



Australian Government

Department of Foreign Affairs and Trade

Aid Program Performance Report 2013-14

Laos Country Program

October 2014

Key Messages

This report summarises the progress and performance of Australia's aid program to Lao PDR in 2013-14 (until mid-2014).

Australia's aid program to Lao PDR continued to make positive improvements to the lives of poor and disadvantaged people. This work was underpinned by efforts to address social and economic inequality in the country. Under Australia's flagship basic education program more children gained access to a better quality education in the most educationally disadvantaged areas. School net enrolment rates in our target districts improved from 81 per cent in 2008-09 to 96 per cent in 2012-13. For the first time ever, the national primary net enrolment rate reached 98 per cent, realising the country's Millennium Development Goal (MDG) target.

In the trade sector, we continued to support Lao PDR to implement its World Trade Organisation (WTO) commitments, to remove barriers to both domestic and international trade, and to support readiness for Lao PDR's participation in the ASEAN Economic Community (AEC) in 2015.

Australia's aid in rural development continued to improve the lives and livelihoods of thousands of rural poor. Over 9,500 people were assisted to increase their production of, and access to, food. An estimated 70,000 people benefitted from the clearance of productive land of unexploded ordnance. 10,900 men and women in rural areas were given access to finance, essential for building livelihoods and small businesses. Through Australia's support, 205km of rural roads were built in remote and rural communities, enabling better access to health and education services and to markets.

Consolidation of the Laos Country Program continued with the design and mobilisation of several initiatives in rural development, human resource development and basic education, which have a strong focus on supporting women's economic empowerment and leadership, and improving the lives of people with disability.

The tightening fiscal situation in Lao PDR in 2013-14 and the decline in the quality of public financial management has raised uncertainty about Laos' ability to maintain its budget commitment to social sectors.

Context

Lao PDR's strong economic performance in 2013 began to weaken in 2014. GDP growth is projected to moderate to 7.2 per cent in 2014, down from 8.0 per cent in 2012-13, reflecting a projected slowdown in the mining and construction sectors.

Changes in early 2014 have been made to address Laos' growing fiscal deficit. These have resulted in a much-needed rebalance away from a unitary focus on growth and towards greater macroeconomic stability. Changes included a stronger focus on planning and budget management for the medium term, and the cancellation of the latest round of civil service wage and allowance increases. The national poverty headcount rate was estimated at 23 per cent in 2012-13. Down from 27.5 per cent in 2007-08. Poverty has almost halved (from 46 per cent) over the last 20 years. Poverty in Lao PDR continues to have strong geographic and socio-economic dimensions. Poverty remains substantially higher in rural areas, at 28.6 per cent compared to 10 per cent in urban areas. Poverty is higher among households headed by

persons with low levels of education, those from ethnic-minority groups, and those whose primary employment is in agriculture.¹

Economic growth has improved the welfare of households, with greater asset ownership, improved living conditions and access to services. But economic growth and prosperity remains uneven and the pace of poverty reduction slow - for every 1 per cent increase in GDP, poverty has fallen by around 0.47 per cent. Economic inequality has increased, with the Gini coefficient marginally increasing from 35.0 in 2007-08 to 36.2 in 2012-13.²

Lao PDR continues to make progress against MDGs, although impressive gains made in past years have slowed. Lao PDR will struggle to meet seven of its nine MDGs, with MDG6 (Combating HIV/AIDS, Malaria and Other Diseases) and MDG8 (Develop a Global Partnership for Development) the only goals assessed as being on track. MDGs relating to poverty and hunger, health, education, gender, environment and the clearance of unexploded ordnance (UXO) are unlikely to be achieved.

Progress has been made in reducing hunger, with Laos' Global Hunger Index dropping from 23.7 to 18.7 between 2005 and 2013. Child stunting remains at a regional and global high, affecting 44 per cent of children under five. Laos has among the highest infant mortality rates in the region, and the maternal mortality rate is in slow decline from only 405 per 100,000 live births to 357 between 2005 and 2012. There have been impressive gains made in increasing access to safe drinking water. 70 per cent of the population now have access to clean water. Around 56 per cent now have access to improved sanitation facilities. There have been steady improvements to gender parity in enrolment at the basic education level. There continues, however, to be serious gender gaps at higher levels of education.

The Government of Laos has sought to focus development efforts on the achievement of MDGs and 7th National Socio-Economic Development Plan priorities. During 2013-14, evaluations of progress against both benchmark plans have been conducted, which indicated steady if uneven progress in many areas. The tight fiscal environment, including the increasingly limited availability of non-wage recurrent budget, no doubt constrained decentralisation efforts in 2013-14. Efforts to move services closer to citizens were seriously constrained by weak governance, lack of accountability and transparency. The Government continued to consolidate villages across the country to focus economic development and service delivery, and this has created issues for the re-establishment of resettled communities' livelihoods.

The objectives of Australia's bilateral development cooperation program with Lao PDR are consistent with Lao national development priorities. As Lao PDR works to become part of the AEC in 2015, the development of human resources and trade sector reforms are gaining in importance. Australia's continued focus on basic education, rural development and trade and investment underpinned by human resource development remains appropriate in this context.

1 Poverty Profile in Lao PDR: Poverty Report for the Lao Consumption and Expenditure Survey, 2012-13, pp1-2. Note that this information has been drawn from a draft report not yet publically released.

2 Poverty Profile in Lao PDR: Poverty Report for the Lao Consumption and Expenditure Survey, 2012-13, p1.

Future strategic priorities for Australia's development cooperation with Lao PDR will be reviewed in the preparation of a new Aid Investment Plan to be finalised in mid-2015.

There was an overall 4.5 per cent increase in total ODA to Laos between 2011 and 2012 (from \$US445 million to \$US465 million). Australia is the second largest bilateral grant donor to Lao PDR, contributing A\$54.8 million (US\$51.02 million) in 2013-14. Japan is the largest bilateral donor for grants and loans, contributing an estimated A\$99.6 million in 2012. International financial institutions – the Asian Development Bank and the World Bank – provided A\$71.1 million and A\$71 million respectively (refer Table 1 below).

Table 1 Comparison of Australia's ODA to Lao PDR within other donors, 2012.

| Donor | AUD million | Position |
|-------------------|-------------|----------|
| Japan | 99.6 | 1 |
| ADB Special Funds | 71.1 | 2 |
| IDA World Bank | 71.0 | 3 |
| Australia | 57.5 | 4 |
| Germany | 33.7 | 5 |
| Korea | 25.1 | 6 |
| Switzerland | 22.2 | 7 |
| Luxembourg | 17.9 | 8 |
| France | 15.7 | 9 |
| EU Institutions | 14.0 | 10 |

Source: Budget Branch, Government Financial & Information Services (DFAT)

Exchange rate: USD1 = AUD 0.9358 (July, 2014)

Expenditure

Financial expenditure for the Laos bilateral (Country) program in financial years 2013-14 against current development cooperation objectives is reported in Table 2 below.

Table 2 Expenditure in Financial Year 2013-14

| Objective | A\$ million | % of bilateral program |
|--|-------------|------------------------|
| Objective 1: Mitigation of key constraints to equitable access to a basic quality education in targeted poor geographic areas | 7.2 | 22 |
| Objective 2: Better management of Government of Laos and donor resources available to the education sector through the implementation of a jointly agreed 10-year education sector framework | 0.6 | 2 |
| Objective 3: Policy and institutional impediments to trade and investment addressed in sectors that contribute to inclusive growth | 2.0 | 6 |
| Objective 4: Improved and inclusive access to finance, productive assets and market opportunities | 6.8 | 20 |
| Objective 5: Improved physical access to markets and basic services | 7.1 | 21 |
| Crosscutting Objectives: Scholarships & human resource development | 9.8 | 29 |

Source: AidWorks

Progress towards objectives

The overall progress of the Laos Country Program in achieving objectives, summarised in Table 3 below, is broadly positive. The Laos Country Program's Performance Assessment Framework provides milestones against which performance is assessed each year (refer **Annex A**). The ratings in this section reflect a combination of progress against milestones in 2013-14 and future challenges and issues that could hinder progress. Objectives 4 and 5 are new objectives applied in 2013-14, with the adoption of the Rural Development Delivery Strategy 2012-16.

Table 3 Rating of the program's progress towards Australia's objectives

| Objective | Previous Rating | Current Rating |
|--|-----------------|----------------|
| Education | | |
| <i>Development outcome: all boys and girls complete a full course of primary education</i> | | |
| Objective 1: Mitigation of key constraints to equitable access to a basic quality education in targeted poor geographic areas | Amber | Green |
| Objective 2: Better management of Government of Laos and donor resources available to the education sector through the implementation of a jointly agreed 10-year education sector framework | Green | Amber |
| Trade and investment | | |
| <i>Development outcome: increased trade and investment in sectors which support poverty reduction</i> | | |
| Objective 3: Policy and institutional impediments to trade and investment addressed in sectors that contribute to inclusive growth | Green | Green |
| Rural development | | |
| <i>Development outcome: less than a quarter of the population living below the poverty line</i> | | |
| Objective 4: Improve Inclusive access to finance, productive assets and market opportunities | N/A | Green |
| Objective 5: Improved to physical access to market and basic services | N/A | Green |

Note:

- Green. Progress is as expected for this point in time and it is likely the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Education

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

| | |
|---|-------|
| Development Outcome: All boys and girls complete a full course of primary education | Green |
|---|-------|

■ Green. Progress is as expected for this point in time and it is likely the objective will be achieved. Standard program management practices are sufficient.

Two of the three milestones identified in the Performance Assessment Framework for this objective were met and one partially met. Milestones under this objective are mainly linked to the progress of the Education for All: Fast Track Initiative (EFA:FTI).

2013-14 saw the realisation of the MDG2 target for universal enrolment in primary education. The national Net Enrolment Rate target of 98 per cent was met in 2013-14, up from 96.8 per cent in 2012-13. Student retention rates to Grade 5 improved but continue to remain a concern, with rates in 2013-14 reaching 77 per cent, a 6 per cent increase from 2012-13. Progress in achieving gender parity in primary education was slow at 0.96 (96 girls for every 100 boys) in 2013-14, a slight increase from 0.95 for 2012-13.

The Government of Laos had planned a national budget allocation of 17 per cent for the education sector by 2015. However, the realised share was 15.5 per cent³ in 2013-14 up from 14.5 per cent in 2012-13. There was a delay in the release of school operating grants in 2013-14, due to the tight fiscal situation.⁴

The EFA:FTI program has been Australia's flagship investment in Laos, and a 12-month extension (until August 2014) enabled substantive program targets to be realised. There was a slight improvement in Net Enrolment Rates in target districts for 2013-14 at 96 per cent (95 per cent for girls), representing a significant 15 per cent improvement overall compared to 2008-09 rates. Student retention rates in target districts increased on average from 52 per cent in 2008-09 to 70 per cent in 2013-14 for girls and from 55 per cent to 69 per cent for boys. The program contributed a large increase in the number of complete schools (offering all five grades) in target districts, from 38 per cent in 2009-10 to 67 per cent in 2012-13.

Expertise in delivering better quality education was further developed. Training was delivered to 2,343 teachers, 487 school officials (including schools principals) and 1,043 (222 female) Village Education Development Committee members. Around 12,000 people have accessed professional development training through the program to date (against an original end of program target of 17,000).⁵

Good progress was made in the community-based construction of additional classrooms. 713 classrooms (393 DFAT funded) in 146 schools (81 DFAT funded) were built in 2013-14. The overall program school construction target of 718 schools was met by June 2014.⁶ Further improvements were made in construction quality and control. An audit of all EFA:FTI schools on

3 Primary share, excluding debt repayments. If debt repayments are included, the education share in 2013-14 is 13.3 per cent.

4 The Lao Ministry of Education and Sports planned to disburse school operating grants nationally at LAK20,000 per student in 2013-14. In August 2014, the Ministry advised that they had disbursed LAK50,000 per student nationally. In 2014-15, it is likely that school block operating grants will be prioritised through the budget, but the per student grant level may be lower, and there may be delays in disbursement.

5 Fluctuations in exchange rates resulted in less funds being available to conduct all anticipated trainings.

6 Note that the total number of schools to be constructed by the EFA:FTI program has been revised from 623 to 718 in the last years of the program.

the use of unlabelled fibre-cement sheeting was completed. Asbestos awareness and management training was delivered to around 80 construction personnel, and preparations made for sampling and testing unlabelled fibre-cement sheeting. Construction of water, sanitation and hygiene (WASH) facilities in 74 EFA:FTI schools⁷ was completed by UNICEF. However more time than originally anticipated was taken to prepare a new phase of WASH facilities construction from 2014-15, with remote location of target schools complicating contracting arrangements.

More children were assisted to participate in school with the World Food Program (WFP) providing nutritious school meals to 50,172 students (24,082 girls) living in the most food insecure districts.

Australian support for basic education is going through a transition period. A new Basic Education Delivery Strategy 2014-2018, approved in October 2013, sets the direction for Australia's assistance to the sector in the medium to long term. In 2013-14, a new basic education investment - the Basic Education Quality and Access in Lao PDR (BEQUAL) program - was designed and approved, with expected mobilisation in 2014-15. This investment will build on the achievements made by the Education for All: Fast Track Initiative.

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

Development outcome: All boys and girls complete a full course of primary education

Amber

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

Of the five milestones identified in the Performance Assessment Framework for this objective, three have been met and two partially met. Given this performance, which represents an overall decline in progress from 2012-13, the rating is assessed as being amber. Performance issues relating to the implementation of recommendations from the Education Sector Development Plan, delays in the preparation of costed plans and some gaps in sector monitoring are key factors in this change in performance.

Australia continued in its role of co-chair of the Education Sector Working Group (ESWG), which enabled substantive policy dialogue, particularly on education disadvantage, inclusive education, and transparency in budgeting and planning. Four focal groups were established under the ESWG to enable technical discussions between the Lao Government and development partners (including civil society) to support evidence-based policy-making. Provincial ESWG coordination meetings were planned, but did not occur.

Shaping dialogue through the ESWG were recommendations from the 2013 Mid Term Review of the Education Sector Development Plan (ESDP), to which Australia contributed technical assistance. The review highlighted some of the most pressing issues faced by the sector, such

⁷ Of this total, 31 schools received WASH facilities through a 'Bridging Fund' set to conclude in late 2014; and 43 schools received WASH facilities funded under a new initiative with UNICEF linked to the BEQUAL program.

as the government decision to increase civil servant wages (including teacher) wages in 2012-13 and again in 2013-14, putting serious pressure on non-wage recurrent budget. Inefficiencies related to teacher management and deployment were also highlighted, as teacher salaries consumed 88 per cent of the education recurrent budget for 2013-14, and 94 per cent of the sub-national recurrent budget. The review prompted the Ministry of Education and Sports to take some actions to address this issue, however further substantive action is required.

The Government of Laos has requested Australia's help in preparing the next ESDP (2016-2020), an indication of the high regard for Australia's leadership role in the sector. In April 2014, Australia funded, jointly with UNICEF, a workshop as a first stage in developing the new plan. Australia was also asked to help establish a methodology to review the Education Law (2007). Critical issues highlighted for further consultation both within government and with development partners include language of instruction and the length of compulsory education.⁸ Australia will pursue this further through the ESWG.

Progress made in 2012-13, with closer alignment between planning and budgeting processes through the preparation of an Annual Costed Sector Plan, was stalled in 2013-14, with a delay in the availability of budget information - likely because of sensitivities surrounding the budget crisis.

Trade and Investment

Objective 3: policy and institutional impediments to trade and investment addressed in sectors that contribute to inclusive growth

Development Outcome: increased trade and investment in sectors which support poverty reduction

Green

■ Green. Progress is as expected for this point in time and it is likely the objective will be achieved. Standard program management practices are sufficient.

Of the seven milestones identified in the Performance Assessment Framework for this objective, six were met. The rating is the same as last year as progress is well underway and steady. Milestones under this objective are mainly linked to the progress of the Trade Development Facility Phase 2 (2013-17).

Laos' ranking in the World Bank's Ease of Doing Business Report improved slightly, up from 163 last year to 159 this year. Key areas of improvement are in ease of trade across borders and a reduction in the rate of corporate income tax. The Lao Ministry of Industry and Commerce has shown continued commitment to trade reforms post-WTO accession⁹, and is increasingly focused on ASEAN integration. The Ministry's leadership of the Trade and Private Sector Development Working Group is strong.

Building on the success of the Trade Development Facility (TDF) Phase 1 (2007-13), Australia's support to a second phase of the TDF began in April 2013. The objective of the facility is to

⁸ To date the Education Law (2007) stipulates 5 years (Grade 1 to 5) of compulsory education in Laos.

⁹ Laos became a full member the WTO on 2 February 2013.

support the implementation of government trade and integration priorities, and to improve competitiveness and diversification outside the natural resource sector. TDF2 is in the early stages of implementation. Overall, progress has been positive. Initial work on Non-tariff Measures (NTMs) has commenced and a NTMs review panel established to identify and streamline domestic NTMs. This work is expected to help the government further reduce barriers to trade. Preparation for an external NTMs survey is underway to identify the most binding foreign NTMs faced by Lao exporters.

A services regulatory assessment to map laws and regulations affecting trade in services started in January 2014. This work will help assess the consistency of laws and regulations with WTO and ASEAN commitments and it will also assist in developing a better understanding of the institutional constraints and restrictions that impair services sector growth. An assessment of the institutional and regulatory framework for the telecommunication sector started in March 2014. WTO accession requires the framework to comply with the WTO's telecommunication reference paper, including obligations to prevent anti-competitive practices, access to interconnection and the need for an independent regulator.

Our trade sector assistance launched a Business Assistance Facility (BAF) in December 2013 to help businesses grow and become more competitive through the use of matching grants and business advisory services. Seventeen applications for funding through the BAF have been approved. Eight of the 17 applications were from female entrepreneurs.

Continued support was provided to the Garment Skills Development Centre (GSDC). The centre provided training services to garment factory workers and for individuals from other sub-sectors who wish to establish their own businesses. Ninety-six people (including 87 women) benefited from training in the reporting period. Good progress is being made on the GSDC's transition towards a fully sustainable operating model, with financial and operational independence.

Research and policy analysis under the Diagnostic Trade Integration Study Challenge Facility, which draws on Trade Development Facility funding, is progressing well. An application process for proposals has been established, and activities such as implementing a regulation for the Manufacturing Law (2013) and undertaking assessments on barriers to free domestic movement of goods, were approved by the Program Executive Committee in April 2014.

Rural Development

Objective 4: Improve inclusive access to finance, productive assets, and market opportunities

Development Outcome: less than a quarter of the population living below the poverty line

Green

■ Green. Progress is as expected for this point in time and it is likely the objective will be achieved. Standard program management practices are sufficient.

Overall progress in 2013 has been good. Five of the eight milestones have been met. Three are partially met and expected to be completed within the year.

Notwithstanding new economic opportunities emerging in Laos, sections of rural Laos continue to be impoverished and vulnerable. Critical enabling factors such as access to social transfers (in cash or in kind) through social protection schemes and financial services can enable the rural population to invest in diversified livelihood strategies.

Lao Government social protection expenditure for the poor is about 0.6 per cent, while the average for non-poor is 2 per cent. The average social protection expenditure on women is about 1 per cent and for men it is 1.7 per cent.¹⁰ Lao PDR has made international commitments to establish a universal social protection system.

Less than 10 per cent of Lao households have access to formal financial services. Financial inclusion involves the delivery of a wide range of financial services such as savings, credit, insurance, remittances and payment services to the poor who traditionally could not participate in formal financial systems.

UXO continues to hinder the ability of rural communities to safely cultivate land, affecting food security, income generation opportunities and poverty reduction.

Under Australia's principal investment in rural development – the Laos-Australia Rural Livelihoods Program (LARLP), two **financial inclusion initiatives** were started in 2013, in partnership with GIZ¹¹ and the United Nations Capital Development Fund (UNCDF). Despite delays in starting both projects, 54 village banks and 7 newly-licensed micro-finance institutions now operate. Because of these achievements, more than 10,900 poor women and men have improved access to much-needed financial services. Complementing this work, financial literacy modules were prepared to educate rural communities about the importance of savings, effective loan utilisation, repayment and avoiding credit traps. Financial literacy activities are expected to commence implementation in late 2014.

Other on-going work includes strengthening the financial services sector through technical assistance and training to the Bank of Laos. Australia's support enabled the Micro Finance Association (MFA), akin to a civil society voice in the finance sector, to receive a temporary license to operate, despite initial misgivings from the Bank of Laos.

The procurement and partners' selection processes for the **social protection initiative** under LARLP were completed by December 2013. Australia supported the Lao Government to strengthen its knowledge of, and capacity to, deliver social protection. Three government ministries¹² and the National Committee on Rural Development and Poverty Eradication participated in a two-week certificate course and a regional policy conference on social protection. The Lao Government's on-going budget crisis represents a major risk for the social protection initiative.

The **Laos Australia NGO Cooperation Agreements** (LANGOCA) program ended in December 2013. In its final year, LANGOCA continued to directly benefit rural households in five provinces, enabling them to access reliable income sources and thus mitigate the effects of the lean

¹⁰ ADB Social Protection Index (SPI), 2012 report.

¹¹ Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) - The German Federal Enterprise for International Cooperation

¹² Including Ministry of Labour and Social Welfare along with the Ministry of Planning and Investment, Ministry of Finance attended the course.

harvest season. In 2013, more than 9,500 people (around 5,000 women) increased their production of, and access to, food due to rice banks and irrigation systems established by the program. Rural communities also benefited from stronger capacities to prepare and respond to disasters. Village authorities in 24 out of 70 villages in Met (Vientiane Province), Ta Oy and Kalum (Saravane Province) are now able to plan and respond to disasters resulting in a classification of their villages by District authorities as resilient villages.

Through our support to the UNDP-managed **UXO** Trust Fund, Australia contributed to the clearance of more than 870 hectares of land. As a result, more than 70,000 people in contaminated areas now have access to safe land that can be utilised for productive purposes. More than 1,300 roving tasks were conducted in more than 900 villages, removing 20,790 items of UXO including 9,083 sub-munitions. More than 489 risk education activities were conducted reaching 131,593 people (including 67,423 women).

Under LANGOCA, a total of 16.6 hectares of land were cleared of UXO in 2013, benefitting 200 people (114 women) who utilised the land for paddy field expansion in four villages. The cleared land is now being used for mulberry gardens, coffee plantations, rice fields and fish ponds.

The Lao Government's support for UXO clearance activities, as evidenced by the national budget allocation, is still limited. The current fiscal crisis saw a budget allocation sufficient only to cover minimal office costs of the national oversight agency. The lack of a reliable baseline on UXO contamination remains an issue, as does an absence of clarity on land clearance prioritisation and verification of post-clearance utilisation. Donors, including Australia, have been advocating for greater accountability and transparency on the part of UNDP and the government on these matters.

Objective 5: Improve physical access to markets and basic services

Development Outcome: less than quarter of the population living below the poverty line

Green

■ Green. Progress is as expected for this point in time and it is likely the objective will be achieved. Standard program management practices are sufficient.

Good progress has been made against this objective. All four milestones in 2013-14 have been met as a result of improved performance and impressive achievements under the Poverty Reduction Fund II (PRFII) and the Northern Transport Network Improvement Project (NTNIP).

While the road network in Laos has expanded significantly in recent years, 30 per cent of rural villages still have no dry or wet season access. An estimated 80 per cent of the rural road network is in poor condition, which is significant given the rural network accounts for 41 per cent of the country's total road network.

In recognition of the strong relationship between access to rural infrastructure, income generation and poverty reduction, Australia pursues a program to improve rural infrastructure. NTNIP (\$18.8 million, 2007 to 2014) is a road project to facilitate increased economic growth by improving the national highway, linking the major centre of Luang Prabang with the Lao-Thai border, and building 82 kilometres of rural access roads. PRFII (\$20 million, 2011 to 2017) is a community-based infrastructure initiative that provides basic infrastructure such as rural roads, water and sanitation facilities and health clinics, which improves access of poor remote villages to livelihood opportunities and essential services.

In 2013, 205 kilometres of rural roads were constructed and rehabilitated under these Australian-supported initiatives. With Australian support, 41 kilometres of rural paved roads were completed under NTNIP. Under the PRFII, around 164 kilometres of rural roads were built. The construction of these rural roads provided more than 63,600 people with improved access to local markets and basic services. More than 81,000 people were provided with access to safe water with the construction of water and sanitation facilities in poor rural communities under PRFII and LANGOCA.¹³

Through Australia's consistent advocacy to government, social and environmental safeguards have been adopted by PRFII. The PRF safeguards frameworks are comprehensive and clearly articulate the management protocols and responsible persons. Translated into English and Lao, the frameworks feature an accessible 'negative list' which is an inventory of activities excluded from PRF funding due to their adverse social and environmental impacts (e.g. acquisition of land and involuntary resettlement, expansion of existing settlements in critical habitats, adverse impacts on ethnic groups). Environmental safeguard standards and disaster guidelines are also integrated into the standard design for sub-project infrastructure.

PRF also implements disabled access strategies along with its community driven village planning approach. However, there is limited demonstration of the inclusion and participation of people living with disabilities in the planning and implementation processes of PRF. Universal design standards on accessible infrastructure is integrated into PRF standard designs.

In February 2014, financing partners of PRFII participated in a mid-term review. The independent evaluation team found that Australia's support to PRFII was an effective means of delivering infrastructure investments to support economic growth and promote income security in poor and remote communities.

Strategy-wide initiatives

Australia-Laos Scholarship Program: in 2013, the Lao-Australia Scholarships Program awarded 50 Australia Awards scholarships, including three Australia Awards Leadership Program scholarships. Gender parity was achieved for Australia Awards scholarships, and the target of 25 scholarships being awarded to scholars from the public sector was realised. In 2013, 36 short-term Australia Awards Fellowships were offered in the areas of health, food security and economic growth. Under the Laos Australia National Scholarship (LANS) program, 70 scholarships were awarded to students from disadvantaged backgrounds for bachelor degree study at the National University of Laos (NUoL).¹⁴

Under the LANS program, there were ongoing challenges with delays in obtaining academic progress reports for students. There has since been some improvement in the timeliness of

¹³ Under PRF, 77,441 people benefitted from WASH facilities while 4,425 people benefitted from the LANGOCA-built WASH structures.

¹⁴ There are a total of 140 LANS scholars studying at the NUOL to date.

academic reporting after Australia discussed the issue with members of the NUoL senior executive and with the Ministry of Education and Sports.

As part of ongoing monitoring and evaluation, an independent audit was carried out in 2013 on the transparency of the Australia Awards selection process. The audit found the scholarship selection systems and procedures were logical, administratively practical and robust.

The Laos-Australia Scholarship Program ended in December 2013. Australia's new \$20 million investment in human resource development in Lao PDR – the Laos-Australia Institute (LAI, 2014-2017) – was mobilised in January 2014 without any gaps in the delivery of Australia Awards. The program is on track. In its first six months the LAI has: begun to implement a human resource development program within target ministries; managed the selection process for 2014 Australia Awards scholars; undertaken a review of English language training; prepared a feasibility study for the expansion of the LANS program to provincial universities; and started planning for building renovations to the existing English Language Resource Centre, where the LAI will be co-located.

Public Financial Management Strengthening Program: PFM reform regressed in 2013-14. The civil servant salary increase (by a further 40 per cent) in 2013-14, within the context of a weak revenue forecast, has further highlighted the need for PFM reform. Transparency issues over the state annual financial report have worsened over 2013-14, and there is limited information available on the 2013-14 budget. It is still unclear, for example, if school operating grants will be delivered in 2014-15. The PFM Strengthening Program, which was a multi-donor initiative funded by Australia and managed by the World Bank, ended in December 2013.

Humanitarian assistance: in 2013, Laos escaped major serious weather events but it encountered its worst dengue epidemic to date (11,863 reported cases, including 47 deaths, mostly children). Australian support to the dengue response (\$300,000, 2013), led by the Ministry of Health, enabled the Lao Government to enhance community-based vector control activities, improve clinical management of dengue cases, and enhanced surveillance to provide daily information for decision making.

Mutual Obligations

The strategic development priorities of the Lao Government are defined in the 7th National Socio-Economic Development Plan. Preparations have begun on the development of an 8th NSEDP, expected to retain a similar focus as the 7th plan. Education and human resource development are key pillars of the NSEDP, and are budget priorities complementing our aid investments.

The Lao Government has continued to pursue the decentralisation of service delivery, and provided human and budget resources to support this. This complements Australia's strong focus on improving the quality of basic services, particularly to the most disadvantaged. Little progress has been made over 2013-14 across the donor community to enhance the mutual accountability agenda.

Program Quality and Management

The Laos Country Program has good capacity to generate and use performance information. There is an established Performance Assessment Framework (PAF) covering all sectors of the

country strategy, and defined annual milestones to measure progress. The Laos Country Program has implemented recommendations and management responses from 2012-13 (refer **Annex B**).

In 2013-14, major investments in rural development, basic education and human resource development and scholarships were design and/or mobilised. These portfolio designs pulled together various activities under single initiatives, ensuring the Laos Country Program investment profile remains highly consolidated for the medium term.

The evaluations listed to be undertaken in 2013-14 in last year's APPR have been completed. Further details about progress and a list of planned evaluations for 2014-15 are provided in **Annex C**.

Three major independent evaluations were undertaken on Australia's support to LANGOCA, PRFII and the UXO sector. Evaluation outcomes were shared with stakeholders through debriefing, and, in the case of LANGOCA, through a comprehensive lessons learned workshop held in June 2014. The PRFII review highlighted positive outcomes achieved, particularly through the use of a community-driven development approach within a restrictive operating environment.

Analysis of Quality at Implementation Reports

A summary table of Quality at Implementation ratings for the Laos Country Program for 2013-14 is at **Annex D**.

Gender, Disability Inclusive Development and Nutrition

Further reporting on aid program performance relating to gender, disability inclusive development and nutrition is provided in **Annex E**.

Performance of key delivery partners

The World Bank continues to be our largest single partner delivering an estimated 28 per cent of bilateral aid funds to implement aid activities in 2013-14. Its management of the PRFII and TDFII is effective, particularly in raising sensitive issues on program implementation, such as resettlement or the government's contribution to policy reform. UN agencies, namely UNDP, UNICEF, WFP and UNCDF, delivered 29 per cent per cent of the aid budget for 2013-14. UNDP is an important partner for Australia's assistance for UXO clearance. UNICEF continued to be an effective and responsive partner. UNICEF has demonstrated strong program-delivery capabilities in 2013-14, particularly in the delivery of WASH facilities. It has also been an effective partner in policy dialogue in the education sector. World Food Program (WFP) delivery model and management approach could be improved by greater attention to reporting on results.

International NGOs continue to be important partners. 2013-14 saw the finalisation of the LANGOCA program and the preparation of new work with NGOs. There was no significant expenditure to report on NGOs as part of the Laos Country Program. Recent draft Lao Government decrees on INGOs and NPAs (Not-For-Profit Associations, the local title for domestic Lao NGOs) suggests the government plans to introduce greater restrictions over the operation of civil society groups. In the education sector, however, the government has extended the ESWG structure to enable NGOs to lead technical groups.

Managing Contractors are becoming increasingly important delivery partners for the Laos Country Program, with 13 per cent of the aid budget for 2013-14. There are now three managing contractor teams working across rural development and human resource development and scholarships.

Other government agencies actively contributed to the delivery of Australian aid to Laos. The Australian Centre for International Agricultural Research (ACIAR) in Laos, for example, delivered a research program estimated at \$5.2 million in 2013-14, focused on increasing agricultural production and smallholder income.

Risks

Key risks to achieving objectives of the Laos Country Program are identified in **Annex F**.

Management Responses

Progress in addressing 2012-13 management responses is outlined in the table at **Annex B**. In 2014-15 the Laos Country program will:

Fiscal context, reform and sustainability

- Continue to monitor and deepen understanding about the implications of Lao PDR's tight fiscal situation on current and future aid program investments.
 - Conduct a review of Rural Development Program and Education Program during 2014-15 to assess level of government financing (linked to budget strategy above).
- Develop a deeper understanding of the impact on broader reform processes of Laos' tightening fiscal environment and its impending participation in the ASEAN Economic Community.

Social Safeguards and Inclusive Development

- Develop a fit-for-purpose approach to managing social safeguard risks across all major investments, drawing on PRFII lessons learned on resettlement risk.
- Increase policy dialogue on gender equality and women's economic empowerment with Lao ministry counterparts.

Civil Society

- Continue to monitor the civil society operational context in Lao PDR to be better able to manage risk in the engagement of NGOs in program delivery in rural development and education.

Partnerships

- Build productive relationships with managing contractor teams to manage program-related risks effectively through regular communication and joint work.
- Improve the number and quality of our public diplomacy and public relations through more regular engagement with the Post's new dedicated Public Diplomacy Officer.

Aid Program Focus and Delivery

- Assess current aid program commitments against the new strategic framework for the aid program, and highlight opportunities and constraints for the Laos Country Program to respond to new priorities.
- Document lessons learned on the challenges in mobilising major aid investments in Laos, and ensure these lessons are shared across the Laos Country Program – particularly to inform the mobilisation of new programs, such as BEQUAL.

Annex A

Performance Assessment Framework, Milestone Achievements 2013-14

| Milestone Achievements 2013-14 | | |
|---|---|---|
| Pillar 1: Education | Pillar 2: Trade | Pillar 3: Rural Development |
| <p>Strategy objective 1: Mitigation of key constraints to equitable access to a quality basic education in targeted poor geographic areas</p> <p>Strategy 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</p> | <p>Strategy objective 3: Policy and institutional impediments to trade and investment addressed in sectors that have high potential to contribute to inclusive growth</p> | <p>Strategy objective 4: Improve inclusive access to finance, productive assets, and market opportunities</p> <p>Strategy objective 5: Improve physical access to markets and basic services</p> |
| <p>1.1 Milestone met 146 schools (81 DFAT) including additional 48 schools with new classrooms constructed in 2013/14.</p> <p>Safety and Quality audit plan completed (443 EDP II schools inspected). 13 schools out of the total have been renovated. 713 (393 DFAT) classrooms constructed.</p> <p>To date, 43 schools under the current WASH Program provided with latrines and 5 schools provided with water supply. Under the bridging fund, 78 schools provided with water supply and 31 schools provided with sanitation facilities.</p> <p>1.2 Milestone partially met 149 schools implementing SoQ approach (Training on SoQ approach provided to school principals, teachers and Village Education Development Committee members)</p> <p>487 school officials (principals) trained in leadership and Schools of Quality approach</p> <p>2,343 teachers (1934 in-service, 104 primary upgrading, 305 pre-primary pre-service) trained (71% of target).</p> | <p>3.1 Milestone met Trade Facilitation Secretariat met in February 2014 to discuss progress. Meeting decided to undertake a survey with firms to identify issues/challenges.</p> <p>3.2 Milestone met Services trade regulatory assessment commenced in January 2014.</p> <p>3.3 Milestone met Business Assistance Facility launched on 17 December 2013</p> <p>3.4 Milestone not met Delay in concluding agreement with ILO</p> | <p>4.1 Milestone met The managing contractor and three lead NGOs were identified in 2013 and are going through the inception phase. Aiming to start the cash transfer activities in 2014/15.</p> <p>4.2 Milestone met Government support formalised through the creation of a national advisory committee led by the Vice Minister from Labour and Social Welfare.</p> <p>4.3 Milestone partially met Despite delay in implementation, 54 village banks and 7 newly-licensed micro-finance institutions now operate and thus 10,989 additional poor women and men have increased access to financial services</p> <p>4.4 Milestone partially met Technical specialist started his work but it is slightly off track due to delays in the recruitment and contracting.</p> |

| | | |
|--|---|--|
| <p>Village Education Development Committee training took place in 149 villages with 1,043 Committee members (222 female)</p> <p>50,172 of which 24,082 are girls provided with nutritional support</p> <p>2,500 children are able to access schools that have been made more accessible to children with disabilities</p> <p>1.3 Milestone partially met Non-formal primary equivalency is functioning in 168 villages</p> <p>2.1 Milestone partially met Information in investment database at subnational level has been verified. Australia has contributed to the monitoring of EFA-FTI program and GPE II to ensure alignment with the ESDP objectives.</p> <p>The mid-term review of ESDP was undertaken. However, recommendations have yet to be implemented.</p> <p>The revision process of the Annual Costed Sector Plan was stalled, as the budget information for 2013-14 was available.</p> <p>Focal Groups TORs were endorsed and annual work plans finalised.</p> <p>To date the provincial coordination meetings have yet to happen. BEQUAL could enable this to happen.</p> <p>The Third Joint Sector Review Mission took place but was poorly coordinated. This raises the need to review the process and the objectives of the JSRM.</p> <p>As per recommendations from the ESDP mid-term review, a Theory of Change Workshop took place in April 2014 and the preparation of methodology for the review of the education law was undertaken.</p> <p>The planned education budget allocation for the education sector is 17 per cent by 2015. However the realised share in 2013-14 was 15.5 per cent, up from 14.5 per cent in 2012-13.</p> | <p>3.5 Milestone met The 4th meeting of the Trade and Private Sector Working Group (TPSWG) took place on October 10, 2013. The working group is in general functioning well, meeting twice per year as scheduled with quality presentations and wide representation.</p> <p>3.6 Milestone met Framework for submissions to the challenge facility in place.</p> <p>3.7 Milestone met Guidelines and templates to manage proposals to the research facility have been developed. First set of research proposals under development.</p> | <p>4.5 Milestone met Microfinance Association was issued temporary licence from BOL and funding agreements with UNCDF and other donors are progressing.</p> <p>4.6 Milestone met More than 9,500 people (approximately 5,000 women) increased their production of and access to food due to rice banks and irrigation systems</p> <p>4.7 Milestone met 877 hectares were cleared and released, benefitting more than 70,000 people living in the affected areas</p> <p>4.8 Milestone partially met NRA submitted an official budget request to GoL to cover the rent of the NRA office and several other activities. Since January 2013, the rent of the NRA office has been paid by GoL.</p> <p>5.1 Milestone met At least 205 kms of rural roads constructed and rehabilitated</p> <ul style="list-style-type: none"> • NTNIP: 41.68 kms rural paved roads • PRF: 164.12 kms low volume traffic rural roads <p>5.2 Milestone met 63,620 of additional women and men with improved access to rural roads</p> <p>5.3 Milestone met More than 81,000 people provided with increased access to safe water</p> <ul style="list-style-type: none"> • PRF: 77,441 people • LANGOCA: 4,425 people <p>5.4 Milestone met The PRF has adopted social safeguards and environmental guidelines as an organisation. It is also implementing disabled access strategies along with its community driven approach.</p> |
|--|---|--|

Annex B

Progress in addressing 2012-13 management responses

| Management consequences identified in 2012-13 APPR | Rating | Progress made in 2013-14 |
|--|-----------------|---|
| Prepare a new Australia-Laos Development Cooperation Strategy, including re-evaluation of priority sectors, and to better address cross-cutting issues. | Partly Achieved | Work commenced in preparing an Aid Investment Plan (AIP) for the Laos Country Program in late 2013. As per revised departmental timelines, the AIP is expected to be finalised by early 2015. |
| Seek a better understanding of Laos' public financial management systems to better manage risks in relation to aid investments; and identify sector-specific PFM investment options, specifically for the education sector. | Achieved | An Education Sector Systems assessment was undertaken in August/September 2013, this provided a detailed review of current Government of Laos public financial management and procurement procedures, and directly informed the design of the BEQUAL program, particularly in relation to risk mitigation. |
| Develop an enhanced understanding of re-settlement in Laos, by commissioning a program-wide analysis in order to better manage risk in relation to current and future programs. In doing this, develop a consistent approach to managing risk associated with resettlement for aid program activities. | Partly Achieved | Efforts were made to enhance Australia's understanding of resettlement processes in Laos. The Mid Term Review of the PRFII added to our understanding of the matter, and confirmed that Australia's risk mitigation approach was robust. Further effort was made in reviewing QALs for all major aid investments in respect to social safeguards (including re-settlement). An independent portfolio-wide analysis has not yet been commissioned. |
| Intensify engagement with the World Bank at senior levels to minimise the risk of delays in funding disbursements from trust funds. Actively move away from using trust funds for future investments to mitigate risk of delay for future programs. | Achieved | Counsellor has engaged in intense policy dialogue with senior World Bank officials in respect to the use of trust funds, including pushing for greater efficiency in their use. As a result, the World Bank in Laos has moved to create a single trust fund for all aid activities in Laos. |
| Work at establishing direct relationships with non-OECD donors in Laos. | Achieved | HOM and Counsellor have continued to engage in dialogue with non-OECD donors in Laos, through the Round Table Process and bilaterally. This engagement will continue in 2014-15. |
| Continue to proactively broaden and deepen the skills of aid delivery staff to manage contractors, policy influencing and monitoring and evaluation | Achieved | Intensive and well-targeted training has been provided to build the capacity of aid delivery staff in managing contractor, policy influencing and monitoring and evaluation (including awareness of social safeguards). Training will need to continue, particularly given the high number of new staff. |

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

Annex C

Evaluation and Review Pipeline Planning

Table 1: List of Evaluations, Reviews completed in the reporting period (Jan 2012 – September 2014)

| Name of Initiative | Aidworks number | Name of evaluation | Date finalised | Date Evaluation report Uploaded into Aidworks | Date Management response uploaded into Aidworks | Published on website |
|---|--|---|----------------|---|---|----------------------|
| Delivering Better Education in Laos | INH 412 | Final evaluation of School of Quality Pilot Project | Sep 2013 | 26 Feb 2013 | N/A | No |
| Trade Development Facility | INH726 | Implementation Completion evaluation | Dec 2013 | June 2014 | N/A | Yes |
| Food Security Risk & Vulnerability Survey | INJ353 | Thematic study | May 2013 | N/A | N/A | No |
| Laos-NGO Cooperation Agreements | ING310 | Final Evaluation | July 2014 | July 2014 | Aug 2014 | Yes |
| Australia's UXO Assistance | N/A | Independent Evaluation | April 2014 | Jun 2014 | July 2014 | No |
| Lao-Australian Scholarships Program | INH095, INJ264, INJ265, INJ709, INK048 | Independent Completion | Dec 2013 | Jan 2014 | N/A | No |
| Poverty Reduction Fund | INJ573 | Mid Term Review | May 2014 | May 2014 | Aug 2014 | Yes |
| Poverty Reduction Fund | INJ573 | Household baseline survey impact evaluation | Jan 2014 | Jun 2014 | N/A | No |

Table 2: List of evaluations planned in the next 12 months (September 2014 – September 2015)

| Name of Investment | Aidworks number | Type of evaluation | Purpose of evaluation | Expected completion date |
|--|-----------------|---|--|--------------------------|
| Education For All: Fast Track Initiative | INJ396 | Implementation Completion (partner-led) | to verify program outcomes | December 2014 |
| The Second Trade Development Facility | INH726 | Mid Term Review (partner-led) | to improve existing program and to verify program outcomes | July 2015 |

Annex D Analysis of Quality at Implementation Ratings

Overall program quality at implementation for the Laos Country Program in 2013-14 was satisfactory. Across ten initiatives, 90 per cent were assessed as being implemented satisfactorily, as in 2012-13.

There were slight improvements in effectiveness, efficiency across the program in 2013-14; with 91 per cent and 82 per cent respectively, compared with 90 per cent and 80 per cent in 2012-13. PRFII is back on track in 2013-14. The serious delays highlighted in 2012-13 have been addressed over the last 12 months. Performance ratings decreased to “less than satisfactory” against three investments (EFA- FTI, LANGOCA and Lao UXO) due to inadequate and weak monitoring and evaluation systems. The Poverty Reduction Support Operation and Public Financial Management Strengthening Program initiative had poor ratings across all criteria due to an over estimation of partner government capacity and underachievement of reform processes. This initiative has since concluded. QAI ratings for 2013-14 show that activities on women’s participation and women’s empowerment are on their way to achieving expected results, as evidenced by four out of ten initiatives receiving a ‘good quality’ score, and only one initiative ranking as ‘less than adequate’ on gender equality.

Quality at Implementation Ratings

| Initiative name | Approved budget and duration | QAI year | Relevance | Effectiveness | Efficiency | Monitoring and evaluation | Sustainability | Gender equality |
|---|------------------------------|----------|-----------|---------------|------------|---------------------------|----------------|-----------------|
| Education For All: Fast Track Initiative | \$22.3 million (2010–2013) | 2013 | 5 | 4 | 4 | 3 | 3 | 4 |
| | | 2012 | 5 | 4 | 4 | 4 | 4 | 4 |
| Laos Basic Education WASH and School Meals | \$20.5 million (2013–2017) | 2013 | 5 | 4 | 4 | 4 | 5 | 5 |
| | | 2012 | N/A | N/A | N/A | N/A | N/A | N/A |
| The Second Trade Development Facility | \$5.4 million (2013–2017) | 2013 | 5 | 4 | 4 | 4 | 4 | 4 |
| | | 2012 | 5 | 5 | 5 | 4 | 4 | 4 |
| Laos-NGO Cooperation Agreements | 14 million (2005–2014) | 2013 | 4 | 5 | 5 | 3 | 4 | 4 |
| | | 2012 | 4 | 4 | 4 | 4 | 4 | 4 |
| Laos: unexploded ordnance consolidated | \$14 million (2009–2016) | 2013 | 6 | 4 | 3 | 3 | 4 | 4 |
| | | 2012 | 6 | 5 | 4 | 4 | 4 | 4 |
| Laos Australia Rural Livelihood Program | \$38 million (2012–2016) | 2013 | 6 | 4 | 4 | 5 | 4 | 5 |
| | | 2012 | 5 | 4 | 4 | 4 | 4 | 4 |
| Northern Transport Network Improvement Program | \$18.8 million (2008–2014) | 2013 | 5 | 5 | 4 | 4 | 3 | 4 |
| | | 2012 | 6 | 4 | 5 | 4 | 4 | 4 |
| Poverty Reduction Fund Phase II | \$21 million (2011–2017) | 2013 | 5 | 4 | 4 | 5 | 4 | 5 |
| | | 2012 | 6 | 3 | 3 | 5 | 4 | 5 |
| Lao-Australian Scholarships Program | Approx. \$7 million a year | 2013 | 6 | 5 | 4 | 5 | 5 | 5 |
| | | 2012 | 6 | 5 | 5 | 5 | 5 | 5 |
| Poverty Reduction Support Operation and Public Financial Management Strengthening Program support | \$13.3 million (2008–2014) | 2013 | 3 | 3 | 3 | 3 | 3 | 3 |
| | | 2012 | 4 | 4 | 3 | 3 | 4 | 2 |

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very high quality

■ = 5 = Good quality

■ = 4 = Adequate quality, needs some work

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

Annex E

Gender

Gender development issues are at the core of Laos Country Program investments. All ongoing aid investments implement purposeful strategies to respond to gender equity gaps in their particular sector and to achieve progress towards gender equality.

Women's economic empowerment continued to be built in 2013-14 through the delivery of activities in rural livelihoods and UXO clearance. Improving the status of women and empowering them to take on leadership roles is a key objective of the LAI. In 2013-14 our engagement with the Lao Government's principal women's empowerment policy development body – the National Commission for the Advancement of Women (NCAW) - was strengthened through human resource development support mobilised through the LAI. Our investment in basic education through the EFA:FTI program enabled more girls to enrol in school and stay in school. The design of Australia's new basic education program (BEQUAL) effectively builds on the lessons learned and analysis of remaining gender equality gaps to focus attention on improving retention rates and education outcomes for vulnerable girls, in particular those from ethnic minorities. A Gender and Social Inclusion Assessment was prepared under PRFII to provide an assessment of the status of social inclusion within the program. Key recommendations of this assessment include building the awareness of PRF staff in socially inclusive approaches, development of training curricula for district teams and extending the timeframe for development projects to ensure maximum participation from all villagers.

It is estimated that one in five women in Laos experience physical violence within the home, with one in three experiencing emotional violence. In 2013-14, the Laos Country Program initiated an advocacy activity on the elimination of violence against women. A short documentary was produced by an Australia Awards alumnus and launched on White Ribbon Day on 25 November 2013.

Disability Inclusive Development

Disability inclusion is an important factor for Laos Country Program investments. Through the EFA:FTI program, 2,500 children were able to access schools made more accessible for children with disability. Through our partnership with Catholic Relief Services 179 disabled children in poor and remote areas were provided with assistive devices to improve their hearing, vision and mobility. More than 250 education personnel were provided with comprehensive training on inclusive education. The Cooperative for Orthotic and Prosthetic Enterprise (COPE), partly funded by Australia, treated more than 511 patients (108 women), of which 153 were UXO survivors in 2013-14. COPE also continued to build the clinical capacity of the national rehabilitation team, providing over 300 hours of training for 68 staff from five rehabilitation centres across the country. Under the Australia Awards scholarship program, and for the first time, a scholar with high needs was mobilised to start study in Australia in July 2013, and has achieved academic excellence in the first year of study.

Nutrition

The program currently has 'nutrition-sensitive' investments in education and rural livelihoods. In 2013-14, a review was undertaken on how current and future aid investments could become more nutrition-sensitive with minimal additional resources. A subsequent Nutrition Action Plan identifies a range of opportunities and actions we will take to tackle under-nutrition within the current scope of aid activities. This plan will be updated and reported against annually. Australia led in the scoping of joint research with the Lao Government into the institutional constraints on effective implementation of Lao PDR's National Nutrition Policy. This research will take place in 2014-15.

Annex F

Management of key risks to achieving objectives

| Key risks | What actions were taken to manage the risks over the past year? | What further actions will be taken to manage the risks in the coming year? |
|---|---|---|
| Continued Lao Government low level budget allocation and expenditure (particularly non-wage recurrent budget) to education will undermine the sustainability prospects of Australia's investments in the sector. | The BEQUAL design was informed by the ESDP Mid Term Review, and articulates plans for a gradual scale-up on sustainability measures as Laos' fiscal situation improves. | Prior to the mobilisation of BEQUAL, Australia will reach agreement with Laos on some matters relating to sustainability, such as Lao support for ethnic teachers trained by the program. Australia will seek to improve the effectiveness and efficiency of their teacher recruitment and deployment. This could have substantial (positive) impact on the availability of non-wage recurrent budget in the future. |
| Resettlement processes undermine the development impacts and sustainability of Australia's aid investments, particularly in education and rural development, and policy dialogue opportunities to address this negative impact are not effective. | A Mid Term Review of the PRFII enabled existing safeguards on re-settlement to be reviewed and strengthened. Australia communicated directly to Laos concern for re-settlement practices. PRFII targeting is more strongly assessed and revised (if necessary) as a result. | Australia will continue to communicate directly to Laos the need for the PRFII to adhere to agreed safeguard measures. Australia will also communicate regularly with Laos on safeguard matters related to basic education (school construction). We will work closely with MoES to ensure that school infrastructure investments are appropriately targeted. |
| The bulk of Laos Country Program expenditure continues to be focused on multilateral agencies and trust funds which leads to overexposure and risk of program delays. | Laos Country Program has enhanced the use of 'bilateral' delivery mechanisms during 2013-14 through the design and/or implementation of new programs in rural development and education. | Procurement processes will be completed for the selection of managing contractors to undertake implementation of the new basic education program. Implementation of other investments with a 'mixed delivery' approach, including the use of NGOs and managing contractors, will continue. |
| Non-OECD member donor investments duplicate Australian aid program investments, leading to inefficiency and waste of investments. | Enhanced bilateral dialogue with non-OECD member donors (and Laos' neighbours) by the Australian Embassy, Vientiane, led by HOM and Counsellor – throughout 2013-14 | Continue to seek dialogue with non-OECD member donors in 2014-15. |
| The operating environment for NGOs becomes more restricted. | Australia engaged closely with Laos on the revision of decrees for INGOs and NPAs and negotiation of MOUs for NGOs linked to LARLP. We have advocated for less bureaucratic and restrictive requirements under these decrees and for one project MOU. Australia has continued to engage with Laos in the positive nature of civil society work in Laos, sharing evidence of positive developmental impact on communities (such as through the LANGOCA lessons learned workshop). | Australia will continue to remain engaged with government on matters relating to the operation of civil society in Laos. Australia will undertake consultations with MoFA, MPI and MoES to facilitate the agreement of MOUs for NGOs/NPAs supporting the BEQUAL and LARLP programs. |

Annex G

Performance Benchmarks 2014 -15

| Program strategic objective ¹⁵ | 2014-15 benchmark | Rationale for selecting this performance benchmark |
|---|--|---|
| <p>Strategy objective 1: Mitigation of key constraints to equitable access to a quality basic education in targeted poor geographic areas</p> | <ul style="list-style-type: none"> • 115 schools have water and sanitation facilities meeting GOL quality standards with district funded O&M plan in place • 11,500 girls and boys utilising safe water sanitation facilities and • 55,000 students provided with financial or nutritional support (such as food) | <p>Education is a flagship aid investment in Laos and represents 24% of Australian aid investment in previous year. The selected benchmarks are well aligned with the government priority to tackle MDG2. A recent Lao MDG progress report shows the country is off-track to achieve MDG goals especially primary survival rates to grade 5. The report also concludes that one of the contributing factors is poor school environment. Given our aggregate development results achieved last year, we believe these benchmarks are sensible.</p> |
| <p>Strategy Objective 3: Policy and institutional impediments to trade and investment addressed in sectors that have high potential to contribute to inclusive growth</p> | <ul style="list-style-type: none"> • 50 (cumulative number) businesses approvals under the Business Assistance Facility to improve their trade growth strategies | <p>Lao private sector is at an early stage development. The Business Assistance Facility (BAF) aims to support individual firms in build their skills and experience to become more competitive internationally. There are only around 620 unique exporters in the whole country. The rate of export survival in international markets is low. Recent work by SME Promotion and Development Office, preparing their business development service network, shows that there are only around 20 such providers in Laos. There is a serious shortage of skills and local management or supervisory capabilities. Given matching grants concept is quite new in Laos and considering the local context the project result framework has set cumulative benchmark for BAF performance, which we believe are realistic.</p> |

¹⁵2014-15 is the final year of the Australia-Laos Development Cooperation Strategy 2–9-15, and therefore the benchmarks provided in this table are articulated against current country strategy objectives. As there are several major investments that will continue implementation during the first few years of the Aid Investment Plan, there will be continuity between the benchmarks in this report and the benchmarks set in the Aid Investment Plan.

| Program strategic objective ¹⁵ | 2014-15 benchmark | Rationale for selecting this performance benchmark |
|--|---|--|
| Strategy objective 4: Improve inclusive access to finance, productive assets, and market opportunities | <ul style="list-style-type: none"> • 600 poor women and men able to access social transfers (such as cash or in kind transfers) • 93,000 additional poor women and men who increase their access to financial services • 630 hectares of productive land released from UXO contamination | Given the aid program's emphasis on economic growth, Australia last year spent 41% of its aid investment to support rural livelihoods and infrastructure. Australia supports poor rural households - many of which are headed by women - to meet their livelihood and food security needs by diversifying income generating strategies, improving access to financial services and addressing barriers to market access. Through innovative partnerships with NGOs, multilateral and bilateral agencies, and the private sector, our rural development aid investment aims to improve the incomes of more than 350,000 rural Lao. The performance benchmarks are consistent with the program results identified in the sector investment plan (Rural Development Delivery Strategy 2012-16). |
| Strategy objective 5: Improve physical access to markets and basic services | <ul style="list-style-type: none"> • At least 100 kms of rural roads constructed and rehabilitated • 20,000 men and women provided with increased access to safe water | Australia invests in community-driven infrastructure, such as local transport infrastructure and water systems that enable more than 300,000 rural people (including women from poor ethnic communities) access livelihood opportunities, markets and basic services. We work with the World Bank, which has expertise in innovative solutions such as community-driven development, to deliver enabling infrastructure in remote rural communities. |
| Crosscutting Objectives: Scholarships & human resource development | <p>50 students (25 men and 25 women) awarded a tertiary scholarship to study in Australia</p> <hr/> <p>70 disadvantage students (35 men and 35 women) awarded a scholarship to study a bachelor degree in Lao public universities</p> | Lao PDR had an estimated population of 6.5 million in 2012, with a high proportion of young people. As 59 per cent of the population were below the age of 25 years, investment in human capital is essential for Laos' long-term development. These benchmarks were based on historical data in previous years and are consistent with the Lao Government's national development objectives. |