
LAO PDR

INTRODUCTION

LAO PEOPLE'S DEMOCRATIC REPUBLIC is a low-income country with a GDP per capita income of USD 914 (2009), the economy grew at an average rate of 7.9% per annum in the period from 2006-10 (WDI, 2011). According to the country's fourth expenditure and consumption survey (2008), it had a population of 6.1 million and 27.6% of the population (1.7 million people) lived under the poverty line (Lao Statistics Bureau).

Net official development assistance (ODA) to Lao in 2009 totalled USD 542.95 million (OECD, 2011a). Since 2005, net ODA has averaged 10% of GNI and 86% of central government expense (WDI, 2011). The top five donors provided 58% of Lao's core ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. Out of ten indicators with applicable targets, five have been met. Lao PDR has made progress in ownership, whereby national development strategies (NDS) are underpinned by a long-term vision on poverty reduction in which targets are set, and policies are costed and linked to the budget. Alignment has improved, with three out of four indicators meeting applicable targets. There has been progress on all remaining alignment indicators since 2007. Harmonisation fares comparatively less well, with none of the three related indicators meeting the targets. There has, however, been a concerted action by the government and donors to promote programme-based approaches and a substantial increase since 2007 in the proportion of joint analytic work has been noted.

The government, with the support of donors, is developing robust results-based management frameworks including a monitoring and evaluation system for the 7th National Socio-Economic Development Plan 2011-15, although this indicator did not meet the target for 2010. A mutual accountability framework is in place for 2010, and government, together with donors, continues to work on expanding the consultation mechanism to involve more participation from civil society and the private sector.

ABOUT THE SURVEY

This chapter assesses progress against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken when analysing the trends shown by some of the indicators. The 2011 survey responses cover 21 donors and 89% of Lao PDR's core ODA.

Lao PDR has previously participated in the 2008 and 2006 surveys; however, results for 2006 were not submitted in time to be officially incorporated. The 2011 monitoring survey process was led by the Department of International Co-operation, Ministry of Planning and Investment with the support from donor focal points – UNDP and EU delegation and a locally established PD Survey Taskforce. In addition to survey questionnaires for collecting development partner data, the government adopted a country spreadsheet covering individual project data, providing more accurate results. Civil society and parliamentary involvement in the survey process has taken place through the national launch of the survey in December, inception workshop in January and the national validation workshop in March 2011. ■

TABLE 1:
Baselines and targets
for 2010

INDICATORS		2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	C	B	'B' or 'A'
2a	Reliable public financial management (PFM) systems	2.5	3.0	3.5	3.0
2b	Reliable procurement systems	Not available	C	Not available	No Target
3	Aid flows are aligned on national priorities	--	66%	88%	85%
4	Strengthen capacity by co-ordinated support	--	54%	74%	50%
5a	Use of country PFM systems	--	31%	41%	No Target
5b	Use of country procurement systems	--	16%	38%	No Target
6	Strengthen capacity by avoiding parallel PIUs	--	25	22	No Target
7	Aid is more predictable	--	38%	50%	No Target
8	Aid is untied	98%	70%	71%	More than 98%
9	Use of common arrangements or procedures	--	9%	18%	66%
10a	Joint missions	--	18%	26%	40%
10b	Joint country analytic work	--	25%	53%	66%
11	Results-oriented frameworks	D	C	C	'B' or 'A'
12	Mutual accountability	Not available	N	Y	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	Achievement: There has been increased participation in the formulation of the national development strategy in recent years, especially the formulation of NSEDP VII (2011-15).	Priority action: Formulate and Implement projects/programmes under NSEDP VII and ensure participation of all stakeholders.
Alignment	Achievement: Co-ordinated support to strengthen capacity of the partner country has increased considerably.	Lesson: The Vientiane Declaration Country Action Plan has promoted capacity development frameworks to better align capacity development measures behind sectoral strategies.
Harmonisation	Challenge: Use of programme-based approaches (PBAs) remains limited.	Priority action: Steps should be taken to align donor policies and financing behind the government's sector development strategies. The key challenge is to develop a broad common understanding of PBA principles and opportunities. Improvements should also be made in developing/ costing sector strategies and increasing capacity to design and manage PBAs at both central and local levels.

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Managing for results	Challenge: Limitations in human and technical capacity for data collection and analysis are significant at all levels.	Priority action: Improve the technical and human capacity of government agencies for collating, processing and analysing robust data; Effectively develop and promote the use of national information management systems (e.g. statistical database – LaoInfo and ODA database –AMP) to measure progress on economic, social and governance based on well defined qualitative and quantitative indicators.
Mutual accountability	Achievement: A mutual assessment structure and mechanism has been in place at the national and sector levels.	Lesson: The Vientiane Declaration Country Action Plan indicators form monitoring targets at the national level, which are translated into sector aid effectiveness action plans. The mechanism is complemented by the Round Table Process where the sector working groups facilitate a partnership-based dialogue between the government and donors on development plan and implementation progress at the sector level.

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

In the 2011 Survey, Lao PDR received a rating of B (improved from C in 2007). Lao PDR's national development strategy is the Sixth National Socio-Economic Development Plan (6th NSEDP) 2006-2010. A successor strategy (7th NSEDP) covering the period 2011-15 is currently in the final stage of endorsement and implementation has already begun. The NSEDP is linked to a long-term vision and is consolidated from sectoral strategies. It provides a priority-setting framework and is reflected in the budget via the MTEF (medium-term financial framework) and MTEF (medium-term expenditure framework) which are currently in development.

The NSEDP translates the government's long-term strategy goals into specific medium-term targets and sector priorities, identifies institutional responsibilities for implementation and provides a priority-setting framework linked to the budget. The formulation of the NSEDP is based on sector plans and strategies and it is formulated in consultation with the line ministries and sub-national entities, to ensure consistency of priorities, timing and institutional responsibilities. The NSEDP is used as a reference to guide and prioritise resource allocations.

INDICATOR 1

Do countries have operational development strategies?

Priority targets and means to achieve them are identified by sector ministries both at central and sub-national levels. These are adopted by the government in a one-year NSEDP implementation plan with corresponding budget. Annual reports on NSEDP monitor the implementation and progress towards achieving the prioritised targets and goals. The targets of the strategy are linked with the MDGs: all eight are encompassed by the Sixth NSEDP. The NSEDP was built around the MDGs and it includes Lao-specific MDG targets and baselines. The NSEDP targets and priorities are also linked to cross-cutting issues (gender, governance, and environment) which are mainstreamed throughout the strategy as well as representing specific priority areas within the plan. In addition, during the high-level Round Table Meeting in October 2010, the government and donors have signed the MDG compact to renew commitment towards achieving the MDGs by 2015 and introduce the Lao PDR-specific MDG 9 on reducing the impact of unexploded ordnance (UXO) and victim assistance in respect to the long term negative impact of UXO on development potential of affected communities.

Lao PDR is currently developing an MTFF and MTEF. The MTEF has been piloted in four sectors. The NSEDP is costed, based on a list of projects and programmes submitted by the line ministries and provincial agencies which need to be implemented to meet the targets. Pending the development of MTFF/MTEF, the government uses the NSEDP as a strategic guide for medium- and long-term fiscal planning, then allocates the budget based on priority areas indicated in the NSEDP. A performance orientation in budgeting which will help to streamline annual budget process is currently being developed.

There is an established mechanism for provincial and local governments to participate in the formulation and monitoring of the National Socio-Economic Development Plan. The national development plan is based on sector plans and strategies and done in consultation with line ministries and sub-national entities to ensure consistency in priority setting and sequencing. Parliament or the National Assembly provides strategic directions and inputs to the national plan at the beginning and end of the formulation process.

Formulation of the NSEDP is considered to be significantly more inclusive than previous times and in recent years a number of NGOs, the private sector as well as the donors have been increasingly involved. However, challenges remain in instituting broad-based, robust consultation mechanisms. Co-ordination structures and processes need to be made more effective through widening stakeholder participation to include a broader segment of civil society organisations and private sector, and through expanding aid co-ordination process and mechanism to local levels. It is also recognised that there is a dramatic under-investment in the core capacity of ministries to manage sector working groups effectively. A review recommends that resources from development partner supported projects and programmes be reallocated accordingly. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

Three of the eight indicators with applicable targets were met in 2010 (reliability of country PFM systems, aid accurately estimated on budget and strengthening capacity by co-ordinated support). A degree of progress has been recorded on all remaining indicators since 2007. The quality of the data and the proportion of untied aid has been a matter of significant concern (see section on indicator 8 below). Further challenges remain regarding the delay in the deployments of a central ODA database (Aid Management Platform) and weak management capacity, which makes it difficult to predict, track and align ODA behind national priorities. Concerns also remain among donors regarding the reliability of country PFM systems, constraining their use.

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

INDICATOR 2
Building reliable country systems

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

INDICATOR 2a
How reliable are country public financial management systems?

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

Lao PDR exceeded the target for 2010, receiving a rating of 3.5 on the reliability of its public financial management systems, an improvement from 2007. Since 2007, Lao PDR has achieved progress in a number of measures to strengthen country PFM systems. The Public Finance Management Strengthening Programme commenced in 2005 has contributed to substantial progress in overall public financial management. Implementation of a budget law has resulted in changes in the central-local fiscal relations as well as clearer revenue and expenditure assignments. An independent auditor general has been established which reports directly to the National Assembly, enhancing transparency in the oversight functions of the State Audit Office and National Assembly. However, progress in the Public Finance Management Strengthening Programme (PFMSP) has taken a slower pace than initially envisaged by government, mainly on account of inadequate funding and lack of implementation capacity and co-ordination mechanisms.

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

INDICATOR 2b
How reliable are country procurement systems?

Lao PDR conducted the MAPS self-assessment in March 2006 and achieved a grade C which was recorded in the 2008 Survey; hence the target set for this indicator was B. The self-assessment was not repeated ahead of the 2011 Survey. Nevertheless, the government fully recognises the importance of implementing an effective public procurement framework and there are capacity building and monitoring measures in the Public Finance Management Strengthening Programme to address procurement capacity limitations. Lao PDR is also examining additional ways of establishing co-ordinated systems for procurement capacity building and the monitoring of procurement performance and outcomes. However, substantial reforms need to be undertaken in order to improve the quality of procurement systems and to ultimately build development partner's confidence in the national systems.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

INDICATOR 3
Aligning aid flows on national priorities

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

TABLE 3:
Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2010 (USD m)	Aid disbursed by donors for government sector in 2010 (USD m)	2005		2007		2010*		Total aid disbursed through other donors (USD m)
			(for reference)		(for reference)		(%)		
	a	b					c = a / b	c = b / a	
Asian Dev. Bank	65	55	--		81%			84%	4
Australia	29	9	--		79%			32%	13
EU Institutions	23	10	--			88%		41%	2
Finland	6	3	--			39%		51%	4
France	8	9	--		93%		97%		0
GAVI Alliance	0	2	--		--		0%		0
Germany	10	25	--		--		40%		0
Global Fund	10	16	--		0%		63%		0
Hungary	9	9	--		--		100%		0
IFAD	4	2	--		--			58%	0
IOM	0	0	--		--			48%	0
Japan	13	130	--		87%		10%		8
Korea	83	23	--			37%		28%	0
Luxembourg	13	10	--		60%			77%	1
Mekong River Commission	--	--	--		68%		--		0
New Zealand	3	1	--			50%		26%	0
Sweden	12	9	--			81%		74%	0
Switzerland	13	10	--		0%			79%	2
Thailand	0	3	--		--		0%		0
United Kingdom	0	0	--		--		100%		0
United Nations	46	39	--		84%			85%	0
United States	--	--	--		0%		--		0
World Bank	40	77	--			72%		52%	0
Average donor ratio			--			57%		55%	
Total	387	441	--			66%		88%	35

* Ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets with at least 85% of aid reported on the budget. In 2010, 88% of aid disbursed by donors to the Lao PDR government was accurately estimated on budget, meeting the target. However, this is a setback from 2007 figures. Out of major donors to the government sector in this regard, Japan (the largest donor in terms of aid disbursements) shows the greatest mismatch with only 10% of disbursements accurately estimated. Among other major donors, the World Bank scores 52%, the Asian Development Bank (84%), The United Nations (84%) and Germany (40%). The comparatively lower scores among major donors therefore indicate that the overall figure of 88% may be overestimating the proportion of aid recorded on budget.

Delays in project implementation by donors and the survey methodology are the key cause of discrepancies, while the lack of a central ODA database and data management system have hampered efforts at the sector

level to track and align ODA behind national sector priorities. However, better data management alone can't assure better alignment. For example in the education sector, where ODA data is well collected, current projected ODA to the sector during 2011-15 does not match the identified needs across various sub-sectors. Efforts to enhance alignment are on-going, both by government and donors. The government is notably establishing a central ODA database (Aid Management Platform) which will become operational in 2011 and will be used to support planning, alignment and monitoring of ODA to Lao PDR.

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not

INDICATOR 7
Providing more
predictable aid

TABLE 4:
Are disbursements on
schedule and recorded
by government?

	Disbursements recorded by government in 2010 (USD m) a	Aid scheduled by donors for disbursement in 2010 (USD m) b	2005 (for reference)		2007 (for reference)		2010* (%)		For reference: Aid disbursed by donors for government sector in 2010 (USD m) d	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010** (%)	
							c = a/b	c = b/a		e = d / b	e = b / d
Asian Dev. Bank	60	55	--		91%			92%	55	100%	
Australia	2	10	--		0%		22%		9	86%	
EU Institutions	0	14	--		0%		0%		7	49%	
Finland	0	3	--		0%		0%		3	100%	
France	1	11	--		48%		13%		9	79%	
GAVI Alliance	0	2	--		--		0%		2	90%	
Germany	7	22	--		--		30%		24		92%
Global Fund	0	10	--			89%	0%		7	74%	
Hungary	7	9	--		--		80%		9	100%	
IFAD	3	2	--		--			49%	2		89%
IOM	0	0	--		--		0%		0	29%	
Japan	31	108	--		0%		29%		108	100%	
Korea	13	27	--			56%	50%		23	87%	
Luxembourg	0	12	--		30%		0%		11	98%	
Mekong River Commission	--	--	--		0%		--		--	--	
New Zealand	0	2	--		0%		0%		2	64%	
Sweden	4	5	--		8%		79%		5	97%	
Switzerland	0	11	--		0%		0%		10	92%	
Thailand	18	2	--		--			11%	3		62%
United Kingdom	0	0	--		--		--		0		0%
United Nations	0	45	--		0%		0%		39	86%	
United States	--	--	--		0%		--		--	--	
World Bank	53	49	--		61%		92%		66		75%
Average donor ratio			--		24%		27%				79%
Total	200	398	--		38%		50%		393		99%

* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

** Ratio is e=d/b except where disbursements recorded by donors are greater than aid scheduled for disbursement (e=b/d).

captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

On aggregate, 50% of scheduled disbursements in 2010 were accurately recorded in national accounts. Among major donors in this regard, Japan registers 29%, the Asian Development Bank and the World Bank both register 92%, Korea scores 50%, Australia scores 22%, while the United Nations scores 0%. These gaps are a result of several factors: inconsistencies and gaps in the legal and institutional framework for managing ODA; delays in programme/project implementation; weak co-ordination between donors and the government in preparing realistic disbursement plans. In its core reform programmes (especially the Public Finance Management Strengthening Programme) the government is taking steps to improve the predictability of aid, as well as through establishing a comprehensive ODA database, such as the Aid Management Platform. The government is also working with donors to develop ways to improve overall project and financial management. This includes requesting donors to provide multi-year commitments in order to assist the government in better ODA planning and allocation. As regards the Accra Agenda for Action commitment to provide full and timely information on annual commitments and actual disbursements, donors have been very co-operative in supporting government efforts to make aid more predictable and in providing data. However, due to internal organisational constraints not all donors are able to provide three-year projections as pledged, only annual projections. Accra Agenda for Action commitments to provide rolling three-to-five year expenditure and/or implementation plans are a long way from being fulfilled.

INDICATOR 4

Co-ordinating support to strengthen capacity

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

The Paris Declaration 2010 target is for 50% of technical co-operation be co-ordinated with country programmes. In this regard, Lao PDR has already exceeded the target with 73% of technical co-operation co-ordinated with country programmes. Although further progress can be made, this is a clear improvement from 2007 figures. Of major donors in this regard, Japan registers 100%, followed by the United Nations, Germany and the World Bank at approximately 80%. For the most part remaining donors score considerably lower.

Core government reform programmes all emphasise capacity development. The Vientiane Declaration (a localised version of the Paris Declaration) Country Action Plan has promoted capacity development frameworks to better align technical co-operation and other capacity development measures behind sector strategies. But only the education sector has made (moderate) progress against this action. Government is also urging sharing of good practice between sectors. In this regard, many sector line ministries are developing and finalising sector development strategies which include capacity development plans. These strategies and programmes have been increasingly communicated and consulted on with donors and other stakeholders.

	Co-ordinated technical co-operation (USD m)	Total technical co-operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%) $c = a / b$
	a	b			
Asian Dev. Bank	0	4	--	15%	12%
Australia	5	10	--	59%	47%
EU Institutions	0	2	--	0%	3%
Finland	3	3	--	0%	100%
France	4	5	--	15%	82%
GAVI Alliance	0	0	--	--	--
Germany	14	17	--	--	81%
Global Fund	0	0	--	--	--
Hungary	0	0	--	--	--
IFAD	0	0	--	--	100%
IOM	0	0	--	--	0%
Japan	30	30	--	99%	100%
Korea	3	3	--	100%	100%
Luxembourg	3	5	--	15%	49%
Mekong River Commission	--	--	--	100%	--
New Zealand	0	1	--	0%	0%
Sweden	0	1	--	39%	53%
Switzerland	0	5	--	0%	0%
Thailand	0	2	--	--	0%
United Kingdom	0	0	--	--	--
United Nations	24	30	--	54%	80%
United States	--	--	--	100%	--
World Bank	10	13	--	38%	77%
Total	96	130	--	54%	74%

TABLE 5:
How much technical
co-operation is
co-ordinated with
country programmes?

Donors have generally been supportive of sectoral capacity development, with their support explicitly linked to capacity objectives within sector and thematic support programmes. One example is the multi-donor trust fund to support the PFM reform programme implementation, ensuring consistent technical advice is provided to the government. There have been efforts to co-ordinate technical co-operation between donors. Among the donor community, exchange of information is increasingly evident, and where possible, donors seek joint implementation with other donors. However, the challenge is to comprehensively develop coherent sector strategies to ensure that technical co-operation is programmed and managed under government-led sector programmes. Additionally, some government agencies remain reliant on adviser support, and ensuring sustainable capacity after advisors leave is a challenge.

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

INDICATOR 5
Using country systems

INDICATOR 5a
Use of country public
financial management
systems

TABLE 6:
How much aid for the government sector uses country systems?

	Aid disbursed by donors for government sector (USD m)	Public financial management						Procurement			
		Budget execution	Financial reporting	Auditing	2005	2007	2010	Proc. systems	2005	2007	2010
		(USD m)	(USD m)	(USD m)	(for reference)	(for reference)	(%)	(USD m)	(for reference)	(for reference)	(%)
a	b	c	d			avg(b,c,d)/a	e			e / a	
Asian Dev. Bank	55	51	51	51	--	69%	94%	31	--	0%	56%
Australia	9	2	2	2	--	0%	26%	2	--	0%	26%
EU Institutions	7	3	3	3	--	0%	38%	3	--	0%	38%
Finland	3	0	0	0	--	0%	0%	0	--	0%	0%
France	9	0	0	0	--	15%	0%	4	--	80%	50%
GAVI Alliance	2	0	0	0	--	--	0%	0	--	--	0%
Germany	24	7	8	7	--	--	30%	7	--	--	29%
Global Fund	7	0	0	0	--	0%	0%	0	--	0%	0%
Hungary	9	0	0	0	--	--	0%	0	--	--	0%
IFAD	2	2	2	0	--	--	67%	2	--	--	100%
IOM	0	0	0	0	--	--	0%	0	--	--	0%
Japan	108	47	47	47	--	27%	44%	47	--	27%	44%
Korea	23	14	14	14	--	0%	61%	14	--	0%	61%
Luxembourg	11	1	0	0	--	0%	2%	1	--	0%	7%
Mekong River Commission	--	--	--	--	--	0%	--	--	--	0%	--
New Zealand	2	0	0	0	--	0%	0%	0	--	0%	0%
Sweden	5	0	0	0	--	32%	0%	2	--	72%	44%
Switzerland	10	0	0	0	--	0%	0%	3	--	0%	29%
Thailand	3	3	0	0	--	--	33%	0	--	--	0%
United Kingdom	0	0	0	0	--	--	0%	0	--	--	0%
United Nations	39	2	2	2	--	0%	4%	0	--	1%	1%
United States	--	--	--	--	--	0%	--	--	--	54%	--
World Bank	66	34	34	25	--	33%	47%	33	--	8%	50%
Total	393	166	162	151	--	31%	41%	150	--	16%	38%

As the survey shows, donors' use of country PFM systems has slightly increased since the 2008 Survey. On average, only 41% of aid used these channels in 2010. Only 11 donors made use of country PFM systems in 2010, among which the Asian Development Bank, Japan and the World Bank channel the greatest amount of funds, registering 94%, 44% and 47% respectively. Considerable amounts of external assistance continue to be channelled outside the government's financial management systems due to the weak capacity of ministries in budget execution, financial reporting and auditing, and the consequent reluctance of donors to utilise these systems. Generally speaking, there seems to be little awareness among government and donors of the wide range of potential alternative co-ordinated and harmonised arrangements for funding that lie between the current projectised fragmented aid and budget support. Hence, in many cases government and donors agree to use donor procedures and project implementation units for the management of external resources. On this point the government hopes that facilitating the development of PBAs will lead to an increased use of country systems in the medium-term.

As regards commitments to the Accra Agenda for Action to use country systems as a first option, donors plan to spend 30% of development aid to develop government capacity and increase country systems reliability. However, no co-ordinated efforts have been registered among donors to communicate the reasons for not using country systems.

INDICATOR 5b
Use of country procurement systems

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

In 2010, 38% of aid to the government sector made use of country procurement systems. Among major donors to the government sector, the World Bank, Asian Development and Japan score approximately 50%, while the United Nations almost completely circumvents country procurement systems. Decisions not to make greater use of national procurement systems stem from concerns over the weak capacity of PFM systems. In order to make progress in this regard, the Procurement Monitoring Office has prepared a procurement manual where guidance is provided for all steps in the procurement process. Donors actively support the government in developing capacity and increase reliability of country systems. However, there has been no concerted co-ordinated effort among donors so far to clearly identify bottlenecks to the increased use of country procurement systems.

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be “parallel” when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

The number of parallel project implementation units in Lao PDR has decreased from 25 in 2007 to 22 in 2010, thus the target of reducing the number of PIUs to 15 has not been reached. There is a perception among donors that parallel project implementation units (PIUs) ensure a stable mechanism for accountability, provide greater flexibility and enable government project leaders to take risks and be innovative, which would not otherwise be possible within a government structure.

INDICATOR 6
Avoiding parallel
implementation
structures

TABLE 7:
How many PIUs are
parallel to country
structures?

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
Asian Dev. Bank	--	0	0
Australia	--	0	0
EU Institutions	--	2	1
Finland	--	0	0
France	--	8	3
GAVI Alliance	--	--	0
Germany	--	--	0
Global Fund	--	1	0
Hungary	--	--	1
IFAD	--	--	2
IOM	--	--	3
Japan	--	0	0
Korea	--	0	0
Luxembourg	--	0	0
Mekong River Commission	--	0	--
New Zealand	--	0	0
Sweden	--	0	3
Switzerland	--	1	6
Thailand	--	--	1
United Kingdom	--	--	0
United Nations	--	11	2
United States	--	0	--
World Bank	--	2	0
Total	--	25	22

The Vientiane Declaration calls on sector working groups (SWGs) to facilitate the integration of project implementation units into their respective ministries and agencies. One example where progress has been made is within the Sector Working Group for Agriculture, Rural Development and Natural Resources (SWG-ANR), which undertook a joint review of PIUs and produced a joint roadmap on reducing parallel structures and how to avoid their creation. Such an approach has not been followed up systematically across the eight SWGs, however. More generally, reliance on project implementation units will be reduced through the strengthening of country systems and capacities, notably through the government's core reforms (Governance and Public Administration Reform and Public Financial Management).

INDICATOR 8 Untying aid

Aid is "tied" when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD's Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

TABLE 8:
How much bilateral aid
is untied?

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	0.4	0.4	89%	97%	100%
Austria	0.0	0.0	--	--	100%
Belgium	1.4	1.4	100%	100%	100%
Canada	0.0	0.0	99%	--	--
Finland	18.5	17.8	--	--	96%
France	7.4	6.6	88%	93%	90%
Germany	1.5	1.5	70%	100%	100%
Ireland	1.4	1.4	100%	100%	100%
Italy	0.8	0.7	--	--	92%
Japan	41.7	41.7	100%	100%	100%
Korea	52.6	15.0	--	23%	29%
Luxembourg	7.2	7.2	100%	100%	100%
Netherlands	0.0	0.0	100%	--	--
New Zealand	0.9	0.9	64%	100%	100%
Norway	0.2	0.2	100%	100%	100%
Sweden	0.9	0.9	100%	100%	100%
Switzerland	11.5	11.5	100%	100%	100%
United Kingdom	0.3	0.3	--	100%	100%
United States	8.9	3.2	0%	33%	35%
Total	156	111	98%	70%	71%

Source: OECD Creditor Reporting System.

With a score of 71%, it would appear that little progress has been made in increasing the share of untied bilateral aid since 2007, which was a considerable setback in comparison with the 2006 Survey score of 98% and considerably below the 2010 target. However, the OECD and country government report that the application of the criteria for determining the tying status of aid has not been applied rigorously or consistently for previous surveys. In 2010, improvements in reporting on the tying status of aid have led to a downward revision to 70% of the 98% score previously reported for 2007 in the 2008 Survey. The target set in 2005 for 2010 was therefore unattainable.

Despite this measurement issue country stakeholders suggest that progress has been made since 2005, though the fact that estimates (and in turn targets) have changed quite significantly suggests that donors' reporting on the tying status of aid to Lao PDR could be further improved.

Efforts by donors to untie aid is usually a policy decision taken at donors' headquarters and cannot generally be influenced at the country level. The Lao government therefore has no mechanism in place for monitoring the percentage of aid that is untied, but has strongly advocated for a reduction of untied aid through discussions with individual donors. Stakeholders also noted that while the data on tying used in the survey are based on the reporting of DAC donors to the OECD, Lao PDR benefits from co-operation with a number of non-DAC partners, which is quite often tied and not shown here.

CONDITIONALITY

Progress has been made in agreeing on a limited set of conditions in budget support operations. For example, the Poverty Reduction Support Operation, funded by Australia, EU Delegation, Japan and the World Bank includes three general conditions for disbursement, all of which are based on the national development strategy. Previous budget support operations have highlighted the necessity for a set of triggers that guide mutually agreed activities derived from national development plan and meet the criteria consistent with good practice on conditionality. Conditionality is sometimes included as a risk-mitigation measure, in which funding is conditioned on successful implementation of the programme evidenced in progress reports. Information on progress of conditions linked to disbursements at the country level is made public in the print media where possible. ■

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

In 2010, only 18% of total aid provided to Lao PDR made use of programme-based approaches, an increase of 9% from 2007, placing Lao PDR far below the 66% target. With the exception of GAVI Alliance and the Global Fund, no donors channel more than 40% of aid through programme based approaches. Of major donors in this regard, Japan and the World Bank score 22% and 33% respectively, while the United Nations

INDICATOR 9
Using common
arrangements

TABLE 9:
How much aid is
programme based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
Asian Dev. Bank	0	0	0	55	--	6%	0%
Australia	2	3	5	13	--	36%	40%
EU Institutions	3	0	3	12	--	0%	24%
Finland	0	0	0	3	--	0%	0%
France	0	0	0	10	--	3%	0%
GAVI Alliance	0	2	2	2	--	--	100%
Germany	0	7	7	24	--	--	27%
Global Fund	0	7	7	7	--	0%	100%
Hungary	0	0	0	9	--	--	0%
IFAD	0	0	0	2	--	--	0%
IOM	0	0	0	0	--	--	0%
Japan	23	2	25	111	--	6%	22%
Korea	0	0	0	23	--	0%	0%
Luxembourg	0	5	5	11	--	0%	42%
Mekong River Commission	--	--	--	--	--	0%	--
New Zealand	0	0	0	3	--	0%	0%
Sweden	0	0	0	5	--	0%	0%
Switzerland	0	0	0	12	--	0%	0%
Thailand	0	1	1	3	--	--	24%
United Kingdom	0	0	0	0	--	--	0%
United Nations	0	0	0	54	--	19%	0%
United States	--	--	--	--	--	0%	--
World Bank	20	1	22	66	--	20%	33%
Total	48	27	76	426	--	9%	18%

and Asian Development bank make no use of PBAs. Most aid through PBAs comprises of budget support from the World Bank and Japan.

Line ministries, donors and civil society organisations in Lao PDR do not yet share a common understanding of programme-based approaches. A study on the Implication of programme-based approaches has highlighted that rapid moves towards PBAs should not be attempted lightly, but that discrete steps can be taken to align donors' policies and financing behind nationally owned sector strategies. The key challenge, however, is to develop a broad common understanding of PBA principles and opportunities.

Some of the basic building blocks of PBAs are currently in place. Comprehensive sector or programme strategies are being developed and progress has been made towards programme-based approaches in sectors such as education, health, governance and public financial management. In some instances common management arrangements for programme implementation have been developed (for example the Education for All and the Northern Uplands Development Programme).

Global partnerships and initiatives do not yet form part of sector plans and represent a challenge to the co-ordination of sector-wide programme support, although there are attempts to manage this by integrating additional resources into PBA processes. More broadly, much room remains for improvement in developing sector strategies, costing them and increasing capacity at the central and local levels.

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

INDICATOR 10a
Joint missions

	Co-ordinated donor missions* (missions)	Total donor missions (missions)	2005* (for reference)	2007* (for reference)	2010 (%) c = a / b
	a	b			
Asian Dev. Bank	4	98	--	23%	4%
Australia	18	18	--	67%	100%
EU Institutions	9	15	--	22%	60%
Finland	2	5	--	--	40%
France	2	9	--	16%	22%
GAVI Alliance	0	2	--	--	0%
Germany	2	12	--	--	17%
Global Fund	1	4	--	0%	25%
Hungary	0	1	--	--	0%
IFAD	3	3	--	--	100%
IOM	3	29	--	--	10%
Japan	3	15	--	9%	20%
Korea	2	22	--	0%	9%
Luxembourg	5	14	--	100%	36%
Mekong River Commission	--	--	--	100%	--
New Zealand	0	4	--	--	0%
Sweden	1	1	--	100%	100%
Switzerland	11	13	--	11%	85%
Thailand	10	25	--	--	40%
United Kingdom	0	0	--	--	--
United Nations	62	288	--	40%	22%
United States	--	--	--	20%	--
World Bank	70	87	--	26%	80%
Total	163	620	--	18%	26%

TABLE 10:
How many donor missions are co-ordinated?

* The total of coordinated missions has been adjusted to avoid double counting. A discount factor of 35% is applied.

There has been an improvement in the proportion of joint donor missions from 18% in 2007 to 26% in 2010. However, this falls below the 2010 target. Of major donors in this regard, the United Nations – which accounts for over half of all missions to Lao PDR – scores relatively lowly at 22%. The Asian Development Bank registers a low 4%, while the World Bank scores most highly at 80%. Efforts to co-ordinate and facilitate joint missions have mainly taken place within ‘like-minded’ groups of donors, for example within the European donors’ group or UN agencies. Co-ordination has been based around joint programmes, most notably budget support operations such as the Public Finance Management Strengthening, and Education for All programmes.

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

Although there has been significant improvement of the indicator on joint country analytic work from 25% in 2007 to 53% in 2010, the 66% target has not been met. There is no formal mechanism in place to rationalise and co-ordinate the country analytic work. Efforts to establish a joint and co-ordinated sector programme of work have been successful in some sectors such as education, public financial management. The northern uplands development programme also provides examples where there has been a concerted move towards joint analytic work under a programme-based approach. The government also intends to utilise a sector working group co-ordination mechanism to initiate the development of a coherent programme of sector-level analytical work.

INDICATOR 10b
Joint country analytic work

TABLE 11:
How much country
analytic work is
co-ordinated?

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (for reference)	2010 (%) c = a / b
Asian Dev. Bank	0	9	--	63%	0%
Australia	1	1	--	0%	100%
EU Institutions	1	1	--	100%	100%
Finland	0	1	--	--	0%
France	0	4	--	--	0%
GAVI Alliance	0	0	--	--	--
Germany	0	0	--	--	--
Global Fund	1	3	--	0%	33%
Hungary	0	0	--	--	--
IFAD	1	3	--	--	33%
IOM	8	8	--	--	100%
Japan	0	0	--	--	--
Korea	0	0	--	--	--
Luxembourg	2	2	--	--	100%
Mekong River Commission	--	--	--	100%	--
New Zealand	0	0	--	--	--
Sweden	1	2	--	33%	50%
Switzerland	2	4	--	--	50%
Thailand	12	12	--	--	100%
United Kingdom	0	0	--	--	--
United Nations	30	65	--	25%	46%
United States	--	--	--	--	--
World Bank	20	22	--	80%	91%
Total	65	123	--	25%	53%

*The total of coordinated country analytic works has been adjusted to avoid double counting. A discount factor of 25% is applied.

AID FRAGMENTATION

Fragmented aid – aid that comes in many small slices from a large number of donors – creates high transaction costs and makes it difficult for partner countries effectively to manage their own development. Aid fragmentation also increases the risk of duplication and inefficient aid allocation among donors. A pilot analysis on fragmentation of country programmable aid carried out at the country level by the OECD in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) reveals that aid fragmentation increased from 2005-09 alongside an increase in country programmable aid (OECD 2011b).

In order to reduce aid fragmentation, government recognises the benefits of more joined-up programming, co-financing and delegated co-operation arrangements. The government has accordingly raised awareness among sector ministries and among donors about the benefits of programme-based approaches. However, government is not actively promoting complementarity and a division of labour approach across sectors, and the sector working groups' secretariats are deemed insufficiently resourced to play a significant role in facilitating collaboration and joined-up work, and by implication, reducing fragmentation. ■

MANAGING FOR RESULTS

INDICATOR 11
Do countries have
results-oriented
frameworks?

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.

Lao PDR received an overall C score in 2010, indicating there has been little improvement from 2007. This leaves the 2010 target unmet. Lao PDR's national development strategy contains a monitoring and evaluation framework. The co-ordination of the M&E framework is led by the Ministry of Planning and Investment (MPI). The MPI relies on periodic reports on annual NSEDP implementation from the line ministries at central and sub-national levels to compile summary reports for consideration by the government, the National Assembly, and then shared with donors and the general public. While the NSEDP and public expenditure data are publically available through several routes, data for the M&E framework provided by line ministries etc. is patchy.

Data for the NSEDP M&E framework is sectorally and geographically comprehensive. Progress reports are produced monthly, quarterly, semi-annually. Data coverage of the qualitative and quantitative indicators of the NSEDP is comprehensive: of the 38 target indicators, 84% have baseline data. National data sources supporting the M&E system include a population census and a number of special purposes and line ministry surveys. The data have the quality and reliability to meet M&E system demands. However, the provision of information (reports) by line ministries, central and sub-national agencies is patchy. The coverage of the reports and the quality of the information varies widely. The bulk of data, which is often incomplete, is descriptive. Human and technical capacity limitations for data collection and analysis are significant at all levels. The Lao Statistics Bureau (LSB) is working on establishing a uniform and consistent national database on economic, social and governance indicators (called the Lao Info).

Stakeholder access to information has increased since 2007, with the NSEDP, NSEDP implementation progress reports, public expenditure data and budget execution reports made publicly available through various media channels. A planned ODA database will also be made available to the public. The national M&E system tracks NSEDP input, output and outcome indicators. The national M&E system is based at the outcome level, with indicators being a part of the sector ministries' work plans. The Ministry of Planning and Investment (MPI) leads the process of monitoring and evaluating NSEDP implementation. The MPI collects periodic reports (monthly, quarterly, semi-annual and annual) from the line ministries, central and sub-national agencies (provinces, districts and villages) to gather information on progress. Summary reports are then produced for submission to the government and the National Assembly, as well as for discussion in the sector working groups and presentation at the annual Round Table Implementation Meetings (RTIMs). The national M&E system suffers, however, from lack of technical and human capacity for collating, processing and analysing robust data. ■

MUTUAL ACCOUNTABILITY

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific

INDICATOR 12 Mutual accountability

country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place.

Lao PDR was assessed to have mutual accountability mechanism in place in 2010. The Vientiane Declaration, a localised version of the Paris Declaration reflecting AAA commitments, and its Country Action Plan (adopted in 2006 and revised in 2010), represent a common consensus and understanding between government and donors in achieving aid effectiveness and national development goals. The Vientiane Declaration Country Action Plan indicators form monitoring targets at the national level, which are translated into sector aid effectiveness action plans, with specific targets and reviewed in a participatory manner.

Within the Round Table Process, the high-level Round Table Meetings (RTM) takes place every three years. The interim (annual) Round Table Implementation Meetings (RTIMs) provide government and donors with the opportunity to review progress of NSEDP implementation as well as to discuss about critical emerging issues. The mechanism is complemented by sector working groups which stimulate substantive dialogue on progress and development plan at sector level.

A partnership-based and inclusive dialogue structure is nascent. The government is committed to further engaging donors and civil society in the mutual review of progress of the national plan implementation especially the attainment of MDGs. So far, civil society organisations have had a limited involvement in consultation process and limited capacity for information sharing, thus preventing wider stakeholder involvement in effective mutual assessment. Lao PDR is notably engaged in the UNDP regional Joint Initiative on Mutual Accountability (Lao PDR, Cambodia, Viet Nam) organised in September 2009, which is considered to be a model for south-south capacity development and leverage for promoting mutual accountability at both country level and in the region. ■

NOTES

The quantitative information presented in the chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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