

EFFECTIVE AID COORDINATION
A CASE STUDY OF
LAO PEOPLE'S DEMOCRATIC REPUBLIC

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ABSTRACT

The purpose of this research is to find what is “effective aid coordination” particularly drawing from the case study of Lao People’s Democratic Republic and lessons from Vietnam and Timor Leste. The study proposes that a solution to the problem of poor delivery of ODA is that the development industry must improve its ODA spending systems and incorporate aid budgets into the national budget and development plans. It is vital to encourage national governments to lead their own development agenda and support development according to local priorities.

The results suggest that it is not just a matter of coordinating aid effectively, but the aid industry needs the right capacity and people to be involved. Capacity building is much needed within the recipient national offices as well as many of the international donor agencies. This would allow the local government to take the lead and prioritise the commitments signed in the Paris Declaration, the Vientiane Declaration and the Millennium Development Goals.

It is recommended by many practitioners that the number of agencies working in decision making processes in the aid effectiveness agenda in Laos should be limited to reduce transaction costs and promote clear communication within the development community. However different environments such as Timor Leste, suggests that civil society should be involved more and that donor agencies should not take the lead in aid delivery.

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ABBREVIATIONS

ADB	Asian Development Bank
AI	Avian Influenza
AIDS	Acquired Immune Deficiency Syndrome
AP	Action Plan
CAP	Country Action Plan
CAW	Country Analytic Work
CDF	Capacity Development Framework
CPI	Committee for Planning and Investment
DAC	Development Assistance Committee
DIC	Department of International Cooperation (MoFA)
DP	Development Partner
DSA	Daily Subsistence Allowance
EC	European Commission
FAO	Food and Agriculture Organization
FY	Fiscal Year
FW	Framework
GoL	Government of Lao PDR
HCS	Hanoi Core Statement
HIV	Human Immunodeficiency Virus
INTOSAI	International Organization of Supreme Audit Institution
Lao NCAW	Lao National Commission for the Advancement of Women
LWU	Lao Women's Union
MAF	Ministry of Agriculture and Forestry
MCTPC	Ministry of Construction, Transport, Post and Communications
MDG	Millennium Development Goals
MoE	Ministry of Education
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoH	Ministry of Health

MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NGO	Non Government Organization
NSEDP	National Socio-Economic Development Plan
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PACSA	Public Administration and Civil Service Authority
PBA	Programme Based Approach
PEMSP	Public Expenditure Management Strengthening Programme
PFM	Public Financial Management
PFAE	Partnership Group on Aid Effectiveness
PIP	Public Investment Programme
PIU	Project Implementation Unit
PMU	Project Management Unit
PrMO	Procurement Monitoring Office
RTIM	Round Table Information/Implementation Meeting
RTM	Round Table Meeting
SIDA	Swedish International Development Agency
STEa	Science, Technology and Environment Association
SWG	Sector Working Group
TC	Technical Cooperation
TSA	Treasury Single Account
UNCT	United Nations Country Team
UNDP	United Nations Development Programme
UNFPA	United National Population Fund
UXO	Unexploded Ordinance
VD	Vientiane Declaration (on Aid Effectiveness)
WB	World Bank
WHO	World Health Organization

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CHAPTER 1: INTRODUCTION

Overview

The Paris Declaration has been identified as the key development framework in leading the aid effectiveness agenda. It is a contract between members from various developed and developing countries in an effort to reduce poverty. This thesis draws attention the aid effectiveness agenda and the search for better ways to work in the development field, including governments and development professionals.

Aid coordination is assumed to be the way to effective aid delivery. At the local level, Laos has made progress in localizing the Paris Declaration through the Vientiane Declaration and recently the Country Action Plan which seek to implement this commitment. Laos is a good case study for this new approach to development and can easily be observed from the ongoing administration of aid by the national government and how the international organizations and donors are involved.

Effective Aid Coordination, as the topic suggests, is all about how to bring development communities together as one and propose that poverty reduction work should be incorporated into one master plan. When development institutions work independently, projects are duplicated and already limited resources are wasted. With aid coordination, the local government can monitor and outline the priorities needed for Lao PDR and allow interested parties to contribute to the government plan. However the aid coordination system in Laos is not working well at present. Examples from case studies are drawn from Vietnam and Timor Leste, may provide some useful lessons.

This chapter will provide an overview of the thesis topic “effective aid coordination in Lao PDR with lessons from Vietnam and Timor Leste”. A total of five chapters

are presented and will be elaborated in brief in the last section of this chapter. The background to research is presented, covering the Lao People's Democratic Republic (Lao PDR). The research aim and objective set for this thesis is followed by the methodology. Reflections from field research section will be discussed, including the challenges that were faced during the period. The research questions will be given as an overview of what data should be collected during field research. The rationale section provides a good insight of why the author feels that the topic is very important and outlines lessons, including the history of development and interesting personal experiences.

Lao PDR

Lao PDR is a landlocked country categorized as a Least Developed Country (LCD) located in the heart of South East Asia, bordered by Cambodia, China, Myanmar, Thailand and Vietnam see Figure one. It has a population of 5.7 million (UNDP, 2007) most of whom live in rural areas. The official language is Lao, though there are 49 officially recognised ethnic minorities divided into three major groups: Lao Lum (low landers), Lao Theung (high landers) and Lao Soung (Hmongs). The growth rate of Growth Domestic Product (GDP) is one of the highest in the region at 6% but there is approximately 32% of the population living under the poverty line of the \$US1.50 per day in 2002 (UNDP, 2007). Some 73% live under \$2 per day, and 25% less than \$1 per day.

Starting in 1986 Laos moved from being a centrally planned economy to a market economy. To respond to this new economic mechanism, an increased inflow of ODA has been supporting infrastructure building, private sector development, as well as poverty reduction. Although Laos is one of the world's poorest nations ranked, 133 out of 177 countries (World Bank list of economies, 2008), there have been reductions in Poverty but the level of inequalities has increased.

Figure 1.1 Map of Laos



(Lonely Planet, 2008)

This illustrates that development projects have tended to favour relatively advantaged populations, mostly low land communities, who are able to have access to new roads, irrigation scheme and credit. This thesis therefore aims to investigate the use of ODA and suggests how it might be best to reach people who need it most.

Research Aims and Objectives:

The aim of this research is to investigate a working model of aid coordination for Lao PDR with a focus of the country's ODA status. This will provide a better understanding of how the aid environment system operates within the country. In addition to Lao PDR, lessons from Timor Leste and Vietnam will be discussed in chapter 4 to briefly outline what these countries are doing with regards to harmonizing ODA and what best practices could be suggested for Lao PDR. It is assumed that coordination is the key approach for aid effectiveness. The thesis objectives are:

1. To find the current working model for aid coordination efforts in Lao PDR. With this model it can be analyzed if the current existing approach is effective or not.
2. To draw lessons from Timor Leste and Vietnam as case examples of how aid is being harmonized, but not particularly through aid coordination.
3. To find alternatives for aid coordination for Lao PDR and to provide recommendations for improvement.

Research Methodology

Research was conducted in Lao PDR in 2007-2008. A semi-formal interview was conducted with selected participants in Laos. The participants varied from government officers working in aid coordination, particularly in the Committee for Investment and the Department of International Cooperation. In addition to this,

interviews with expatriates working in Laos were also conducted including those working in the aid coordination area from several development institutions, such as the World Bank, United Nations Development Programme (UNDP), donor agencies and Non Government Organizations (NGO). These involved ten interviews and focus groups.

The research not only covered primary data being gathered, but also secondary information derived from agencies mentioned above. The research also includes a case study from a developing country, Timor Leste. Timor Leste was chosen because the author experienced work as an intern with the UNDP in Dili in 2007. The tasks allocated were around aid coordination concerns, particularly within the UN agencies and the short term mission there. The lessons learnt from Timor Leste were important and could be applied to Laos.

Reflection from Field Research

Despite the challenges faced during field research, that delayed many preparation activities and scheduling to meet with the right people, it eventually paid off with interesting findings. Working with very a conservative government and agencies made research challenging but the fundings are potentially more valuable as a result.

Field research in Laos faced conservative protocols that had to be followed in order to meet with the government officials. Their timing and scheduling was difficult to arrange because of the research period, November 2007 to January 2008. There was the FRACOPHONIE Summit which was hosted by the Lao Government and this paralyzed most of the activities in Laos at the time. In addition there was the local festival (Tat Luang Festival) and the religious gatherings of the Buddhist calendar. Meetings with international experts were much easier to be organized because of the local personal networks. Eventually all meetings were organized and the interviewees provided additional documents related to the research topic.

Timor Leste however had a completely different environment. The challenges of the research period involved working in with religious days and an important summit. The field research period was between May–July, 2007. Early in May 2007 was the presidential election which a month later was followed by the parliamentary elections. This not only paralyzed the activities of the government but also the development agencies because project activities had to be implemented with government awareness. Due to the transition in the political situation, government officers were conscious in making decisions that may later change in the new government policy. Regardless of the political situation, there were constant internal disputes with the local people. Expatriates working in Timor all had a curfew and had to comply with it. There were numerous deaths from gang fights that the UN police had to inform to all UN staff and all UN staff members had to carry a portable radio and wear UN security cards at all times.

Finding accommodation was another problem in the city as most of the buildings were destroyed leaving limited accommodation available. Since the UN mission and many international development agencies arrived, renting a room in a house was even difficult. At the time, there were observers from all around the world to monitor the election processes. This has made searching for accommodation even more problematic. In addition, food and commodity prices are very high relative to US commodity prices as the country uses US dollars as local currency.

Seeing the country with so many internally displaced people brings sadness to anyone's experiences. In late June 2007, the UN World Food Programme's food storage houses were broken into by the local gangs. Even the UN police and the international military could not fully handle the situation because they are not allowed to hurt the local people. Despite the troubles in the country, Timor Leste is a beautiful country with much potential growth. With abundance of resources and ODA, there is potential prosperous future for the Timorese people.

Research Questions

1. What is the aid effectiveness agenda in Lao PDR? Who are the institutions involved?
2. What are the local efforts from international agencies and donor communities for aid effectiveness efforts in Laos?
3. Does the local development community support the local government in aid coordination?

Rationale

As a development worker within the aid industry, the inspiration for this topic was driven by personal work experiences. I started my career working with UNDP, UN-World Food Programme and the United Nations Conference for Trade and Development (UNCTAD). During my time with these agencies I was overwhelmed by the enormous amount of ODA inflows into Laos. Being involved in the aid industry I can see the benefits that aid does for the local people, at both the central government and provincial government levels, as well as for expatriates working in development agencies, donors, NGOs and particularly the poor whom ideally are beneficiaries. That is the prettier side of aid.

The down side of aid is “the operation of aid.” Within the UN agencies themselves, aid money is not entirely spent for its best use. There are duplications of projects within the UN system, as well as the entire aid industry. Some projects adversely affected the beneficiaries more than benefited them. The capacity of development experts locally and internationally are not always competent to deliver. The local government is often puzzled but takes aid with open arms.

Since the Millennium Development Goals (MDGs) were set for the year 2015 (United Nations, 2008), Laos has signed up to commit to meeting the deadline. There is however, very little optimism regarding meeting the commitment to aid

coordination in Laos. If only aid could be coordinated and allocated correctly the output of aid could yield favourable outcomes. I am motivated to investigate how aid could be coordinated more effectively. I strongly believe that development should base on national priorities, interests and people. The aid industry must not be dominated by development agencies run by foreign interests. The ultimate aim should be local leadership and control.

I have considered the concepts of emic and etic point throughout the writing of this Thesis. The emic point of view is of myself as a Lao citizen in the country that I am researching upon as well as from the interviewees who are local government officers and national personnel from international development agencies. The emic points of view are drawn from my experiences in studying in overseas countries. Through my study periods I've acquired many aspects of how development should be which add on to the existing body of my knowledge, particularly the understanding of the research topic. Since my experience working in Timor Leste, I have been inspired from learning from the country and could see possibilities to be adapted in some ways for Laos.

Research Outline

This thesis paper consists of five chapters including additional attachments at the appendices. This first chapter set out the overall research background, reason for the selected topic chosen for research. That includes a brief background of the country's current ODA situation and also outlines the research aims and objectives and methodologies to be used.

Chapter two includes a theoretical framework for aid coordination. This will start with the Millennium Development Goals (MDGs), discussing why the goals are so important and how they set out the aid delivery processes. There are concerns of how the MDGs will be met by year 2015. This is followed by the Paris Declaration signed by the developed countries and the developing countries, for a better

delivery of aid. The commitments have been active, which many developing countries are now working towards localizing those commitments. In Lao PDR the process of localizing the Paris Declaration has been active and has created the Vientiane Declaration and the Country Action Plan (CAP). Later a section about the role of the Round Table Meeting Meeting/Process (RTM/RTP), which the government is leading the aid coordination process through this mechanism. A detail coordination structure will be illustrated and how those agreements fit into the aid coordination picture in Lao PDR.

Chapter three is about two different case studies from Timor Leste and Vietnam. The lessons from Vietnam are success, this is selected because the country has been an important blue print for its aid coordination profile. Lao PDR has always looked at this country as role model because of political similarities and act as the second largest bilateral donor itself. On the other hand, Timor Leste has a completely different context to learn. The research experiences gained in Timor has been more of a donor driven approach to aid coordination. This is a country where it does not have an agreement binding it to the Paris Declaration and the international aid agencies lead the coordination processes.

Chapter four will investigate the field information gathered during the in-country visit. It will start with the historical background of how traditional development projects were started, followed by the ODA status in Laos, using statistical information regarding grant and loan aid. From the field research, a section on how the Government of Laos coordinate aid in practice, which includes the Sectoral Working Groups (SWGs) and the coordination structure and the tools used by the government. Then the OECD DAC Survey is examined. This is a survey to analyze the progress of the Paris Declaration at country level. Interviews of development agencies in Laos with expatriates that includes donor agency like Sida, the World Bank, the UN agencies, NGOs, etc and then analyzed. Lastly the status of current aid coordination efforts pursued by the government is examined with emphasis on how development agencies are involved with their contributions.

The last chapter is the conclusion with recommendations. The first section will provide an overall summary of the thesis before a section draws on comparative lessons from the case studies by bringing together the other two case studies of Vietnam and Timor Leste with Lao PDR. Then the recommendation section summarizes the findings. Finally, the last section is on how the thesis findings might become lessons and how they relate to the understanding of aid coordination in the overall development agenda.

CHAPTER 2: AGREEMENTS FOR AID CORDINATION AND EFFECTIVENESS

Introduction

This chapter examines a variety of sources related to the topic of aid coordination and provides an overview of relevant work on this topic. The literature is mostly recent and largely confined to institutional (rather than academic) sources because the aid effectiveness agenda is rather a new topic. The discussion covers literature ranging from agreements to informal meeting documents, drafts of working papers, meeting minutes and contracts and documents in the Lao languages from the Lao government.

A broad definition of the term aid coordination refers to the planning and integration by a recipient government of international assistance from donor partners into national development goals and strategies. Aid management refers to the effective implementation of development programmes that are supported by international assistance. Both processes involve range of coordination services and require extensive national capacity from all institutions that are fully and partially financed. Thus overall development management needs to be transparent, participatory, efficient, equitable and follow the rule of law all important dimensions of sound governance (UNDP, 2007).

This chapter will include literature on how the aid effectiveness agenda has become an important part of present development practice. Firstly the Millennium Development Goals are examined to see why they are important and how they relate to aid effectiveness. Next is a section on the Paris Declaration that will explain how that relates to Lao's Coordination profile and why Laos is committed to this. The next section is on the Vientiane Declaration which is directed at how the Paris Declaration is localized at a country level. Then the Round Table Meeting (RTM) is examined. This section will cover how the RTM is related to all of these commitments and the role of the government stand point. Then follow a section on

the Sectoral Working Groups that is part of the RTM implementation group on the aid agenda. The next section will point out some critiques of these commitments namely the; Paris Declarations, the Vientiane Declaration and the MDGs. That will lead us to the conclusion for this chapter.

Millennium Development Goals (MDGs)

The Millennium Development Goals are a global commitment set by many countries, both developed and developing. Faced with rising world poverty levels, many donors and recipient countries gathered to set eight goals for the year 2015. These eight goals break down into 18 quantifiable targets that are measured by 48 indicators. The MDGs therefore represent broad agreement on the goal of poverty reduction. Setting key objectives for aid, they help focus aid delivery. The overall MDGs include the following:

Goal 1 is to eradicate extreme poverty and hunger by setting a target in halving proportion of people living on less than a dollar a day and those who suffer from hunger. Goal 2 is to achieve universal primary education by setting high target to ensure that all boys and girls complete primary schools. Goal 3 is to promote gender equality and empower women. The target set is to eliminate gender disparities in primary and secondary education preferably by 2005, and at all levels by 2015. Goal 4 is to reduce child mortality by setting a target to reduce by two thirds the mortality rate among children under five. Goal 5 is to improve maternal health targeting to reduce by three quarters the maternal mortality ratio. Goal 6 is to combat HIV/AIDS, malaria and other diseases, the target halt and begin to reverse the spread of HIV/AIDS by halting and beginning to reverse the incidence of malaria and other major diseases. Goal 7 is to ensure environmental sustainability with very intense targets. This target aims is to integrate the principles of sustainable development into country policies and programmes and reverse loss of environmental resources. In addition, the target is to reduce by half the proportion of people without sustainable access to safe drinking water, as well

as achieve significant improvement in lives of at least 100 million slum dwellers, by 2020. The last Goal 8, is to develop a Global Partnership for Development.

This is a donor driven approach set by many developed countries. The idea is ambitious to reduce world poverty significantly. Accordingly, with targets set for the year 2015, the MDGs have been set as a priority for many countries. The importance of these goals requires an abundance of financial support and many developed country's donors have pooled their aid in the hope that poverty will be alleviated. Since the year 2000 it has been noted that there has been an enormous increase in the amount of ODA in order to meet the coming deadline. For many countries, 2015 seems a distant future that is difficult to reach. Many reasons came to be involved in the lack of government capacity in developing countries, lacking the natural resources, limited financial supports, war, natural disaster, etc.

Aid effectiveness is essential for the development of poor countries. Since the MDGs have been signed by many countries, more effort needs to be made so that the deadline of 2015 is to be met. The MDGs reflects how aid effectiveness is important so that the distribution of funds can be achieved those Millennium Goals. However, since the adoption of the MDGs many development institutions and donors still operate their aid programmes in their original forms inhibiting the coordination effort of the local government.

The MDGs have been adopted in Lao PDR. The United Nations Development Programme (UNDP) resident office in Vientiane has been the leading agency for Lao PDR and support the localization of the global contract set by world leaders in 2000. The UNDP has been supporting the Lao Government on the localization and has promoted a number of tools to measure whether Laos has been making progress on the MDGs. The tools used for supporting the work on MDG commitments includes the Common Country Assessment (CCA) which details the overall development environment of Laos before drafting the practical plans to achieve localized MDGs goals (Government of Lao PDR & UN Country Team, 2006). The

United Nations Development Framework (UNDAF) is another tool that outlines how the MDGs could be met with coordinated contributions from the entire development community. This as well is drawn from the local development effort, the National Growth and Poverty Eradication Strategy (NGPES) has been produced by the Lao Government to set out the coming period of the country's poverty alleviation strategies.

Paris Declaration

The Paris Declaration was endorsed on March 2, 2005 by many countries, including hundreds of Ministers, Heads of Agencies, Senior Officers, to commit to aid delivery efforts through harmonization, alignment, and management of aid for better results with a set of monitorable actions and indicators (World Bank, 2006). The Paris Declaration goes beyond other agreements such as the consensus reached at Rome in 2003 to what is now a practical blueprint for donors and developing countries to monitor each other's progresses. It strongly commits donors to increasing the impact of aid in reducing poverty, increasing growth, building capacity and accelerating achievement of the MDGs. It is a donor driven approach in development that is organized by the rich member countries of the OECD. It is very much the focus of how development should be dealt with from a donor's perspective.

The commitment for aid effectiveness includes a call (World Bank, 2007) for developing country partners to exercise effective leadership over their development policies, strategies, and to coordinate development actions. Donor countries will then plan their overall support after a recipient country's endorsed the Paris Declaration. A survey was later carried out early 2008 where only 56 countries responded to be surveyed (OECD, 2008). See appendix III for detail agreements including 12 indicators.

Vientiane Declaration and Country Action Plan (CAP)

The Vientiane Declaration (The National Round Table Process, 2007) spelled out a local commitment and decentralization on localization of the actual Paris Declaration. The government of Lao PDR and its donor partners in development have taken actions to make aid more effective and assist the Lao government in achieving the Millennium Development Goals. They have set long-term development goal of exiting the status of least developed country by 2020. Laos signed this Vientiane Declaration on November 2006 during the 9th Round Table Process in Lao PDR. There were 22 countries and organization partners and afterwards two more countries joined the signatories (Thailand and the Philippines).

Later a Country Action Plan (CAP)¹ was prepared between February and May 2007 to accompany the Vientiane Declarations. The reason for the CAP is to detail implementable actions for the six indicators to be approached at a country level.

The Vientiane Declaration reflects a mutual accountability and respect for the ambitious structure of the Paris Declaration. However the Declaration does not constitute a legally binding commitment between governments and agencies. They are another step in making aid work at a country level which the Lao government will make available appropriate resources, knowledge and capacity to make the Declaration effective. The five indicators of Ownership Harmonization Alignment Managing for Result and Accountability (OHARMA) aim to improve aid effectiveness in five different areas:

1. Increased country *Ownership* over policy and development plan, implementation and aid coordination. This is in hand with the National Growth and Poverty Eradication Strategy (NGPES) 2006-2010 to integrate with official development assistance mainstream planning.

¹ See appendix 2 for full CAP for full country's action plan.

2. Better *Alignment* of Development Partner's support to national policies and plans, and increased support to use the national systems. A single Project Implementation Unit (PIUs) or Project Management Unit (PMUs) for day-to-day management and implementation of aid-financed projects and programmes. This will avoid the creation of parallel structures so that it can be fully integrated with the government.
3. *Harmonization* involves taking simplification of development partner's procedures and activities.
4. *Managing for Results* in order to ensure effective use of resources. The DIC will monitor actions.
5. Implementation is a responsibility of all signatories, and Government and Development Partners will be *Mutually Accountable* for reporting on progress.

The Round Table Meeting/Process (RTM/RTP)

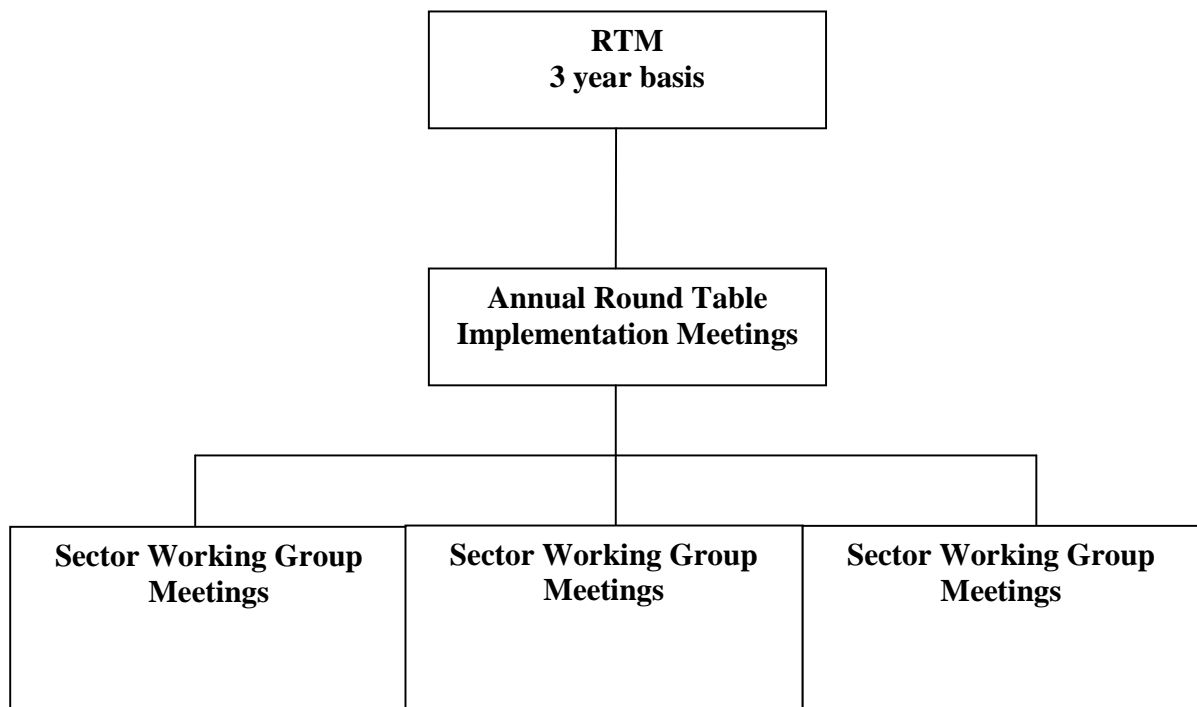
The Round Table Meeting (Ministry of Foreign Affairs & UNDP, 2007) has been in operation in Lao PDR since 1983 with the support of the United Nations Development Programme (UNDP). Until 1993 the meeting was focused on a tri-annual meeting in Geneva and for the first time in 2000 and is now organized locally in the country. Rather than a three year initiative the local government has made it a continuing dynamic process. The Round Table Process (RTP) focuses on strengthening national and sectoral aid coordination mechanisms. The actual Round Table Meetings (RTM) themselves being one component of a comprehensive approach to aid effectiveness.

The RTM objective is to facilitate the consolidation of the Round Table Process so that effective forms of aid integration, coordination and management are established. It also requires building sustainable technical capacities for aid coordination, integration and management in the country. Through this, UNDP has been supporting the Government in ensuring sufficient resource mobilization.

UNDP has been providing on going support to the RTM, because it relates directly to the United Nations Development Assistance Framework goals of poverty eradication. This is one part of the UNDP project that aims to support the national development goals including the Millennium Development Goals and the National Growth and Poverty Eradication Strategy (NGPES). It helps the formulations of the Vientiane Declaration and the Country Action Plan on aid effectiveness as mentioned previously.

Below is an outline of the Round Table Process (Figure 2.1). The nature of the RTM is to meet on a three year basis which is a high level forum where high ranking government representatives gather to discuss development of Lao PDR. The annual meeting was also organised to follow up with development communities on implementation of development agendas and preparation of the next RTM forum.

Figure 2.1 The Round Table Meeting Structure



(World Bank, 2007)

Sector Working Groups (SWGs)

Under the RTM, Lao PDR currently has 8 Sector Working Groups that bring together representatives from government and donor agencies, and NGOs. The SWGs are forums to discuss and build consensus about development priorities, and to improve sectoral aid coordination and effectiveness set out in the Vientiane Declaration and the Country Action Plan. Under the common framework of the Round Table Process, these groups commit to Lao PDR's development efforts in the areas of their expertise under the leadership of the Government of Lao PDR. These groups are similarly known as a broader term, Sector-Wide-Approach (SWP) which is implemented by sector as the SWGs in the case for Laos. It is a programme-based operating at the level of an entire sector through sector strategy as listed in table 2.1 (OECD, 2006).

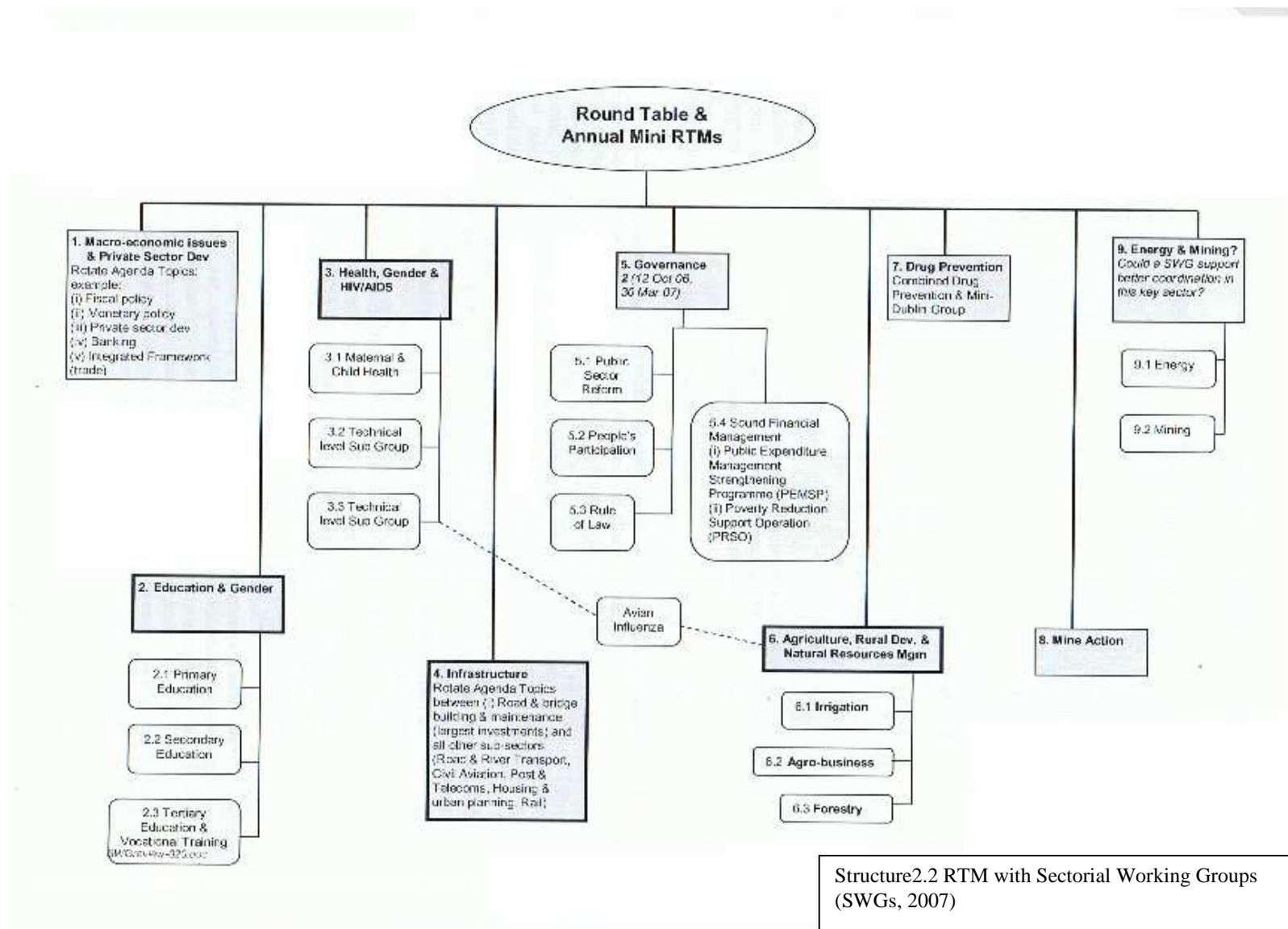
These groups were formed in June 2007 by the Ministry of Foreign Affairs at the Round Table Information Meeting. The Department of International Cooperation was located in the Ministry of Foreign Affairs which now currently the Committee for Planning and Investment is the overall coordinating agency of the SWGs mechanism. The current groups are illustrated in Table 2.1 (World Bank, 2007).

The RTM has always been a forum where government could call development agencies to join and discuss development issues for Laos. The MDGs is another component that is coordinated within the RTM as well which discusses how the MDGs could be achieved through this high level forum. Since the Paris commitment it has been added into the work of RTM and coordinated by the government as one agenda, rather than having a separate operation although they are separate contracts. The MDGs and the Vientiane Declaration are components of the RTM but the differences between the Vientiane Declaration and the RTM is that the RTM acts as forum and it sets out criteria for ODA effectiveness. It is rather difficult processes in practice because it follows the objectives of RTM and donors do not always support the agenda.

Table 2.1 Sectoral Working Groups

Sector Working Group	Chairing Ministry and Co-Chairing Development Partner(s)
Health	<ul style="list-style-type: none">• Ministry of Health• Japan• WHO
Education	<ul style="list-style-type: none">• Ministry of Education• Australia/AusAID• UNICEF
Infrastructure	<ul style="list-style-type: none">• Ministry of Communication, Transport, Post and Construction• Japan• ADB
Agriculture, Rural Development and Natural Resource Management	<ul style="list-style-type: none">• Ministry of Agriculture and Forestry• France/ADF• Sweden/Sida• ADB
Governance	<ul style="list-style-type: none">• Prime Minister's Office (PACSA)• Sweden/Sida• UNDP
Macroeconomic Issues and Private Sector Development	<ul style="list-style-type: none">• Committee for Planning and Investment• World Bank• International Monetary Fund
Drug Prevention (Mini-Dublin)	<ul style="list-style-type: none">• Lao National Commission for Drug Control and Supervision• Australia/AusAID

(World Bank, 2007)



Critiques

There are many critiques around the Paris Declaration that focus on many development practitioners, donors as well as recipients themselves. There are several assumptions that the Declaration is fully designed to support the developed country's policy towards aid distributions rather beneficiary countries. There has been criticism that the Declaration is just another agreement that won't fully support aid just like the Rome Agreement, rather just another donor driven approach on the development agenda.

It can be seen that the commitment to "country ownership" relies on donor alignment with partner governments' national development strategies. This alignment is usually the result of highly unequal and donor-directed policy dialogue, focusing on implementing World Bank/IMF-mandated Poverty Reduction Strategy Papers (PRSPs). On the other hand the PRSP may be focused on the basis of development policy that may not directly reflect the MDGs. Perhaps it is not supposed to be looking at minor details of how it should be implemented. This could be the reason why aid effectiveness effort is not entirely clear when it comes down to localization at country level. In addition to the term country ownership can refer to a number of dimensions of the multidimensional relation-ship of the domestic party. It can be defined as a 'property of programmes, process, plans, or strategic involving both a 'domestic' party (generally a nation state) and a foreign party' (Buiter, 2007 pg. 648). Due to this reason, the most important pillar of the declaration has been misleading causing conflicting views and interests.

Although agreements or declarations in general are legally binding, they lead to many delays obtaining the signatures to be committed. Implementation is more difficult as more funds are needed to mobilize for this new agenda while the MDGs budget can be short for some countries. It is advised to incorporate the aid effectiveness agenda into the programmes but in practice it is viewed as an

independent or a new programme which runs parallel to development programmes. The process is timely and the development community does not fully understand.

The declaration assumes that its reforms in the delivery and management of aid will improve aid effectiveness in reaching poor people and mobilizing them to address their rights. Reform of current aid practices is vitally important. However, the Declaration establishes no commitment to clear targets or mutually accountable assessments of whether these specific reforms will result in sustained progress in reducing poverty (The Reality of Aid, 2007).

‘Harmonization’ another confusing term in addition to ownership. Eyben (2007) refers to harmonization as a buzz word in development industry. Donors try to have common programmes and procedures, so that the recipients need to communicate with only one single set of financing agencies. This leads to a reduction in transaction costs for recipient organizations because they deal with only a single interlocutor, instead of having to report separately to many different donors. However, while it is an attractive idea, as long as donors do not recognize and address the issue of power in the aid relationship, harmonization is likely to be counter-productive in promoting locally initiated responses to development challenges. The new orthodoxy points out that although the Paris Declaration has been agreed, donors will still go about behind closed doors to agree what they want to play before going into official coordination meetings. Harmonisation are being practiced in aid-dependant countries that result donors being a monopolistic supplier. In addition to the national poverty strategy, behind this donors are still lining up to influence recipients and act on behalf to represent civil society. Eyben simply summed up that harmonization becomes a vice to donor’s habits of pretending that poverty is not about politics.

A personal interview from a New Zealand NGO has brought several additional points of criticism. An interview with Ms. Rae Julian (previously the Director of Council for International Development) highlighted several weaknesses of the Paris Declaration. The Paris Declaration does not take into account the NGO’s role within

the aid effectiveness agenda. This involves taking little or no account of the role of civil society in promoting aid effectiveness. Their role within sector groups with donors and larger international agencies are minimal because they offer smaller resources.

She further outlined more detailed critiques of the five pillars in the Paris Declaration as follows:

1. Ownership: this is rather confusing term. Rather than just ‘ownership,’ the preference would be to change the principle to “democratic ownership”, which would mean that development policies and strategies have been planned in a participatory manner, in full consultation with all sectors. Although PRSPs are drafted with national priorities, in practice there are still conditionalities applied.
2. Alignment: the support for direct funding to developing countries government raises concerns that NGO’s role in development would soon be phased out.
3. Harmonization, this is the intention to reduce transaction costs. Once again there are concerns of civil society having a minimal role when Sector Working Groups are formed. There could be only donors groups working with government and leaving out the civil society.
4. Managing for Results: here these are concerns with indicators being too mechanistic rather than covering the core values and principles underlying aid.
5. Mutual Accountability, many NGOs are not technical organization and hold contractual relationship in aid spending. There are also inequalities in donor recipient relationships. Strengthening independent institutional monitoring of donors against clear and enforceable benchmarks for donor performance is essential.

Yet, despite these criticism the Paris Declaration has had much influence on improving aid delivery in the health sector and provided lessons learned from the implementation in human rights, environmental sustainability and gender quality (Manning, 2007). The harmonization brings together gender equality and human rights into the centre of the Paris Declaration. The health sector has an enormous increase in aid support becoming the major recipient in aid. Before the Paris Declaration, health sector funds which target assistance on specific diseases or sub-sectors were not well aligned with government priorities and holistic health systems' approaches were insufficiently funded.

A strategy review on effective aid management has been done to provide lessons and achieve development results. Lessons at the level strategies are (OECD, 2007): i) To find the appropriate legal and political foundation that is to obtain the clarity at the highest political level on the national aim aid programme, due to involving multiple relationships. ii) To manage competing national interests by avoiding short-term pressures jeopardizing long-term common interest in effective development, such as trade, political relationships or security. iii) To achieve greater policy coherence for development by setting clear mandate and establish mechanisms to ensure policies are assessed for their impact on poor countries. iv) Invest in delivering, measuring and communicating results of aid-financed activity. v) Identify a leadership and structure that works, hence countries do not have to follow same localization structure of the Paris Declaration. vi) Rationalize bilateral aid structures to facilitate coherent action at country level by dealing with institutional dispersion. vii) Manage contributions to multilateral institutions and viii) decentralize management to the field. Lessons concerning management of delivery are: ix) To manage the scale-up of development aid. x) Maintain a focused approach towards countries and sectors and xi) Emphasize performance-based management, evaluation and quality control and lastly xii) Make human resource management a priority.

Conclusion

Aid in large amounts can damage governance and make an economy uncompetitive. In countries that received more aid, exportable industries systematically underperformed (Subramanian, 2007). Foreign aid can help key economic reforms take root in developing countries, but only if recipient government and their people broadly support the need for change. Without such country ownership, imposing donor's conditionality is unlikely to make poor countries adopt reforms which are opposed (World Bank, 2001). Without country-ownership of national development strategy, even the most generous and well-intended aid packages will have little or no impact in improving the quality of people's lives. This is why country ownership is at the heart of the Poverty Reduction Strategy Papers process and the Paris Declaration where poor countries devise their own social and economic priorities.

Despite the critiques of the aid effectiveness, the Paris Declaration is an important step in making aid beneficial. It is not just an agreement on its own but is aligned to other agreements such as the MDGs, the Rome agreement and localization such as in the Vientiane Declaration. These agreements form a chain, connected to one another for the overall purpose of poverty alleviation. This chapter then provided a background for understanding the importance of the topic of "Effectiveness of Aid Coordination." It can be seen that the Paris Declaration is actually a clearer step in making for better aid delivery. The development communities are recognizing that that it is everyone's responsibility to make aid more effective.

CHAPTER 3: LESSONS FROM VIETNAM AND TIMOR LESTE

Introduction

This chapter will detail lessons for the aid effectiveness agenda from two countries, case studies of Vietnam and Timor Leste. Vietnam has been selected as a case simply because it has been an important template for the improvement of aid effectiveness in other nations in the region. Lao PDR and Vietnam have the model for Laos to be learnt. Thus both of the countries have political similarities and Vietnam has always been a good model.

While Timor Leste is different from Lao PDR, in terms of context, political situation and its aid coordination model, it offers some important lessons from a different environment. The lessons to be learnt from international agencies based in Timor Leste are essential. It shows that it is not just a matter of government taking ownership in the aid effectiveness agenda but also how the international development community can work together for good aid delivery outcomes.

This chapter will illustrate how aid coordination is pursued in both ways. The Vietnam section will examine how the Paris Declaration is localized at the country level, and analyse how the overall aid effectiveness agenda is organized. It will be shown why many international development agencies recommend that Vietnam is an example for region to follow.

Timor Leste will be looked at drawing from practical experience during the research period in Dili and experienced working with the large missions of the UN body in the country.

Vietnam

Before the Paris Declaration, UN agencies were fully involve with the Vietnamese government in coordinating aid. A good partnership has been illustrated since 1993 with improved aid management. Vietnam has undergone a remarkable transition from a closed economy oriented toward the former East Bloc countries to a market economy with rapidly growing trade and aid relationships with its Asian neighbours and Western donors. The growing influx of foreign capital, both private investment and Official Development Assistance (ODA), has helped fuel high rates of economic growth but also created a series of challenges for the government. In the past several years, the government has taken a series of steps to strengthen its ability to define priorities for development assistance, coordinate donor support, and manage aid more effectively.

Since the Paris Declaration, the Vietnamese government has realized that localization of this agreement is essential. The Prime Minister's Decree on the issuance of the regulation on the management and utilization of aid from international non-governmental organizations has been effective since April 26, 2001. This resulted in the Ministry of Planning and Investment (MPI) and Ministry of Finance (MOF) becoming the sole aid coordinators (Socialist Republic of Vietnam, 2001) MOF has the role of organizing public expenditures and managing budgets while MPI has had the overall role in aid coordination and management.

The Ministry of Planning and Investment has a department which is responsible for aid coordination. MPI helped to establish the Partnership Group on Aid Effectiveness (PGAE) and is a core member of the 'Friends of the Co-Chair' group who produced the Hanoi Core Statement (HCS) which consists of representative of government and donors. PGAE act as a forum for partnership groups and donor groupings and provides frequent opportunities to discuss and monitor implementation of the HCS.

Although the Task Force that is the PGAE for aid effectiveness working group is organized, it has a weakness in practical use because the concept of it is lost. The HCS spells out in the local context the implications of the Paris Declaration. The success factors resulted from strong leadership of the Vietnamese government, a continuous effort to ensure that the donor community commit on the agenda with a balance of a competent group of visionaries and strategic thinkers. This is important because, if these involving representatives do not have the right capacity to be involved in the aid coordination agenda, it is unlikely that coordination process will be successful. The PGAE continue dominating the processes in aid effectiveness agenda in Vietnam and putting the Hanoi Core Statements into implementations. The Hanoi Core Statement became effective on 28th September 2005. Vietnam became the first partner country in the world to localize the Paris Declaration on Aid Effectiveness in the Vietnamese Context.

The Hanoi Core Statements centres on the following principles which include 14 indicators and targets that have been agreed by the Government and the donors. These indicators are used to monitor the progress achieved in improving aid effectiveness in summary (Ministry of Planning & Investment, 2005).

1. Ownership; The government is the leader and owner of the development agenda.
2. Alignment; Donors use government plans and government systems.
3. Harmonization; Donors and government harmonize ways to deliver aid.
4. Managing for Results; The government manages for results and donors use the government's results framework where possible to measure success.
5. Mutual Accountability; donors and government share accountability for aid effectiveness.

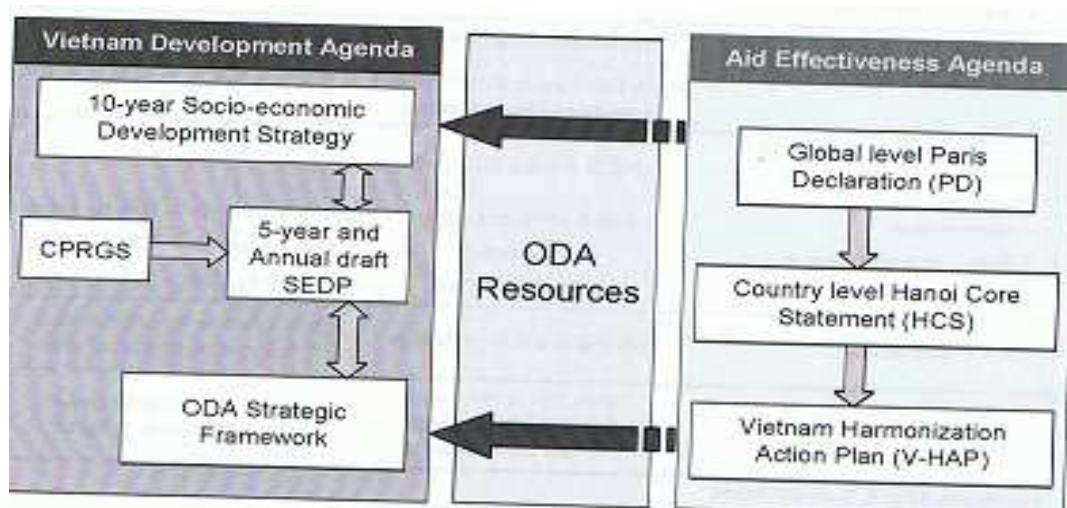
In order to translate commitments into concrete practices, the PGAE continues being the focal point. The group meets on a monthly basis under the co-chair of the Ministry of Planning and Investment with the European Commission. A baseline

survey was conducted twice to measure progress towards meeting the Hanoi Core Statement and to compare data for accuracy.

To make the HCS practical the Vietnam Harmonization Action Plan 2005-2006 (V-HAP) was established to support the implementation. The V-HAP contains a large number of activities to be implemented by a range of government agencies and donor.

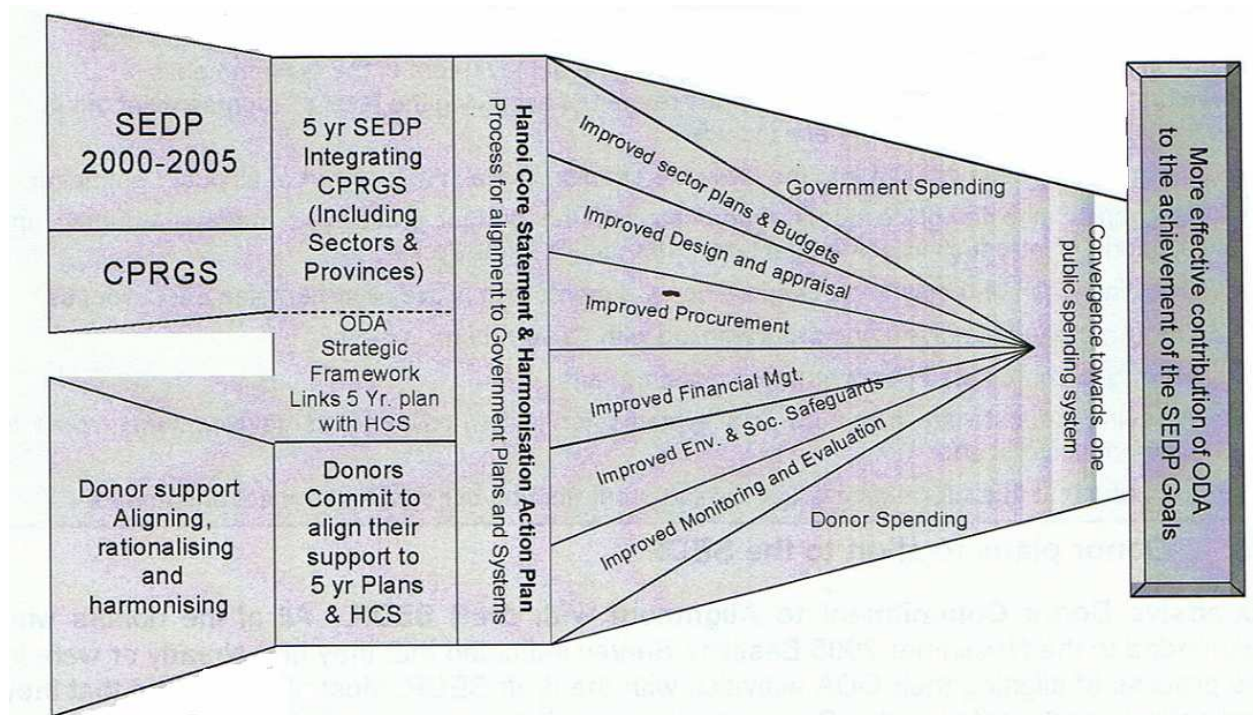
Figure 3.1 below illustrates how ODA is distributed once the process of Paris Declaration is localized and implementation is outlined. The right-hand column shows how aid effectiveness agenda is localized. Meanwhile the ODA resources (middle column) support Vietnam's development agenda, that is through a strategic framework administered by the PRGS/CPRGS through a short term plan of 5 year Socio Economic Development Plan which complements the 10 year Socio Economic Development Plan (SEDP), illustrate in left hand column.

Figure 3.1 Relationships between Vietnam Development & Aid Effectiveness Agenda



(Ministry of Planning and Investment & UNDP, 2005)

Figure 3.2 Improving Aid Effectiveness to Support Vietnam's Development



(Ministry of Planning and Investment & UNDP, 2005)

The 10 high lights of the current status of Aid effectiveness in Vietnam includes (Ministry of Planning and Investment & UNDP, 2005) from adopting the HCS which the government recognizes the Paris High level forum as one of global leader. The SEDP detail sectoral and provincial plans with consultation with donors. The development of the ODA Strategic Framework has been done. An ongoing process to strengthening the legal framework for public investment and ODA, including drafting the Procurement and Public Investment Decree and revising the Environment Law. The Joint Government and donor for the Public expenditure Review was launched to create awareness, along with the launch of the Targeted budget Support Programmes for Education for all as well as continuous promotion for increasing number of donors joining the poverty reduction support credit. This common reporting system tool was successfully piloted. The problem-solving

efforts have been undertaken by the inter-Ministerial Task force which is handled by the PGAE.

Timor Leste

Unlike Vietnam or Laos, Timor Leste was not one of the original signatories of the Paris Declarations. Therefore their agenda does not include any commitment to localization of the Declaration. They also have a different environment and vulnerable political situation in comparison with other countries. A vulnerable country like Timor Leste receives aid 3.6 billion US dollars of international assistance between 1999-2006 (Norad, 2007) where a majority of ODA are for emergency relief and long term state building efforts. Included in this, half of the amount was made up from contributions from the UN missions and the other half was from 28 bilateral donors as well as multilateral donors.

The major challenge in working in Timor Leste is the availability of statistics. Many development practitioners struggle to find indicators because of limited existence of important documentations. This was one of the difficulties in doing research in Timor Leste during field research as much of the information was gathered from face to face interviews and observations. Given the circumstances of being a young and unstable political situation, it is difficult for Timor to get into coordination effort to make their abundance of aid received effective.

The local aid environment is entirely dominated by development agencies particularly the massive UN mission based in Dili, the capital city. There is limited economic activity within the country and aid dominates the economic growth. Timor is chosen as a lesson to be learnt for aid coordination because it has demonstrated good joint aid delivery within the development community.

Financial assistance is not the only aspect of the ODA portfolio. The international community has provided more than the real value. These are combined packages of

military and police force support, UN missions from transition mission to current state building mission, and humanitarian technical assistance (Norad, 2007).

During the research period of this thesis in May- July, 2007, COMPACT (personal communications, May 27th) was the only mechanism to coordinate how a development community comes together and talk about the needs for the country and what donors can do to meet such requests. The challenge was working with a transition government that could mean any decisions made in that day would later not have future values. At the time, there were on going presidential elections which later followed by parliament elections. This paralysed the local situation and many government officers were conscious in making decisions. The COMPACT meeting consists of officers from government and development agencies and representative of civil society and head of local communities. Although the outcomes of the meeting held were not effective, given that it was the first coordination initiative.

The unique development practices from Timor Leste were the development community coordinate aid within themselves. Because of the transition situation and that the country is still in a weak position to lead development agenda. The donor community has approached aid coordination amongst themselves. Within the UN missions and UN agencies there are coordination within themselves, while other donors and the rest of the community try to come together and work on joint programmes in order to share the limited available resources that the country has.

Following the post conflict reconstruction, many external partners particularly bilateral donors such as Japan, Norway, US, Australia and international banks (World Bank, ADB) have moved towards establishing a presence in the country and have geared toward long term day-to-day engagement. Under the previous government leadership, external partners have supported the development in National Development Plan (NDP). Most of the development agencies are aligning their assistance with the NDP. The World Bank's Country Assistance Strategy (CAS) for FY06-FY08 includes a result framework to support NDP implementation

and supports all development partners (Development Gateway, 2006). This became an agreement obtained by both development partners and the Government of Timor Leste. A joint trust fund was created (Trust Fund for East Timor) in 1999 to support the reconstruction and development activities. The World Bank has been playing the central role in supporting the government in capacity development, coordinating all partnerships within the country. For Analytic and Sector Work in reconstructing Timor Leste several major donors created Joint Assessment Mission (JAM) to identify the priorities for Macro economic development. This is a great example of effective aid practice, namely having agencies join together with one objective and contribute each specialized resources into one programme or project.

Many development agencies understand that in order to achieve the Millennium Development Goals (MDGs), their development practices need change to improve development practices and expedite the effort of MDGs. UN agencies 'programmes have been jointly organized through channels of funding, with one objective. Many of their specialized agencies do not have independent projects and have moved to new programmes with joint initiatives. Even fund raising efforts have been jointly organized which is much different from UN agencies in Laos. The UN Trust Fund for Human Security (UNTFHS) was a great example of joint effort in Timor, where UN agencies got together and have designed a programme and propose a one off financial support to the Japanese donor. This task is managed and led by a unit called Poverty Reductions Unit, within UNDP. This new proposed project also involves many agencies through combined resources to explore how human security could be addressed in Timor Leste. That includes senior management team representatives from: UNICEF, World Food Programme, UNDP and UN Habitat. The project will be involving several activities ranging from, micro-finance support by UNDP, WFP will support children and family for food security, while UNICEF overlooks at child health care and UN Habitat overlooks are provide homes for families who were internally displaced during the internal crises.

Although Timor Leste is a young country, many challenges lie ahead for its people. The development community has set a great example in working together in one common agenda. It realized that the local government needed to improve local capacity to manage aid. Nonetheless, development agencies have been working together in joint programs and projects to ensure efficient output. By doing so it allows for development agencies to realize the current activities within the country and avoid project duplications. They rely on working together in order to come up with non existing recorded statistics. This is the best development partnership displayed in which other countries could learn from. From personal work experience in Laos, much of the development community duplicates one another's projects simply because of poor communication and lack of awareness. With lessons learnt from both countries Vietnam and Timor Leste, Laos could look at their model or practices for better aid delivery. This is relevant for both developing country governments and applies well to development agencies.

CHAPTER 4: THE AID COORDINATION SYSTEM IN THE LAO PEOPLE'S DEMOCRATIC REPUBLIC

Introduction

Lao PDR has been dependant on Overseas Development Assistance (ODA) for many years, particularly in public sector development. Since the open door policy on the market economy, Laos have been influenced by the outside world and development. Large amounts of ODA have been received by Laos with many development projects now in operation.

Over the past years, ODA had no coordination mechanism in Laos and development agencies operated independently using their own guidelines, policies, and practices. In cases where an agency that would like to have a project in Laos, it would have to draft a proposal to the International Development Cooperation (DIC) office and agreements would be signed by its representative and the government only than would a the project would be approved for operation. There are cases where projects can start its' operations without agreement of the Memorandum of Understanding (MOU) being signed. This was because of inefficient and lengthy approval processes.

Many development institutions would make their own plans and execute their projects with joint government partnership. The monitoring and evaluations are done by agencies themselves and reports are submitted to government for filing. However this has lead the development community to be lost in communications and project duplications. This wasted time and resources which resulted inefficient use of aid. Although DIC has the mandate to coordinate ODA movements, the constraints are in internal funding to operate the coordination processes, let alone the capacity of government officers.

There are incidences where active international development institutions have brought the development community together to provide awareness of their

activities and share knowledge. Yet, the development industry is too large to control let alone the issue of agencies' interests. Aid coordinations seemed to be wasting time and development agencies have their own binding mandates. From personal experiences, agencies like the UN have poor internal communication amongst themselves.

For this reason, aid coordination is essential. This chapter will start with an overview of how the ODA was implemented before the Paris Declaration, which has discussed above. The following section will introduce the current ODA statistics and introduce the government policy on aid coordination status, followed by the effort of the Lao government on aid coordination agenda. The fourth section will cover how the aid coordination is done in practice from the field research, covering aid coordination in practices. The fifth section will examine the Sectoral Working Groups (SWGs) that is one component of the RTM and introduce the overall structure of the aid coordination system in Lao PDR. This will document current results of how coordination is adjusted from SWGs proposed structure for aid systems that need improvement. Effective aid delivery and coordination are being implemented through the SWGs. Later, a section on the evolution of current coordination system and follow by a section on the OECD DAC survey. The international development agencies section will yield results from the interviews gathered by many expatriates working in Laos. Lastly, the conclusion section will summarize the current status of the air coordination agenda in Laos.

Current ODA

Foreign aid is extremely important to the Lao PDR, financing 87 percent of the capital expenditure budget and 41 percent of the Government's total public expenditure in 2005/06 (Committee for Planning & Investment, 2007). The Lao government issued a Decree for ODA distributions (the Prime Minister's Decree on the Management and Use of ODA No. 1467/MOFA/DIC, 22 March, 2006). ODA inflows have doubled since 1996. Table one illustrates how ODA is incorporated

into the national expenditure plan of the Lao government. These gradual inflows of aid has signal for aid coordination needs and monitoring. The majority of ODA is grant aid from bilateral donors at 141.09 million US dollars, while international financial institutions offer loans of 126.71 million US dollars, in additions to other donors. ODA loans are short and long term which has obligations to be paid back to loaned institutions. Multilateral donors offer only grant aid, totaled \$42.86 million US dollars.

**Table 4.1: Public Expenditure, Public Investment Programme and ODA:
1999/00 to 2005/06**

Item	US\$ Million							
	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Panned
Total Expenditure	341	406	330	438	354	514	682	792
Current expenditure	106	162	138	167	199	248	362	456
Capital investment (PIP)	235	245	192	271	155	266	320	336
Of which:								
-ODA	171	147	93	165	96	177	278	284
-Domestic	63	98	99	106	59	89	42	52
PIP/Total expenditure	69	60	58	62	44	52	47	42
ODA/PIP(%)	73	60	48	61	62	67	87	85
ODA/Total Expenditure (%)	50	36	28	38	27	34	41	36

(Committee for Planning and Investment, 2007)

There are criticisms of bilateral aid being the most non-transparent form of foreign aid, let alone tied. The Paris Declaration is the alternative solution to tied aid. Table 4.2 shows commitment for ODA to Laos, the figures are gradually adjusted according to real disbursed amounts. There are concerns over the promised amount to be delivered to Laos and the actual dispersed amount, see table 4.3. Many loan agencies still use conditionalities in the amount of aid to be promised. However, there are certain development agencies that are complying with the national plans.

Table 4.2: ODA Agreements Signed During Financial Year 2005/2006

US\$ Million				
Institutions	Grants	Loans	Total	%
Bilateral	141.09	83.72	224.81	54
International Financial Institutions	24.80	126.71	151.51	36
UN organization	31.06	0.00	31.06	7
European Union	9.63	0.00	9.63	2
Mekong River Commission	2.17	0.00	2.17	1
Total	208.75	210.43	419.18	100
%	50	50	100	

(Committee for Planning and Investment, 2007)

The highly concentrated sector are the transport sector, development administration and education accounting at about \$US 50 million, because of poor road condition and infrastructure building is essential for potential markets and investments. Meanwhile the least concentrated sector are domestic trade, because Lao products are yet to be competitive in the international market. Much of the commodities are imported from neighboring countries, Thailand, Vietnam and China (World Bank, 2007).

Table 4.3: Total ODA Disbursement by Sector, 2005/06

Sector	2004/ 05		2005 /06	
	US\$ Million	%	US\$ Million	%
Transport	55.99	15	91.47	19.53
Energy	22.25	6	75.27	16.07
Development Administration	56.91	15	53.94	11.52
Social Development	37.31	10	53.21	11.36
Education & Resources Development	52.76	14	51.34	10.96
Area and Rural Development	43.52	12	49.08	10.48
Health	33.72	9	36.55	7.80
Agriculture, Forestry & Irrigation	29.28	8	29.94	6.39

Natural Resources	4.42	1	8.21	1.75
Disaster Preparedness	9.42	3	7.74	1.65
Economic Management	9.17	2	6.14	1.31
Communication	15.61	4	5.41	1.16
Domestic Trade	0.96	0.3	0.10	0.02
Total:	371.32	100	468.39	100

(Committee for Planning and Investment, 2007)

Japan have always been Lao's largest bilateral donor for the past 4 years, offering aid at \$US 62.18 million in 2006. Vietnam and China have been actively supporting the Lao government on aid. In Chapter 3, Vietnam was noted as a recipient, however it is the second largest bilateral donor for Laos assisting at \$24.86 million. Laos has been Vietnam's market for their goods with competitive prices on commodities in comparison to Thailand and China. New Zealand contributes about \$1.7 million dollars which mostly supports the tourism sector (personal communication, 20th December 2007).

Table 4.4: Bilateral ODA Disbursement by Source (Country), 2005/06

Country	US\$ Million	%
Japan	62.18	27.83
Vietnam	24.86	11.13
China	21.16	9.47
Sweden	19.79	8.86
Thailand	18.78	8.41
France	17.68	7.91
Australia	17.18	7.69
Norway	14.70	6.58
Germany	6.26	2.80
Luxembourg	6.26	2.80
Korea, Republic	5.88	2.63
Belgium	5.26	2.35
New Zealand	1.78	0.86
Finland	1.68	0.75
Total	223.45	100

(Committee for Planning and Investment, 2007)

It is important to improve aid because the Lao government has presented a range of priorities in the NGPES, 2006-2010. It is intended to guide progress towards the country's development goals which takes a considerable amount of resources that the government is able to mobilize. External assistance is a must both financially and technically in order to achieve those set goals.

Effort of Government of Lao PDR

The government of Laos has given the role for aid coordination to the Department of International Cooperation placed in the Committee of Investment of Planning which is equivalent to the Ministry level of delegations. This department has divided into five different Divisions: UN agencies², Asia and Pacific³, Europe and America⁴, International Financial Institutions⁵ and Monitoring Division. Each division manages aid in accordance to the donor's geographical locations. The monitoring section has the overall role in keeping track of all ODA inflows into Laos as well monitor the operations and implementations of aid within Lao PDR.

The Round Table Process (RTP), or the Round Table Meetings (RTM) is a process led by the Government of Lao PDR in The Committee for Planning and Investment (CPI) which the Department of International Cooperation coordinates the Round Table Process. It receives guidance from the National Steering Committee which is chaired by the Prime Minister. The Round Table Process is in partial supports financially and technically by the UNDP (The National Round Table Process, 2007). Although there are unclear policies on how to distribute aid, the government has based their poverty reductions effort by using foreign aid, and setting the national priorities in the National Growth and Poverty Eradication Strategy (NGPES).

² UNDP, UNICEF, World Food Programme, UNFPA, etc

³ Mostly consists of bilateral donors from Asia and Pacific regions such as, Japan, China, Vietnam, etc.

⁴ Consists of donors from Europe and United States, European Union countries, etc.

⁵ The World Bank, Asian Development Banks, Japanese Banks, etc

DIC uses tools for guidance in the ODA coordination system that consists of: Part I the National Growth and Poverty Eradication Strategy. The NGPES as mentioned earlier acts a strategy paper of the government for the next 5 years plans with focus in poverty reduction. It became the focal point of where ODA should be spent and how it can contribute to the overall government national budgets. It outlined various parts. Part one focuses on the national growth and poverty eradication strategy. Setting goals and priorities and enabling environment for growth and development. This includes the role of government and governance issues. The government focuses on the NGPES' operational framework of: agriculture and forestry development, education and health, infrastructure development, just to name a few. Rural and poor district has been appointed to be focused by using the Thammasat ways of development, this means the natural way of development without using too many westernized concepts. Mobilization of resources will come from ODA and government inputs.

Part II of NGPES overlooks at poverty assessment in Lao PDR. The NGPES also assess the poverty situation of Laos in order to make plans to reduce it. Analysis of the cause and the outcomes and possible effect it may have once development has been implemented. Part III focuses on the strengthening in the overall environment for sustainable growth and development. Part IV oversees the national sector plans to promote sustainable growth and poverty eradication while part V is looking for ways to mobilize and allocate resources to match with outlined priorities.

The second tool for ODA coordination use is the Data base system or called ACMS. The monitoring system is managed by Monitoring and Evaluation Division of the department in the DIC. The system is piloted into line ministries and two major provinces. Although in theory it is piloted into the provinces, in practice it is still far from being effective. The information is provided based upon project managers, which are government officers. The project managers will need to complete two forms of: (a). Project Work Plan (PWP) and (b) the Project Implementation Report (PIR). These are developed into what is called the ACMS database system. The

two tools for monitoring information are also drawn from the Public Investment Plan (PIP). PIP is government budget which represent expenditure programme which ODA's accumulates on average four-fifths of total national expenditures. Table 4.1 shows enormous contributions and plays an important role in relation overall public expenditures and PIP.

UNDP has been providing support in the terms of technical assistance and financial resources through the RTM project to develop the ACMS database. The information on (c) Project Information Sheet (PIS) is extracted directly from ODA grant and loan agreements by the staff of this division. This information is kept in the ACSM database system which is shared with other departments of General Planning in order to facilitate the preparation of the Annual Plans and Budgets. Thus monitoring and evaluation on aid effectiveness consists of total three different instruments mentioned above.

Coordination in Practice

From Chapter two's literature review on agreements from Paris Declaration to Vientiane Declaration which is distracted by The Round Table Process. The Round Table Meeting has mandate to support the Vientiane Declaration which is a step up towards aid effectiveness effort. Later a Country Action Plan (CAP) was published for implementation purpose in more practical detail based upon the Vientiane Declaration.

A detail document of the Vientiane Declaration (Appendix I) and CAP (Appendix II) are attached at the end of this thesis. Detail localization is similar to the Paris Declarations and the Hanoi Core Statements mentioned from chapter 3. This similarity has been illustrated for comparison purposes only because of the vital role Vietnam plays has much influence in the Lao development.

RTM in practice is rather more scattered and unorganized. The official structure from chapter two of the RTM does not contain other groups that coordinates amongst themselves. They are informal groups displayed in figure 4.2 at the last page of this chapter. These groups were formed previously to the structure and do not require to be abolished. They meet informally without much involvement of the official groups within the structure in figure 2.1 in chapter 2. It illustrates an informal structure of the Round Table Meeting that includes SWG and other coordination. The informal groups consist of (SWGs, 2007):

1. Avian Influenza
2. Public Expenditure Management Strengthening Programme (PEMSP)
3. Poverty Reduction Support Operation (PRSO)
4. Three Sub Groups from the SWG of Agricultural, Rural Development & Natural Resources Management
5. Mini –Dublin that stems from SWG’s Drug Prevention
6. Others, MDTF (forthcoming)

Sectoral Working Groups (SWGs)

The SWGs structure in chapter two were very formal and left out informal groups as mentioned above. There are still concerns over the SWGs on how well is it working and how can it be strengthened. The findings and recommendations for the current system are not meeting the needs of either government or partners. It reflected in very small numbers of SWGs meetings that have actually taken place over the past 12 months. The line ministries were dissatisfied with a “blue print” approached, due to the lack of understanding of the potential benefits of the vigorous SWGs. In addition, to the lack of ad hoc technical support makes it difficult for Chair Ministries to organize SWGs work.

The recommendations from the Review of the SWGs Mechanism have proposed the followings: 1.Reinforcement of Ownership of SWGs 2. Increase the ratio of

technical to political level meetings. 3. Integrate other ad hoc groups (informal groups) and to strengthened SWGs Mechanism. 4. Rights to the eight groups that is the necessity of the SWGs for energy and mining. The review of continuous effort to improve SWGs, it continues to recommends 5. To clarify roles and responsibilities of SWGs. That includes the linkages in the NGPES and the subgroups that stems from the SWGs. While most sectors still needs improvement in medium term strategy and its policy. The CAP and ODA tracking still lack standard reliable data and development of a capacity development framework. 6. The commitment to capacity development is critical to effective SWGs, there are still evidence of donor driven approach in the development community. Agendas are still not very well shared and require much secretarial support. 7. Reinforcing linkages between SWGs and the Round Table Process.

The current status of implementation for sector groups are; The Ministry of Education and Ministry of Transport. They have already planned what they want to do for the coming years and what they want to do now. The Ministries are leading the implementation however the problem now is that the donors are not giving up their agenda and the issues of ownership are yet to be resolves. The donors are still using their usual ways of aid delivery, which are inline with their own mandates and their own foreign aid policies. The usual way of aid delivery would be that the donor would approach government and advise a given period of 4 to 5 years plan and implementation would be set up and lead the plan. Donors would have full control of the financial role, administration and offer technical expertise. They would deliver these programmes and then leave these projects behind.

Evolution of Current Coordination System

The overall structure in figure 4.1, illustrates the overall system of how aid is being coordinated in Laos from the government side and from the donor's initialization. The left had side of the figure illustrates at the international level what the donors are doing and their initiative for countries to be involved. From the high level forum

in Rome in 2003 at a global level and followed by the Luangprabang meeting in February 2005 from the government effort to coordinate aid. That was left behind by the time the Paris Declaration was announced in March 2nd, 2005. Notice there are no direct linkages to the government that is displayed on the right hand side of figure 4.1.

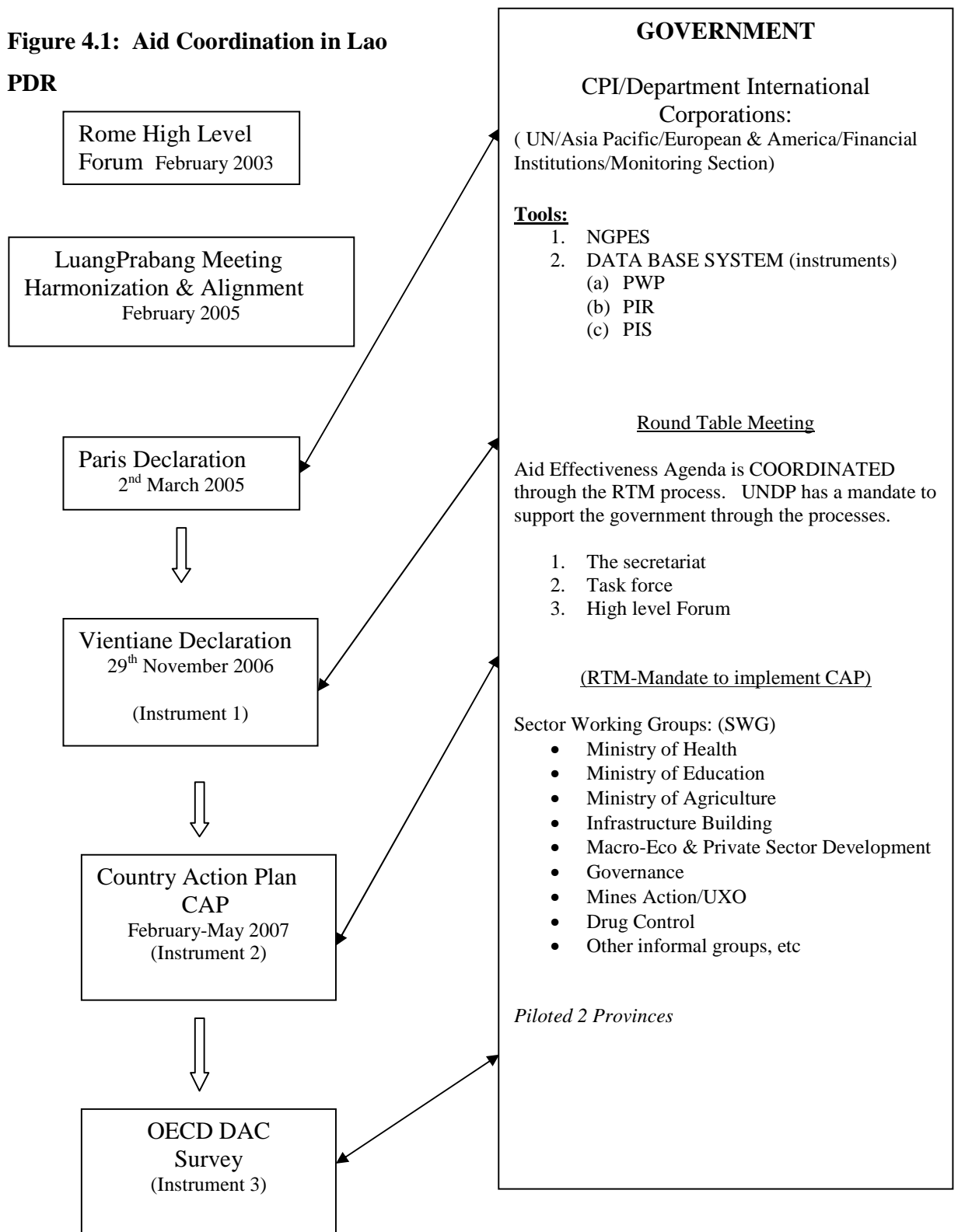
The right hand side of this figure however displays the role of the Lao government and the involving entities. As mentioned, the DIC uses 3 different instruments to monitor progress and NGPES for guidance to manage aid. The RTM November 2006 works in 3 tiers at the working level after Vientiane Declaration.

The working level starts at;

1. Secretariat – this group has the role in drafting official documents; composed by UNDP, EC, DIC, CPI, and Ministry of Finance.
2. Task force – this group will technically discuss the draft and propose changes (amendments) which was the government side, DIC, CPI and 4 ministries including all Donors however in practice Japan, WB, Australia, EC, France.
3. High level forum – meeting at ambassador level, a group started process endorsing process, and endorse the action plan when it was finalized.

The coordination structure has left out several important issues on the aid effectiveness agenda. The coordination mechanism has left out the provincial aspect, because the structure is too centralized. Since most development projects are done in the provinces, the government does not have a clear plan on how to coordinate aid at provincial level. This is also for the reason that localization is still new and the system is not yet entirely in place. There is limited capacity at the

Figure 4.1: Aid Coordination in Lao PDR



provincial level with the local government officers, funding for training to monitor projects or even managing development projects is still some distance away.

OECD DAC Survey

The OECD DAC Survey (OECD/DAC, 2007) forms parts of the monitoring tool for overall aid effectiveness effort of the Paris Declaration. The Ministry of Foreign Affairs has published a monitoring report that took a survey period of 12 months, October 2005-September 2006. The purpose of this survey was to monitor aid effectiveness at local level to reflect the global level on aid effectiveness progresses. This is different from the Lao government monitoring system. The DIC was previously based in the Ministry of Foreign Affairs (MOFA) for the monitoring period however it was later relocated, and is now currently back to the Committee for Planning and Investment (CPI). This caused much needed information to be missing and results were not too impressive.

During the Survey, many of the respondents expressed their views on the different questions and the difficulties they were experiencing in answering them. The main concerns were:

1. Time consuming task: many development partners' staff at country offices is limited and specialized teams who were able to commit sufficient time and the survey was not a priority. Furthermore, there was a lengthy progress in deriving data from head quarters.
2. Ambiguity of several of the terms used in the survey questions.
3. Absence of data: results gathered from the survey are mostly estimates as many agencies do not keep data filed. Such as missions to Laos.
4. Many agencies still use their own reporting system. Some partners emphasized that many records are not very well kept in detail and resulted a rough estimation.

Many recommendations were provided in order to acquire good results preparations for the next OECD DAC monitoring survey. However, because the process became to be too complex and time consuming for development partners which involves too many documents. There were many repeating questions to be answered from the indicators questions of which some were already responded to from the Task Force documents. There were many terminologies, confusion such as missions, technical cooperation, country analytic work, etc. Therefore the interpretations became unclear when translated in to the Lao language. Despite the low priority of the Survey many indicators (monitoring indicators in the Survey) are used as several benchmarks for the aid effectiveness Action Plan and will be a primary source to assess the targets. Very few respondents provided qualitative comments and many did not respond to the Survey. This would jeopardize the completeness and accuracy of the ODA picture in the country.

After the Paris Declaration, an effort was taken to localize at country level. The Vientiane Declaration was born and the Country Action Plan was established between February and March 2007. The odd thing about this was that the OECD DAC was carried out before the actual process of localizing the Paris Declaration was finished. In addition to this, the survey took one year to finish compilation, and the actual production of the report was submitted in mid 2007.

International Development Agencies

The following field research interviews were held with numerous international development agencies namely; UNDP, World Bank, bilateral donor such as Sida, NGO (SNV), European Commission. The interview questions are drafted around the following questions.

1. What is the aid effectiveness agenda in Lao PDR? Who are the involving institutions?

2. What is the local effort from international agencies and donor communities for aid effectiveness in Laos?
3. Does the local development community support the local government in aid coordination?

The field research provided a real and practical insight on how the aid effectiveness agenda is organised in practice. Talking to people who are involved with this agenda revealed interesting outcomes. Although there were challenges during field work, it was politically sensitive and timing difficult. There were local festivals which were followed by the national holiday and the Lao government was hosting FRACAPHONE Summit which nearly paralyzed most of the activities. The government gave a lot of priority to large events which triggers the closing of most working offices in Laos. Understanding the local protocols is essential when working with a very conservative government and mentalities.

Field research interviews with various international agencies held surprising results. The interviewees were mostly with large international development organizations based in Vientiane namely; The World Bank, UNDP and European Commission. However there were other smaller informal meetings with old colleagues from local NGOs such as SNV and donor country representatives from Sweden/Sida.

Aid effectiveness is rather a new agenda, as coordination of aid confuses the development community. From what has been gathered during interviews with expatriates working in Lao PDR, the expatriates seems to have a relative understanding of what the components of aid coordination are, meaning what the government is trying to do. The issues are not just what the government can do to coordinate aid, but what can international development communities do to support those efforts. Although there are already examples of combined effort and projects, the progress seems too slow and there are always continuous concerns of whether the Lao government could meet several deadlines that they signed up for, hence the MDGs and the Paris Declarations.

It is not just the matter of local government capacity, although UNDP has been technically supporting the strengthening capacity of the Lao government. The problems are also the international competency of international expertise. Most of the interviewees were young expatriates who have direct delegations from the seniors or from their head quarters. The EU representative explained, that he agrees with the local government and support government coordination effort. However, the field staffs still have to consult with the headquarters let alone their policy for aid delivery for Lao PDR. They have to work within guidelines that are sometimes not flexible and causes for process to slow down. In December 2007, the EU held a work shop on aid effectiveness, a prospective approach facilitated by a so called expert from the head quarter. A suggestion for the Lao government to consider changing from the current system as the EU felt strongly that they are proposing a better approach. This matter was later raised by other interviewees that it caused so much more confusion. There is already big gap between the head quarters and the field offices (personal communication, December 14th, 2007).

The EU representative later provided additional explanation of the workshop that it wanted Laos to have additional forum so that development community can come together to discuss, a more practical approach to aid coordination. Now a plan encouraging for capacity development and have been trying to support forum meetings. The next step is to expedite aid effectiveness project where there should be a forum where development community can actually talk about actions plans and monitor and sharing what has been done, who is doing what? Which targets could be achieved? Good actions and target. Currently there is no follow up and monitoring. The workshop eventually had little value of importance and the government proceeded with the same plan. The WB expressed their concerns for development agencies to not confuse the government more with the system because it is already a difficult process.

The EU interviewee further added that the aid effectiveness agenda has always been viewed as separate programme rather than incorporating within the programme

systems. Moving from small projects to general budget supports funding directly to government budget and involve into bigger sector working group has always been challenging.

The UN agency was rather different from the other interviews simply because of their organizations operations is much larger and more complex. Due to large organizational existence, UN agencies particularly have to coordinate within themselves lead by the UNDP. The interviewee expressed her concerns over task allocations. There seems to be too many rotations on jobs. From her position, there was a constant hand over of jobs which handle the aid coordination support. This action has caused delays for new staff to understand the entire picture of aid coordination in Laos for effective support needed from DIC. This is one of the classic examples of poor decision making from technical agencies.

The interviewees agreed that there are unclear approaches from the government in having multiple meetings. This could be made easier if there is a centralized forum and address issues once. This is to eliminate the separate discussions with different agencies and donors and it will lower transaction cost for everyone.

Interviewees further expressed that the requirements to improve aid delivery starts from having more government ownership by stepping down and setting clear priorities. The country budget had been dependent on aid and experiencing a comfortable situation for partner agencies as well. It was shown that it is much wiser to move quickly into projects that are multi donor projects, so that government officers working in these projects could just harmonize by not having multiple reporting systems to different donors. International development community should support government requests to clearly indicate in transparent manners from the unclear priorities. There are changes seen in the donor communities but it can be seen that donors don't entirely understand it. Both partners have limited capacity for the agenda and need to improve on it.

Conclusion

The initial assumption for effective aid is to have effective aid coordination which is the way for better aid delivery. My personal experiences in the field and research showed that it is not just a matter of good coordination but much work to be done with capacity development from development partners and local government.

The aid effectiveness agenda for Laos started with the local commitment of the Vientiane Declaration. The United Nations Development Programme (UNDP) is supporting the Department of International Cooperation (DIC) of the Committee of Planning and Investment (CPI) through the Round Table Process (project). This project is looking to improve DIC's capacity in coordinating the Aid Effectiveness agenda in Laos and to strengthen the ODA's information tracking system (World Bank, 2007).

The current status of the aid effectiveness agenda for Laos is still ongoing. The World Bank is currently supporting Ministries of Public Health, Education, Agriculture and Forestry and Transport in strengthening their approaches to **sector-wide capacity development framework**. These frameworks are intended to identify key capacity bottlenecks for the ministries to be able to deliver their mandates. It will constitute a tool behind the development plans that should be aligned with the country's overall development plan.

The Ministry of Finance is leading the Public Expenditure Management Strengthening Programme in order to strengthen the public expenditure system in the Lao PDR. The program will shortly be upgraded to cover the whole public financial management agenda. This program will be shortly supported by Multi-donor trust fund which will be funded by the World Bank, The EC, SIDA and AusAid.

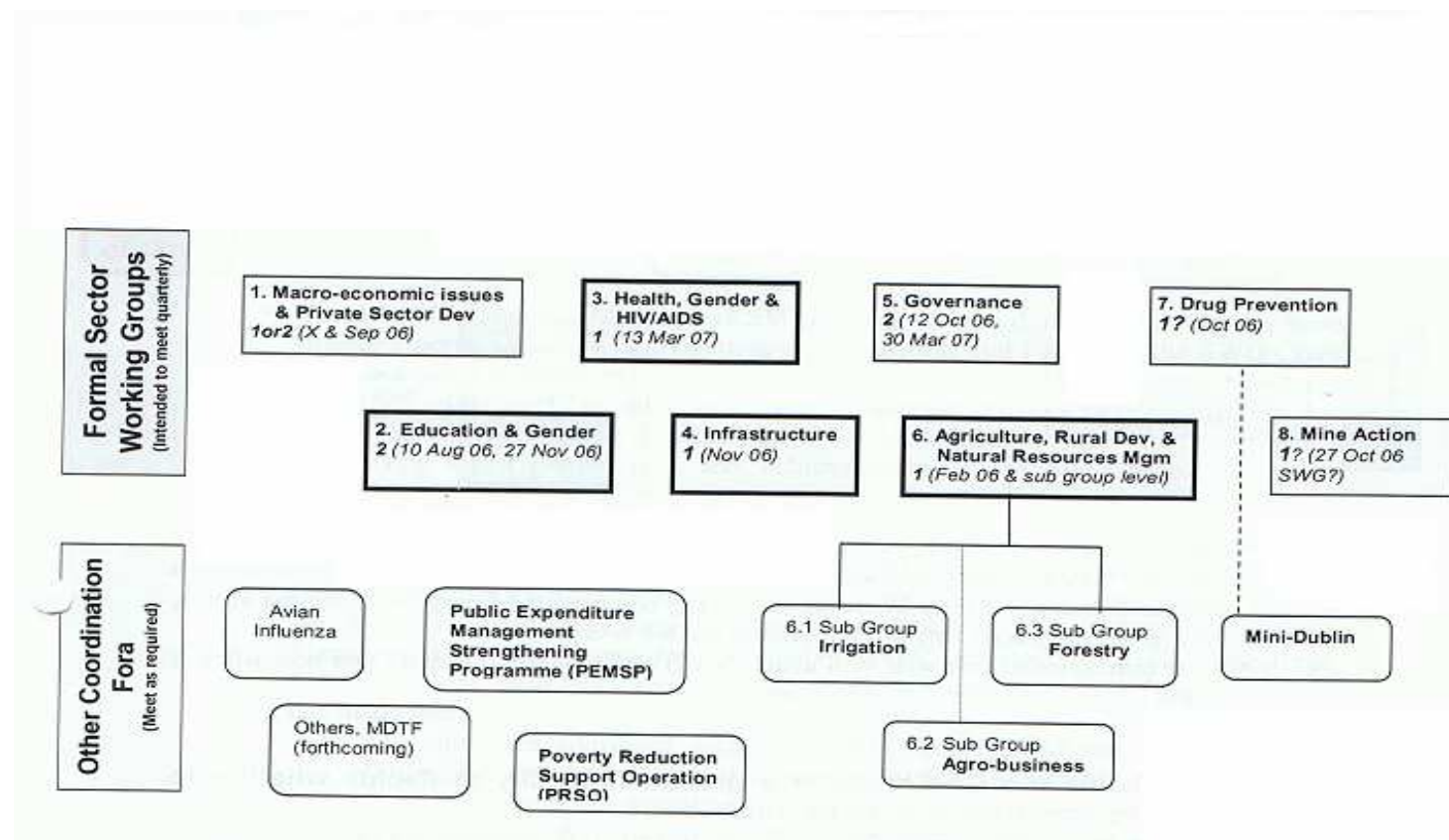
The DIC and the Ministry of Finance have been provided grants for the development of the **Standard Operating Procedures and Financial Management Manuals**.

These documents will be used by government staff implementing ODA-funded projects and programmes which will provide a harmonized set of guidelines for overall project management and financial management.

There are still concerns with the current flaws in the structure of the Lao aid coordination system. Since the system has only been reorganized and old plans had to be left behind since the High Level Forum in Rome. This has resulted in the Lao government to redraw its plans and follow the commitments of the Paris Declarations. With the recent plans and CAP has been outlined to implement the Vientiane Declaration is in progress. Since this is still an early process, the Lao government has been giving much attention to the efficiency in aid delivery and actively leading the coordination process while development institutions are adjusting their agencies to fit in with the current aid effectiveness agenda in Lao PDR.

Figure 4.2: Current Structure of the SWGs and Other Coordination Fora

(SWGs, 2007)



CHAPTER 5: RECOMMENDATIONS AND CONCLUSION

Summary Overview

This research sought to examine the linkages between global development agreements (especially the Paris Declarations and the Millennium Development Goals) and the Lao context (the Vientiane Declaration) and see how these are worked through to help achieve “effective aid coordination.” The Lao People’s Democratic Republic provided the main case study, whilst Timor Leste and Vietnam provided additional lessons. Lao PDR was examined to investigate if an aid coordination system exists and whether it has been effective.

Chapter 1 outlined the aim of this research to investigate a working model on aid coordination for Lao PDR with a focus of the country’s ODA status. Chapter 2 reviewed literature consisting of various agreements, providing the background from development efforts in the aid effectiveness agenda. This chapter outlined the Paris Declaration, a localized version (the Vientiane Declaration), the MDGs and the Lao aid effectiveness process organized through the Round Table Meeting system. Chapter 3 provided lessons from the two case studies, Timor Leste and Vietnam. Information from Timor Leste was gathered during field research in that country whilst documentary analysis from Vietnam provided a model for countries to follow because of their effective coordination profile. Chapter 4 presented data from field research experiences in Laos, seeing the aid coordination agenda in practice and gathering information from people who are involved in the agenda. Outcomes of what has been gathered has provided result which reflects back to the topic assuming that “effective aid coordination” is the key to effective aid delivery. It has changed the perspective because there were assumptions that there is poor communication within the aid industry and it just needs a good system to alleviate those issues, expressed in chapter 1 under the rationale section. However, there is much more to be done to improve the aid industry both at global and local levels.

This final chapter addresses recommendations and conclusions. The comparative lessons section below will draw the three countries together and illustrate how good practices of aid coordination are evident in Timor Leste and Vietnam. How those cases could provide possible practices for Laos and it is outlined with recommendations for what donors could consider. This is followed by a section on the regional aid coordination effort and the concluding section will attempt to look at the topic of aid coordination from all angles and sharing knowledge from this thesis.

Comparative Lessons

Vietnam has the advantage of having put its aid effectiveness portfolio together much faster than Laos. Laos only started their agenda recently and finalized their work plans late in 2007. Much of the Lao agenda still needs to be improved because of local conditions. While Vietnam has a relatively good balance of competent people working on the agenda, Laos needs to improve the local capacity. Funding for training such as English language training, report writing and basic specialized trainings in order to support the coordination effort from the central level are also needed. That involves not just the local government's ability to coordinate aid, but the development community's willingness and commitment to support the agenda with the right capacity.

The development community seems confused and rather weak in making good aid practice work. The important aspect of Vietnam's successful model is that the government has taken strong leadership within the development community. The success factors also involve pushing the development community to cooperate with the government's agenda. Vietnam even has provincial plans beside sectoral plans and consulting with donors to align. This is one of the components of aid delivery that still needs improvement from the local Lao government situation. Although two provinces have been identified to monitor the projects, the capacity of provincial governments lags far behind and coordination is difficult to implement. This is one of the reasons why aid coordination is still done entirely at the central level. Thus, in Laos, capacity still needs to be significantly improved.

Vietnam is one of the first countries to get a head start with the localization of the Paris Declaration. It became a model, particularly in South East Asia, for how development communities in the region could coordinate aid effectively.

Accordingly, Laos has recently attempted to localize their version of the Paris Declaration, and the development community there has drawn on the Vietnamese aid effectiveness agenda as a leading model. Both countries are similar in terms of their systems but Laos needs to catch up on more details, especially decentralizing the coordination and monitoring down to provincial level.

Timor Leste has particular characteristics in its development efforts and draws much attention to the role of development practitioners. The unique geographical location as well as its history has led to a situation where government capacity is severely limited. Aid inflows are much higher in comparison to Laos and coordination is essential. However, Timor Leste has a weak state sector and, as a result, has to bring civil society much more into its development agenda. At present, Laos to be in a rather similar situation but shows few signs of involving civil society effectively.

The Lao UN agencies have struggled to put joint programs together because they have their own mandates to operate aid. Although they have been trying to move from independent programmes to working together amongst themselves, it has been really difficult for them to do so. Within UN agencies, they find it much more difficult to coordinate aid and organize joint programmes, in comparison to UN agencies in Timor Leste. Timor Leste has not yet signed up for the Paris Declaration and therefore, the government is little concerned with localizing aid effectiveness. However, the international is and development communities have realized the importance of coordination and they have taken the approach through the community themselves. With or without the government, they have realized the instability of the political situation and the need to take actions for the people of Timor Leste. They have moved into joint programmes although their existence in Timor has only been recent, since independence in 1999 (personal communication, May 27th, 2007).

UN agencies in Laos often do not operate successful joint projects and there are concerns regarding power and the management system, because some UN agencies operate their programmes from headquarters rather than in country, such as United Nations Conference for Trade And Development (UNCTAD). They have their own mandates and different funding systems that are different from resident agencies. Agencies like UNICEF have their own appear to operation system as well, with independent funds disbursement system and operate independently. Some smaller UN agencies that are resident and some non resident agencies had to incorporate their funding mechanism into the UNDP system. This is one of the reasons why joint programmes are so difficult. The unusual side of UN agencies is the question of why coordination works well in some countries and others don't when they are basically the same type of organization. Due to these problems, aid coordination is difficult when even the UN can't coordinate its own agencies properly to work together.

The lessons from both countries yield significant differences, yet both types of governments and development partners agreed that the declarations are good although the declaration were taken at higher level and they are difficult to implement at ground level. There are concerns amongst smaller agencies that they do not have a place in development roles because they could lose recognition in flagging the name of their agency and its contributions into the pool funding system.

Recommendations

Recommendations can be made from this research to improve aid delivery and coordination in Laos. Firstly, *a stronger program based approach* is necessary. This can be done through four criteria that include responding to government priorities, implementation in partnership with several donors to be involved and the effort to strengthen the government system and using the system. Secondly, a *sector-wide-approach*, should be implemented similar to the programme based

approach but applied to a concrete sector. There is the example of the Sectoral Working Groups that is currently ongoing but this is organized at a Ministry level. For example, the World Bank agency is helping to prepare for its first SWAP for the Ministry of Communications Transport Post and Construction in the country. Thirdly, a *direct budget support system* is required. This is one component being implemented which means ODA will go directly into the government budget. The current example is the development of the Standard Operating Procedures and Financial Management Manuals which are being prepared so that ODA funding goes into this system with transparency. The last important suggestion is to *reduce the numbers of agencies working in one sector* to improve coordination of aid in Laos. There are currently too many agencies involved which results in poor communication and high of transaction costs. This is one frequently noted feature identified by many agencies during field interviews. The government also suggests this to be one of the important concepts to work well with agencies in order to improve important decision making processes and clear communication between government and donors.

Regional Coordination Effort

Apart from individual efforts by countries for aid effectiveness, the three Mekong countries of Cambodia, Laos and Vietnam also coordinate amongst themselves. The development triangle joint coordinating committee met for the second time on 19th February 2008 in Cambodia. The representative Ministers emphasized the need for development of the triangle area by giving the priority to (OECD/DAC, 2008);

1. Mobilizing internal resources of each country and to attract investment into the development triangle.
2. Formulating special preferential policies for the development triangle.
3. Simplifying procedures to facilitate the flows of goods and people in the triangle.

They pushed further to expedite concretization of the master plan for the development triangle and further move to implement plans which Vietnam has the coordinating for.

Conclusion

This thesis has revealed the need for further research in this area. Since the processes of aid coordination are still ongoing, there is much more that can be learned. Even though there is currently a lot of effort to coordinate aid at the global level, the reality shows that the process is too slow and needs expedition. Although localization of the Paris Declaration is being undertaken by for many developing countries, there are still challenges being faced by the local government to bring development communities into one agreement.

The major findings from this research topic include the following three major points. Firstly, the Paris Declaration can not be effective if it is not localized effectively. The issue is the *capacity* to implement the signed Declarations, both donors and developing country governments. If the developing countries do not have the right understanding or training to execute the implementation, then the Paris Declaration is will not be achieved. Many developing country governments' officers do not have the right training or level of education to be effectively involved in the processes. In addition to this, funding is part of the problem to provide relevant training.

It seems that the most important pillar of the Paris Declaration is *Ownership* from the local government. Without strong leadership, the remaining four pillars will not be applicable because those elements require strong involvement on the government. This reflects well with the concern of building the right capacity for the local government to implement indicators stated in the Paris Declaration.

Despite the efforts of many agreements regarding the MDGs and the Paris Declarations, many agencies and governments are still trying to comply with what

has been committed. Many have taken little effort to understand and recognize the difficulties in the aid effectiveness agenda. The agenda has been viewed as a separate entity, a separate programme that needs different attention. This has resulted in a parallel situation rather than taking into account that the aid effectiveness agenda must be incorporated into all programmes and projects.

Secondly, different countries that do not require going through the same processes have taken different approaches in coordination. In Timor Leste, aid coordination must be recognized and done within the donor community themselves, because the state remains weak and lacks needed human and financial resources. Considering that the country is in a vulnerable situation, and donors will step in to assist. Although from necessity this method has worked in Timor Leste the, aid agenda should not be a donor-driven. This will result in a domination of the industry and decisions being made that do not represent the local people.

Civil society involvement is important in order to make aid more effective. It is not just the work of government and agencies but to make aid meaningful for the end beneficiaries local civil society must be engaged. Leadership is needed, but not a total domination by the state. Involving civil society will yield a more balanced approach for better aid delivery and results.

Lastly, the criticism discussed in chapter 2 expressed by a New Zealand NGO representative indicated that many development institutions got left out because there are flaws in the Paris Declaration. This can be seen by many NGOs who are still operating their activities with their usual ways of operating.

The reason for these flaws is to reduce transaction costs and have good communication networks amongst the development industry. However the significant findings of this thesis concern not just effective coordination of aid, rather more towards limiting the numbers of development agencies being involved in the decision making processes, as recommended in the earlier section. This may

result leaving out the flagging issues with NGOs and affect the important goal of involving civil society. However, too many players in the decision making could result in more inefficient time consuming processes. This was one of the key points learnt during field research in Laos, expressed by many agencies and government officers. This is the reason why many agencies are left out, particularly civil society. Perhaps civil society could be involved at a lower level, such as the Sector Working Groups level to discuss specific contributions and decisions or they could harmonize amongst themselves so that the larger NGOs represent the smaller ones as well.

This research provided an up to date and insight into the current steps to improve effectiveness of aid distribution in developing countries particularly Lao PDR, Timor Leste and Vietnam. The information contained in this thesis paves the way forward for future research to document better ways in which countries and organizations address ways in which to administer much needed aid.

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Appendix I

VIENTIANE DECLARATION ON AID EFFECTIVENESS

I n t r o d u c t i o n

We, the Government of the Lao People's Democratic Republic (the Government) and the Partners in Development (the Partners), seek to take appropriate monitorable actions to make aid more effective and assist the country in achieving the Millennium Development Goals (MDGs) by 2015 and the long-term development goal of exiting the status of least developed country by 2020 (the 2020 goal). We recognise that while increased volumes of aid and other development resources are devoted to achieving the MDGs, aid effectiveness also needs to increase significantly to support the efforts to strengthen governance, improve development performance, and enhance development outcomes. At this Ninth Round Table Meeting, we seek to localise the "The Paris Declaration" that emerged at the conclusion of the Second High Level Forum on Aid Effectiveness held in Paris in March 2005 to fit the circumstances of the Lao People's Democratic Republic (Lao PDR). We seek to enhance the impact of aid in reducing poverty, increasing growth, building the capacity of human resources and institutions, and accelerating the achievement of the MDGs and the 2020 goal.

P a r t n e r s h i p D e c l a r a t i o n s

The following Partnership Declarations are developed in a spirit of mutual respect, support and accountability. They reflect the ambitions and structure of the Paris Declaration and build on the ongoing development efforts and experiences in the Lao PDR. They represent a shared recognition between the Government and the Partners to enhance the effectiveness of aid in the Lao PDR. They will be implemented to the extent possible.

Although this Declaration does not constitute a legally binding instrument, it represents a shared recognition between the Government and the Partners on enhancing aid effectiveness in the Lao PDR. The Government and the Partners, when and where possible, will make available appropriate resources, knowledge and capacity to implement the Declarations.

1. OWNERSHIP

Government exercises effective leadership over the development policies, strategies and coordinates development actions

1. The Government leads in developing and implementing its five-year National Socio Economic Development Plan or NSEDP (2006-2010) through a broad consultative process that integrates the official development assistance into mainstream planning.
2. The Government continues to translate the NSEDP into prioritised and results-oriented operational programmes in the Public Investment Programmes (PIPs) and the annual plans and budgets.
3. The Government exercises an effective leadership role in coordinating aid at the macro and sectoral levels through a substantive and ongoing process of dialogue with relevant stakeholders including the Partners in development; through such mechanisms as the Round Table Meetings and the Sector Working Groups.
4. The Partners will support the leadership of the Government and strengthen the Government's capacity to exercise its leadership.

2. ALIGNMENT

Partners align with the Government's strategies and use strengthened Government regulations and procedures

Partners align with Government's strategies

5. The Partners base their dialogue with and support to the Lao PDR on the NSEDP and related national and sectoral strategies and plans and periodic reviews of progress in implementing these strategies.

Government strengthens Government regulations and procedures with support from Partners, with Partners increasingly using the strengthened Government regulations and procedures

6. The Government and the Partners will establish mutually acceptable frameworks that provide reliable assessments of Government regulations and procedures, their performance, and work together to strengthen these as necessary and appropriate. The Partners seek to adopt harmonized performance assessment frameworks for Government regulations and procedures so as to avoid presenting the Government with an excessive number of potentially conflicting targets.
7. The Government will seek to ensure, as appropriate, that the legal framework, national regulations and procedures, institutions and procedures for managing aid and other development resources are effective, accountable and transparent

8. The Partners use the regulations and procedures of the Government to the maximum extent possible, including through integrating project implementation arrangements into line ministries. Where use of the country's regulations and procedures is not feasible, the Partners seek to establish additional measures acceptable to the Government and the Partners that strengthen the country's regulations and procedures.
9. The Partners will seek to avoid creating parallel structures that are not well integrated with the regular Government regulations and procedures, such as parallel Project Implementation Units (PIUs) or parallel Project Management Units (PMUs), for the day-to-day management and implementation of aid-financed projects and programmes.

Government strengthens development capacity with support from Partners

10. The Government will seek to integrate the capacity building objectives in the NSEDP into related national and sectoral strategies and plans and work with the Partners to develop a comprehensive, long-term capacity building programme.
11. The Partners will seek to align their analytic and financial support with the Government's capacity development objectives, strategies and long-term capacity building programme; make effective use of existing capacities; and coordinate and harmonise support for capacity development accordingly.

Strengthening financial management

12. The Government will continue to ensure timely reporting on and publication of budget planning and execution, and take leadership in the financial management improvement process.
13. The Partners will seek to enhance the predictability of future aid to the maximum extent possible through transparent decision making processes, provide indicative commitments of aid over a multi-year framework (including aid commitments covering multi-year expenditures of projects) and release aid funds in a timely and predictable fashion.
14. The Partners will seek to progressively rely on the Government's financial management system, once mutually acceptable standards have been attained.

Strengthening national procurement regulations and procedures

15. The Government and the Partners will seek to commit sufficient resources to support and sustain the improvements and capacity building in public procurement.
16. The Partners will seek to progressively rely on the Government's procurement system, once mutually acceptable standards have been attained.

Strengthening environmental and social assessments

17. With the Partners' support, the Government will seek to develop specialised technical and policy capacity for social and environmental impact analysis and enforcement of legislation.

3. HARMONISATION AND SIMPLIFICATION

Partners' actions are more harmonised, transparent and collectively effective

Partners will seek to implement common arrangements and simplify procedures

18. The Government and the Partners will seek to jointly conduct and use core diagnostic reviews (such as Public Expenditure Reviews); carry out other reviews jointly wherever possible (e.g. sector reviews); and systematically share the results of all reviews undertaken.
19. The Partners will seek to work together to reduce the number of separate and duplicative missions to the field; and promote joint training to share the lessons learned.
20. The Partners will seek to rationalise their regulations and procedures by implementing common arrangements for planning, design, funding, disbursement, implementing, monitoring, evaluating, and reporting to the Government on the Partners' activities and aid flows.
21. The Government and the Partners will seek to explore the feasibility of using increasingly programme-based approaches.
22. The Partners will seek to pursue decentralisation and delegation of authority to their country offices to the maximum extent feasible.

Complementarity: more effective division of labour

23. The Government provides its views on the comparative advantages of the Partners and on the ways to increase Partner complementarity at country and sectoral levels.
24. The Partners will seek to make full use of their respective comparative advantages at sectoral level by aligning support.

Incentives for collaborative behaviour

25. The Government and the Partners will seek to improve their procedures and strengthen incentives – including recruitment, appraisal and training – for their managers and staff to work towards harmonisation, alignment and managing for results.

4. MANAGING FOR RESULTS

Managing resources and improving decision-making for results

26. The Government and the Partners will seek to work together through a participatory process to strengthen the Government's capacities towards results-based management. They will establish results-oriented reporting and assessment frameworks that monitor progress on national and sectoral development strategies and the effectiveness of Partner inputs/support based on agreed key indicators.
27. The Government will seek to strengthen the linkages between national development strategies and annual and multi-annual budget processes.
28. The Partners will seek to harmonise their monitoring and reporting requirements, and - until they can rely more extensively on the Lao PDR's statistical, monitoring and evaluation regulations and procedures - work with the Government to the maximum extent possible on joint formats for periodic reporting.

6.

5. MUTUAL ACCOUNTABILITY

Both Government and Partners are accountable for development results

29. The Government and the Partners will jointly carry out annual reviews on progress in implementing the commitments on aid effectiveness and improved development outcomes through existing and increasingly objective country level mechanisms. They will seek to formulate appropriate indicators and (indicative) targets on aid effectiveness.
30. The Government will seek to involve the Partners in formulating and assessing progress on implementation of the national development plans.
31. The Partners will seek to provide in a timely manner an accurate and comprehensive information on aid flows and programme intentions to enable the Government to present budget reports to the National Assembly and citizens, and coordinate aid more effectively.

6. THE WAY FORWARD

32. The Government and the Partners will seek to work together to define an Action Plan and associated Indicators to guide the implementation of this Declaration. The Indicators, reflecting those defined in the Paris Declaration, will be tailored to the context of the Lao PDR. They will include time-bound targets, as appropriate. The Indicators will be incorporated in the Action Plan that will also include a framework for monitoring progress both on implementation of the Action Plan and the outcomes. A taskforce comprising representatives of the Government and the Partners will prepare the Action Plan and associated Indicators, which will be reviewed and finalized with the involvement of the stakeholders including all the Partners. This is targeted to be accomplished by 31 May 2007.
33. We, the Government of the Lao People's Democratic Republic and the Partners in Development, hereby confirm our willingness to implement the above Partnership Declarations and enhance aid effectiveness in the Lao PDR.

Signed at this Ninth Round Table Meeting on 29 November 2006, in Vientiane, Lao People's Democratic Republic.

The Declaration was signed by the Government of the Lao People's Democratic Republic and representatives of the following 22 partner countries and organizations on the occasion of the Ninth Round Table Meeting in Vientiane on 29 November 2006:

1. Australia
2. Austria
3. Belgium
4. China
5. Cuba
6. Finland
7. France
8. Germany
9. Indonesia
10. Japan
11. Luxembourg
12. New Zealand
13. Poland
14. The Republic of Korea
15. Singapore
16. Sweden

17. Switzerland
18. The United States of America
19. The European Commission
20. Asian Development Bank
21. World Bank
22. The United Nations

The Declaration has subsequently been signed by Thailand the Philippines.

(Ministry of Foreign Affairs, 2007)

Appendix II

COUNTRY ACTION PLAN OF THE VIENTIANE DECLARATION ON AID EFFECTIVENESS 2007-2010

Includes Annex 1: Implementation, Monitoring, Reporting and Updating Arrangements,
Annex 2: Definitions, Annex 3: Acronyms

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
1. Ownership: GoL exercises effective leadership over their development policies, and strategies and co-ordinate development actions						
1. (VD 1,2, 30)	GoL leads in developing and implementing the NSEDP through a broad consultative process that integrates ODA	NSEDP VI: implementation i) GoL uses SWGs where appropriate to decide on a timetable for introducing costed sector plans and build consensus around sectoral priorities; ii) As per decided timetable, develop	Line Ministries with support from SWGs (action i, ii)	6 sector strategies: - Transport - Trade (Integrated Framework) - UXO - PEMSP - AI	Timetable decided by October 2007. 3 (sub) sector plans developed by end 2008 (Education, Health, and Agriculture).	9 (sub)sector plans prepared.

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
	into mainstream planning and translates the NSEDP into prioritised and sequenced PIPs, and annual budgets.	<p>prioritized and costed sector/or sub-sector plans;</p> <p>iii) Sectoral plans mainstream cross cutting issues, beginning with gender;</p> <p>iv) Prepare costed <i>Kumban</i> development plans for each of the 47 poorest districts and incorporate them into Annual NSEDP;</p> <p>v) Develop / implement plan to strengthen coordination between ministries, central and local governments in the preparation of sector plans and the move towards programme based approaches;</p>	<p>Lao NCAW, LWU, UN [UNFPA] (action iii)</p> <p>CPI, UN [UNDP] (action iv)</p> <p>CPI, (MoF), Japan (actions v, vi, vii)</p>	<p>- HIV/AIDS</p> <p>37 <i>Kumban</i> development plans developed but not linked to annual NSEDP and funding sources not identified.</p>	<p>Gender Mainstreaming Tool is developed / endorsed by GoL's Line Ministries by 2008.</p> <p>By end of 2007 all <i>Kumban</i> development plans developed.</p> <p>Mobilisation of resources by 2008.</p> <p>New Budget Law Decree and Instructions prepared and</p>	<p>Mainstream gender concerns in all sector plans & related monitoring in place.</p> <p>47 <i>kumban</i> development plans incorporated into the NSEDP and funds mobilized for implementation.</p> <p>Budget Law implemented by 2010.</p>

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
		vi) Develop prioritized and well-costed PIPs, disaggregated by sector where available; vii) Identify domestic resources to finance PIPs and incorporate in medium term expenditure frameworks and annual budgets; viii) Remaining financing gaps identified and discussed with DPs through the SWGs where appropriate and RTM.	CPI, UN [UNDP]		disseminated by 2008. Rules or guidelines for program formulation process are drafted and approved by FY 2008. Costed and prioritized PIPs, including 2 sectoral PIPs by 2008 (Education, Transport), including identification of over-funded and under-funded. MTEF pilot by 2008. Planned annual PIPs aligned to MTEF.	Rules or guidelines for program formulation process are implemented by FY 2010. MTEF full integration to national budget system by 2010. X% of PIPs are clarified under the programme
		NSEDP VII: formulation ix) Evaluate the process for formulating the NSEDP;	CPI UN [UNDP WHO (Health)]		Evaluation findings shared for comments and adopted 2008.	NSEDP VII priorities and costings approved

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
		<ul style="list-style-type: none"> x) Develop / implement a consultation plan that facilitates consultation between central policy ministries (CPI, MoF, MoFA), Line Ministries, local government, private sector, DPs and NGOs; xi) Through SWGs where appropriate, identify diagnostic/ analytical work required to formulate the NSEDP; xii) Undertake costing of recurrent and capital expenditures drawing on the PIP / MTEF process; xiii) Prepare NSEDP VII based on evaluations, analytical work, consultations and other experiences identified above. 			<p>Consultation Findings Report shared at RTIM 2008 /2009.</p> <p>Research Plan prepared by end 2007, and research conducted by mid 2009.</p>	by National Assembly and endorsed by DPs.
2. (VD 3, 7)	GoL exercises effective leadership role in coordinating aid at macro and sectoral levels.	<ul style="list-style-type: none"> i) GoL convenes annual Round Table Implementation Meetings; ii) GoL leads a review of the Sector Working Groups, and recommendations implemented accordingly. The roles of the SWG in this CAP are considered and decided upon; iii) GoL communicates policies and strategies on ODA including VD and ODA Decree 168 to line ministries and local authorities; iv) ODA regulations and procedures, such as MoUs, are developed and strengthened with support from DPs; 	MoFA, UN [UNDP]	8 SWGs each meeting only once or twice from March 2006-March 2007, and zero had work plans.	<p>RTIM held in Nov 2007 SWG Review Report shared and recommendations discussed May 2007.</p> <p>Mandate and minimum performance expectations for each SWG decided and roles in implementing CAP confirmed by October 2007. INGO and wider membership to SWGs is promoted.</p> <p>4 SWG work plans incorporating simple Joint Monitoring Indicators (that</p>	<p>All SWGs prepare annual work plans and budgets (where agreed in TORs).</p> <p>All SWGs oversee effective sector dialog that:</p> <ol style="list-style-type: none"> 1. Builds consensus around clear priorities; 2. Aligns & harmonises DP support around these priorities; and 3. Monitors progress within their sector.

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
		v) GoL identifies specific capacity constraints to its leadership of the aid effectiveness agenda at the macro levels and decides with DPs on a program of support to remedy this.			allows measurement of their own progress) developed by Nov 2007 and progress reported at RTIM 2007 VD and CAP translated into Lao and distributed to GoL agencies through workshops by December 2007.	All SWGs meet their own standards.
3. (VD 4)	DPs support leadership of GoL and strengthen GoL's capacity to exercise leadership.	i) GoL prepares CDFs in key cross cutting areas and sectors of NSEDP.	PACSA WB, UN [UNDP] Line Ministries with support from SWGs, where appropriate.	Transport, Education and Public Health in process of developing CDF.	4 CDF (Transport, Education, Health and Agriculture) finalized by end 2008.	A further 2-3 CDF finalized by 2010.
2. Alignment: Donors base their overall support on partner countries' national development strategies, institutions and procedures						
DPs Align with the GoL's Strategies						
1. (VD 5)	DP policies, activities and aid flows are aligned with GoL strategies and plans.	1. Through the SWGs, DPs broadly align and harmonize their assistance strategies to sector strategies and the NSEDP; ODA flows are aligned with the prioritized investments contained in sector strategies and PIPs with particular attention to the over- and under-funded sections of the PIP.	CPI, UN [UNDP] Line Ministries with support from SWGs.	72 % of ODA is recorded on national budget (ODA Report 2005).	Unfunded parts of the PIP reduced from X to Y [note: data to be taken from the Ownership sections].	By 2010 all DPs have broadly aligned their assistance strategies to the NSEDP and sector strategies. 85% of ODA is recorded on national budget (Global

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
						target: 85%).
GoL Strengthens Regulations and Procedures with support from DPs, which DPs Increasingly Use						
2. (VD 8, 9)	DPs do not create structures for implementing ODA-funded projects that are parallel to GoL structures.	i) GoL and DPs carry out a joint review of ODA-funded implementation structures in order to a) classify them according to the agreed matrix (refer Definitions), and b) summarise lessons learned in integrating project implementation structures to date; ii) SWGs build on lessons learned above to guide progress towards integrating project implementation functions within their sector and monitor progress towards this.	DIC, MoFA UN [UNDP] Line Ministries with support from SWGs.	66% of projects use PMUs/PIUs in 2005 (OECD-DAC survey). MCTPC has no PMUs/ PIUs. Education has made progress in reducing parallel project structures.	Review of current implementation structures and lessons learned by end 2007. All SWGs agree on guidance for integrating project implementation functions within their sector by mid 2008.	No new parallel implementation structures created after 2010, unless endorsed by relevant GoL agencies.
GoL strengthens development capacity with support from DPs						
3. (VD 10, 11)	DPs align their technical cooperation behind GoL CDFs.	i) DPs provide technical cooperation and other capacity building interventions in alignment with GoL developed sector CDFs.	CPI, PACSA, WB	<10 % of total capacity building interventions aligned with CDFs (only MCTPC).	For those sectors with CDF, 50% of new capacity building interventions align with CDFs by mid 2009.	50% of total capacity development interventions aligned with CDFs.

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
Strengthening Financial Management						

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
4. (VD 6, 8, 12, 14)	GoL implements reforms to strengthen PFM to enable DPs to increasingly use GoL financial management procedures and systems for their ODA.	<p><u>Strengthening national PFM systems:</u></p> <p>i) GoL and DPs jointly review and decide on acceptable criteria for PFM regulations and procedures;</p> <p>ii) GoL strengthens budget execution by implementing the budgeting law/centralization of treasury; aligning budget execution with plan; and integrating ODA financing and other revenues into the budget;</p> <p>iii) GoL produces quarterly financial reports on consolidated GoL expenditure, and makes these compatible with GoL financial statistics standards over time;</p> <p>iv) GoL strengthens internal control framework by establishing internal audit functions and associated enforcement mechanisms;</p> <p>v) GoL strengthens the State Audit Organization so that it can provide independent audit opinions to INTOSAI standards in a timely manner;</p> <p>vi) GoL introduces a comprehensive intergovernmental fiscal transfer framework in order to better align policy priorities with the budget.</p>	MoF, WB, ADB	<p>No functional classification of the budget currently exists.</p> <p>More than 2,000 bank accounts operating outside the control of the MoF.</p> <p>Budget planning is not based on a normative system.</p> <p>Current reporting is on an annual basis, with the report published more than 5 months after end of fiscal year.</p>	<p>Budget classification aligns with IMF-GFS and functional classification of budget implemented.</p> <p>TSA established and centralized treasury structure implemented.</p> <p>Budget norms developed for health and education sectors</p> <p>GoL Financial Information System fully established.</p> <p>New Audit Law is implemented.</p>	<p>Revised Chart of Accounts and functional classification system implemented in FY 2008/09 Budget.</p> <p>Consolidation of GoL accounts within a unified TSA structure is able to show consolidated GoL position in real time.</p> <p>Budgeting for health and education sector done based on a system of budget norms.</p> <p>Quality budget execution reports produced for 2008/2009.</p> <p>Budget Audits carried out to INTOSAI standards by 2010.</p> <p>Fiscal transfer framework exists</p>

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
		<p><u>DPs supporting national PFM systems:</u></p> <p>vii) DPs clarify and share with GoL and other DPs their respective legal and policy regulations for the use of national PFM systems and standards to deliver ODA;</p> <p>viii) DPs increasingly align PFM support to GoL priorities;</p> <p>ix) DPs increasingly adopt GoL procedures, rules and regulations;</p> <p>x) DPs increase ODA delivered through aid modalities, such as direct budget support, that best support PBAs and reduce transaction costs;</p> <p>xi) DPs increase the percentage of untied aid executed by GoL as encouraged by the 2001 DAC Recommendation on Untying Official Development Assistance to Least Developed Countries.</p>	MoF, WB, ADB	<p>34% of ODA to the public sector uses GoL PFM systems [OECD-DAC]</p> <p>- 45% ODA used Budget Execution Procedures-30 % ODA used Financial Reporting procedures</p> <p>- 28% ODA used State Audit procedures:</p> <p>5% of total ODA disbursed through PBAs (including direct budget) [OECD-DAC].</p> <p>75-80% of ODA is untied (ODA Report 2005).</p>		<p>54% of ODA to the public sector uses GoL PFM systems (Global: 33% increase from baseline).</p> <p>33% of total ODA disbursed through PBAs (including direct budget) [OECD-DAC].</p> <p>90% of ODA is untied (desk review DAC Survey).</p>
5. (VD 13,31)	Aid is more transparent and predictable.	<p>i) DPs and GoL develop a common format for reporting total, sectoral and project level aid flows over a multi-year period, compatible with revised ODA database;</p> <p>ii) DPs strive to make indicative and transparent commitments of ODA over annual or multi-year period, in line with Lao Financial Year where possible;</p>	MoFA, UN [UNDP]	Gap between DPs' disbursed ODA and GoL recorded as disbursed is 30% (OECD-DAC survey).	Common format decided by end 2008.	<p>Gap between DPs' disbursed ODA and amount recorded by GoL as disbursed is 15%.</p> <p>All DPs use common format for either annual or multi-year period.</p>

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
		iii) DPs aid is predictable and released on time, where mutually agreed conditions have been met; iv) DPs work with GoL to strengthen absorptive capacity of GoL to effectively follow up on / use ODA pledges; v) GoL to present annual budget reports to the National Assembly & citizens, which include ODA.				
Strengthening National Procurement Regulations and Procedures						
6. (VD 6, 8, 15, 16)	GoL and DPs commit sufficient resources to strengthening procurement regulations and procedures and enhance their efficiency, transparency and utilization.	i) DPs clarify and share with GoL and other DPs their respective legal and policy regulations for the use of national procurement systems and standards to deliver ODA; ii) GoL and DPs jointly review and decide on acceptable criteria on procurement regulations and procedures; iii) GoL Procurement Manual and Standard Bidding Documents are distributed to DPs; iv) GoL fully implements new procurement decree; v) GoL recruits and trains sufficient number of staff at the PrMO; vi) Systematic collection of procurement	MoF, WB	[X%] of public procurements through competitive procedures (note: data from PrMO end 2007). [X%] of public procurements through Standard Bidding Documents (Note: data from PrMO end 2007). 17% of DPs use GoLs procurement procedures (OECD-DAC).	Recommendations from joint review shared with GoL and DPs by 2008. Procurement website developed by end 2007 (PrMO currently in process of developing). Procurement Manual and Standard Bidding Documents updated and made publicly accessible by 2008.	[X%] of public procurements through competitive procedures (PrMO). [X%] of public procurements through Standard Bidding Documents (PrMO). 40% of DPs use GoLs procurement procedures (OECD-DAC).

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
		<p>information and monitoring of performance and outcomes (through PrMO);</p> <p>vii) DPs increasingly adopt GoL procedures, rules and regulations to manage ODA-related procurement.</p>				
Strengthening Environmental and Social Standards for ODA-Funded Projects						
7. (VD 17)	With DP support, GoL develops technical & policy capacity for social, gender & environmental impact analysis & enforcement legislation.	<p>i) DPs clarify and share with GoL and other DPs their respective legal and policy regulations for the use of national environmental and social standards in ODA projects and programs;</p> <p>ii) Review current guidelines, standards and legislation for conducting social (including gender, HIV/AIDS and Employment, etc) and environmental impact analysis for ODA projects, and identify / implement areas that need improvement;</p> <p>iii) Discussion and approval of new guidelines/monitoring indicators for environmental and social impact analysis;</p> <p>iv) Strengthen the capacity of relevant GoL agencies to enforce the above regulations.</p>	STEa, UN [FAO], Sweden/SIDA		<p>Assessment completed by mid 2008.</p> <p>Revised guidelines/standards drafted and approved by end 2008.</p> <p>Development of joint monitoring indicators.</p>	<p>Guidelines implemented.</p> <p>Social impact assessments include gender assessment.</p> <p>Use of Joint Monitoring indicators</p> <p>Adoption of harmonised environmental and social standards at all levels of government.</p> <p>All applicable ODA projects adhere to social and environmental legislation that is</p>

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
						monitored and enforced by GoL
3. Harmonisation and Simplification: DPs' Actions are more Harmonized, Transparent and Collectively Effective						
1. (VD 18)	GoL & DPs conduct & use core diagnostic reviews, carry out joint reviews & share results.	i) Through the SWGs where appropriate, GoL and DPs share list of planned country analytical work; identify priority research gaps and areas for joint country analytical work; ii) GoL and DPs conduct joint analytical work wherever possible; iii) Mechanisms identified and implemented to share research/review results to DPs, line ministries and provincial GoL (eg RTM website or global CAW site).	EC UN [UNDP] Line Ministries with support from SWGs, where appropriate.	30% of CAW is joint (OECD/DAC) [Global: 30% of country analytic work is joint (2004)]	Consolidated list developed, disaggregated by sector/programme on annual or multi-annual basis. Joint research programme decided for 2 sectors by 2008 (Health, Education).	66% of CAW is joint. [global: 66%]
2. (VD 19,22)	DPs harmonise training and reduce administrative burden of GoL related to the number of duplicative missions.	i) DPs pursue decentralization & delegation of authority to country offices; ii) GoL and DPs decide on, and document core principles / good practices regarding missions and training scheduling, including consideration of mission free period(s) (eg. April to June - annual plan formulation);	DIC, MoFA, EC Line Ministries with support from SWGs, where appropriate.	550 Missions in 2005/06 (OECD/DAC). 12% of missions are joint (OECD/DAC).	Best practices identified by December 2007. Harmonised and/or joint mission and training schedules introduced for pilot sectors (Transport, Education & Health) by 2008.	50% of missions are joint.

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
		iii) GoL and DPs (through the SWGs, where appropriate) share their training and mission plans and organize harmonized and/or joint training and missions where applicable; iv) DPs increasingly share findings from missions among DPs and GoL (eg. RTM Website).				
3. (VD 20, 25)	GoL & DPs rationalize regulations, procedures & incentives by implementing common arrangements.	i) GoL and DPs decide on which DP regulations and procedures should use common arrangements and timetable for implementation; - DSA, salaries; ii) DPs carry out an overall review of above identified current practices and recommend policy/practice to harmonize DP procedures & incentives; iii) Common procedures implemented (beginning in PBA sectors: Transport, Education, and Health).	PACSA, MoF, EC Line Ministries with support from SWGs, where appropriate. ADB (Transport) & MAF		Identification of procedures and timetable by end 2007. DSA and salaries of GoL staff on ODA projects harmonized by 2008.	GoL Guidelines gradually introduced and, where possible, applied to on-going projects/ programmes.
4. (VD 21)	GoL and DPs increase aid effectiveness through coordinated approaches e.g. PBAs.	i) GoL reviews and improves (where necessary) national financial systems to channel budget support and pooled funding identified for PBA to relevant sector; ii) DPs expand use of coordinated approaches to programming and resource mobilisation through SWG framework.	MoF, Line Ministries with support from SWGs.	5% of ODA disbursed to PBAs (including direct budget support). (OECD-DAC)	DPs coordinate programs in Health, Education and Transport sectors.	33% of ODA disbursed to PBAs (including direct budget support).

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
4. Managing For Results: Managing Resources and Improving Decision-Making For Results						
1. (26, 28)	Results orientated frameworks, that both GoL and DPs use, enable monitoring of development results and of progress toward aid effectiveness.	<ul style="list-style-type: none"> i) Further strengthen the national statistical system by implementing the National Statistics Strategy 2006-10; ii) Develop a set of indicators to monitor progress at national and sectoral levels, and decide on surveys / studies to collect data for these indicators and their periodicity; iii) Develop, train on and implement results orientated frameworks to monitor and evaluate the 1) implementation and 2) impact of the NSEDP and sector programmes, using strengthened national statistical systems and other tools such as the LaoInfo database and MDG Report; iv) DPs work with GoL to prepare joint formats for periodic reporting and align to above results oriented frameworks; v) Review progress of SWGs against their own Joint Monitoring Indicators vi) Develop and implement mechanism to monitor progress against aid-effectiveness commitments set out in CAP; 	CPI, UN [UNDP], Sweden/SIDA	National Statistical Strategy for 2006-10 has been completed.	<p>Develop & implement Master Plan.</p> <p>Statistical needs assessment by end 2007.</p> <p>National and sectoral indicators decided.</p> <p>LaoInfo is used by GoL as a monitoring tool for implementation of NSEDP.</p> <p>2007 MDG Progress Report published.</p> <p>Results Frameworks for general NSEDP prepared and shared by end 2007: Sector Specific Results Frameworks for Transport by end 2007, and for Education and Health by end 2008.</p> <p>General simple joint format for monitoring and reporting endorsed by DPs by mid 2008.</p>	<p>Results Frameworks well advanced by 2010.</p> <p>All DPs use common formats for monitoring and reporting.</p> <p>ODA Database fully operational, data reliable and transparently available to GoL and DPs by 2010.</p>

VD §	Goal	Action	GoL Lead Agency & DP Focal Point	Baseline 2005/06 Lao FY	Performance Milestones	Target 2010/11 Lao FY
		vii) Continue to participate in the OECD-DAC Survey; viii) Revise the ODA Database to provide transparent and accurate reports on ODA-financed projects and programmes showing financial inputs (commitments & disbursements) and output progress. Information is shared across MoFA, MoF, CPI and line ministries and with DPs.			OECD-DAC Country Worksheet April 2009. Proposal for revised ODA database shared and endorsed by GoL and DPs by 2008.	
5. Mutual Accountability: Both GoL and DPs are Accountable for Development Results						
1. (VD 29)	Progress over decided commitments on aid effectiveness is assessed.	i) GoL and DPs report on and assess progress in CAP implementation at CAP Review Meetings, and outcomes of which are presented at RTIM; ii) GoL and DPs undertake independent evaluations / assessments of particular aid-effectiveness issues.	DIC, MoFA, UN [UNDP]		First CAP Review Meeting held in October/November 2007 CAP implementation reported at RTIM 2007. Identify topics and timetable for evaluations and funding arrangements by end 2007.	Regular mutual assessments shared.

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(Ministry of Foreign Affairs, 2007)

