



**European Development Partners' Statement
at Lao PDR's 12th High Level Round Table Meeting 2015**

Vientiane, 27th November 2015

1. Laos' European development partners, comprising the European Union and the Member States of the European Union together with Switzerland, congratulate the government on another successful year of implementing the 7th NSEDP. The government made remarkable progress in reducing poverty, improving service delivery and sustaining economic growth. Nonetheless, certain challenges are still to be addressed and faced in order to confirm this overall positive trend. At the last High Level Round Table Meeting in 2013 and the subsequent Round Table Implementation Meeting, last year, we summarised our discussions in 16 follow-up Action Points, which are still valid today. We welcome that an important part of today's discussion will be devoted to discussing progress against these Action Points.
2. The new 8th NSEDP starting next year extends the government's developmental ambitions with a target of graduating from Least Developed Country status within a reasonable timeframe. The plan is recognisably important to Laos and to achieving the new Sustainable Development Goals. European donors welcome and support the *Vientiane Declaration on Partnership for Effective Development Cooperation* (Vientiane Declaration II). Laos' European development partners have already taken action to respond to government calls for greater development effectiveness. European donors are currently reducing transaction costs whilst improving coordination and alignment with government priorities, through developing a LAK 4.5 trillion (EUR 0.5 billion) Joint Programming Strategy for Laos for the period 2016 – 2020.
3. The next five years will see Laos face increasingly complex developmental challenges. With a growing economy comes not only increased wealth but also growing inequality and worrying pockets of entrenched poverty, particularly accentuated amongst minority ethnic groups. Rapid economic expansion must also be accompanied with accordant controls to protect an already fragile and at risk environment. Greater integration into regional and global markets brings new opportunities but also great risks. Laos' weak business enabling environment puts its local entrepreneurs at a significant disadvantage to its regional peers, and makes it all the more urgent to take decisive steps encouraging entrepreneurship, combating corruption and easing procedures. The economic benefits are not fully captured because the national education and vocational training systems are not sufficiently performance oriented, provide a

comparatively low quality of education in the ASEAN context while not meeting the needs of the market place and not enjoying the recognition and reputation they deserve. Therefore, in the implementation of the 8th NSEDP special importance should be assigned to training and qualification of the labour force. We also encourage the government to develop migration and labour market policies which would contribute to a sustainable and inclusive socio-economic development of the country.

4. At the same time, the 8th NSEDP's ambitious targets also raise attention to the need to make rapid progress in meeting the 2015 MDG targets particularly when it comes to reducing maternal mortality, protecting environmental resources, ensuring better completion rates in education and ensuring access to clean water and sanitation in rural areas. The government needs an urgent response to stopping human trafficking, particularly of under-aged girls and boys. Another worrying factor is the prevailing high rates of both stunting and underweight in children under five, which have fallen significantly short of MDG targets and if the same pace is maintained, it will be insufficient to meet the nutrition-related targets of the new Sustainable Development Goals.
5. We, however, would like to commend here the recent progress achieved in the education sector, by making basic education (primary and lower secondary education) fee-free and compulsory. Moreover, we welcome the significant efforts to expand government's plans to improve nutrition. The very first "National Nutrition Forum" took place just last week and we fully support the commitment there is to boldly tackle the nutrition challenges, including the significant scaling up of the efforts at the decentralised and community level. We all know that the evidence shows there is a strong correlation between agriculture, education, women's empowerment, health and nutritional outcomes. Essentially this means that giving greater voice to women in all aspects of governance and service delivery is essential to arresting the worsening levels of nutrition and stunting. At the same time, we urge the government to meet its own commitments to increase spending on education and health and to increase those targets further to at least in-line with international benchmarks. Further strengthening of health systems especially at local levels, will be crucial not only to reach off track MDG targets related to health but also to fulfil human development related LDC graduation criteria.
6. Whilst progress has been made, sustainable management of the environment and natural resources needs a greater sense of urgency. Laos' fragile environment is risked both by illegal and unregulated exploitation as well as climate change. We encourage the Lao government to include sustainable management of natural resources into national policies, strategies, laws and to put greater emphasis on biodiversity protection, while taking more effective action on illegal wildlife trafficking. In this sense, monitoring of the implementation of the already existing policies and strategies as well as law enforcement is equally important. We welcome the government's efforts to reduce illegal logging and to engage with the EU in the FLEGT process. Improving land tenure security is also important. Here the

FAO Voluntary Guidelines, ASEAN regulations and bilateral agreements illustrate how to better protect investments.

7. We reiterate that we are fully committed to the 2030 Agenda for Sustainable Development. We acknowledge the relevance of the Sustainable Development Goals particularly those related to agriculture and rural development, education, environment, health, governance, nutrition and private sector development. European donor partners provide significant financial and technical support to achieving ten out of Laos' eighteen SDGs¹.
8. Through European Joint Programming, European donors are significantly investing in rural development, education, environment, health, governance, nutrition and private sector development over the course of the 8th NSEDP. European donors, however, note that the government is currently projecting it will spend on investment EUR 2 of its own resources for each EUR 3 of donor resources. With the economy growing considerably faster than the global average and Laos ranking as a lower middle income country, there is opportunity to progressively allocate more public resources to development interventions by leveraging effective domestic resource mobilisation.
9. Equally important to increasing domestic revenue is improving the return on public spending. We welcome the Government's steps to improve public financial management, in particular efforts to strengthen the role of the State Audit Office, whose mandate in this regard is vital. As we have learned from our experience in Europe, strengthening public financial management systems and improving public budget transparency are essential elements to make best use of domestic resources for development and to reassure the markets that Laos is a place where business can invest. Good public financial management meets the government's own ambitions of ensuring sustainable economic growth, increasing FDI inflows, value for money, preventing corruption and improving the efficiency of public services. Here the European partners also note the SDG 17 priority of strengthening the global partnership and the importance of a strengthened dialogue on raising domestic revenue collection as well as commitments by the Lao government to increase budget transparency and by the donors to support the strengthening of public financial management systems, as also stated in the Vientiane Declaration II. Effective budget transparency is a precondition for stronger reliance on country systems.
10. On land, we welcome recent signals from the government that expropriation for private purpose will not be included in the National Land Policy. We encourage the government to allow expropriation for public purpose only. This would contribute to improved tenure security in line with ASEAN regulations and bilateral investment protection agreements. Since only about 30% of land holdings in Laos have been

¹ SDG 18 being a localised goal to Laos, on reduction of UXO impact.

'titled' yet, we would encourage the government to acknowledge and protect customary rights in order to secure the livelihoods especially of rural and vulnerable groups. In case of expropriation of titled or customary lands, affected parties should receive full, fair and prior compensation – both in cases of individually and communally held land. Laos should also work to ensure full transparency around the land concession process, empowering the National Assembly in its scrutiny role in this regard.

11. Sustainable development cannot be achieved by governments alone, as it requires active participation of all people. In this sense, civil society helps channelling and encouraging the engagement of citizens at large. We note with concern the reports of the cancellation of the 2016 ASEAN People's Forum, as this event would be an opportunity for dialogue and partnership with civil society at ASEAN level. We look forward, and are committed, to work together with the Government on improving the environment for not-for-profit associations (NPAs) and international non-governmental organisations (INGOs), notably by facilitating their registration and ensuring a swift and timely implementation of civil society projects. Their role as a genuine partner goes beyond, and is not limited to, the implementation of national development plans: civil society plays a vital role in development processes and is important for putting local communities and villages at the heart of any development approach. European donors are committed to good governance and rights based approaches and, as such, we remain committed to support to institutional strengthening also through working with the Judiciary and National Assembly.
12. European Development Partners reiterate their strong commitment to promote better lives and the exercise of constitutional human rights for all Lao citizens. We welcome Laos' acceptance of some of the recommendations of the most recent Universal Periodic Review and we are open to the dialogue on how concerted measures by the government could address its recommendations. In particular, we welcome the government's reassurance to thoroughly investigate, and report on, the 2012 disappearance of Mr. Sombath Somphone, consistent with international practices and standards. Mr. Sombath has now been missing for over 1,000 days. His disappearance remains an issue of great concern for us. His family is desperately seeking for answers.
13. To conclude we welcome and appreciate the productive partnership with the Lao Government as it is exemplified by the successful results displayed here at the High Level Round Table meeting. We look forward to continued and constructive discussions to further progress in the development of Lao PDR and its people.

Thank you.