




Australian Government
AusAID

Annual program performance report: Laos 2008–09

September 2009



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Abbreviations

ABEL	Access to Basic Education in Laos
COPE	Cooperative for Orthotic and Prosthetic Enterprise
DBEL	Delivering Better Education in Laos
ESDF	Education Sector Development Framework
FTI	Fast Track Initiative
HIV/AIDS	human immunodeficiency virus/acquired immunodeficiency syndrome
LANGOCA	Laos–Australia NGO Cooperation Agreements
MDG	Millennium Development Goals
NGO	non government organisation*
NRC	National Rehabilitation Centre
NTNIP	Northern Transport Network Improvement Project
ODA	official development assistance
PFMSP	Public Financial Management Strengthening Program
PRSO	Poverty Reduction Support Operations
UNICEF	The United Nations Children’s Fund
UXO	unexploded ordnance

Executive Summary

Overview

Australian aid to Laos focuses on three areas (or 'pillars'):

- > education
- > trade and investment
- > rural development.

Strategic objectives, expected outcomes and performance targets for 2008 for each pillar are set out in a performance assessment framework for the program. The framework forms the basis for reporting 2008 results. The ratings table below summarises the development outcomes and strategic objectives of each pillar.

Ratings

Table 1: Likelihood that the Laos Program will achieve its objectives

Objective	Rating	Review against previous rating
Development outcome: All boys and girls complete a full course of quality primary education		
Objective 1: Mitigation of key constraints to equitable access to a quality basic education in targeted poor geographic areas	The objective is on track to be fully achieved within the timeframe	N/A
Objective 2: Better management of Government of Laos and donor resources available to the education sector through implementation of a jointly agreed 10 year education sector framework	The objective is on track to be fully achieved within the timeframe	N/A
Development outcome: Increased trade and investment in sectors which support poverty reduction		
Objective 3: Promotion of inclusive growth through trade and investment reform	The objective is on track to be fully achieved within the timeframe	N/A
Development outcome: Less than one quarter of the population living below the national poverty line		
Objective 4: Delivery and modelling of effective programs that result in equitable and sustainable improvements to livelihoods in targeted poor geographic areas	The objective will be partly achieved within the timeframe.	N/A
Objective 5: Improved prioritisation, delivery efficiency, and coordination of mine action activities	The objective will be partly achieved within the timeframe.	N/A
Objective 6: Improved rural infrastructure, particularly roads and electrification	The objective will be partly achieved within the timeframe.	N/A
Objective 7: Delivery of programs that expand access to, and strengthen the management of, improved water supply and sanitation services in targeted poor small towns, schools and rural areas	The objective will be partly achieved within the timeframe.	N/A

Major results

Progress in the education sector in 2008 was strong. In targeted provinces, net enrolment rates for boys increased from 85% in 2006 to 89% in 2008, net enrolment rates for girls increased from 79% in 2006 to 84% in 2008, and the ratio of girls to boys increased from 0.80 in 2006 to 0.86 in 2008. A long-term strategic plan and first costed annual plan for the sector were developed, and Laos acceded to the Education for All Fast Track Initiative (FTI) in March 2009.

A key result under the trade and investment pillar is the establishment of the first pooled funding vehicle in the sector, strongly aligned with the Government of Laos's trade and investment reform agenda. A draft trade facilitation master plan will be the basis for future assistance in this sub-sector. Improvements in the ease of doing business include the abolition of licensing for all goods outside a control list, and abolition of an establishment licence for manufacturing firms. This has helped to shorten the time taken to obtain an operating licence from 30 days to 10 days.

Most rural development activities are in early stages of implementation. The Laos–Australia NGO Cooperation Agreements (LANGOCA) provided training to the National Disaster

Management Office to increase its disaster management capacity. Clearance of unexploded ordnance (UXO) continued in 2008. More than 40 000 people benefited from the clearance of over 5.5 million square metres of primarily agricultural land (destroying more than 12 000 UXO items).

More than 200 000 people were directly affected by serious floods in 2008. Australia contributed \$1.15 million through the World Food Programme, UNICEF and the World Bank to provide immediate assistance to protect the capital from rising waters, and additional assistance for emergency food supplies and to rebuild water and sanitation facilities.

Major challenges

Scaling up in the education sector has been constrained to some extent by the need to move towards a programmatic approach at a pace that allows the full engagement and support of the Government of Laos and other donors.

The program encountered considerable difficulty in obtaining the necessary approvals for NGO activities and volunteer assignments. Delays in obtaining approval for NGO activities under LANGOCA and activity-level memoranda of understanding for UXO clearance agencies severely constrained operations and reduced overall effectiveness under the rural development pillar.

The Government of Laos has only recently begun to respond to the impacts of the global recession. Little impact was observed until late 2008, when it became clear that reduced revenue from key sectors (mainly resources) would lead to major budget shortfalls. Although this will be a challenge in 2009, there was no impact on Australia's work program in 2008.

Floods in 2008 were the worst in almost 100 years and directly affected 200 000 people through significant damage to agricultural productivity and rural infrastructure.

Main management consequences

Main management consequences fall into four main categories: maintaining strategic coherence, measuring program effectiveness, integrating cross-cutting issues and enhancing human resources.

It is important that the program strategy be finalised as early as possible in 2009 and that the initial focus is on making further gains in education and trade. Development of a new program-based approach to basic education will be a priority. The program performance assessment framework, and underlying monitoring and evaluation frameworks, need further refinement and attention. A gender stocktake will be undertaken to identify specific actions required to strengthen the program's attention to gender. Finally, the program's human resources will be enhanced through the recruitment of long-term advisers for education and trade (to be placed in line ministries) and preparation of a strategy to assess and build staff skills for greater policy engagement and performance assessment.

Country performance

Economic indicators

The Lao economy grew by 7% in 2008, but this is expected to slow to around 5% in 2009 as a result of the global recession. Private forecasters are more pessimistic, making growth predictions of around 4%. Growth will continue to be driven by mining, hydropower, agro-processing and construction.

Sharp drops in commodity prices, especially copper prices, have significantly reduced government revenue for 2009. This is expected to lead to an increased fiscal deficit and may reduce the government's ability to meet commitments for increased social sector spending, including education. The government has little capacity to launch a stimulus package.

Options for AusAID's response are limited. New infrastructure activities coming online in 2009 will provide immediate employment opportunities in rural areas. The program will support expanded school feeding and lobby to maintain social sector spending. We will highlight the need for continued trade and investment reform to resist protectionist pressures.

Progress towards the Millennium Development Goals

Appendix A summarises progress towards the Millennium Development Goals (MDGs). Laos is currently on track to achieve five of the eight MDGs.

Recent figures put the current poverty rate at less than 30% (down from 46% in 1992). The MDG 2008 progress report states that poverty will be halved by 2015 if Laos is able to sustain recent rates of economic growth and distribute the gains more evenly. However, nutrition rates have not improved in line with poverty reduction and have remained almost unchanged since 1995.

Progress in improving retention and completion rates to Grade 5 is slow, and there are significant disparities in education outcomes between provinces, rural and urban areas, ethnic groups, and girls and boys.

Results for MDG 3 are mixed. Laos has one of the highest proportions of women parliamentarians in the region (25% in 2006, up from 6% in 1990), but progress on gender equality in education remains slow, with bigger gaps in upper secondary and tertiary levels.

Australian support

Total Australian official development assistance (ODA) to Laos for 2008–09 is estimated to be \$27.8 million, up from \$27.2 million in 2007–08. Australia ranks seventh in ODA contributions.

Aid effectiveness

Laos is heavily reliant on external assistance for financing expenditure. In 2005–06, ODA accounted for 41% of total government expenditure and approximately 10% of Laos's GDP.

A review of the local version of the Paris Declaration (the Vientiane Declaration) showed significant progress. Donors are increasingly aligned with the government's National Social and Economic Development Plan. The most pressing issues to be addressed are the amount of external financing, the predictability of resources, the responsiveness of aid, and modalities for providing and managing financial and technical resources. Sector working groups have been established to enhance donor harmonisation.

The past five years have seen a rapid increase in the presence of non-traditional donors (e.g. China, Vietnam, Middle Eastern countries), and it will be an ongoing challenge to bring the non-traditional donors into a dialogue on aid effectiveness.

What are the results of our aid program?

Strategy-wide initiatives

- > Poverty Reduction Support Operations (PRSO) – \$10 million
- > Public Financial Management Strengthening Program (PFMSP) – \$2 million
- > Australian Development Scholarships – \$4.5 million/year
- > Laos–Australia Scholarships Program (including National University of Laos Provincial Scholarships) – \$9.6 million

Assessment of results and performance

The rationale for PRSO and PFMSP support is that these initiatives underpin other Australian efforts in the education and trade sectors and are also critical to anti-corruption efforts. Each PRSO operation contains specific policy actions and triggers designed to leverage key results in the education and trade sectors. In education, the focus is on increasing the scale and transparency of education expenditure and budget allocations – issues that could not be addressed through partnership with the Ministry of Education alone. Specific results from the PRSO in 2008 have been highlighted under the education and trade objectives above. The PFMSP is important for risk management, providing lessons for future work through government systems.

Under the Australian Development Scholarships program we have begun to strengthen targeting (to ensure that capacity is developed in the sectors where we are directing our efforts), develop a more sustainable alumni program, and improve monitoring and evaluation. Up to 40 new scholars per year are studying in Australia, performing well on-award and returning to Laos post-award. Gender balance has been achieved in the program: scholarships are awarded to 20 men and 20 women each year. A number of key counterparts in partner ministries (including at ministerial level in the Ministry of Education) and donor organisations are Australian scholarship returnees.

Estimated expenditure

Approximately 15% of the Laos bilateral budget is being spent on the PRSO/PFMSP.

Approximately 37% of the Laos bilateral budget is being spent on scholarships programs.

Cross-cutting issues

Anti-corruption: We are advancing the anti-corruption agenda by supporting better and more transparent public sector financial management and strengthened governance of trade and investment through our engagement in the PRSO, the Trade Development Facility and the PFMSP. The Ministry of Finance is also one of the Australian Development Scholarships target

ministries that will receive long-term human resource development through the scholarship program.

Disability: Australia's commitment to support people with disabilities is being progressed within the existing strategy pillars. In the education sector, we aim to increase access to education for disabled children in line with ESDF priorities. This work will commence in 2009–10 as the remaining DBEL funds are programmed. A new short-term LANGOCA activity, currently awaiting Government of Laos approval, will pilot the integration of disability work into livelihoods programs and the promotion of NRC/COPE rehabilitation services among development practitioners. Disability is now being considered as a cross-cutting issue for all LANGOCA activities. A human rights grant to the Disabled People's Association will continue work in promoting and advocating for disability rights.

Partnerships: Australia co-chairs the Education Sector Working Group (with UNICEF) and the Trade and Private Sector Development Sub-Group. We have been instrumental in obtaining government–donor agreement to key analytical and strategic products: the ESDF and the Diagnostic Trade and Integration Study. Most of our program is delivered in partnership with other donors, and we participate in three pooled-funding arrangements (the PRSO, the Trade Development Facility and the PFMSF).

Pillar 1: Education

Building on lessons from earlier experience in the sector and a review by AusAID's Office of Development Effectiveness, the Laos Program now combines service delivery support with considerable sector dialogue and policy work. Progress made under Objective 1 provides us with the credibility and information necessary to contribute at a policy level, and the policy engagement ensures that lessons and good practice from the field can be promoted and extended. Our ability to fully achieve strategy objectives, and assist the Government of Laos to achieve MDG targets, will depend on how well all partners, including the government, can mobilise additional resources to implement the Education Sector Development Framework (ESDF).

Objective 1: Mitigation of key constraints to equitable access to a quality basic education in targeted poor geographic areas

Rating



The objective is on track to be fully achieved within the timeframe.

The activities contributing to this objective are:

- > Access to Basic Education in Laos (ABEL) – \$11 million (2006–2010)
- > Delivering Better Education in Laos (DBEL) – \$4.85 million (2007–2011).

Assessment of results and performance

Under Objective 1, most of the milestones identified for 2008 have been met.

From 2006 to 2008, in provinces targeted by the ABEL program, net enrolment rates (provided by the Ministry of Education) for boys increased from 85% to 89%, net enrolment rates for girls increased from 79% to 84%, and the ratio of girls to boys increased from 1.00 to 0.80 to 1.00 to 0.86. The targeted regions present extremely challenging environments – they are poor, remote, have limited infrastructure and are ethnically diverse. AusAID will now refine its approach to be consistent with the target districts identified in the ESDF as having the greatest educational needs.

Out of a total of 1200 schools in targeted provinces, 312 meet 'child friendly schools' criteria as the result of work done under the ABEL program. School feeding reached 89 859 children and their families in 1084 schools. This was complemented by the construction of separate latrines for boys and girls, provision of an adequate water supply and training on health and hygiene, promoting a healthy environment in which children feel safe within the school compound. These figures are sourced from UNICEF and World Food Programme annual reports.

Story books were distributed to 50 000 students in 135 schools in three target provinces, and teaching tool kits and replenishment items were distributed to 1742 teachers in 311 schools in those provinces.

DBEL builds on ABEL to increase the depth and coverage of our sector engagement. One element of DBEL is our support for the Education Sector Development Program 2 (EDP2) which has begun construction of 125 primary schools.

The 'child friendly schools' approach piloted under ABEL has been incorporated into the Ministry of Education's 'Schools of Quality' guidelines. The Schools of Quality program is included in the ESDF, and AusAID will look at channelling future assistance under DBEL into helping the government to roll out the program nationwide.

Proxy indicators of reduced repetition and drop-out rates are used to measure education quality at this time. A small-scale pilot to test an education quality tool is being conducted by the Ministry of Education under EDP2, but has only recently commenced.

In programming increased funding for education, the Laos Program will give specific attention to improving access to education for disabled children in line with ESDF priorities. Those children are currently likely to comprise part of the 11% of children who never attend school.


The 2008 milestone related to the Asian Development Bank's Basic Education Sector Development Program was not achieved, due partly to a two-year delay to the project as a result of procurement difficulties, and partly to a need to compensate EDP2 for reduced funds as the result of depreciation of the Australian dollar.

Estimated expenditure

Approximately 17% of the Laos bilateral budget is being spent on this objective.

Objective 2: Better management of Government of Laos and donor resources available to the education sector through implementation of a jointly agreed 10-year education sector framework

Rating

 The objective is on track to be fully achieved within the timeframe.

The activities contributing to this objective are:

- > Access to Basic Education in Laos (ABEL) – \$11 million
- > Delivering Better Education in Laos (DBEL) – \$4.85 million
- > Poverty Reduction Support Operation (PRSO) – \$10 million (total across all objectives).

Assessment of results and performance

Under Objective 2, most of the 2008 milestones have been achieved.

The ESDF, supported under both ABEL and DBEL, has been endorsed by the Prime Minister and 14 active donors in the sector. This fully costed sector-wide strategic plan will guide domestic and external investments in the sector from 2009 to 2015. Endorsement of the ESDF was also a policy action required under the PRSO in 2008.

With strong support from Australia, Laos successfully applied for membership of the global Education for All Fast Track Initiative (FTI). The basis for the FTI application was the ESDF. These two achievements – ESDF endorsement and FTI accession – represent important progress in meeting mutual commitments under the Vientiane Declaration.

Australia's co-chairing (with UNICEF) and resourcing of the Education Sector Working Group has supported the Ministry of Education's leadership of the aid effectiveness agenda. The Education Sector Working Group is currently considered, by government and donors alike, to be the most effective working group.

A rolling annual costed sector plan has also been developed. This was included as the PRSO education trigger, ensuring that not only the Ministry of Education, but also the Ministry of Finance, focused on its achievement. The Lao Government's education expenditure is currently among the lowest in the world. The Education Law commits the government to increasing recurrent expenditure on education to 18%, and the Deputy Prime Minister has stated that this will be achieved by 2015. PRSO is also facilitating development of a revenue-sharing formula and a system of budget allocation norms for future education sector budgets.

Estimated expenditure

Approximately 6% of the Laos bilateral budget is being spent on this objective.

Pillar 2: Trade and investment

Objective 3: Promotion of inclusive growth through trade and investment reform

Rating

■ The objective is on track to be fully achieved within the timeframe.

The activities contributing to this objective are:

- > Trade Development Facility – \$3.05 million
- > Integrated Framework Facilitation Specialist – \$1.1 million
- > Poverty Reduction Support Operation (PRSO) – \$10 million (total across all objectives).

Assessment of results and performance

All 2008 milestones under Objective 3 have been met.

A key result was the establishment of the Trade Development Facility (a multi-donor trust fund), which aims to build government capacity to manage an integrated work program on trade and reduce the transaction costs of receiving aid. The facility became operational in December 2008.

Attention to gender under this objective has been limited so far. Discussions on including specific gender research activities in the work plan have commenced with the Trade Development Facility team and the World Bank gender adviser.

Australia has also agreed to co-chair a new Government of Laos – donor trade and private sector development sub-group, which will improve policy dialogue and intervention prioritisation and coordination. The first meeting of this group was held in October 2008.

The Integrated Framework Adviser strongly supported Government of Laos efforts to establish an inter-ministerial governance structure to support trade facilitation and a dedicated National Implementation Unit within the Ministry of Industry and Commerce to implement trade-related assistance.

Progress was made on a range of trade-related reforms highlighted in the PRSO. The two key trade triggers – development of a trade facilitation master plan and submission of a new Investment Law to the National Assembly – were both achieved.

There have been some improvements in 2008. These include the abolition of licensing for all goods outside a control list, and a reduction in the number of days for manufacturing firms to obtain an operating licence, from 30 days to 10 days. The policy actions supporting these achievements were also part of the PRSO.

Estimated expenditure

Approximately 10% of the Laos bilateral budget is being spent on this objective.

Pillar 3: Rural development

Objective 4: Delivery and modelling of effective programs that result in equitable and sustainable improvements to livelihoods in targeted poor geographic areas

Rating

■ The objective will be partly achieved within the timeframe.

The activity contributing to this objective is:

- > Laos–Australia NGO Cooperation Agreements (LANGOCA) – \$14 million.

Assessment of results and performance

Results under this objective have been seriously delayed: only two of the four 2008 milestones were achieved.

LANGOCA designs propose innovative models that combine livelihood strengthening with actions to minimise the impact of disasters and unexploded ordnance (UXO) on the rural poor. This approach was praised in the UXO Sector evaluation report (July 2008) and by the Geneva International Centre for Humanitarian Demining as an exemplary model for integrated UXO action and livelihoods/development programming.

All data being collected under LANGOCA activities is gender disaggregated. The Lao Women's Union was involved in activity design and implementation to encourage women's participation in the activities.

Two milestones were not achieved. The most significant shortfall was that only two out of three proposed LANGOCA long-term activities received Government of Laos approval in the expected timeframe. Short-term activities have also been delayed, but are expected to begin implementation in 2009. Reasons for the delays vary, but include program design changes and a lack of clarity about the government's requirements for memorandum of understanding documentation. Under the LANGOCA program, a set of common beneficiary impact indicators was to be agreed between the LANGOCA partners. This has not been completed and will be an area of focus in 2009–10.

Estimated expenditure

Approximately 10% of the Laos bilateral budget is being spent on this objective.

Objective 5: Improved prioritisation, delivery efficiency, and coordination of mine action activities

Rating

■ The objective will be partly achieved within the timeframe.

The activities contributing to this objective are:

- > Laos–Australia NGO Cooperation Agreement (LANGOCA) – \$14 million
- > Reducing the Burden of UXO in Vulnerable Communities in Khammouane Province – \$500 000
- > NRC/COPE Partnership in Rehabilitation – \$350 000
- > Integrated UXO Action – \$1.05 million
- > UXO National Regulatory Authority (NRA) – \$300 000
- > Integrated UXO Threat Reduction in Savannakhet Province – \$500 000.

Several of these activities will end in 2009. Future engagement will be more strategic, with fewer activities.

Assessment of results and performance

More than 40 000 people benefited from the clearance of over 5.5 million square metres of primarily agricultural land and the destruction of more than 12 000 UXO items. While post-clearance assessments are conducted by all UXO agencies, this is an area that needs to be given more focus in 2009.

Over 47% of accident-related disabilities are caused by UXO. Australia supported rehabilitation services for people with disabilities through the Cooperative for Orthotic and Prosthetic Enterprise (COPE) in partnership with the National Rehabilitation Centre (NRC) and contributed to the provision of more than 1200 prosthetic and orthotic devices in 2008. Assistance is being provided under LANGOCA to strengthen rehabilitation referral networks and support is planned for the local Lao Disabled People's Association.

Two 2008 milestones were not met under this objective: only one of the two UXO-related LANGOCA activities received Government of Laos approval in the reporting period, and a sectoral 'lessons learned' workshop was not held as planned due to the delays in commencing activities.

A further milestone relating to gender was partly met, as the availability of gender-disaggregated data and gender-related reporting varied across initiatives.

The Laos Program's ability to continue to achieve results against this objective will depend largely on sourcing funds to continue sectoral engagement outside of LANGOCA.

Estimated expenditure

Funding for UXO/mine action has been provided from the humanitarian budget.

Objective 6: Improved rural infrastructure, particularly roads and electrification

Rating



The objective will be partly achieved within the timeframe.

The activities contributing to this objective are:

- > Northern Transport Network Improvement Project (NTNIP) – \$18.8 million
- > Lao PDR Rural Electrification Project – \$15 million
- > Lao Road Maintenance Program Phase 2 – \$2.8 million.

Assessment of results and performance

The 2008 milestones under this objective were partly met. The infrastructure activities focus on improving rural access and rural electrification. All initiatives are in the early stages of implementation, and the 2008 milestone relating to Australia's contribution to design was met. The 2008 milestone relating to Rural Electrification Project commencement was not met.

Technical and construction quality concerns have been raised in the inception report for the NTNIP and need to be addressed immediately. Funding shortfalls and a lack of clarity about criteria for selection of rural feeder roads to be upgraded are also of concern.

HIV/AIDS, human trafficking and gender components were included in the NTNIP design at AusAID's request. The Rural Electrification Project includes a component – 'Power to the Poor' – focusing on the provision of electricity to the poorest group, including an emphasis on female-headed households.

Estimated expenditure

For the 2008–09 financial year, \$7.8 million for rural infrastructure was provided from the Mekong sub-regional budget. Funding for future years will be included in the bilateral Laos Program budget.

Objective 7: Delivery of programs that expand access to, and strengthen the management of, improved water supply and sanitation services in targeted poor small towns, schools and rural areas

Rating:



The objective will be partly achieved within the timeframe.

The activities contributing to this objective are:

- > Access to Clean Water and Sanitation Initiative – \$32 500
- > Support for UNICEF's Water, Sanitation and Hygiene (WASH) Program – \$350 000.

Assessment of results and performance

The 2008 milestones against this objective were partly met. The Access to Clean Water and Sanitation Initiative framework was drafted and dialogue commenced with the Asian Development Bank and UNICEF about AusAID support for their water and sanitation

programs. However, there is now significant uncertainty about the funding available to the Laos Program to progress this initiative. It is likely that this objective will be removed from the program's performance framework.

Estimated expenditure

Approximately 2% of the Laos bilateral budget is being spent on this objective.

What is the quality of our aid activities?

Approximately 92% of bilateral program funds were tracked under the quality reporting system in 2008–09. Quality ratings are provided in Appendix B. Quality at implementation reports were prepared for 10 initiatives and a draft independent completion report has been prepared for one initiative.

Relevance

All 11 initiatives have strong ties to Government of Laos policies and strategies and were rated satisfactory for relevance. DBEL was given the highest ranking for relevance; lower scores for the LANGOCA program and the Laos–Australia Property Rights and Land Titling Project appear to reflect a lower priority from Government of Laos counterparts.

Effectiveness

Effectiveness ratings were varied, with the education pillar demonstrating the highest rating. Nine initiatives were rated as satisfactory, six required some action to improve effectiveness, and two were unsatisfactory, requiring major efforts to address shortcomings. Activities requiring action to improve effectiveness fall into two categories: either it was not possible to measure effectiveness due to monitoring and evaluation limitations (for example, scholarships and the PRSO), or activities are still in the establishment phase with limited progress towards the achievement of objectives. The Rural Electrification Project has been affected by the inability to finalise the trust fund agreement with the World Bank.

Efficiency

Most initiatives under the Laos Program are on track to achieve their objectives, but there are some considerable delays to activities under the rural development pillar. Overall, the initiatives under the education pillar have scored highly, achieving all or a significant percentage of their milestones for 2008.

Monitoring and evaluation

Monitoring and evaluation (M&E) again rated poorly across the three pillars (although there have been improvements since 2007) and must be a key area of focus in 2009. Four initiatives were rated as satisfactory, three required action to improve, and seven were rated as unsatisfactory. Priorities in 2009 include the overall strengthening of outcome-level M&E frameworks for the Trade Development Facility initiative and the Northern Transport Network Improvement Project and finalisation of the M&E frameworks for DBEL and the PFMSP. Common beneficiary impact indicators will be identified for the overall LANGOCA program

M&E framework. Frameworks for current pre-departure training and the provincial scholarships program also need to be developed.

Sustainability

Overall ratings for Laos Program sustainability reflect considerable progress in this area. Seven initiatives were rated as satisfactory, four needed minor action to improve sustainability, and four were rated as unsatisfactory. The lowest rating was given to the Northern Transport Network Improvement Project, due primarily to the technical and construction quality concerns raised in the inception report. Sustainability is strongest in initiatives closely aligned with Government of Laos priorities, such as DBEL and the PRSO/PFMSP, and less so in LANGOCA and scholarships.

Gender equity

Eight activities were rated as satisfactory for gender equity. The weakest ratings (including three unsatisfactory ratings) were all for initiatives in sectors in which it has traditionally been more difficult to incorporate gender issues and concerns – infrastructure and trade. One of our major partners in these two sectors is the World Bank, and we will be working closely with the World Bank gender expert to strengthen gender integration in initiatives in these areas. Some of the strongest ratings for gender equity were in the education sector, which has seen increased school attendance by girls. The LANGOCA program, while in its establishment phase, was given a strong positive appraisal for the incorporation of and focus on gender issues throughout the program and activity designs.

What are the management consequences of this assessment?

Appendix C summarises actions taken to address management consequences identified in the 2008 annual program performance report.

Maintaining a strategic focus

The program will need to finalise the country strategy by October 2009. Budget constraints for at least the next two financial years will restrict our ability to progress work evenly across the three sectors. We will need to focus our efforts initially on the sectors where we play a lead role: education and trade. A program-based approach for scaling up support to basic education in Laos will be developed by November 2009. A rural development strategy will be developed by December 2009, but is now unlikely to include a strong focus on water and sanitation.

Our response to the global recession will include increased school feeding programs, advocacy for continued social sector spending, and ongoing reforms in the areas of trade and investment.

Australia has been active in the UXO sector for many years and is highly regarded, but there is limited capacity for the bilateral program to continue this level of support. We will work with AusAID's mine action coordinator to identify a separate source of funding for this work by March 2010.

Measuring program effectiveness

We will further refine the performance assessment framework to:

- > ensure that the indicators are as strategically focused and aligned with partner government systems as is feasible at this stage
- > facilitate its use as a practical management tool to guide monitoring and decision making
- > provide the foundation for strengthened monitoring and evaluation across the program.

An M&E framework for DBEL that fully aligns with the Government of Laos ESDF performance framework will be prepared by November 2009. By March 2010, we will revise the performance assessment framework to better capture performance of all trade and investment initiatives. LANGOCA's M&E framework will be strengthened to capture standard beneficiary impact indicators collected from individual projects.

Cross-cutting issues

At the program level, we will commission a gender stocktake by February 2010 to assess how well gender issues are understood and addressed by staff, partners and counterparts and how

well gender is being considered and incorporated into program initiatives and performance assessment, and to identify specific actions to improve the program's attention to gender.

We will finalise the Anti-Corruption Plan in conjunction with the country strategy by October 2009, and assess anti-corruption performance on an annual basis (to coincide with the annual program performance report) using the plan as the reference point.

Human resources

It is critical that appropriate long-term advisers be recruited and placed in the education and trade ministries by September 2009 and that more effective links are built with the thematic groups in Canberra. By March 2010, we will prepare a Post human resources strategy based on an assessment of the new skills set required for stronger engagement in policy dialogue and a sharper focus on performance assessment.

Appendix

2 Performance against Millennium Development Goals

Table A2: Performance against Millennium Development Goals

Target	Tracking	Comments
Goal 1: Eradicate Extreme Poverty and Hunger		
Reduce extreme poverty by half	On track	The poverty target will be met, but increasing inequality needs urgent policy attention. Slow decline in child malnutrition threatens the achievement of other MDG targets. Around 80% of workers are still engaged in subsistence-oriented agriculture.
Reduce hunger by half	Seriously off track	
Achieve full and productive employment and decent work for all	No target	
Goal 2: Achieve Universal Primary Education		
Universal primary schooling	Off track	Net enrolment rates are satisfactory, but low completion rates keep the target off track. Incomplete schools are strongly correlated with dropout rates.
Goal 3: Promote Gender Equality and Women's Empowerment		
Eliminate gender disparity in all levels of education	Off track	Gender disparity in education is reducing overall, but very slowly, and increases with the level of education. The target is on track at the primary level only. The lowest enrolment is among ethnic girls in rural areas.
Goal 4: Reduce Child Mortality		
Reduce mortality of under 5-year-olds by two-thirds	On track	While still high, child mortality rates are reducing satisfactorily. The national measles immunisation target is unlikely to be met.
Goal 5: Improve Maternal Health		
Reduce maternal mortality by three-quarters	Off track	Despite regular decline, the maternal mortality ratio is unacceptably high. The proportion of births attended by skilled attendants increased by less than 1 percentage point per year. There is still a high proportion of women with little or no access to reproductive health services.
Universal access to reproductive health	Seriously off track	

Target	Tracking	Comments
Goal 6: Combat HIV/AIDS, malaria and other diseases		
Halt and reverse the spread of HIV/AIDS	No target	Lao PDR remains a low-prevalence but high-risk country for HIV/AIDS. Malaria is among the top three causes of morbidity and mortality, but good progress has been made. If the current trend in prevalence estimates continues, tuberculosis control is on track for halving prevalence by 2015.
Achieve universal access to HIV/AIDS treatment for those in need	Data gaps	
Halt and reverse the spread of malaria	On track	
Halt and reverse the spread of tuberculosis	On track	
Goal 7: Ensure Environmental Sustainability		
Reverse loss of environmental resources	Seriously off track	Forests are declining at a rapid pace, and biodiversity loss is an additional large issue for Lao PDR. Urban areas are likely to meet the improved drinking water and sanitation targets. However, there is still limited access to improved drinking water and sanitation in rural areas.
Reduce rate of biodiversity loss	No target	
Halve proportion without improved drinking water in rural areas	Off track	
Halve proportion without improved drinking water in urban areas	On track	
Halve proportion without sanitation in rural areas	Off track	
Halve proportion without sanitation in urban areas	On track	

Appendix

3 Quality reporting 2008

Table B3: Quality at implementation

	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality
Pillar 1: Education						
Delivering Better Education in Laos (DBEL)	6	5	5	3	5	4
Access to Basic Education in Laos (ABEL)	5	5	5	4	4	5
Pillar 2: Trade and investment						
Laos Enhanced IF and Trade Development Facility	5	4	4	3	4	2
Pillar 3: Rural development						
Laos–Australia NGO Cooperation Agreements (LANGOCA)	4	2	2	3	3	5
UXO	5	4	5	4	5	4
Lao PDR Rural Electrification Project	5	2	2	4	4	4
Lao Road Maintenance Program Phase II	5	5	4	5	5	1
Northern Transport Network Improvement Project	5	4	4	3	2	4
Program-wide initiatives						
Laos–Australia Scholarships Program (includes Laos ADS 2008+)	5	4	5	3	3	5
Poverty Reduction Support Operation (PRSO) / Public Financial Management Support Program (PFMSP)	5	4	4	3	5	2
Satisfactory (4, 5 and 6)						
6	Very high quality					
5	Good quality					
4	Adequate quality; some work to improve needed					
Less than satisfactory (1, 2 and 3)						
3	Less than adequate quality; needs significant work					
2	Poor quality; needs major work to improve					
1	Very poor quality; needs major overhaul					

Table B4: Quality at completion (QAC)

Initiative	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality	Analysis and learning
Laos–Australia Property Rights and Land Titling Project	4	4	4	3	3	4	3
Satisfactory (4, 5 and 6)							
6	Very high quality						
5	Good quality						
4	Adequate quality; some work to improve needed						
Less than satisfactory (1, 2 and 3)							
3	Less than adequate quality; needs significant work						
2	Poor quality; needs major work to improve						
1	Very poor quality; needs major overhaul						

Appendix

4 Action against management consequences from 2007–08

Table C5: Action against management consequences from 2007–08

Action	Comment
Finalise new country strategy and performance assessment framework by July 2008.	The new country strategy has been developed but is still awaiting necessary approvals.
Full implementation of the performance assessment framework by end December 2008.	The draft performance assessment framework was used to assess performance for 2008.
Discuss options for improving Government of Laos monitoring and evaluation systems in the education sector with counterparts.	AusAID is assisting the Ministry of Education to develop a performance assessment framework for the Education Sector Development Framework.
Discuss options for improving Government of Laos monitoring and evaluation systems in the trade sector with the government and key donors.	A monitoring and evaluation framework for the Trade Development Facility was discussed with partners but not finalised in 2008. This requires further follow-up within the workplan for the Trade and Private Sector Development Sub-Group.
Seek agency-wide guidance on fiduciary risk assessments for incentive-based support.	The AusAID guidelines 'Assessment and controls for using country expenditure systems' were made available and used as a reference by Post.
Implement key actions of the Vientiane Declaration and Country Action Plan in the education sector in collaboration with the Government of Laos and donors.	Partial progress achieved through resourcing of the secretariat function of the Education Sector Working Group through UNICEF under the ABEL partnership.
Implement key actions of the Vientiane Declaration and Country Action Plan in the trade sector in collaboration with the Government of Laos and donors.	The Sub-Group on Trade and Private Sector Development was established in November 2008.
Provide gender training to key program staff.	Gender training was provided in October 2008.
Finalise and implement the anti-corruption plan for Australian official development assistance in Laos.	The anti-corruption plan is attached to the draft country strategy and has therefore not been finalised.
Engage in the Poverty Reduction Support Operation and the Public Financial Management Strengthening Program.	Achieved
Finalise and implement the Education Sector Engagement Strategy Performance Assessment Framework (including revised ABEL monitoring and evaluation framework).	ABEL monitoring and evaluation framework has been revised and strengthened. DBEL framework has yet to be finalised.
Develop a performance assessment framework for engagement in the trade sector.	A performance assessment framework has been developed for the trade sector.
Assess Australia's role in the land management sector, with a view to making a stop/go decision at the conclusion of the current engagement.	Achieved. Land Titling Project 2 to close on 30 June 2009, and further engagement will only be considered as part of the rural development program still under development.
Assess effectiveness of the National University of Laos Program and align with country strategy pillars.	Contract arrangements finalised. Implementation planned for 2009.
Align the Australian Development Scholarships program with country strategy pillars.	Achieved