

Template for a Joint EU Strategy for Lao PDR

Guidance notes throughout this document are in italics while proposed content is in standard text. The content is based on the outcomes of the May 2012 EU Heads of Cooperation Retreat. This Retreat agreed a target date of Spring 2013 for completing this Strategy document with drafting support to be provided by external expertise.

It has been agreed that this Strategy will not go into details of how individual European donors carry out their work, for example in terms of aid modalities and individual initiatives to be pursued. This information will instead be set out in each donor's bilateral implementation plan. These plans will be formulated according to individual preferences in terms of structure, style, and content. They may mandate a mix of bilateral and joint work, the latter with both EU and non-EU donors.

This document will be approved at the Heads of Mission level in Lao PDR. It will then be transmitted to donors' capitals so that each may approve their individual sectors of concentration and financial allocation. Capitals will therefore not be asked to approve the overall document but only their respective contributions to it, in the spirit of ensuring a country-led process.

1. Introduction to Joint Programming

Joint programming aims to enhance the effectiveness of European aid by providing a single framework and approach to our support to Lao PDR. By acting together we stand to increase our impact and influence and achieve more than the sum of our parts. Our commitment to joint programming builds on our existing achievements in aid effectiveness in the country, including the establishment of an EU coordination structure and the implementation of an EU Roadmap for higher impact aid. It is also intended to complement wider aid effectiveness processes in Lao PDR such as the Round Table and Sector Working Groups, streamlining European participation in these fora.

European donors committed to take forward joint programming in the Busan Partnership for Effective Development Cooperation¹ agreed with the wider donor community in 2011 and in the EU Agenda for Change signed by European Ministers in 2012². The latter committed to produce a single joint programming document to guide European support in each country, "synchronised with the strategy cycle of the partner country" and including "a sectoral division of labour and financial allocations per sector and donor".

In terms of development effectiveness, joint programming serves to reduce fragmentation and to increase transparency, predictability and accountability. By providing a single strategic response to the national development plan and aligning to its timetable, joint programming also increases the ownership and alignment of our aid while lowering transaction costs for Government. In this way, we hope to serve as an example to other development partners and, in this spirit, while the joint

¹ http://www.aideffectiveness.org/busanhlf4/images/stories/hlf4/OUTCOME_DOCUMENT_-_FINAL_EN.pdf

² http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/130243.pdf

programming process is driven by European donors and based on European values, it remains open to other like-minded donors who wish to come on board.

In addition to improving development effectiveness, joint programming also serves to raise the EU's profile and to convey our core principles and values to our partners. Operating as a coherent European entity increases our influence on matters of common concern with Government and other donors. In the case of emerging donors, this permits us to better promote our distinct European brand of high quality, sustainable development.

Finally, we believe that a joint approach will provide better value for money for each of us as donors, enabling a more efficient and effective use of taxpayers' resources on the ground. It also allows us to demonstrate to our domestic electorates that we are part and parcel of a coherent European approach which, through a division of labour among us, ensures that we address all of the key issues in Lao PDR and do so far more effectively than if we had been acting alone.

2. Country Analysis

This section will be informed by the results of the Political Economy Analysis (PEA) and other relevant studies.

In terms of priorities that European donors see for the country, the following have already been agreed by EU Heads of Cooperation, though may be adjusted in the light of the PEA:

Overall priorities for the country:

- Sustainable economic development
- Poverty reduction
- Inequality reduction
- LDC graduation

Governance priorities:

- Civil service reform to improve performance, coherence, transparency and accountability. This is of particular importance for the Government to successfully manage the country's rapid transformation and growth in a sustainable way.
- Support to civil society to assert citizens' rights and better call decision-makers to account.
- Support to justice reform and entrenchment of democracy and the rule of law.

Economic priorities:

- Strengthening macro-economic stability.
- Enhancing domestic resource mobilisation, which should allow a progressive reduction of ODA.
- Promoting economic diversification to move away from a dependence on natural resources.
- Supporting the development of a robust framework for international trade, foreign direct investment and private sector development.

Sector priorities (in alphabetical order):

- Agriculture and rural development

- Education and training
- Food security and nutrition
- Health
- Infrastructure
- Natural resources management
- UXOs

The issues of aid effectiveness and data availability and quality are recognised as cross-cutting priorities.

It should be noted that European donors will not necessarily intervene on every identified priority. This could be the case where, for example, other donors are already providing adequate support to tackle the issue in question.

3. Overview of past and present aid to Lao PDR and lessons learned

This section will include information on all development partners, with special attention paid to European donors.

4. Overview of aid effectiveness

This section will include information on all development partners, with special attention paid to European donors - the Aid Management Platform should be tapped for relevant data.

It could also be considered to include relevant information from the EU Roadmap, i.e. aid effectiveness commitments that have already been signed up to by EU donors.

Finally, it could include details of European donors' plans for improving aid effectiveness in the country in the future.

5. Relations with GoL

This section will include information on the relationship with the Lao Government.

6. Approach of EU donors in Lao PDR

European donors aim to contribute to sustainable economic development and poverty and inequality reduction in Lao PDR. This includes supporting the country in graduating from LDC status. We will pursue these goals via a uniquely European approach, reflecting our distinctive principles and values which include:

- Promotion of democracy, stability, accountability, fundamental freedoms and the rule of law.
- A sustainable approach to economic development.
- Equality and human rights.
- Linking political dialogue with Government to the provision of aid.

Such an approach naturally leads us to focus on certain areas across our work, including:

- Development of human capacity in the public and private sectors.
- Support to civil society and the media.
- A holistic approach to the initiatives we pursue and one that involves a variety of partners in planning and implementation.
- Use of country systems and untied aid to deliver our support wherever possible.
- Transparency in the provision of our aid and requesting the same from Government.

7. Division of Labour

This section will provide an overview of the sectors that each European donor will work in (including justifications) and the indicative financing that they will provide per sector over the period of the strategy.

Annex 1 provides a simulation of how a future division of labour could be shaped, based on current GoL sector divisions.

8. Monitoring and Reporting

Indicators

A limited set of indicators should be agreed to track progress towards the Strategy's goals. This set could include elements from:

- *The National Socio-Economic Development Plan (monitoring framework currently under review with UN support)*
- *The Millennium Development Goals / Sustainable Development Goals (scheduled to be agreed in Rio in June 2012)*
- *The Human Development Index*
- *The Gini Co-efficient (measuring inequality)*
- *Public Expenditure and Financial Accountability (PEFA) assessments*
- *The World Bank's Country Policy and Institutional Assessment (CPIA)*
- *The World Bank's "Doing Business" report*
- *Transparency International's Corruption Perception Index (CPI)*
- *Relevant aid effectiveness indicators, drawn from the monitoring framework of the Global Partnership for Effective Development Cooperation (these are the "new Paris commitments" and are due to be finalised in June 2012)*

Priority should however be given to national targets and statistics wherever possible. Sectoral targets will be set out in separate sector strategies and should similarly be based on national indicators and targets wherever possible. However, it is to be noted that the availability and accuracy of socio-economic indicator data in Laos needs improvement.

Reviews and Reports

Progress in implementing the Strategy will be reviewed on an annual basis. This will include tracking of the agreed indicators and a presentation by each European donor of a standardised report on the delivery of their bilateral implementation plan. A mid-term review will examine the overall approach, division of labour and indicative financial allocations and propose adjustments where necessary.

