

Country Programme Document for the Lao People's Democratic Republic (2012 – 2015)

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I. Situation analysis

1. The Lao People's Democratic Republic has achieved impressive economic growth and has almost halved poverty during the past two decades. The country also made steady progress in raising overall human development and is on track to achieve half of the Millennium Development Goals (MDGs). The economy grew more than 7 per cent annually between 2001 and 2010. The growth was driven increasingly by high inflows of foreign direct investment (FDI) in extractive industries (mining, timber), hydropower and industrial crop plantations. The Lao People's Democratic Republic will fully integrate into the free trade zone of the Association of South East Asian Nations (ASEAN) by 2015 and is preparing for accession to the World Trade Organization (WTO).

2. At the same time, gross domestic product (GDP) growth has become increasingly capital intensive, limiting the creation of livelihoods and jobs for Lao workers. High economic growth in recent years has not been very inclusive or equitable. This is reflected in the significant increase in income inequality in recent years. While the proportion of the population living in poverty has been reduced to 27.6 per cent, poverty and near poverty remain widespread in rural areas, where the vast majority of Lao people still live and work at a mainly subsistence level.

3. Much greater efforts will be needed to meet the country's most pressing MDG challenges, especially high child malnutrition, high maternal mortality, and rapidly increasing environmental vulnerability. Similarly, greater efforts will be needed to reduce disparities between genders, ethnic groups and regions. Gender inequalities are reflected in lower school enrollment of girls, high maternal mortality and low representation of women in senior decision-making positions in government, including at the executive level and in the civil service and judiciary.

4. The country has ratified six out of nine core human rights treaties, and the National Assembly's oversight role has steadily developed. However, people's participation in public debate and decision-making is still limited. Recent steps to open up space for civil society have the potential to enhance more open and informed debate. Priority attention is needed for the further development of the rule of law, access to justice and improved information and data collection to better inform effective policy and decision-making. The administrative system remains challenged by the country's highly dispersed population, as well as by capacity constraints in evidence-based planning, policy formulation, results-based management, monitoring, law enforcement, and effective delivery of basic social services, especially in rural areas.

5. Natural resource-based economic growth is also putting new pressures on traditional livelihoods and valuable environmental assets. Deforestation is severe, and non-sustainable land and water use are rising. Concerns about land security for Lao families and communities in rural areas are also increasing, with potentially serious implications for poverty, equity and community management of ecological assets. Reducing the country's vulnerability to effects of global climate change and recurrent natural disasters (floods, droughts, tropical storms, landslides) will require increased resources and strengthened national capacities and preparedness. There is an urgent need for: effective measures to support climate-change adaptation; community-based natural resource management; and more transparent decision-making as regards natural resources.

6. The country remains significantly contaminated by unexploded ordnance (UXO) left over from the Indo-China war. This problem affects all provinces and kills or injures about 300 people each year. It also negatively affects development and poverty reduction by constraining livelihoods through delayed land clearance, along with increasing costs of investments. Given the strong correlation between UXO contamination and the prevalence of poverty, the Government has committed to achieve a new national MDG9 on reducing UXO impact. Victim assistance will be included in this effort.

7. The seventh National Socio-Economic Development Plan (NSEDPlan), for 2011-15, aims for continued high GDP growth of no less than 8 per cent annually, achievement of the MDGs by 2015, and substantial progress towards graduation from least developed country (LDC) status by 2020. These represent valuable but ambitious

goals. At the same time, financing the seventh NSEDP remains highly dependent on official development assistance (ODA) and especially FDI. The seventh NSEDP seeks some \$4 billion of ODA for 2011-15. This is double the amount of the previous five years. Given the large volume of resources required to achieve the envisioned scale of development, highly strategic resource mobilization support, as well as more inclusive planning and budgeting of scarce resources, will be required.

8. The Government has effectively employed the round-table process to ensure that international development assistance is aligned to national development priorities. Through co-chairing this process with the Government, UNDP has played an especially important lead role among development partners. This role has enabled UNDP to leverage its limited resources well beyond its core programme in key areas. This work has included: assisting with the development of the MDG-based seventh NSEDP; the signing of an MDG compact; and hosting of the First Meeting of States Parties to the Convention on Cluster Munitions (CCM). In following up on the highly successful round-table meeting of October 2010, UNDP has had a major opportunity and responsibility to help the Government and the broader development community achieve the valuable goals of the seventh NSEDP, especially the MDGs.

II. Past cooperation and lessons learned

9. Key lessons learned are drawn from the 2010 Assessment of Development Results (ADR), 2010 midterm review of the country programme action plan 2007-2011, outcome evaluations and individual project evaluations. Valuable lessons are also drawn from past cooperation through the round-table process.

10. The round-table process has been the core of the UNDP special development partnership with Lao People's Democratic Republic. This special partnership has been built on many years of trust and the provision of impartial advice and timely assistance in critical areas. UNDP is positioned to build further on this partnership to assist the Government: in effective implementation of the seventh NSEDP; to help mobilize and manage needed resources; to achieve the MDGs in line with the MDG Acceleration Framework; and to help the Lao People's Democratic Republic graduate from LDC status. Experience has demonstrated the high value of facilitating more open, informed debate on critical development issues, in a politically helpful manner, as an important means for contributing to more effective socio-economic policy decisions. Greater transparency and more reliable information and data will be needed to assist further in this direction.

11. Another important general lesson learned is that the vast majority of Lao people still lack the capabilities needed to sufficiently participate in and benefit from economic opportunities created by the country's increased openness to foreign trade and FDI. Some ambitious economic policies also appear beyond the Government's still-developing institutional and regulatory capacities to manage in a manner most beneficial for the Lao people and nation. Strengthening capacities at the local level in rural areas will be especially needed to deliver on the MDGs.

12. A key recommendation of the ADR is for UNDP to sustain and build upon its strategic policy advisory role while focusing on fewer but more substantive, synergistic programmes with more direct impact on poverty reduction. Emphasis has been given to the need for more attention to gender equality and women's empowerment, which have large multiplier effects on economic and human development. The scaling up of successful initiatives piloted at the national and subnational levels has also been recommended.

13. Based on key policy lessons learned over the past five years, and as highlighted at the last major round table meeting, held in October 2010, achieving more inclusive and equitable growth will require an increasing focus on effective governance, especially economic governance. This includes: (1) facilitating opportunities for more open, informed and helpful debate on critical development issues; (2) ensuring that a fair share of the country's natural-resource revenues reach the Government budget and are invested back into human development; (3) mobilizing high-quality FDI that generates jobs and incomes for the Lao people, transfers valuable skills and technology to Lao workers, and safeguards environmental assets; (4) supporting more effective, equitable and sustainable natural-resource management, including legally

securing land rights for Lao families and communities, especially in rural areas; (5) improving the enabling environment for private-sector development and the generation of labour-intensive employment, including in processing, manufacturing, tourism and higher-value-added food agriculture; (6) helping better prepare the Lao People's Democratic Republic to compete within and benefit from deeper integration into ASEAN and eventually the WTO; (7) ensuring that women have equitable access to economic opportunities and senior leadership positions in government; and (8) underpinning all of this with further development of effective governance systems, including increased transparency.

III. Proposed programme

14. The country programme 2012-15 has been developed in close consultation with the Government and all development partners in parallel with the finalization of the United Nations Development Assistance Framework (UNDAF) Action Plan. It will focus its support on fewer and more strategic initiatives with more direct impact on poverty reduction and MDG achievement, as well as on deepening upstream policy advisory services. The following four programme priorities derive from the UNDAF Action Plan 2012-2015, which is fully aligned with the NSEDP: (1) Achieving inclusive and sustainable growth and the MDGs, particularly through the round-table process; (2) Effective governance; (3) Ensuring sustainable natural resource and environmental management, and adaptation to climate change; and (4) reducing UXO impact. Capacity development, aid effectiveness, managing for development results and accountability will be cross-cutting objectives. Gender equality will serve as a driver of progress across all MDGs.

15. The unique UNDP role in the round-table process will be the centerpiece for leveraging all UNDP assistance in order to better support Government development efforts and generate a multiplier effect for informed policy dialogue, increased aid effectiveness and strengthened resource mobilization for the seventh NSEDP. This high-impact, low-cost approach will position UNDP to be an even more efficient, effective and responsive development partner contributing to positive transformational change that better benefits all Lao people and further strengthens national development. The ultimate objective will be to assist the Government and the development community, through the round-table process, to achieve the valuable goals of the seventh NSEDP, including the MDGs and LDC graduation.

16. *Achieving Inclusive and Sustainable Growth and the MDGs.* Through the round-table process increased attention will be given to economic governance issues most likely to impact the achievement of inclusive and equitable growth, and achievement of the MDGs. Special focus will be given to ensuring gender-equitable growth and development through the round-table process, as well as more direct targeted assistance in other strategic gender areas such as female leadership training. Capacity-building assistance will be provided for the collection of timely, reliable data, including of the gender disaggregated data needed to better inform substantive analysis of key development issues, related policy debate and effective decision-making. Various round-table process forums will be better aligned to further assist the Government in achievement of the seventh NSEDP. The sector working groups of the round-table process will be made more effective by strengthening the substantive capacities of their respective secretariats and ensuring clear linkages with the NSEDP goals, especially the MDGs and graduation from LDC status. Development of a flexible pooled fund facility, to which all development partners will be invited to contribute, will be explored with the goal of facilitating timely responsiveness to emerging key priorities. UNDP will also continue strengthening national and subnational capacities to plan, implement, monitor and analyse the impact of interventions on the poorest and most vulnerable.

17. *Effective Governance.* Support to effective implementation of key policy initiatives in the seventh NSEDP and the MDG Acceleration Framework will be provided through cross-cutting interventions aimed at strengthening governance and delivery capacities at national and subnational levels. The governance programme will support systematic implementation of major policy initiatives in the rule of law and public service improvement, and will create an enabling environment for the nascent civil society to participate in more inclusive development. Support to public

administration reform will pay special attention to ensuring gender-equitable access to senior decision-making positions in the public service and judiciary. Mechanisms for more robust representation of people, especially women, in the National Assembly, as well as opportunities to empower men and women to participate in local planning, prioritization and decision-making will be supported. Strengthening the civil service, which plays the key role in delivering public services required to achieve the MDGs, will be another focus. The programme will facilitate nationwide scaling up of successful pilots of locally managed initiatives, including community radio and district development funds, thereby further contributing to MDG achievement. Linkages between political governance areas and selected economic governance areas will be increasingly developed to further help achieve inclusive growth and the goals of the seventh NSEDP.

18. ***Ensuring Sustainable Natural Resource and Environmental Management, and Adaptation to Climate Change.*** Addressing the critical poverty-environment connection and focusing on MDG7, UNDP will assist in strengthening capacities to formulate and implement strategies, policies and plans related to natural resource management, disaster risk reduction (DRR) and climate change. Programmes based on successful piloting of participatory forest, agro-biodiversity and water resources management models, as well as local climate-change adaptation/mitigation approaches, will address these priority areas in an integrated manner. DRR preparedness and response, including climate-change adaptation, will be addressed through national and subnational capacity development.

19. ***Reducing UXO Impact.*** Recognizing the strong correlation between UXO contamination and the prevalence of poverty, UNDP will reinforce relevant policy support and strengthen capacity development on UXO clearance, risk education and sector coordination. Achievement of the national MDG9 will be a priority, while support will continue for implementation of the UXO Sector Strategy 2010-20 under the CCM. UNDP will improve coordination and mobilization of resources through the UXO Trust Fund to enable the Lao People's Democratic Republic to meet MDG9 targets and CCM obligations.

IV. Programme management, monitoring and evaluation

20. The UNDP country programme will be nationally executed by the Government of Lao People's Democratic Republic, with coordination by the Department of International Cooperation (Ministry of Planning and Investment). National implementation (NIM) is the norm as the project implementation modality, and implementing partners will be selected on the basis of mandate and capacity. UNDP will provide technical assistance, access to global/regional knowledge networks and South-South cooperation, and procurement and other support services. United Nations Volunteers will support the strengthening of national capacities and promote volunteerism.

21. The UNDAF Action Plan will serve as the overarching management instrument for the UNDP country programme. Annual work plans will be approved and signed by UNDP and national implementing partners. Performances and results will be monitored/evaluated at programme, outcome and output levels, in line with UNDP corporate evaluation policy. Project assurance activities, including spot checks, will enhance monitoring and evaluation (M&E), as well as internal oversight by implementing partners. In line with the United Nations commitment on Delivering as One, the Vientiane Declaration on Aid Effectiveness, and the global United Nations initiative regarding the harmonized approach to cash transfers, the country programme will support harmonization among development partners and alignment with national systems. UNDP will pursue joint programmes, joint programming and joint M&E with other United Nations organizations and partners.

22. The country programme budget is estimated at \$70.5 million, with \$12.2 million in UNDP regular resources as a catalyst. To meet the \$58.3 million non-core requirement, the Government and UNDP will strengthen existing partnerships with donors, including the Global Environment Facility and international financial institutions, and will explore new partnerships with emerging donors and the private sector.

Annex. UNDP results and resources framework for the Lao People's Democratic Republic, 2012-2015

Resources for 2012-2015: Regular: \$12,206,620; Other: \$58,355,100; Total: \$70,561,720

NATIONAL PRIORITY OR GOAL: To attain the goals of the seventh NSEDP, ensuring inclusive and sustainable growth, achievement of the MDGs and the basis for exiting LDC status by 2020					
COUNTRY PROGRAMME/ UNDAF OUTCOME: By 2015, more equitable and sustainable growth promoted for poor people in the Lao People's Democratic Republic Outcome indicators: % of annual Government budget allocated to poverty reduction programmes; % of Government revenue from FDI that is invested in health and education sectors per year Related strategic plan focus areas: Poverty reduction					
GOVERNMENT PARTNER CONTRIBUTION	OTHER PARTNER CONTRIBUTIONS	UNDP CONTRIBUTION	INDICATOR(S), BASELINES AND TARGET(S) FOR UNDP CONTRIBUTIONS	INDICATIVE COUNTRY PROGRAMME OUTPUTS	INDICATIVE RESOURCES (\$)
Government will prioritize human development, poverty reduction and equitable growth and provide leadership in accelerating the achievement of MDGs.	Development partners actively take part in strengthening sectoral aid coordination through sector working groups (SWGs) for the round-table process (RTP).	UNDP provides technical assistance and policy advice, and helps create a space for open and informed policy dialogue on critical and emerging development issues, for MDG-based NSEDP implementation, monitoring and evaluation for the poor, through the RTP.	Indicator: (1) # successful round table meetings and implementation meetings supported by UNDP; (2) availability of functioning ODA database; (3) availability of solid M&E system for seventh NSEDP; (4) % of investments graded as "quality investments" based on pre-defined criteria Baseline: (1) N/A; (2) No ODA database operational; (3) Draft indicators for seventh plan exist; (4) No classification of investment exists as of 2010 Target: (1) 4 by 2015; (2) ODA database developed by 2015, containing all ODA-related information; (3) gender-responsive M&E systems strengthened and sustained; (4) 30% based on newly defined criteria.	Strengthened local capacity for MDG-based, results-oriented and gender-responsive NSEDP implementation and M&E; better coordinated ODA through the RTP; enhanced data quality (incl. gender disaggregated); better system and monitoring of FDI screening; a flexible funding facility to address critical economic governance issues.	Regular: 4,950,000 Other: 4,855,100
NATIONAL PRIORITY OR GOAL: Implementation of the governance sector strategy					
COUNTRY PROGRAMME/UNDAF OUTCOME: By 2015, the poor and vulnerable benefit from the improved delivery of public services, effective protection of their rights, and greater participation in transparent decision-making Outcome indicators: Law on local administration revised to empower local administration to manage service delivery; progress on implementation of legal sector master plan strategic directions Progress on "law on laws", on unified standards to draft laws; progress on a legal framework for establishment of local councils; # of NPAs (local civil society organizations: CSOs) registered Related strategic plan focus areas: Democratic governance					
Government is fully committed to the strategic plan on governance (2011-20), demonstrated through the establishment of a high-level steering committee charged with oversight over governance reform, and though Government resource allocations to the three	Development partners align their support to the objectives and targets in the strategic plan on governance. The overall governance programme will be actively coordinated through the governance SWG that is co-chaired by UNDP.	Through three large programmes on rule of law, service delivery and people's participation, UNDP supports the implementation of three respective pillars of the Government's strategic plan on governance.	Indicator: (1) % of National Assembly (NA) members with improved skills in legislative drafting and review; (2) % of accepted 74 Universal Periodic Review recommendations which are fully implemented; (3) # of registered CSOs and community radio stations; (4) existence of a competence and merit-based civil service performance management system; (5) # of districts benefiting from decentralized fiscal transfers Baseline: (1) 52%; (2) 0%; (3) 1 CSO, 3 community radios; (4) Only draft system available; (5) 35	Oversight, legislative and representational role of NA strengthened; increased capacities to deliver pro-poor services; legal sector reform implemented and human rights progressively realized; increased access to information and people's participation in planning and decision-making; support to	Regular: 3,906,240 Other: 11,700,000

major reform programmes (rule of law, people's participation, public service improvement).			Target: (1) 80%, especially women; (2) 100%; (3) new CSOs operational; 100 CSOs, 10 community radios; (4) competence and merit-based civil service management system in place; (5) 70	macro-reforms for improved efficiency, accountability and transparency in public administration.	
NATIONAL PRIORITY OR GOAL: Natural resource management and adaptation to climate change					
COUNTRY PROGRAMME/UNDAF OUTCOME: By 2015, sustainable natural resources management (NRM) enhanced through improved governance and community participation Outcome indicators: Pace of deforestation in % per year; # of participatory natural resource management agreements based on secure land tenure signed Related strategic plan focus areas: Environment and sustainable development					
The Government exercises the policy and regulatory leadership to improve governance and to promote and implement community participation in NRM.	Development partners support local NRM law enforcement and policy implementation and promote participatory approaches.	UNDP will provide support to the Government for the implementation of the legal framework related to Rio Conventions and the development of participatory NRM models.	Indicator: (1) # of training packages for provincial/district staff on national legal framework related to three Rio conventions; (2) # of participatory co-management models for natural resources with corresponding gender-sensitive programmes Baseline: (1) 0; (2) 1 for production forest by 2010 Target: (1) 3 training packages; (2) 3 by 2015	Capacities of national and subnational authorities enhanced for better environment management as per forestry and fishery laws; Communities' engagement in NRM strengthened.	Regular: 950,380 Other: 8,800,000
COUNTRY PROGRAMME/UNDAF OUTCOME: By 2015, better climate-change adaptation and mitigation implemented by Government and communities and natural-disaster vulnerabilities reduced in priority sectors Outcome indicators: # of priority sectors with a plan explicitly including climate-change mitigation and adaptation; average population affected by natural disasters per million people per decade Related strategic plan focus areas: Environment and energy/crisis prevention & recovery					
The Government strengthens its capacities to analyse and plan for natural disasters and climate-change related risks in priority sectors, and mainstreams disaster management and climate change in development plans as a priority issue.	Development partners provide coordinated support for Government to implement strategies and plans for natural-disaster management and climate change.	UNDP will promote low-emission, climate-resilient development in priority sectors, and strengthen DRR capacity of Government institutions at national and local levels.	Indicator: (1) Extent to which climate-resilient development is integrated into national development plans; (2) draft disaster management law Baseline: (1) seventh NSEDP includes general references to climate change; (2) no draft law as of 2010 Target: (1) gender-sensitive eighth NSEDP integrates low-emission climate-resilient development outcomes with clear budgets in 3 priority sectors; (2) draft law by 2015	Low-emission climate-resilient programmes in key sectors (agriculture, water resources and forestry); Government and community response to emergencies and adaptation to climate change strengthened; women's organizations systematically engaged in dialogue on adaptation and mitigation strategies.	Regular: 680,000 Other: 8,400,000
NATIONAL PRIORITY OR GOAL: UXO action (MDG 9)					
COUNTRY PROGRAMME/UNDAF OUTCOME: By 2015, the impact of UXO on people in Lao People's Democratic Republic reduced with collective actions of national and local governments and communities Outcome indicators: # of UXO casualties per year; hectares released for productive use by all UXO operators per year; victim assistance strategy in line with Convention on Cluster Munitions (CCM) Related strategic plan focus areas: Crisis prevention and recovery					
Government leads a sector-wide approach to the UXO sector and attainment of the MDG9	Development partners provide technical and financial assistance to the UXO sector in line	UNDP provides technical assistance and supports capacity development so that the Government can	Indicator: (1) Priority land released in accordance with national standards and the CCM per year; (2) progress on a sustainable programme management capacity for UXO; (3) # of UXO survivors whose	UXO Lao is better able to manage clearance and risk-education programmes; national regulatory authority	Regular: \$ 1,720,000 Other:

<p>through implementation of the national strategy "Safe Path Forward II".</p>	<p>with the spirit of the CCM. Through the UXO sector working group, development partners support strengthening sector governance and promote aid effectiveness.</p>	<p>fulfill obligations under CCM, MDG 9, and the UXO sector strategy with emphasis on gender. UNDP supports aid coordination and promotes aid effectiveness in the UXO sector through co-chairing SWG.</p>	<p>needs are tracked; (4) # of districts with clearance plan based on gender-disaggregated survey Baseline: (1) 2,600 ha/year in 2009; (2) 1 point out of 4 in 2010; (3) 0; (4) None Target: (1) maintain the same level of clearance per year (2,600 ha); (2) 4 full points by 2015; (3) 10,000 by 2015; (4) 20 by 2015</p>	<p>for the UXO/mine action sector better able to coordinate and regulate the UXO sector; national institutions able to implement the CCM obligations.</p>	<p>24,600,000</p>
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