



Australian Government

Department of Foreign Affairs and Trade



# Aid Program Performance Report 2014-15

Laos

November 2015

## Key Messages

This is the last annual report on program performance under the [Australia-Laos Development Cooperation Strategy 2009–15](#). A new [Laos Country Program Aid Investment Plan](#) provides the framework for aid to Laos from 2015-16 to 2019-20.

Results achieved in 2014-15 included:

- Improved access to water and sanitation facilities for an additional 16,978 students (8,137 girls) in 101 schools and provision of school meals to encourage better attendance and nutrition for almost 150,000 students living in food-insecure areas.
- Mobilisation of a new \$65 million flagship basic education program (BEQUAL), which aims to raise the quality of education and improve primary completion.
- More than 51,800 people were provided access to financial services, 613 impoverished households registered for cash and asset transfers, and over 66,000 people able to safely access arable land previously contaminated with unexploded ordnance (UXO).
- Increased engagement with the private sector to boost the diversity of financial services and improve inclusion. In 2014<sup>i</sup>, DFAT's investments of around \$1.1 million leveraged commercial sector cash investments of more than \$2.3 million.
- Improved rural infrastructure benefitting more than 6,953 people (at least 38 per cent women). The opening of a new transport route with Thailand led to 22 per cent traffic growth and increased trade revenue from US\$1.7 million to US\$7.2 million over the 6 year life of the road project.
- Identification and publication of 231 Non-Tariff Measures (NTMs), now the focus of streamlining work, to facilitate trade and business, provision of 69 matching grants to help small and medium-size enterprises grow and completion of a telecommunications sector assessment to support further reform.
- Support for human rights, including through awareness raising and capacity-building in association with the Lao-Australia Human Rights Dialogue.

A number of key lessons for the 2015-16 to 2019-20 Aid Investment Plan have been identified:

- Australia will continue to improve the management and visibility of Australian aid by working more closely with the Lao Government, rather than funding projects that are managed by other organisations. This approach has influenced the design of BEQUAL.
- Australia will increase the emphasis it places on policy dialogue with the Lao Government to encourage reforms that will strengthen the impact of our aid investments.
- Australia will design future aid activities and performance assessment in a way that emphasises the shared nature of the development challenges to be addressed, requiring complementary commitments from both sides.

## Context

Laos remains a Least Developed Country (LDC). However, since the start of the 2009-2015 Development Cooperation Strategy, Laos has almost doubled annual per capita income from US\$880 to US\$1,600. This has been supported by generally expansionary economic policies and strong foreign direct investment. Concerns remain, however, around the governance environment, which is still complex and creates opportunities for corruption. Mining and hydropower development have been important sources of growth in recent years but Laos' economy has also been diversifying. The

services sector accounted for 39 per cent of real GDP growth between 2013 and 2014 and its share of total trade increased from 9 per cent to 11 per cent.

The Lao Government's fiscal position has come under stress due to a large increase in public sector payments and a decline in grants and mining revenues. International reserves are starting to increase slightly but are inadequate according to the International Monetary Fund. In 2014-15 the Lao Government sought to stabilise the situation by freezing public sector wages and strengthening revenue administration.

Recent estimates show a decline in the national poverty headcount but poverty remains highest and is declining more slowly in rural areas (see Table 1). Laos expects to have met five of the nine Millennium Development Goals (MDGs) by end 2015 but those on hunger, primary education, child mortality and unexploded ordnance are at risk.

Table 1: Urban versus rural poverty headcount rates, 2003-2013 (per cent)

	2003	2008	2013	Change 2008-2013
Laos	33.5	27.6	23.2	-4.3
Urban	19.7	17.4	10.0	-7.3
Rural	37.6	31.7	28.6	-3.1

Laos' next National Socio-Economic Development Plan (NSED), covering the period 2016-20, will focus on graduation from LDC Status by 2020. The three pillars of the NSED are framed around the criteria used to measure graduation from LDC status: focusing on sustainable, inclusive economic growth; human resource development and achievement of the off-track MDGs; and reduced effects of natural shocks and sustainable management of natural resources.

Australian aid has supported Laos' development goals in basic education, trade and investment reform, rural development (rural infrastructure access, livelihoods, inclusive access to finance, social protection and unexploded ordnance clearance and risk reduction) and human resource development. The new aid investment plan has consolidated investments to focus on three main areas – basic education, human resource development and trade and business environment reform. We will lift the proportion of the program devoted to basic education and trade and business environment reform in recognition of development needs and Australian aid policy priorities. Due to budget constraints, we will not renew our investments in rural development but still expect to achieve some significant outcomes before they conclude. The timeframe of Australia's new AIP will complement that of the NSED, facilitating cooperation on Laos' development agenda.

A number of regional aid investments under Australia's [South-East Asia Regional aid program](#) complement the bilateral program in Laos. The regional aid program provides assistance for ASEAN ODA-eligible countries to enable regional economic cooperation and inclusive growth, and strengthen regional responses to trafficking and the exploitation of migrant workers. These include the Mekong Water Resources program which is working to support improved water resources governance; the Australia-Asia Program to Combat Trafficking in Persons; the Tripartite Action to Protect Migrant Workers within and from the Greater Mekong Subregion from Labour Exploitation (TRIANGLE).

Australia's development cooperation with Laos dates back to 1965. In 2013 Australia was ranked second on the basis of DAC<sup>ii</sup> bilateral donor aid flows, behind Japan, and accounted for about 10 per cent of total ODA flows to Laos. The pattern of Official Development Assistance to Laos has been shifting over the past 5 years. With the graduation of some ASEAN countries to middle-income status some donors have started to leave the region (e.g. Sweden and Finland) and have withdrawn from

Laos as a result, despite its Least Developed Country (LDC) status, while others have shifted from grants to concessional loans (e.g. Japan and Korea). Investments from Germany, France, the EU, China, Vietnam and Thailand have grown over this period. The 2015-16 budget cuts to Australian aid, and the continuing growth of aid from non-DAC donors to Laos, will require us to carefully calibrate our aid to maintain visibility, effectiveness and influence.

## Expenditure

Table 2 Total ODA Expenditure in FY 2014-15

<i>Bilateral Objectives</i>	A\$ million	% of total ODA
Objective 1: More girls and boys, especially those experiencing disadvantage, complete good quality basic education, achieving literacy, numeracy and other relevant life skills	6.2	11
Objective 2: Policy and institutional impediments to trade and investment addressed in sectors that contribute to inclusive growth	1.0	2
Objective 3: Improve inclusive access to finance, productive assets, and market opportunities	16.1	27
Objective 4: Improve physical access to markets and basic services	3.0	5
Crosscutting Objectives: scholarships & human resource development	11.3	19
<b>Sub-Total Bilateral</b>	<b>37.6</b>	<b>64</b>
<i>Other investments</i>		
Regional and Global	18.2	31
Other Government Departments	2.8	5
<b>Total ODA Expenditure</b>	<b>58.7</b>	<b>100</b>

## Progress towards Objectives


Table 3 Rating of the Program's Progress towards Australia's Aid Objectives

Objective	Previous Rating	Current Rating
Objective 1: More girls and boys, especially those experiencing disadvantage, complete good quality basic education, achieving literacy, numeracy and other relevant life skills <sup>iii</sup>	Green	Green
	Amber	
Objective 2: Policy and institutional impediments to trade and investment addressed in sectors that contribute to inclusive growth	Green	Green
Objective 3: Improve inclusive access to finance, productive assets, and market opportunities	Green	Amber
Objective 4: Improve physical access to markets and basic services	Green	Green

**Note:**

 Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

 Amber. Progress is somewhat less than expected at this stage of implementation 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 at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Reporting period:

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**Objective 1 – More girls and boys, especially those experiencing disadvantage, complete good quality basic education, achieving literacy, numeracy and other relevant life skills<sup>iv</sup>**

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**Green**

*Note: This is a new objective, reflecting the new Australia-Laos Education Delivery Strategy 2013-18 and Australia's major new basic education investment. The new objective incorporates the two previous education objectives of 1) Mitigation of key constraints to equitable access to a basic quality education in targeted poor geographic areas; and 2) Better management of Government of Laos and donor resources available to the education sector. Previous objectives are also addressed below.*

**Twelve of the fifteen performance milestones set for this objective in 2014-15 were met.**

The main investment contributing to this strategy objective in 2014-15 was the Laos Basic Education and School Meals WATSAN program (\$18 million over 2012-2017). This program aims to improve participation and learning outcomes of children in primary school through provision of basic water and sanitation infrastructure, hygiene instruction and school meals. The reporting period saw the conclusion in August 2014 of the program's flagship investment, the Education For All: Fast Track Initiative (EFA-FTI). The mobilisation of its replacement, the Basic Education Quality and Access in Laos (BEQUAL) Program did not commence until May 2015. This meant that neither program could contribute to substantive development outputs during the reporting period.

While net primary school enrolment has improved in recent years, Laos continues to experience high rates of dropouts and repetitions and poor learning outcomes. Only 77.8 per cent of students (up from 77.5 per cent in 2013-14) complete a full five years of primary education. Quality is poor with only 42 per cent of those who reach Grade 5 able to read fluently and understand what they have read.<sup>v</sup> There has been progress towards achieving gender parity in primary education, with 97 girls for every 100 boys starting primary school. However, while girls are more likely to complete primary education than boys (79.2 per cent of girls reach grade 5 compared to 76.6 per cent of boys), they are less likely to enrol into secondary education (gender parity is 0.95 in lower secondary and 0.88 in upper secondary). Disparities continue to widen significantly at the tertiary and vocational levels of the education system, with gender parity rates of 0.74 and 0.60 respectively.

BEQUAL represents a shift in Australia's approach, from funding projects managed by multilateral organisations to implementing activities directly with the Lao Government. To improve the visibility and sustainability of Australian aid, BEQUAL has been designed to support the Ministry of Education and Sports' (MoES) priorities, using its systems wherever possible. We will also draw on the expertise of the United Nations Children's Fund (UNICEF), the World Food Programme (WFP) and civil society.

Australia and Laos finalised an implementation agreement for BEQUAL on 26 January 2015. However, the Australian budget process delayed mobilisation of a managing contractor until May 2015. We dealt with this through direct engagement with MoES and short-term arrangements with other partners. The program has supported MoES to: select 204 villages for the first cohort of 220 teacher scholarships (140 women, achieving the target of 60 per cent of the scholarships) to address shortages in rural communities; develop strategies for improving teacher training; revise the primary curriculum; promote more effective teaching and learning resources; and rehabilitate run-down infrastructure.

In addition to the outcomes detailed below, ten of eleven process-related target milestones associated with our education sector engagement were achieved, including production of an independent completion report for the EFA-FTA, completion of an implementation agreement between Australia and Laos for BEQUAL, selection of a managing contractor for BEQUAL, and development of selection criteria to identify BEQUAL target schools.



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

***Water, Sanitation and Hygiene and School Meals***

Poor access to clean water and sanitation, and food insecurity, are key factors affecting attendance at rural schools, particularly for girls. Only 55 per cent of primary schools have both functional water supply and sanitation facilities and one third of households are food insecure. Australia continued to address these constraints through our partnerships with UNICEF and WFP.

Australia supported UNICEF to provide access to clean water and functional sanitation facilities to 101 schools, benefiting more than 16,978 students (8,137 girls). This was close to our 2014-15 target of 115 schools. In 50 communities, more than 26,500 people benefitted from the construction of 102 boreholes, well above the annual target of 75. However, some concerns have emerged around UNICEF's quality assurance.

More than 149,000 students (68,780 girls) living in the most food insecure districts were provided with mid-morning snacks, through our support to WFP, to encourage participation in school. Due to exchange rate gains and a change in the tranche amount for 2014-15 (from \$2.5 million to \$3 million), WFP has been able to reach 150,000 children – nearly twice the intended 76,500 beneficiaries. However, other key activities including piloting 'Home Grown School Meals', have moved slowly. In addition, WFP field monitoring indicates that while mid-morning snacks help improve children's nutritional intake and concentration, they are provided too early in the day to substantially improve attendance. WFP has committed to shift its focus to school lunches.

***Education For All Fast Track Initiative (EFA-FTI)***

Most targets of the program were achieved and many were exceeded. Districts supported by EFA-FTI reached a retention rate to grade 5 of 69 per cent (from 54 per cent in 2008-09), gender parity reached 0.97 (from 0.88 in 2008-09) and the proportion of six to ten year old girls reaching grade 5 increased to 67 per cent (from 40 per cent in 2008-09). EFA-FTI achieved these results by providing 380 new schools, training 2,623 principals (475 females - reflecting the proportion of female principals), training 10,620 members of Village Education Development Committees (2,799 females - reflecting the proportion of female members), training 398 new pre-primary teachers (200 females) and upgrading qualifications of 5,998 existing primary teachers (2,550 females).<sup>vi</sup>

However, according to a 2014 independent evaluation, EFA-FTI did not make an adequate improvement to learning outcomes, particularly in reading. The evaluation cited the tight timeframe of EFA-FTI and a heavy focus on tasks and inputs rather than the quality of outputs and outcomes. The findings of the evaluation validated the amber rating reported in the APPR 2013-14. Lessons learnt about the limitations of partner-based delivery modalities and the overemphasis, in places, on one-off outputs, have been reflected in BEQUAL. We will take a more sustainable and institutional approach to delivering future outputs – such as strengthening teacher skills by enhancing the capacity of teacher training colleges rather than providing project-based one-off training.

***Previous objective 2: Better management of Lao Government and donor resources available to the education sector***

Australia minimised the impact of the budget reductions on BEQUAL, and we continue to be the largest bilateral donor in education. Australia plays a leading policy engagement role in the sector, including as co-chair of the Education Sector Working Group (ESWG). The ESWG comprises the Lao Government, donors and international NGOs. Focal groups of the ESWG strengthened coordination among development partners and within MoES. The ESWG became the vehicle for developing the Lao Government's new Education Sector Development Plan (ESDP) and providing inputs to revising the

Education Law. As well as leading on policy dialogue through the ESWG, Australia provided additional technical and policy advice. Technical advice ensured both the Education Law and ESDP were based on high levels of consultation and research. Australia helped ensure the Law encapsulated the Lao Government's commitment to fee-free public primary education. Our support for the ESDP contributed to its ability to better guide government and donor investments in education. We had expected that the recommendations of a 2014 multi-donor/Lao Government joint education sector review mission would have been fully implemented by the Ministry of Education and Sport by the end of 2014-15, but progress has been very limited.

As the Global Partnership for Education (GPE) Coordinating Agency, Australia played a key role in coordinating design consultations and preparing the funding application for GPE Phase Two (GPE 2). We achieved our ambition of seeing the GPE 2 approved in 2014-15, with GPE board approval obtained in December 2014 and a program launch in October 2015. The program will support increased funding for schools and improved early grade literacy.

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**Objective 2: Policy and institutional impediments to trade and investment addressed in sectors that contribute to inclusive growth**

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**Green**

**All nine performance milestones set for this objective in 2014-15 were met.**

The investment that contributed to this objective in 2014-15 was the Trade Development Facility 2 (TDF 2: \$5 million over 2013-2017). TDF 2 focuses on addressing constraints to Laos' integration into the regional and multilateral trading system by supporting trade facilitation and policy activities that will improve transparency, predictability and lower compliance costs for traders. Major areas of work are on track, including pursuing reforms in the telecommunications sector, reducing barriers to trade through simplification of existing procedures and the implementation of an innovative matching grants scheme for businesses. The latter helps Lao-based businesses, especially small and medium enterprises, overcome some significant challenges to accessing finance. The challenge in coming years will be to maintain whole-of-government commitment to the implementation of reforms.

The mid-term review of the TDF 2 was undertaken in June 2015. Although results were mixed, overall progress was assessed as positive. The main technical work on identifying NTMs in Laos has been completed and published on the Lao Trade Portal as planned (the portal is a TDF 2-funded initiative that publishes all trade-related legislation and documentation online). The next step will be to establish a cross-sectoral NTMs Working Group to start streamlining NTMs that have been identified.

Taking into account the challenges in the business environment in Laos and the findings of the mid-term review, DFAT is exploring expanding the scope of TDF 2 to respond directly to private sector constraints and deepen engagement in women's economic empowerment. These include streamlining business registration, increasing public-private dialogue on trade and an effort to better involve women in the trade reform process.

During the reporting period, a regulatory assessment of laws and regulations affecting trade in services was completed as planned. The Ministry of Industry and Commerce (MoIC) is developing an action plan to implement the assessment's recommendations, in particular those related to improving the business environment and procedures under Laos' Enterprise Law. An assessment of the institutional and regulatory framework for the telecommunications sector has been completed and progress is being made in meeting the obligations of the WTO's Telecommunication Reference Paper, including preventing anti-competitive practices, providing interconnection access and establishing an independent regulatory body. Work under TDF 2 to improve productivity, competitiveness, and labour standards in the Lao garment manufacturing sector should benefit large numbers of women workers.

The business matching grants scheme Business Assistance Facility (BAF) has made good progress with 69 grant approvals made (exceeding the 50 grant approvals planned for this period), 36 per cent of which were for businesses owned by women. The tourism, hospitality, manufacturing and handicraft sectors have been major beneficiaries. However, more effort will be required to reach the target value of approvals (US\$400,000), BAF marketing and outreach to provinces must be improved, and several tax-related issues need to be resolved. These issues were discussed at the mid-term review and will form a core part of BAF's future work. The inclusion of a gender specialist on the 2015 TDF 2 mid-term review team resulted in the identification of steps to improve access to the BAF for women entrepreneurs. The impact assessment of BAF in June found that it was too early to assess the impact on sales or employment because it had only been operating for one-and-a-half years. The assessment therefore focused on qualitative indications of the likely future impacts of BAF-supported services, business practices, operations and performance, the findings of which were largely positive.

The Garment Skills Development Centre, originally designed to provide upskilling services to the workers in garment factories, is adjusting its services to ensure a smooth transition towards financial and operational independence at the end of the project in March 2017. The Centre has attracted wide interest from women seeking to develop small garment businesses and is providing them with much needed training that will lead to income generation activities. The Centre will phase out from financing operating costs, with the exception of staffing, from October 2015 with a target of achieving 80 per cent cost recovery by the end of 2016, and achieving full cost recovery by the end of 2017.

Over the reporting period, work on labour standards showed positive progress despite major contractual delays with the International Labour Organisation. Six factories have agreed to participate in a project to monitor compliance with labour standards and pilot workplace improvement schemes. A training program for labour inspectors was finalised and training started in early September.

Australia intends to continue supporting trade reform under the new AIP and will give consideration to addressing broader business-enabling environment challenges when designing a successor to TDF 2.

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<b>Objective 3: Improve inclusive access to finance, productive assets, and market opportunities</b>	<b>Amber</b>
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**Of the eight performance milestones set for 2014-15 for this objective, four were met, two partially met and two were dropped.<sup>vii</sup>**

The main investment contributing to this objective in 2014-15 was the Laos Australia Rural Livelihoods Program (LARLP: \$36.9 million, 2012-2017). This investment has focused on income generation, social protection and financial inclusion.

An amber rating was recorded, reflecting the slower than expected implementation of two important components of LARLP in 2014-15 (community asset transfers and financial inclusion) due to delays in obtaining Lao Government program implementation and regulation approvals.

To achieve significant reductions in poverty, Laos needs to diversify its economy and allow for more broad-based and equitable growth. Australia has supported inclusive growth and poverty reduction through LARLP and the recently-completed Laos Australia NGO Cooperation Agreements Program (LANGOCA). In the case of LANGOCA, the independent final evaluation confirmed its positive contribution to the livelihoods of rural families from 155 poor villages, resulting in reduced rice shortages, more disposable income, and increased food variety. Also, a total of 528 hectares of land has been cleared of UXO which benefitted more than 17,000 people who used this cleared land to plant rice and coffee, build fish ponds and set-up kitchen gardens. Community-based livelihoods



activities, including seed distribution, access to agricultural technology and kitchen garden development, provided improved food security and productivity for more than 2,400 households.

LARLP initially encountered some delays as a result of Lao Government regulatory requirements, but subsequently delivered solid results. More than 51,800 additional people (31,950 women) were provided with financial services<sup>viii</sup>, short of the target of 93,000, but still a substantial number in light of the delays.

An Australian-funded financial services survey<sup>ix</sup> found that more than a quarter of the Lao population was excluded from financial services and half the population used informal or no financial services. Australia, through LARLP, has promoted private sector growth in rural Laos by working with private entities and commercial organisations to increase the diversity of financial services and improve financial inclusion. The program is currently engaging commercial sector actors (including a bank, telecommunication companies and a microfinance holding company) interested in expanding financial services in rural areas. In 2014, DFAT's investments of around \$1.1 million in financial inclusion activities leveraged private sector cash investments of more than \$2.3 million.<sup>x</sup>

Australia is also working with the Bank of Laos (BoL) to increase financial inclusion. For example, Australian support enabled the granting of licenses for pilot initiatives on branchless banking services for the poor and using mobile phones for banking. BoL also started working on its National Financial Literacy and Consumer Protection Strategy which will contribute to greater financial inclusion.

Fiscal difficulties have made the Lao Government reluctant to pursue social protection activities that it believes it cannot sustain. Because of this, delays occurred in securing the mandatory memorandum of understanding<sup>xi</sup> for the field-based implementation of activities involving cash and asset transfers. As a result, the target of 600 poor women and men being able to access social transfers, was not met. Nevertheless, 613 poor households (456 women beneficiaries) were provided with preliminary training and support.<sup>xii</sup> A baseline survey was completed and 120 beneficiaries (90 women) were selected for an intensive expenditure and consumption survey to be conducted every two months throughout the year. The program is also following 15 households through a quarterly blog<sup>xiii</sup> as they develop their livelihoods. Through this blog, we will learn about the difference Australian aid is making to their lives. In the meantime, following sustained policy dialogue and technical assistance, the Lao Government has included social protection as a strategic priority in its 8<sup>th</sup> NSEDP. In addition, responding to a request from the Ministry of Labour and Social Welfare, Australia is supporting feasibility studies on old age, disability, early childhood and unemployment payments.

LARLP-targeted districts continue to receive steady support from the Lao Government agency responsible for clearing UXO. Aiming to clear 630 hectares of productive land, last year Australian-funded teams exceeded expectations and remediated more than 1,152 hectares. This means over 66,000 people are now able to safely access arable land that used to be contaminated.

Australia's assistance in Laos is also partly delivered by the Australian Centre for International Agricultural Research (ACIAR). In 2014-15, ACIAR delivered a research program (\$5.4 million) focused on improving agricultural production systems and market linkages as well as increasing smallholder income. This research has resulted in: new direct-seeding techniques to help smallholders better manage climate risk and labour constraints; artificial dryers to support production of dry season crops; fish-friendly irrigation structures to help maintain fish as a protein source; and an additional strategy for teak farmers to increase their income by growing crops in the extra space between trees.

Despite having sought to minimise the risk of anticipated delays in obtaining Lao Government approval for those elements of the LARLP involving cooperation with international non-government organisations, these were nevertheless postponed by a year. We had also not fully anticipated the

timetable risks associated with supporting a new policy approach for the Lao Government – in this case trialling government-sponsored rather than community-based approaches to social protection. Although Australia will not fund a successor program to LARLP we will ensure these lessons inform our on-going aid programming.

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#### Objective 4: Improve physical access to markets and basic services

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Green

**Good progress has been made against this objective with two of the four performance milestones set for 2014-15 met and two partly achieved.**

The main investments contributing to this objective in 2014-15 were the Poverty Reduction Fund II (PRF II: \$21 million, 2011-2017) and the Northern Transport Network Improvement Project (NTNIP: \$18.8 million, 2007-2014). Research<sup>xiv</sup> shows that road access has a significant impact on economic growth and poverty reduction in Laos and a survey conducted in 2013 identified infrastructure constraints as a key factor shaping poor market access and the low use of education and health services. The PRF II is a community-based infrastructure construction initiative that is improving poor communities' access to markets and essential services by providing rural road access, water supply and sanitation, irrigation and dams and community markets. NTNIP has focused on upgrading the national highway running south from Luang Prabang to the Thai border as well as rural feeder roads.

In 2014, at least 73 kilometres of rural roads and access ways were constructed through PRF II and NTNIP to better link rural households to markets and improve their access to government services (lower than our target of 100 kilometres due to construction delays). As a result, farmers gained improved road access to district markets to obtain prices that are double those received from traders coming to the village.<sup>xv</sup> This benefitted more than 6,953 people (at least 38 per cent women). The infrastructure support provided by Australia facilitated increased connectivity, economic growth and trade by linking the major centre of Luang Prabang with the Lao-Thai border. Travel time along the road decreased by 50 per cent as had been targeted (from 10.5 hours to about 5 hours) and high traffic growth was registered (22 per cent per year increase compared to forecast of 15 per cent). More significantly, cross border trade-generated revenue from tax, transport and immigration at the Kenthao<sup>xvi</sup> border increased from US\$1.7m to US\$7.2m between 2007 and 2013. Over its project life time, NTNIP was a major achievement for the Australian aid program, benefitting more than 200,000 people (38 per cent women) living along the national and rural access roads.

Through PRF II, we also constructed water facilities enabling more than 9,747 people access to improved water (less than the original estimate of 20,000 mainly due to lower than anticipated community demand for water and sanitation facilities). Our investment in PRF II also enabled the construction of other productive infrastructure, including a market, two bridges and 11 irrigation systems and weirs.

PRF II has been ensuring adequate monitoring of social safeguards and environmental guidelines. It has also implemented disabled access strategies as part of its community-driven approach. In terms of mutual obligations, the Lao Government has committed to contribute US\$10 million from the national budget for pay for infrastructure projects. To date, it has disbursed US\$6 million. The Lao Ministry of Finance agreed that the remaining amount would be disbursed over the next two years (2015-16 and 2016-17). A remaining challenge is the need to integrate the PRF II planning and financing system with those of the Lao Government. To date, the PRF II budgeting cycle has been adjusted to align with the government budget process.

## Strategy-wide initiatives

### Laos-Australia Institute

The Laos Australia Institute (LAI) (\$12.5 million; 2014-2017) is Australia's principal investment in human resource development (HRD) in Laos. It offers scholarships and professional development training opportunities for the Lao Government, civil society and the private sector in priority areas that align with Australia's aid program, complementing aid investments in basic education, trade facilitation, rural development and water resource management.

LAI made good progress in 2014-15, establishing close working relationships with MoES, the National HRD Commission and HRD focal points in 28 Lao Government agencies. LAI was asked to support the development of Laos' National HRD Strategy and, in doing so, established itself as a trusted and responsive program. On the strength of this assistance, LAI was asked to support an organisational assessment of MoES to inform a restructure and prioritise emerging HRD needs. However, more needs to be done to build demand for HRD support from other Lao Government agencies.

LAI continued to manage the [Australia Awards Scholarships](#) (AAS) program and the [Laos-Australia National Scholarships \(LANS\)](#) program, achieving our targets for 2014-15. 50 Australia Awards scholarships were awarded (including to 25 women) in fields linked to the priorities of the Australia-Laos Development Cooperation Strategy. 74 provincial students (38 females), from remote and disadvantaged areas were awarded LANS to study undergraduate degrees at the National University of Laos. Six short-term environment and food security Australia Awards Fellowships were offered.

LAI conducted a number of reviews into the targeting, eligibility, levels of study and selection process for AAS to ensure the program identifies and selects applicants with a high likelihood of success. The recommendations of the reviews have informed a new selection process for 2015. LAI also conducted a Women's Leadership Analytical Study, the outcomes of which will help it to integrate gender equality into its HRD activities, including through programs which specifically promote women's leadership.

### Volunteers

The [Australian Volunteers for International Development](#) program, managed by Australian Red Cross and Scope Global, continued to support Australia's development and public diplomacy goals and promoted positive people-to-people links. In line with the annual target in 2014-15, 35 volunteers were placed in Lao Government agencies and local NGOs in areas that align with Australia's aid program priorities.

### Human Rights

Australia's program of human rights assistance included awareness raising activities at the national and provincial levels and capacity building in association with the biennial Lao-Australia Human Rights Dialogue. The program helped establish a better understanding within the Lao Government, which should assist in advocating human rights reform. This included funding a meeting of the Australia-Laos Human Rights Dialogue and study tour to Australia in March 2015 and a visit to Laos by the Australian Race Discrimination Commissioner in June/July 2015. While resources will be constrained, we plan to build on these results going forward by designing a new streamlined multi-year human rights technical cooperation program.

### Performance Benchmarks

Of the 11 performance benchmarks set for 2014-15, seven were achieved in full and four benchmarks for rural development were partially achieved due to delays and budget reductions which meant activities were cancelled or reduced in scope (see above and Annex B for more details). The

Performance Assessment Framework for the Laos bilateral country program also identifies 26 additional targets and milestones, progress under which has been assessed above and reported on Annex C.

### Mutual Obligations

Our aid investments are aligned with Laos' development priorities as reflected in the NSEDPs. In order to ensure the effectiveness of our aid investments we are working closely with the Lao Government to support a number of key policy initiatives.

The Lao Government prioritises education under its current and forthcoming NSEDP and has committed to a national budget allocation of 17 per cent to the education sector by 2015. However, in 2014-15 the national spend on education was only 11.8 per cent<sup>xvii</sup>. A critically low non-wage recurrent budget and slow financial flows from central government to schools have been key impediments. The Lao Government made a commitment to disburse school block grants as a condition for receiving complementary grants through the GPE 2. However, due to the lack of non-wage recurrent budget, schools will not receive their operating grants for 2014-15 until 2015-16 and this delay is likely to be repeated next year. Most of the agreements of the multi-donor Education Joint Sector Review Mission (JSRM) 2014 were not met. This is partly because MoES prioritised developing the sector plan and revising the law. The result may have also been due to staff turnover within MoES. DFAT will advocate for the JSRM process to be re-evaluated to improve implementation.

The Lao Government has demonstrated a strong push towards economic resilience by focusing on national policies and guidelines that enable financial inclusion and social protection for the poor. It supported enabling policies and guidelines to facilitate the promotion and expansion of micro-finance institutions, introduction of branchless banking and mobile banking for the poor, and ensuring better consumer protection through financial education. It has also included social protection as a national strategic priority in the draft 8th NSEDP. However, restrictive regulatory requirements and fiscal uncertainty delayed the implementation of our livelihoods program resulting in fewer beneficiaries. Australia will work with other development partners to minimise the risk that our exit from rural development will affect the Lao Government's ability to advance its commitments on financial inclusion and social protection.

The Lao Prime Minister's Office has played an important leadership role in implementing PRF II, facilitating a contribution of US\$10 million from the national budget for PRF II infrastructure projects. The Lao Government is on track to complete its financial commitment, with US\$6 million disbursed to date and the remaining amount to be disbursed over the next two years (2015-16 and 2016-17).

## Program Quality and Partner Performance

### Overview

The performance assessment framework for the program has been adjusted from time-to-time to reflect major developments, including the development of delivery strategies for our education and rural development engagement and major new aid investments such as BEQUAL, LARLP and TDF 2.

Although the program's major aid investments generally have had a strong record, monitoring and evaluation of the EFA-FTI and the Laos Basic Education School Meals and Water, Sanitation and Hygiene activities were rated as unsatisfactory in 2014-15.

In 2014-15 independent evaluations or reviews were conducted for the TDF 2, LANGOCA and the EFA-FTI. These assessments found that TDF 2 and LANGOCA had generally performed well. The 2014 independent evaluation of the EFA-FTI found most quality components of the program were unsatisfactory. These findings provided further evidence to support decisions made with BEQUAL to

lift the attention devoted to quality. The TDF 2 review recommended increased attention on coordination across Lao Government departments, gender equality and communication of program outcomes and activities. These findings will influence our future engagement with the program.

The program also conducted two major sector-level engagement reviews – the rural development sector investment plan mid-term rapid appraisal and an independent evaluation of Australia’s support to the UXO sector in Laos. The findings of the sector investment plan mid-term review, combined with program budget cuts, resulted in a significant restructuring of LARLP. Plans to adjust our UXO sector engagement as a result of the findings of the independent evaluation have been overtaken by program budget reductions which will see us withdrawing almost completely from the UXO sector.

The program has made strong efforts to consolidate the number of aid investments supported, which has decreased from 25 in 2013-14 to 16 in 2014-15.

Portfolio-level performance and quality was strengthened through the support of the Laos Australia Development Learning Facility (LADLF). The Facility supported the Rural Development Portfolio with strategic analytical products that assisted in program planning and cross-portfolio lessons learning. Research considered the key drivers of vulnerability at different life stages, improving post-clearance impact assessment capacity of UXO Lao, and commercial sector resources leveraged by Australia’s rural development investments in inclusive finance.

### Analysis of Aid Quality Checks (AQC)

Largely due to implementation delays, overall program quality in 2014-15 deteriorated somewhat compared to that for 2013-14 (see Table of AQC ratings at Annex E). Across six on-going investments<sup>xviii</sup> three were assessed as unsatisfactory for effectiveness and/or efficiency criteria compared to 2013-14, where only one investment was regarded as unsatisfactory on effectiveness and efficiency criteria. Two investments, LARLP and the Support for UXO action in Laos were identified as investments requiring improvement. Remedial action has already been successfully undertaken, with activity approvals from the Lao Government now obtained and activity components and budgets adjusted. The UXO program has been performing satisfactorily but was captured in the investments requiring improvement process because it shared the same AQC as LARLP. The investment in school meals, water sanitation and hygiene activities is in the process of being adjusted to improve quality assurance of infrastructure and the quality of monitoring and evaluation.

All AQCs recorded satisfactory performance on gender inclusion. The good gender performance of the portfolio<sup>xix</sup> was mainly due to the development and timely implementation of gender equality strategies for selected investments. Under LARLP, partners are employing strategies to reach disadvantaged rural women (e.g. 63 per cent of newly opened single accounts are held by women) and to determine enterprise options in the context of household division of labour, gender roles and more equitable sharing of labour. PRF II also contributes to improved quality of life among women by reducing travel times and through the involvement of women in decision making for village development. Case studies on successful women’s economic empowerment activities were published in Vientiane Times to celebrate International Women’s Day in 2015.

TDF 2’s gender equality performance will be strengthened when implementing partners begin to implement detailed recommendations made in the mid-term review. This includes improved targeting of women entrepreneurs and responding to their gender-related needs, and identifying gender equality gaps and opportunities in the manufacturing and services sectors as part of our trade research program. The outcomes of a Women’s leadership analytical study recently conducted will guide LAI to better integrate gender equality dimensions into its work and promote women’s leadership. Learning from the Education for All Fast Track Initiative (EFA FTI), DFAT has ensured that



the high level of gender integration in the Basic Education Quality and Access in Laos (BEQUAL) program design was reflected throughout the BEQUAL contract.

Concluding investments that were the subject of final AOCs were EFA FTI (replaced by BEQUAL) and Northern Transport Network Improvement Project (NTNIP). The EFA FTI when operating was our flagship investment in education but lacked adequate oversight, particularly in relation to quality and sustainability, which resulted in unsatisfactory whole-of-investment-life effectiveness and efficiency ratings. The EFA FTI and NTNIP were both rated as unsatisfactory in relation to gender – lacking overarching gender strategies at implementation, and in relation to the NTNIP, an only modest level commitment of gender-related components of the program from key Lao Government stakeholders. These findings will be addressed in future program designs.

### Performance of key delivery partners

The World Bank remains a significant partner delivering an estimated 12 per cent of bilateral DFAT administered aid to Laos in 2014-15. Its management of the jointly funded PRF II has been strong, characterised by a focus on timely results, sustainability and good communication. But the Bank's ability to closely engage in the policy agenda and management of the jointly funded TDF 2 was affected by a decision to temporarily move supervision of the program from in-country to Cambodia as a stop gap during the recruitment of the new Task Team Leader. In addition, the Bank's performance in managing the EFA-FTI could have been stronger. DFAT and the Bank had different perspectives about the balance to be struck between keeping to implementation plans and being flexible enough to satisfactorily respond to emerging evidence around program impact. For both investments, DFAT has recommended the World Bank provide stronger focus on gender equality results.

Managing contractors have continued to increase their share of DFAT-managed funds, accounting for 32 per cent of DFAT-administered aid to Laos in 2014-15. Commercial suppliers help manage LAI, the Lao-Australia Development Learning Facility, Social Protection and Sustainable Livelihoods Component (SPSL) of LARLP and BEQUAL. In general, managing contractors have performed well, justifying DFAT's decision to make increasing use of this modality. It took some time to resolve problems between the managing contractor for SPSL and our GoL and NGO partners, stemming in part from poor relationship management and problems with their senior staff selection. We have learned from this experience in managing senior Managing Contractor personnel decisions in our subsequent programs. Adam Smith International has performed particularly well in relation to the Learning Facility, demonstrating high levels of responsiveness and quality.

UN agencies delivered 21 per cent of DFAT-administered aid in 2014-15. UNICEF has been a responsive partner in relation to delivery of school water supply, sanitation and hygiene activities. However some concerns have emerged around infrastructure quality assurance and the balance struck between infrastructure and hygiene activities. UNICEF has also been an effective partner in the education sector. UNDP has been an important partner for Australia in the delivery of unexploded ordnance assistance, in particular through administration of a multi-donor trust fund. UNDP's decision to conduct an independent review of the trust fund is welcome. Australia has had concerns about the quality of UNDP's communication and attention to social safeguard adherence. WFP uses Australian funding to support a large-scale school meals program. WFP's management of the program has generally been sound, although the quality of its monitoring and evaluation system remains an issue. The UNCDF receives Australian funding for a financial inclusion program. Its management has been solid, although there were some early implementation delays.

International NGOs received funding through the managing contractor for the Social Protection and Sustainable Livelihoods program. There have been delays in mobilising activities under this program due in part to late Lao Government approvals. Activities are now commencing and we have been pleased with the performance of NGOs to date.

## Risks

Table 4 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?	Risk Rating
Relationships with the Lao Government and NGO partners become strained, and agreed development objectives are threatened as a result of the program budget cuts	DFAT briefed implementing partners on the cuts and sought feedback to manage risks.  The new Aid Investment Plan includes a narrower sectoral focus.	We will continue to engage in dialogue with key program partners, to explain the broader fiscal context influencing Australian aid to Laos and how we have sought to respond to maximise program effectiveness. A program steering committee and mid-term program evaluation will provide strategic direction to the LAI	Medium
Resettlement processes undermine the development impacts and sustainability of Australia's aid investments.	LARLP has a detailed risk management plan that includes social safeguard issues and mitigation strategies.  In selecting target villages for teacher trainees and school construction, Australia focused on disadvantaged communities with stable populations.	Sites will be verified by the Managing Contractor, using DFAT's checklists on social safeguards.	Medium
Delivering investments predominantly through multilateral agencies exposes Australia to the risks inherent with a particular type of delivery partner.	The Lao program has been increasingly using managing contractors to deliver new investments in order to diversify the range of delivery partners used by the program and mitigate risks related to over-reliance on a single type of delivery partner.	The Lao program will continue to assess the effectiveness of the current balance between managing contractors and multilateral agencies to ensure that Australian aid remains effective, visible and influential, while supporting well-coordinated donor engagement that minimises the aid management costs facing the Lao Government.	Low
Poor donor coordination results in duplication of Australian aid program investments, leading to inefficiency.	Australia continued to co-chair the Education Sector Working Group, and continued to perform the role of a co-ordinating agency for GPE.	Australia will monitor resourcing requirements of coordination roles, and our effectiveness. Australia intends to continue to co-chair the ESWG.	Medium
Australia's leadership in coordination draws staff away from core responsibilities.		Australia will consider stepping down as the GPE co-coordinating agency due the management resources it requires.	High
The operating environment for NGOs becomes more restrictive.	NGOs implementing LARLP have MOUs in place which clarifies the terms by which Laos agrees to their operations. Australia conducted consultations with MoFA to facilitate agreement of MOUs for NGOs supporting the BEQUAL program. A representative of the Lao Government participated on the selection panel for the NGO consortium. Australia included MoFA as a steering committee meeting for BEQUAL.	Australia will continue to conduct consultations with MoFA to facilitate agreement of MOUs for NGOs in the BEQUAL program.	Medium

## Management Responses

Progress in addressing 2013-14 management responses is outlined in **Annex A**.

### Education

- › Consider stepping down from the role of GPE co-coordinating agency in order to focus limited resources on ensuring effective mobilisation of BEQUAL.
- › Continue to encourage the Lao Government to meet its commitment to disburse school block grants to ensure schools have funding to meet operational needs.
- › Advocate for a review of the JSRM process to take place in 2016.

### Human Resource Development

- › Explore how the new DFAT gender equality strategy can be applied most effectively.

### Trade and private sector

- › Negotiate an agreement for additional funding for TDF 2 as a result of its one year extension, focussed on strengthening the business enabling environment and supporting SMEs.
- › Integrate ODE's recommendations from an upcoming aid for trade evaluation into the design of any successor program to TDF 2.
- › Ensure women's economic empowerment and gender equality are a stronger focus under TDF 2 and submit a proposal for additional assistance to the gender equality fund.

### Rural Development

- › Support a World Bank-led impact evaluation of the PRF II and utilise the outcomes, along with the LARLP Independent Evaluation, to guide Australia's withdrawal from the rural development sector.
- › Encourage relevant development partners such as the World Bank, UK Aid and Germany to continue social protection/livelihoods and financial inclusion investments once Australian support concludes in 2017.

## Annex A - Progress in Addressing Management Responses

Management responses identified in 2013-14 APPR	Rating	Progress made in 2014-15
Continue to monitor and deepen understanding about the implications of Laos' 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.	Partly achieved	The Independent Rapid Appraisal of the Rural Development Sector Investment Plan was completed in Nov 2014. Due to uncertainty and delays in mobilising the education program, Australia has not commissioned a review of the Education program to assess level of government financing but will do so in 2015-16.
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.	Achieved	World Bank analytical contributions on this topic have deepened our understanding of the challenges Laos is likely to face under the ASEAN Economic Community. DFAT is also supporting analytical work to support Ministry of Industry and Commerce to clarify its economic priorities for ASEAN next year to support their participation in the AEC and ensure they are better prepared.
Develop a fit-for-purpose approach to managing social safeguard risks across all major investments, drawing on PRFII lessons learned on resettlement risk.	Achieved	The LARLP and BEQUAL programs have detailed risk management plans that include social safeguard issues and mitigation strategies.
Increase policy dialogue on gender equality and women's economic empowerment with Lao ministry counterparts.	Achieved	LARLP, PRFII, BEQUAL and LAI have gender equality targets and strategies which account for the stronger data and performance information.
Continue to monitor the civil society operational context to be better able to manage risk in the engagement of NGOs in program delivery in rural development and education.	Achieved	Quarterly meetings are held with LARLP NGO partners and include discussions on operating context. NGOs attend ESWG meetings, including the monthly informal development partner meeting where they report on changes in the civil society context.
Build productive relationships with managing contractor teams to manage program-related risks through regular communication and joint work.	Achieved	Post instituted bi-weekly meetings with the LARLP and BEQUAL Managing Contractors.
Improve the quantum and quality of our public diplomacy and public relations through Post's new dedicated Public Diplomacy Officer.	Achieved	DFAT post has taken steps to improve the quality and reach of its public diplomacy. DFAT promotes results from its aid program online through the website and has started a Facebook page, while continuing traditional media engagement including authoring local articles. Post has increased the frequency and quality of engagement with the alumni network, hosting well attended and innovative events that relate back to core embassy functions and programs.
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.	Achieved	DFAT developed a new Aid Investment Plan in consultation with the Lao Government, which aligns with the new strategic framework.
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.	Partially achieved	Lessons learned from LARLP and PRF II are included in the sector annual report. These lessons were generated during the Portfolio Annual Review 2014. The BEQUAL program was delayed due to budget uncertainty, DFAT staff will seek to implement this management response in 2015-16.

**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 B – Progress towards Performance Benchmarks in 2014-15

Aid objective	2014-15 Performance Benchmarks	Rating	Progress in 2014-15
More girls and boys, especially those experiencing disadvantage, complete good quality basic education, achieving literacy, numeracy and other relevant life skills	115 schools have water and sanitation facilities meeting Laos' quality standards with district funded O&M plan in place	Partly achieved	101 schools have water and sanitation facilities meeting Laos' quality standards with district funded O&M plan in place.
	11,500 girls and boys utilising safe water sanitation facilities	Achieved	16,978 students (8,137 girls) in 101 schools in target districts have access to improved water sanitation facilities. 26,511 people in school-hosting communities also received access to clean water.
	55,000 students provided with financial or nutritional support (such as food)	Achieved	150,000 students (68,780 girls) received daily mid-morning snacks.
Policy and institutional impediments to trade and investment addressed in sectors that have high potential to contribute to inclusive growth	50 (cumulative number) businesses approvals under the Business Assistance Facility to improve their trade growth strategies	Achieved	BAF approved 69 business grants, 36 per cent of which were for women owned businesses.
Improve inclusive access to finance, productive assets, and market opportunities	600 poor women and men able to access social transfers (such as cash or in kind transfers)	Partly achieved	Implementation was delayed by the slow approval of project MOUs (signed in May 2015). However, 613 households have been registered and received training support. Cash and asset transfers were delivered in Aug 2015.
	93,000 additional poor women and men who increase their access to financial services	Partly achieved	Despite delays in the launch of the Digital Financial Services pilots (branchless banking and mobile money for the poor), 51,832 additional people (31,950 women) increased access to financial services as of Dec 2014.
	630 hectares of productive land released from UXO contamination	Achieved	More than 1,152 hectares cleared, benefitting over 66,000 people.
Improve physical access to markets and basic services	At least 100 kms of rural roads constructed and rehabilitated	Partly achieved	This milestone was partly achieved because the anticipated milestone did not take into account the completion of NTNIP in 2014 and the slower construction completion rates in PRF. Through remaining NTNIP outputs and PRF achievements, 73 kilometres of new rural roads were constructed.
	20,000 men and women provided with increased access to safe water	Partly achieved	This milestone was partly achieved because the milestone did not take into account the completion of and the lower than anticipated demand for WASH under PRF. Thus, only 9,747 people provided with increased access to safe water under PRF.



Aid objective	2014-15 Performance Benchmarks	Rating	Progress in 2014-15
Human resource development	50 students (25 men and 25 women) awarded a tertiary scholarship to study in Australia	Achieved	The 2014-15 benchmarks for the AAS were achieved. Gender parity was also achieved, and the target of 25 scholarships awarded to scholars from the public sector was realised. Of these 50 awardees, 11 students obtained direct entry, commencing their studies in Australia in first semester 2015 or mid-year. 1 of the 11 students opted to withdraw and 40 are currently doing their pre-departure English language training at Vientiane College.
	70 disadvantage students (35 men and 35 women) awarded a scholarship to study a bachelor degree in Lao public universities	Achieved	Number of LANS awarded in 2014 exceeded 2014-15 benchmarks. 74 new LANS students, 38 females and 36 males, commenced their studies at the National University of Laos in 2014. Additional 4 scholarships were recommended by the Program Management Committee to replace 4 awardees from 2013 intakes who withdrew from the program.

**Note:**

- Achieved. Significant progress has been made and the performance benchmark was achieved
- Partly achieved. Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.
- Not achieved. Progress towards the performance benchmark has been significantly below expectations

## Annex C – Performance Assessment Framework, Milestone Achievements in 2014-15

Aid objective	2014-15 Milestone Targets	Rating	Progress in 2014-15
More girls and boys, especially those experiencing disadvantage, complete good quality basic education, achieving literacy, numeracy and other relevant life skills	115 schools have water and sanitation facilities meeting Government of Laos quality standards with district funded O&M plan in place	Partially achieved	101 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	Achieved	16,978 students (8,137 girls) in 101 schools in target districts have access to improved water sanitation facilities. 26,511 people in school-hosting communities also received access to clean water.
	55,000 students provided with financial or nutritional support (such as food)	Achieved	150,000 students (68,780 girls) received daily mid-morning snacks.
	Ministry of Education and Sport has implemented all agreements from the 2014 Joint Sector Review Mission and BEQUAL Steering Committee meeting/s.	Partially achieved	All agreements from BEQUAL Steering Committee have been implemented; however the education sector has not completed any of the recommendations made in the Joint Sector Review Mission of 2014.
	<u>EFA-FTI Program</u> Independent completion report of the EFA-FTI Program is done.	Achieved	<b>Other Milestones</b> An independent evaluation of the Education For All – Fast Track Initiative was commissioned on the quality components of the program, which provided lessons learnt for BEQUAL.
	<u>BEQUAL Program:</u> Consultation with MOES on the preparation for BEQUAL Program is conducted	Achieved	Consultation with MOES on the preparation for BEQUAL Program was conducted.
	Subsidiary Arrangement with the MOES is signed	Achieved	The Subsidiary Arrangement for BEQUAL was signed on 26 January 2015.
	M&E framework workshop with learning facility is conducted	Achieved	An M&E capacity assessment was conducted to inform BEQUAL implementation.
	Scope of service for Learning Facility to include education is revised and the current contract is amended	Achieved	The scope of service for the Learning Facility has been revised to include education, and the contract has been amended.
	Tender process for a managing contractor is completed and a managing contractor has commenced.	Achieved	After an initial delay in activating the BEQUAL contract, the managing contractor has now commenced.
	Agreement in place with NGO consortium	Achieved	The NGO consortium has been selected and an agreement with Plan International for the inception phase is in place.
	Inception mission for activity design under BEQUAL is undertaken	Achieved	Inception workshops conducted.

Aid objective	2014-15 Milestone Targets	Rating	Progress in 2014-15
Policy and institutional impediments to trade and investment addressed in sectors that have high potential to contribute to inclusive growth	Selection criteria for target schools under BEQUAL is developed	Achieved	Selection criteria for target schools under BEQUAL have been developed.
	Baseline methodology for collecting data on attendance, dropout rates, existing resources and for learning assessment results is developed by Learning Facility and baseline surveys have commenced.	Not achieved	Not yet started. The scope of the Learning Facility has been reduced as a result of budget reductions. This work will now be undertaken through the BEQUAL Program
	<u>GPE II:</u> Proposal for GPE II funding is approved	Achieved	The Global Partnerships for Education Phase II program was approved and has commenced, with the support of Australia as a coordinating agency.
	50 (cumulative number) businesses approvals under the Business Assistance Facility to improve their trade growth strategies	Achieved	BAF approved 69 business grants, 36 per cent of which were for women owned businesses.
	Trade portal updated to ensure posting of all non-tariff measures on a national trade repository	Partly achieved	All non-tariff measures, except those related to customs procedures, have been published on the Lao Trade Portal.
	Review and classification of Laos' non-tariff measures completed.	Achieved	Non-tariff measures data collection and classification process completed.
	Services trade regulatory assessment completed	Achieved	Assessments of telecommunication, insurance and professional services completed.
	A preliminary assessment of the Lao PDR labour inspectorate commenced, including an assessment of current weaknesses in capacity for the execution of labour inspections in the garments industry	Achieved	Needs assessment on labour inspection system and legal gap analysis completed.
	Stronger Ministry of Industry and Commerce national implementation unit (NIU) support for the trade and private sector working group (TPSWG)	Achieved	The effectiveness of the TPSWG has been strengthened through the work of the NIU. However the relevance and usefulness of the Lao Trade Portal to the private sector remains to be assessed.
	Evidence of improved Lao Government inter-agency cooperation on priority trade reforms	Partially achieved	Good progress has been made with improving the national trade policy coordination body by establishment of the National Committee on Economic Integration. However, important institutional arrangements have yet to be established to strengthen coordination across government agencies.
	Trade Challenge Fund supporting activities that link to Diagnostic Trade Integration Study specific outcome areas	Achieved	There has been strong demand for the facility with six proposals approved to date.

Aid objective	2014-15 Milestone Targets	Rating	Progress in 2014-15
Improve inclusive access to finance, productive assets, and market opportunities	Trade research program supporting high quality research relevant to Diagnostic Trade Integration Study outcome areas	Achieved	Seven proposals for funding through the research facility have been approved and are due for completion by the end of 2016.
	600 poor women and men able to access social transfers (such as cash or in kind transfers)	Partly achieved	Implementation was delayed by the slow approval of project MOUs (signed in May 2015). However, 613 households have been registered and received training support. Cash and asset transfers were delivered in Aug 2015.
	93,000 additional poor women and men who increase their access to financial services	Partly achieved	Despite delays in the launch of the Digital Financial Services pilots (branchless banking and mobile money for the poor), 51,832 additional people (31,950 women) increased access to financial services as of Dec 2014.
	630 hectares of productive land released from UXO contamination	Achieved	More than 1,152 hectares cleared, benefitting over 66,000 people.
	Ministerial support for assessment-based national dialogue (ABND) outcomes and agreement to pilot a social protection investment in Laos	Achieved	Project commenced first of three feasibility studies requested by Government. The studies (investigating old age grants, disability pension, and early childhood support) will be presented to the drafting committee of the National Social Protection Policy.
	Financial literacy modules developed and approved by Bank of Laos and around 1,000 poor women and men attending the financial literacy program	Achieved	The working version of a financial literacy handbook has been developed. 1,447 poor women and men (48% women) attended the financial literacy training program.
	Bank of Laos support for the Making Financial Access Possible (MAP) diagnostic outcomes and its possible recommendations	Achieved	The outcomes of the FinScope Survey were formally announced by Bank of Laos signifying progress towards MAP completion in 2015-16. Bank of Laos also released a draft decree on digital financial services enabling the issuance of licenses for BCEL's agent-based branchless banking and telcos' planned mobile money for the poor.
	Micro-enterprises and livelihood activities benefiting at least 600 poor women and men with increased incomes	Not achieved	Due to reductions to the Australian aid program, the Micro Enterprise Challenge Fund was cancelled before any implementation could take place.
Improve physical access to markets and basic services	Government of Laos national budget allocation for National Regulatory Authority recurrent expenses and UXO Lao operations.	Not achieved	Due to reduction to the Australian aid program, we were unable to make further contributions to the UXO Sector Trust Fund. We did, however, provide an additional Australian \$1m in 2014-15 to support UXO Laos operations.
	At least 100 kms of rural roads constructed and rehabilitated	Partly achieved	This milestone was partly achieved because the anticipated milestone did not take into account the completion of NTNIP in 2014 and the slower construction completion rates in PRF. Through remaining NTNIP outputs and PRF achievements, 73 kilometres of new rural roads were constructed.

Aid objective	2014-15 Milestone Targets	Rating	Progress in 2014-15
Human resource development	20,000 men and women provided with increased access to safe water	Partly achieved	This milestone was partly achieved because the anticipated milestone did not take into account the completion of, and the lower demand for WASH, under PRF. Thus, only 9,747 people provided with increased access to safe water under PRF.
	Number of additional women and men with improved access to rural roads	Achieved	Result reporting only (no target set) - 6,953 additional women and men with improved access to rural roads.
	Government support for integration of social safeguards, environmental impact, disabled access and local engagement measures into rural infrastructure policies and investment - evidence that integration of these approaches into GoL policy is taking place	Achieved	The PRF adopted social safeguards and environmental guidelines as an organisation. It is also implementing disabled access strategies under its community-driven approach.
	50 students (25 men and 25 women) awarded a tertiary scholarship to study in Australia	Achieved	The 2014-15 benchmarks for the AAS were achieved. Gender parity was also achieved, and the target of 25 scholarships awarded to scholars from the public sector was realised. Of these 50 awardees, 11 students obtained direct entry, commencing their studies in Australia in first semester 2015 or mid-year. 1 of the 11 students opted to withdraw and 40 are currently doing their pre-departure English language training at Vientiane College.
	70 disadvantage students (35 men and 35 women) awarded a scholarship to study a bachelor degree in Lao public universities	Achieved	Number of Laos Australia National Scholarships (LANS) awarded in 2014 exceeded 2014-15 benchmarks. 74 new LANS students, 38 females and 36 males, commenced their studies at the National University of Laos in 2014. Additional 4 scholarships were recommended by the Program Management Committee to replace 4 awardees from 2013 intakes who withdrew from the program.



## Annex D - Evaluation and Review Pipeline Planning

### List of evaluations completed in the reporting period

Name of Investment	AidWorks number	Name of evaluation	Date finalised	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
Education For All Fast Track Initiative	INJ396	EFA-FTI Program Evaluation: An End-of-Project Evaluation on the Five Quality Sub-Components	01 August 2014	27 February 2015	04 May 2015	
Laos-NGO Cooperation Agreements	ING310	Laos Australia NGO Cooperation Agreement Program Final Evaluation	31 July 2014	09 September 2014		31 July 2014

### List of evaluations planned in the next 12 months

Name of Investment	AidWorks number	Type of evaluation	Purpose of evaluation	Expected completion date
Basic Education School Meals and WATSAN Program	INK284	Independent Mid Term Review	Assess progress and quality of implementation; provide recommendations to improve effectiveness and efficiency.	December 2015
Laos-Australia Institute	INK562	Independent Mid Term Review	Evaluate progress and effectiveness. Identify directions for Phase 2.	April 2016
Laos Australia Rural Livelihoods Program	INK391	Independent Final Evaluation	Assess overall program performance, achievements and lessons learned.	July 2016
Poverty Reduction Fund, Phase II	INJ573	Partner-led Impact Evaluation	Assess the impacts of the program on access to health and education services, clean water, all-weather roads, and perception of and satisfaction with the above services and	February 2016
Trade Development Facility II	INH726	Partner-led Mid Term Review	Track progress and identify new priorities.	August 2015

## Annex E - Aid Quality Check ratings

The previous investment level performance assessment system utilised Quality at Implementation (QAI) reports. Two criteria, Risks and Safeguards and Innovation and Private sector were not assessed in QAI reports and there have been significant changes in AQC reporting this year. Innovation and Private Sector is not a quality standard.

### AQC ratings

Investment name					Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Poverty Reduction Fund Phase II	\$20.3 million (2011-2017)	(2011	2014 AQC		5	5	5	5	4	4	4
			2013 QAI		5	4	4	5	4	5	n/a
Support for UXO Action in Laos	\$8.9 million (2011-2016)	(2011-	2014 AQC <sup>xx</sup>		5	3	3	5	4	4	4
			2013 QAI		6	4	3	3	4	4	n/a
Basic Education school Meals & WATSAN Program	\$22.1 million (2012-2018)	(2012-2018)	2014 AQC		4	3	4	3	3	4	4
			2013 QAI		5	4	4	4	5	5	n/a
Trade Development Facility II	\$5.4 million ( 2013-2017 )	( 2013-2017 )	2014 AQC		5	4	4	4	4	4	4
			2013 QAI		5	4	4	4	4	4	n/a
Laos Australia Rural Livelihoods Program	\$38.4 million (2012-2016)	(2012-2016)	2014 AQC		5	3	3	5	4	4	4
			2013 QAI		6	4	4	5	4	5	n/a
-Laos Australia Institute (Including in-Australia Awards)	\$37 million (2010-2015 )	(2010-	2014 AQC		6	4	4	5	4	4	5
			2013 QAI		6	5	4	5	5	5	n/a

## FAQC ratings

FAQC scores assess performance over the lifetime of the investment and should not be compared to the previous year's QAI ratings.

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Laos-NGO Cooperation Agreements (LANGOCA)	\$12.8 million (2005-2014)	5	5	5	4	5	4	4	4
Education for all Fast Track Initiative in Laos	\$22.9 million (2010-2015)	3	5	3	3	3	3	3	2
Laos Northern Transport Improvement project	\$18.8 million (2007-2014)	4	6	4	4	4	3	3	4

### Definitions of rating scale:

#### Satisfactory (4, 5 and 6)

■ = 6 = Very good; satisfies criteria in all or almost all areas

■ = 5 = Good; satisfies criteria in most areas

■ = 4 = Adequate; on balance, satisfies criteria; does not fail in any major area

#### Less than satisfactory (1, 2 and 3)

■ = 3 = Less than adequate; on balance does not satisfy criteria but does not fail in any major area

■ = 2 = Poor; does not satisfy criteria in major areas

■ = 1 = Very poor; does not satisfy criteria in many major areas

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- <sup>i</sup> Calendar year (Jan – Dec).
- <sup>ii</sup> OECD Development Assistance Committee
- <sup>iii</sup> This objective replaces the previous education objectives of the Country Strategy, reflecting the new Delivery Strategy and new Investment – Basic Education Quality and Access in Lao PDR.
- <sup>iv</sup> This objective replaces the first two objectives reported in previous APPRs, due to a change in strategy (as articulated in the Australia-Laos Education Delivery Strategy 2013-18).
- <sup>v</sup> 2012 Lao PDR EGRA Baseline report, p1.
- <sup>vi</sup> Note all statistics on the EFA-FTI are drawn from the Implementation Completion Report prepared by the World Bank, February 2015.
- <sup>vii</sup> Due to anticipated budget cut, scope of services were revised and scaled down resulting in lower targets.
- <sup>viii</sup> Includes savings, credit, leasing, payment transfers, insurance.
- <sup>ix</sup> FinMark Trust (2015) FinScope Consumer Survey Lao PDR – top line results. United Nations Capital Development Fund, Vientiane, Lao PDR.
- <sup>x</sup> Laos Australia Development Learning Facility (2015). Case study – value of commercial leverage.
- <sup>xi</sup> <sup>Xi</sup> Finally signed in May 2015.
- <sup>xii</sup> Cash and asset transfers commenced in August 2015.
- <sup>xiii</sup> At <http://rlp.spsl.la>
- <sup>xiv</sup> SIDA (2006) Determinants of poverty in Lao PDR. Country Economic Report 2005:10. Swedish International Development Agency, Stockholm, Sweden.
- <sup>xv</sup> World Bank (2014) Lao Poverty Reduction Fund Phase II Impact Evaluation: Baseline Report. World Bank, Vientiane, Lao PDR. [p36]
- <sup>xvi</sup> International border, Thailand and Laos.
- <sup>xvii</sup> The figure for 2014/15 was provided by the Department of Finance and is likely to be revised up when officially gazetted. According to the budget estimate in the Gazette 13.3 per cent of the national budget was spent on education for 2013/14. There is a five year lag in publishing actual expenditure.
- <sup>xviii</sup> The 2014-15 quality results used in the comparative assessment exclude three concluding investments that were the subject of FAQCs (whole-of-investment-life quality assessments) in 2014.
- <sup>xix</sup> No investments were assessed as unsatisfactory with respect to gender compared to 10 per cent for 2013-14.
- <sup>xx</sup> Support for UXO action in Laos was integrated into the LARLP program in 2014, therefore the quality ratings for 2014 reflect the performance of LARLP in its entirety rather than only UXO action activities.