



Round Table Implementation Meeting
Breakthroughs to Achieving
National Development Goals including the MDGs

Vientiane, Lao PDR
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Opening Remarks
by
Dr. Ajay Chhibber
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Your Excellency Prime Minister Bouasone Bouphavanh,

Your Excellency Minister Soulivong Daravong,

Other Excellencies, Distinguished Participants,

On behalf of the international community, allow me to first thank Your Excellency Prime Minister Bouasone for honoring us with your participation this morning in the opening of this Round Table Implementation Meeting. This is my first time visiting your wonderful country, and I am also very grateful for the warmth and hospitality extended to me by your government and the people of Lao PDR.

I understand that at the November 2006 Round Table Meeting, Your Excellency rightly called the current National Socio-Economic Development Plan (NSED) 2006-10 a “*breakthrough*” plan. As we shall review today, there indeed have been many breakthroughs since the launching of this important plan, and we are hoping for many more in the coming year.

I would also like to thank and congratulate the Ministry of Planning and Investment for the organization of this meeting, and for the rich documentation prepared in collaboration with many other ministries and government agencies for this annual consultation.

Excellencies, Distinguished Participants,

We are meeting today during one of those possibly epic moments in the history of the global economic and financial system with the surprisingly rapid unfolding of a global financial crisis. Following five years of robust global growth, surging trade flows and abundant global finance, we appear to be entering a period of much more choppy

waters, at least for a while. While Asia is not the epicenter of this crisis, it could nevertheless be adversely affected by the financial tsunami that has been triggered. This could well have potentially significant implications for developing countries like Lao PDR, and the achievement of their national development goals including the MDGs.

In the context of the current NSEDP, the single most important breakthrough that we are collectively trying to achieve under government leadership is the further substantial improvement in the well-being of all Lao people. And here, progress has been significant in recent years.

Poverty, according to official data, has declined further to an estimated 28% of the population in 2008 from 33.5% in 2002, and 46% in 1992. This puts the country firmly on track to achieve the country's first millennium development goal well before 2015. In addition, access to safe drinking water has expanded significantly, infant and child mortality rates continue to decline, and enrollment and literacy rates at the primary age level have risen significantly also putting the related Lao MDG targets within reach by 2015.

This important progress in human development has been underpinned by a further consolidation of the country's macro-economic stability, and strengthening institutional development. GDP growth has averaged near 8% during 2007/08, while inflation has been maintained within single digits. Budget revenues have risen steadily further and the budget deficit narrowed to less than 2% of GDP. Trade and foreign investment flows have surged, foreign exchange reserves have grown to healthy levels, and the kip exchange rate has strengthened.

In the especially important cross-cutting area of governance, the role of the national assembly in the national development debate has developed further including in challenging areas like corruption and legal enforcement. Moreover, the State Audit Office is now reporting to the National Assembly thereby strengthening the Assembly's oversight role. A number of new important laws have been passed and public administrative reform has advanced at the central and provincial levels.

Public finance systems are being further strengthened with the deepening implementation of the budget law including the gradual centralization of fiscal revenues, a new chart of accounts, and the development of a fiscal transfer system aimed at improving efficiency and equity.

Banking and SOE reform have also progressed albeit at a more moderate pace with a further reduction in non-performing loans and more market based tariffs closer to cost recovery levels for water, electricity and airline services. Trade reform has also progressed

Also extremely important, the quality of available information and data is gradually improving and the development dialogue has gradually become more open and participatory. In this context, we thank and applaud the government for inviting development partners to offer perspectives and suggestions during the recent mid-term review of NSEDP.

Excellencies, Distinguished Participants,



These are but a few of the many notable recent achievements. Clearly there has been remarkable progress in many areas, but there is also great scope and need to achieve so much more. Poverty and near poverty remain high and widespread, especially among ethnic groups in the more remote rural areas, so we also applaud government plans to exceed the MDG target for poverty reduction. In addition, alarmingly high rates of maternal mortality and child malnutrition call for further urgent support and action.

Looking forward, the challenge will be how to sustain and build upon progress given the much less favorable global context. On the surface at least, Lao PDR would appear to be relatively better positioned to weather through the global financial crisis. Nevertheless, GDP growth will likely slow to some degree due to declining exports, more cautious FDI and tighter finance generally, including some likely reduction in budget revenues.

In this case, it would be very important to protect budget allocations for basic social services in order to safeguard and build upon the valuable gains in recent years towards achieving poverty reduction and the other MDGs. Similarly, strengthening social safety nets and rapid response systems will also be essential to assisting the most vulnerable groups when needed. New and better targeted social assistance mechanisms such as conditional cash transfer schemes could also be explored.

Let me take this opportunity to call upon all development partners to help ensure that ODA allocations for Lao PDR are not only maintained, but increased in line with the country's development needs.

Excellencies, Distinguished Participants,

Within the context of effective implementation of NSEDP, government and the development community should also focus much more on the next set of breakthrough areas where socio-economic returns are likely to be highest for sustaining and building upon recent progress.

One of the most important breakthrough ideas in the current NSEDP is to promote the private sector as the engine of growth, employment and poverty reduction. So far much of the progress here has been in the promotion of the foreign private sector, especially in the natural resource sectors. This can be valuable in that it has the potential to generate substantial government revenues for investing in broader based socio-economic development.

Effective investment of such revenues in education, vocational skills, human resource development and productive infrastructure especially in rural areas where most Lao people still live and work will be critical to ensuring that Lao PDR enjoys a resource blessing, keeps rising inequality in-check and avoids the kind of resource curse that has plagued and even destabilized so many other developing countries.

We know from international experience that in resource rich developing countries where human resource capacity is weak, a first priority should be transforming natural

resource wealth into human resource wealth in order to sustain the development process to increasingly higher levels well after the natural resources are depleted and/or commodity prices collapse further.

In this context, its also important to seek out quality foreign investment that generates sustainable employment, transfers valuable knowledge and skills, and safeguards the country's environmental treasure chest.

Perhaps even more important is the development of the country's indigenous domestic private sector needed to generate the jobs, incomes, poverty reduction, and broader tax base needed to finance the delivery of effective social services in a sustainable manner.

Further improvements in governance including in important areas like land concessions, mining and forestry also offer great scope for laying the foundation of the next high growth period. Laos is rapidly losing forest cover and needs to take urgent action to reverse this trend.

Further strengthening the public finance system and ensuring reliable auditing capacities, as well as the further development of an efficient and equitable transfer system to finance the delivery of basic social services for all Lao people will be critical to ensuring equity and further consolidating national social well-being. More focused anti-corruption strategies are also vital.

The heavy flooding this past summer also highlighted the need to further strengthen the country's disaster management response capacity.

Government leadership will also be needed to create further space for more open and informed debate on challenging development issues which is often the first step to developing lasting solutions.

Excellencies, Distinguished Participants,
Clearly a great deal has been achieved, and we whole-heartedly congratulate Your Excellency Prime Minister Bouasone, the Government of Lao PDR and its development partners. At the same time, there are some major emerging challenges and opportunities facing the country over the coming year.

An ideal outcome from this Round Table Implementation Meeting would include a renewed strong commitment from all development partners to support the further effective implementation of the NSEDP under Government leadership and the achievement of the country's development goals including the MDGs.

All of this would help Lao PDR *break through* to the country's millennium development goals, graduate from developing country status by 2020 and contribute to an even happier and more prosperous Lao people.

I wish everyone a most fruitful dialogue and a most successful outcome for this Round Table Implementation Meeting.

Thank you.