. The Government and the Partners will jointly carry out planning, review, monitoring and evaluation of priority development effectiveness issues that should be undertaken to support the realisation of the national development agenda. This will build on the current country donor joint review mechanisms, training and field missions. It requires an ongoing effort to ensure that principles of human resource management (recruitment, assessment, training of staff, etc.) are harmonized to improve and strengthen national capacities, procedures and incentives.

21. The Government and the Partners will explore the possibility of increasingly pursuing Program-Based Approaches (PBAs) within national development frameworks and development plans. This will require the Government and the Partners to work closely to identify how each others' comparative advantages can contribute most to the partnership and to the delivery of development results at the national, sectoral and provincial levels.

22. The Government will continue providing its views on the comparative advantages of the Partners and on the ways to increase Partners' complementarity at country, sectoral and provincial level. The Partners will develop and maintain a clear plan to make full use of their respective comparative advantages at national, sectoral and

provincial levels by aligning their support to national priorities in close consultation with the Government.

23. To the extent possible, the Partners will seek to rationalise their regulations and procedures to facilitate implementing common arrangements for planning, design, funding, disbursement, implementing, monitoring, evaluating, and reporting to the Government on their activities and development financing flows. The Partners will continue to strive towards internal delegation of financial authority, staffing, and roles and responsibilities to their country offices in the design and implementation of development programs. The Government and its Partners will also strive to harmonise the use of per diems and project staff salaries in line with national systems, relinquishing the practice of ‘top up salaries’ in the process.

#### **4. Inclusive Partnerships for Development Results**

24. Together, we will further increase our focus on inclusive partnerships for development results. We now all form an integral part of a more inclusive development process, in which multiple actors collaborate and participate on the basis of common goals and shared principles. On this same basis, we welcome the greater participation of south-south partners, civil society, the private sector and other actors under the existing consultation and dialogue process.

25. Within the national institutional environment, the role of the National Assembly will be strengthened in the oversight of development processes, representation and law making. This will be supported by capacity development and backed by adequate resources and appropriate action plans.

26. The Government will also further support local administration to enable them to be more proactive to drive the development process, to strengthen service delivery functions, to improve multi-sector coordination, and to enhance participation, transparency and accountability at the sub-national levels.

27. In recognition of the very significant contribution to growth being made by emergent nations to the development partnership, in particular from neighbouring and ASEAN countries, further efforts will be undertaken to collaborate with these partners to support national development programmes. This includes their engagement in activities to support, implement and monitor the partnership for effective development cooperation, including their engagement in coordination structures such as the Round Table Process (RTP) and SWGs. It also includes support for the introduction and enhancement of a diverse range of development assistance activities—such as public and private financial flows, skills and technology transfers, and South-South and triangular cooperation initiatives—that are aligned with the principles of development cooperation laid out in this Declaration as well as the priorities of national development plans.

28. The Government will continue its efforts in enabling International Non-Government Organisations (INGOs) and National non-Profit Associations (NPsAs) alongside that of philanthropic foundations, development trusts, research institutes, think-tanks and academic institutions to carry out their implementation activities and to participate in development cooperation activities. These partners enrich our conversations on vital human and environmental development challenges. They generate knowledge and learning, make an important contribution to policy discussions by promoting rights-based approaches, and help shape development policies and partnerships. Through their implementation activities they also generate valuable

insights, innovative resourcing and often reach out and deliver services to the most impoverished citizens. The Government and the Partners encourage them to implement practices that strengthen their accountability, knowledge sharing and their contribution to development effectiveness, guided by international and national principles and frameworks.

29. To further strengthen partnerships for development results, the Government and the Partners will jointly enhance results-based management to help ensure that demonstration of results will be based on clear and verifiable evidence. To do so, an ongoing support will be required for the Lao PDR's statistical, monitoring and evaluation regulations and procedures. In particular, the Government will develop a comprehensive NSEDP monitoring and evaluation framework and platforms incorporating the 2030 Agenda for Sustainable Development and relevant SDGs. This will be adopted as a common tool among all concerned actors to assess performance based on a manageable number of outcome and output indicators drawn from the key development priorities and goals of the country. The Partners will then minimise their use of additional frameworks to the extent possible.

30. In line with the Government's policy to promote balanced nation-wide development and gender equality for greater development results, a specific system for monitoring gender inequality and regional disparities will be put in place. The Government and the Partners will jointly undertake accelerated efforts to collect, analyse, report and disseminate harmonized approaches to disaggregated data. This will greatly assist and inform policy and investment decisions, ensuring in turn that public expenditures are targeted appropriately to benefit both women and men and to provinces and districts most impacted by poverty and vulnerability. Targets for women's empowerment and gender equality in the public and private sectors, and in particular for poverty reduction, will be integrated into local accountability and transparency mechanisms, grounded in existing international and regional commitments.

31. Within **the 2030 development agenda**, the Government will enhance coherence, transparency and predictability across various approaches for effective climate finance and disaster preparedness **in the context of effective development cooperation**. The Partners will continue to support national climate change policy and planning as an integral part of overall national development plans, and ensure that where appropriate these measures are financed, delivered and monitored through developing a country system in a transparent manner. In particular, with the Partners' support, the Government will take the lead to enhance a comprehensive assessment of environmental and climate change impact. This extends to the current requirement to strengthen technical and policy capacity for social, environmental and cultural impact analysis and for the management of disaster preparedness and climate change response. They will accompany the enforcement of legislation.

## **5. Transparency, Predictability and Mutual Accountability**

32. We acknowledge the national progress made towards mutual accountability under the implementation of the Vientiane Declaration on Aid Effectiveness. The partnership aims to build on these gains and make further progress in the areas of accountability and transparency.

33. The Government will undertake to produce a transparent and accountable national budget to which the development partners can align their financing in a predictable manner. The Government will also publicly provide transparent financial

reporting on a timely basis on the execution of the National Budget, across the development sectors, to enable a proper assessment of development results.

34. The Government and the Partners will jointly carry out annual reviews on progress in implementing effective development cooperation goals and improved development outcomes through existing and increasingly objective country level mechanisms. A Country Action Plan (CAP) and indicators will be jointly formulated to guide and monitor implementation of this Declaration. The indicators, reflecting those defined in the Global Partnership Monitoring Framework, will be tailored to the context of the Lao PDR. They will include time-bound targets, as appropriate. Indicators incorporated into the Action Plan will include a framework for monitoring progress both on implementation of the Action Plan and the outcomes.

35. The Government and the Partners will use the results-oriented M&E framework of the NSEDP to provide the basis for recording progress towards the goals and targets set for each sector, together with an open assessment of the relative contribution made to the accomplishment of these objectives, including lessons learned and steps to be taken to effect the ongoing improvement of performance in the sector.

36. In this regard, we will work to improve the availability and public accessibility of information on development cooperation and other development resources. The Government and Partners will work together to monitor and report on all major forms of development cooperation and finance flows to Lao PDR. The national budget will be used for reporting on budget execution of national finances, including development cooperation channelled through the national budget, which is allocated to the development sectors as part of the Government's accountability for funds and results to the National Assembly and its citizens.

## **6. Domestic Resource Mobilization**

37. The combination of good governance, increased effectiveness and the mobilization of increasing levels of government revenues are required to ensure adequate direct development financing over for long-term. Government resources are important to leverage complementary private financing to augment investment in public service delivery, social protection, institutional and human development, and basic infrastructure, thereby underpinning strong and inclusive economic growth.

38. In this regard, with support from the Partners, the Government will seek to:
- a) Increase the mobilization of public and private domestic resources to support development;
  - b) Improve the balance between Partner and Government co-financing of priority development programmes and projects, whilst increasing over time national budget allocations and expenditures on vital social services in line with the targets set out in the NSEDP;
  - c) Improve the taxation system sustained by a broader tax base and scaling up international tax cooperation to enhance the capacity of tax authorities to carry out their functions in an effective manner;
  - d) Strengthen measures to combat corruption, tax evasion and stem illicit financial outflows that hinder public domestic finance collection;
  - e) Strengthen an inclusive domestic financial sector;
  - f) Ensure that investments in the natural resources sector, which are an important source of domestic revenue, are pursued in an environmentally sustainable manner; and



- g) Promote an enabling and more equitable international trade environment that contributes measurably to sustainable development.

## **7. South-South Cooperation, Triangular Cooperation, and Knowledge Sharing**

39. The Government and the Partners recognise that many countries engaged in South-South Cooperation both provide and receive diverse resources and expertise at the same time, and that this should enrich cooperation without affecting a country's eligibility to receive assistance from others. We will strengthen our knowledge sharing and mutual learning endeavours by:

- a) Deepening understanding of the nature and modalities of South-South cooperation that are guided by the principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit, and the ways and means to enhance and accelerate its development impact;
- b) Developing and scaling up of triangular cooperation initiatives, both at strategic, policy and project level;
- c) Encouraging the development of networks for knowledge exchange, peer learning and co-ordination among South-South cooperation actors as a means of facilitating access to important knowledge pools;
- d) Enhancing our collective knowledge concerning the possible arrangements for a facilitation mechanism to promote the development, transfer on voluntary and mutually agreed terms, and dissemination of clean and environmentally sound technologies that can be utilized to the advantage of Lao PDR; and
- e) Greater integrating south-south cooperation partners in coordination structures such as the RTP and SWGs.

## **8. Business as a Partner in Development**

40. The Government and the Partners acknowledge the significant contribution that private enterprise already makes to economic and social development. However, more can be done in Lao PDR to facilitate our business partners to continue to make important contributions to poverty eradication, human development and environmental sustainability through strong and inclusive economic growth, wealth and decent jobs creation, entrepreneurship, productivity and innovation, knowledge sharing and technology transfer, and expanded access to goods and services for all. In this context, we emphasize the critical importance of promoting an enabling business and investment environment for large, small and micro enterprises that are conducive to inclusive and sustainable development, and in accordance with national public policy and regulatory frameworks.

41. We also appreciate the private sectors adherence to our mutual anti-corruption, transparency and accountability principles, in all their respects. The Government will continue to create a trading environment that is conducive for the long term success of the private sector in Lao PDR, both domestic and foreign, and will prioritise ease of capital flows, transparency and efficiencies in international trade practices.

42. In this regard, the Government will seek to create appropriate platforms and hubs for inclusive structured and ongoing multi-stakeholder dialogue across a broad range of public-private interests. This will be particularly needed for public-private finance mechanisms designed to appropriately share investment risks whilst maximizing

positive economic, social and environmental development impacts. The Government will also take a proactive approach to ensuring that the rule of law is enforced in Lao PDR as per documented laws and decrees.

43. In particular, the Government will engage with representative business associations, trade unions and others to improve the legal, regulatory and administrative environment for the mobilisation and attraction of private investment in development activities. This will include taking into account social and environmental safeguards. The Government will also to ensure a sound policy and regulatory environment for private sector development, increased foreign direct investment, public-private partnerships, and the strengthening of value chains in an equitable manner. It will give particular consideration to national and regional dimensions, and the scaling up of efforts in support of development goals and relevant international initiatives.

44. We encourage the application of corporate social responsibility (CSR) as a form of corporate self-regulation integrated into business models. CSR is acknowledged as a very welcome addition well beyond the standard regulatory mechanisms whereby a business monitors and ensures its active compliance with national regulations, ethical standards and national or international norms.

### **III. The Way Forward**

45. Maximizing the synergies, taking advantage of the complementarities and building on the optimal interplay of all sources of financing and resourcing is essential to make this development effectiveness partnership a complete success. The manner and extent to which we align our resourcing and policy frameworks to achieving sustainable and inclusive development in Lao PDR is central to our common agenda moving forward.

46. We will continue to invest heavily in our inclusive partnership approach and in a healthy dialogue that converges on the principles and practices of the 2030 Agenda for Sustainable Development recently committed to by our leaders at the Sustainable Development Summit at the United Nations in New York in September 2015.

47. A taskforce comprising representatives of the Government and the Partners will be responsible for preparation of the Country Action Plan, which will be reviewed and finalized with the involvement of all stakeholders. This will be accomplished by 30 September 2016 and presented at the Annual Review of the NSEDP for approval, and in subsequent years for monitoring.

#### **IV. Signature**

Signed at this 12<sup>th</sup> High Level Round Table Meeting on 27 November 2015, in Vientiane, Lao People's Democratic Republic.

**For the Government of the Lao PDR**

**For Development Partners**