

National Assembly Inter-session programme

Thalat, 13 September 2010

Opening remarks by Mr Ian Holland, UNDP Resident Representative a.i.



HE Mr. Thongteun Xayasene, Member of the National Assembly Standing committee and Chief of the National Assembly Cabinet,

Honourable Members of the National Assembly, and Representative of the Government of Lao PDR

Mr Peter Haymond, Deputy Chief of Mission of the United States Embassy, representatives of Embassies and bilateral cooperation agencies, and the private sector,

Colleagues from UN agencies, Ladies and Gentlemen,

First let me say what a great honour it is to be able to convey some opening remarks on behalf of the United Nations at the start of your Inter-session consultations.

Your agenda over the next few days provides a fascinating and well selected range of subjects: a series of presentations and discussion on Foreign Direct Investment, issues relating to World Trade Organisation accession, the oversight role of the National Assembly in the implementation of various international treaty obligations, as well as the law-making and budget allocation process.

Trade, FDI and private sector development lie at the heart of prosperity and development. This is clearly stated in the 7th National Social and Economic Development Plan that will take Laos from 2010 to 2015. Perhaps the greatest challenge is how to fully maximize the benefits that arise from increased ASEAN economic integration and WTO accession for all of the citizens of Lao, right across the country, in a balanced and equitable manner.

Some questions you may consider as you embark on your consultations might be:

- How will ASEAN and WTO help Laos – nationally, regionally and locally?
- What are the experiences of other countries – especially LDCs?
- How can we take advantage of WTO accession to help strengthen the capabilities of Lao PDR?
- What are the risks and main challenges? – understanding them from different perspectives as you are seeking to do this week will inform the decisions you will take.
- How do ensure that FDI and trade liberalization supports Lao enterprise, Lao human development, skills and technologies transfer to Lao people and poverty reduction, given that most of the population of Laos lives in rural areas, and 80% of poverty is rural?

Behind all of these questions is the premise that trade, economic integration, and FDI, are not seen as ends in themselves, but as a **means** to achieve growth, prosperity and development - for all Lao citizens.

A robust partnership between the Government and private sector needs to be maintained. Trade and inward investment should be supported where it meets the conditions of a ‘win-win’ scenario where the benefits and yields are measurable and equally shared. This requires detailed knowledge and understanding of the importance and impact of trade and FDI on development, and an even more adept ability to strike the right balance in economic regulation and guidance provided by the host Government to capitalise on these gains for the benefit of the people.

So far the track record has been **relatively** good in terms of the relationship between trade, FDI and development gains as measured by poverty reduction and the Millennium

Development Goals: Over the past 10 years Laos has sustained an average of 7.9% economic growth and poverty has been falling. For example, income poverty has declined from 33.5% of the population in 2003 to 27% in 2008. The number of people living on less than \$2 a day has also declined substantially.

In the next couple of weeks the President of Lao PDR will address the General Assembly of the United Nations in New York at the Global Summit on development on both the MDG accomplishments to date, as well as the challenge of those that lie ahead. Therefore, **combating poverty in Laos remains a priority and a serious challenge.** As you are aware, food security is not guaranteed, up to 30% of children are lacking proper nutrition, maternal mortality rates are far too high and the natural environment is under threat. For these reasons we must also seek to engage in partnership with the private sector as the engine of growth and development, and understand the structures and incentives of the global economic, financial and trading systems better in order to properly promote the prospect of a full and balanced development for Laos.

Over the past 10 years US\$ 12.2 billion of FDI has been approved in Laos across 13 major sectors. A quarter of this has flowed into electricity generation, and 20% into mining. Significant other sectors benefitting include agriculture, industry and services. 25% of the FDI over the past 10 years was approved in 2009 alone. Over 60% of total FDI originates approximately equally from three countries: Thailand, China and Vietnam; with the other 40% coming from over 30 others. Laos is therefore definitely and irreversibly integrating into the ASEAN and global economy. And clearly, FDI is making a significant contribution to economic growth. But how can we improve upon the performance of FDI further?

These issues and many others that you will encounter are vitally important as they will impact the next generation of Lao citizens and help to set the trajectory and depth of development experienced by Laos.

The role of the National Assembly in this context is **central**. For example, you have taken full responsibility to ensure that the laws and regulations on investment (both foreign and domestic) provide for transparent procedures and clear criteria in the approving process for applications. Now that the new law on investment has been promulgated, its success will highly depend on its full implementation. The National Assembly is also increasingly making the government accountable to ensure that the investment policy is monitored effectively, is sustainable, and benefits all members of Lao society. The quality and vibrancy of the debates during the recent session in this regard, last June, have been acknowledged by the international community and abroad.

The recently published 2009 UNDP 'south-south' report, which analyses global perspectives on south-south co-operation, trade and Foreign Direct Investment states that one of the chief means of being able to ensure the development impact of FDI is the absorptive capacity of the host country. For example, does the Government and the National Assembly have the capacity and skills to negotiate the best deals for the people of Laos. Your consultations this week will hopefully further inform your positions on FDI and trade liberalization.

Similarly, in 2006, the joint publication of the Human Development Report by the Government of Lao PDR and UNDP was dedicated to International Trade and Human Development. It cautioned that although greater openness to trade offers significant opportunities for human development, however, more FDI and more trade alone **does not guarantee a meaningful or sustainable improvement in people's lives**. It could in fact widen existing inequalities between urban and rural areas.

The theme of the High Level Round Table Meeting in Vientiane next month is along these same lines: On the subject of **"growth with equity"**, the centre-piece of the consultations will be the 7th NSEDP. The success of the implementation of the 7th NSEDP, which will be subject to final review and approval by the National Assembly, is highly dependent not just

on the impressive quantities of FDI flows to Laos, but more particularly on the **quality** of those investments.

But how do we determine **what is quality FDI**? For example, within those sectors of the economy to which the FDI is being targeted, how many jobs have been created for Lao citizens – what types of jobs are they and how sustainable are they? Is Lao capital being built of all kinds? Human capital, Lao private enterprise capital, institutional capital, capital represented by investments in technology development and innovation? How is the environmental capital (or resource base) being used, preserved, depleted or replenished? How are social, community and cultural assets (or capital) being developed? And are appropriate levels of **revenues** arising from concessional agreements and public income being reinvested back into the social sectors of education and health which in turn help to support the human resource development needs of the nation and move the country towards the attainment of the MDGs by 2015, and by 2020 to the goal of graduation from Least Developed Country status.

All of these issues are connected. LDC status depends on MDG attainment and on economic strengthening and diversification, away from vulnerability. The extent to which quality FDI can contribute towards these aims is high – but the emphasis must increasingly be on quality rather than quantity of investment. The National Assembly has a vital role to play in seeking to ensure quality FDI through its oversight role of Government, and through seeking to ensure **transparency and accountability**.

The opening up of the Lao economy and its integration into ASEAN has prompted the country to accelerate its pace towards WTO accession. The presentations that you will have today and tomorrow provide a variety of different perspectives on the balance between the **advantages and drawbacks of WTO membership** for a least developed country. A number of LDCs have negotiated specific agreements under the 7 major themes of WTO membership. We encourage you to seek out these different perspectives and consult with

your peers in other LDCs and determine the conditions and pace of accession that is right for Laos.

We are particularly pleased to see that you will dedicate Day 3 to discuss the important issues associated with the localising the international standards of the conventions that Lao PDR has recently ratified. Chiefly, the International Covenant on Social and cultural Rights, the International Covenant on Civil and Political Rights, the Convention on the Elimination of all Discrimination Against Women and the Convention on the rights of the Child.

At all levels, the United Nations and Development Partners are impressed with the **leadership of the Government of Lao PDR** in respect to the Convention on Cluster Munitions, which came into force on 1st August 2010. The First Members States meeting of that convention takes place in Vientiane in November. This is unprecedented for Laos as the Government takes on the Presidency of an international Convention for the first 12 months of its implementation.

I would like to end by thanking you for the cooperation that has been established through the SELNA United Nations programme over a number of years now. Our aim is to enable you, as the citizens' representatives, to discuss important national issues during the Inter-sessions. The previous consultations have proven very effective. This is probably the last Inter-session for this legislature, as the next one will take place after the new 7th legislature is elected. We do hope that there will be other opportunities for this activity to be continued through the on-going work of the SELNA programme.

Once again I wish you all stimulating and enlightening presentations and consultations. Thank you very much for your attention.

Notes:

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