

Round Table Implementation Meeting 2009
Realizing the Opportunities Ahead

Vientiane, Lao PDR
3 November 2009



Lao PDR

Opening Remarks
by
Sonam Yangchen-Rana
UNDP Resident Representative &
UN Resident Coordinator

Your Excellency Prime Minister Bouasone Bouphavanh,

Your Excellency Minister Sinlavong Khoupaythoune,

Other Excellencies, Distinguished Participants,

On behalf of the international development community in Lao PDR, 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 2009.

Allow me to also congratulate the leadership of Your Excellency The Prime Minister and the Government of Lao PDR for the country's many achievements over the past year despite the global economic and financial crisis.

I would also like to thank and congratulate the Ministry of Planning and Investment for the organization of this Round Table Implementation Meeting and for the rich documentation including the excellent background paper prepared in collaboration with many other ministries, government agencies and development partners in order to facilitate this annual consultation.

Excellencies, Distinguished Participants,

We meet here today at an especially opportune and exciting time in the development process of Lao PDR. The Government is in the process of drafting the country's new National Socio-Economic Development Plan (NSED) for 2011-15. This new NSED will provide Government and development partners with a common Government-led framework for coordinating our collective efforts and financial assistance towards achieving the country's development goals.

These development goals include - economic and social - maintaining a robust growth rate through trade and private sector engagement, infrastructure development as well as ensuring investments in the social sectors to achieve the country's Millennium

Development Goals (MDGs). Particularly important for achieving these goals will be the further development of a supportive policy, institutional and legal environment.

The new NSEDP will also provide Government and development partners with a common framework for next year's Round Table Meeting aimed at mobilizing substantial new Official Development Assistance (ODA) for helping the country achieve its development goals, including graduating from the LDC status by 2020.

Especially noteworthy in this context, achieving the MDGs by 2015 will bring Lao PDR closer to graduating from LDC status, perhaps even before 2020.

Recent Achievements:

Excellencies, Distinguished Participants,

Progress over the recent past has been impressive.

Thanks to Government leadership and the close partnership with the country's many development partners, poverty has declined to some 26% of the population in recent years from 33.5% in 2002, and 46% in 1992. In addition, access to safe drinking water has expanded, infant and child mortality rates continue to decline, and enrollment and literacy rates at the primary age level have risen significantly.

This important progress in human development has been underpinned by continued macro-economic stability, strengthening institutional development and increasing integration into the regional and global economy.

GDP growth has averaged above 7% in recent years despite the global economic and financial crisis, while inflation has been maintained at low single digits. Budget revenues have also risen steadily in recent years and were only set back moderately due to the impact of the global recession. Rising expenditures have helped buoy economic activity.

The budget deficit has risen significantly over the past year, as has the growth in domestic credit, but the government plans to rein these in over the coming years in order to consolidate and safeguard macro-economic stability.

We again congratulate the Government of Lao PDR for these many impressive achievements.

Doing More to Reach the People

Despite these many achievements, there is so much more to be done. Poverty and near poverty remain widespread, especially in rural areas where the vast majority of Lao people still live and work at a relatively impoverished subsistence level. The unfortunate reality is that a significant number of Lao people in the most remote parts of the country still suffer periods of hunger, especially during the lean season in between harvests, or

immediately following natural disasters such as flooding, rodent infestation, crop failures and others.

Although the overall poverty rate has continued to decrease in recent years, preliminary analysis of recent data suggests that underlying food poverty and hunger may have risen in some parts of the country, and inequality has been widening.

Especially worrisome, child malnutrition and maternal mortality rates remain alarmingly high by any standard. 37% of the country's children remain chronically malnourished to the point of stunting of physical and mental development. Unless urgently redressed, this will have serious implications for the future population and work force, especially given the country's demographics.

Moreover, mothers are the most important care takers and teachers of our children, but the maternal mortality rate is among the highest in the region, while the education index is among the lowest in ASEAN.

All of this has serious implications not just for human well-being in Lao PDR today, but also for the country's future capacity to compete in an increasingly competitive and knowledge-based global economy.

The country's valuable environmental assets are also being increasingly threatened by very short-term economic gain that could well result in huge longer-term losses to the economy, the quality of life and human well-being in Lao PDR.

The last Round Table Implementation Meeting highlighted the need for further improved governance in land, mining and forestry. A serious review of land management policy is still urgently needed to ensure efficient and equitable land use, and better safeguard the nation's food security. Moreover, land is the ultimate social safety net in times of deep economic crisis given the still undeveloped social security systems in Lao PDR. Effective and equitable land management would also better protect the people and country from the potential devastation of climate change.

In today's context of increasingly rapid climate change, we are also likely to see an increase in the number of natural disasters. Without adequate preparations, this will likely set back progress towards the Government's development goals including graduation from LDC status by 2020. Hence, urgent preparations and meaningful measures are needed to reduce the country's vulnerability to the potentially devastating impact of climate change.

Excellencies, Distinguished Participants,

Please allow me to now look forward and share with you some perspectives on how we can further deepen the partnerships to strengthen the Government of Lao PDR's efforts to meet challenges ahead and achieve its development goals.

The Need for Greater Focus on the *Quality and Sustainability* of Growth

The next National Socio-economic Development Plan (NSED) 2011-15 provides a major opportunity for further poverty reduction, achieving the other MDGs as well as for making substantial progress towards promoting sustainable growth with equity and ultimately helping Laos graduate from the LDC status.

Meeting the official criteria for graduating from LDC status will clearly require further growth in the *quantity* of income per capita of Lao people, but will also require much greater focus on the *quality* and *sustainability* of growth and development.

Much greater focus on the quality of growth will also increase the quantity of growth. For example, one of the most pressing MDGs is reducing malnutrition which is high in Lao PDR by virtually any standard. Based on international research findings applied to Lao PDR, eliminating malnutrition would add 2% to 3% per annum to GDP growth because of increased productivity of the labor force in both urban and rural areas. This means that if the current NSED had already invested in the elimination of malnutrition, GDP in Lao PDR could be \$3.9 billion higher by 2020 than would otherwise be the case.

Also notable, the cost of eliminating malnutrition in Lao PDR has been estimated at a much lower investment of US\$600 million or (or US\$120 million per annum over a five year period). In other words, the elimination of malnutrition would have resulted in a net gain to GDP of \$3.3 billion by 2020, a very high economic rate of return by any standard. Therefore, eliminating malnutrition is not just good social policy, it is also very smart economic policy.

More focus on quality in other areas is also important. For example, quality foreign investment can play an extremely valuable role in accelerating the development process of a least developed country. Already in several areas, FDI has been making major contributions to the development of Lao PDR.

Given very strong foreign interest in investing in Lao PDR's rich natural resource sector, the Government can afford to be much more selective in the quality of foreign investment licensed and allowed in the country to achieve its development goals.

Also, as highlighted at last year's RTIM, greater transparency in the foreign investment decision making process would also help further improve the quality of FDI attracted to Lao PDR.

Ensuring balanced and diversified investments in both the natural resource and non-resource sectors will better help ensure a diversified and balanced economy going forward, and help avoid the build up of structural imbalances that could ultimately prove destabilizing if the terms of trade suddenly change.

Quality foreign investment that transfers valuable skills and technology, especially in agriculture, manufacturing, processing, and tourism can also contribute substantially to

the development of an indigenous domestic private sector that generates more sustainable jobs and incomes for Lao people.

Clearly, FDI can also be quite harmful to the economy, social well-being and the environment if of low quality and in large amounts beyond the country's capacity to absorb effectively.

Excellencies, Distinguished Participants,

We face a most rich and diverse discussion today.

In ending my opening remarks, allow me to offer a few perspectives on how we might together ensure that this 2009 RTIM meeting is a major success.

First, we need to offer innovative but realistic and practical suggestions today and over the coming months to help the Government in the formulation of the new NSEDP in order to help the country meet its development goals.

Secondly, we need to consider how we can all work together through the Round Table Process under Government leadership over the next 12 months to mobilize our collective efforts and financial assistance for supporting the implementation of the new National Socio-Economic Development Plan 2011-15.

As with the upcoming SEA Games, we need to support the Lao PDR team under Government leadership in scoring the country's most valuable development goals!

Thank you, and I wish everyone a most fruitful and successful dialogue.