



Australian Government

Department of Foreign Affairs and Trade



AID PROGRAM PERFORMANCE REPORT 2016-17

LAOS AID PROGRAM

September 2017



LAOS AID PROGRAM PERFORMANCE INFORMATION 2016-17

SUMMARY

This report summarises the performance of Australia's aid program in Laos from July 2016 to June 2017 against the Laos Program Aid Investment Plan (AIP) (2015-16 to 2019-20). The reporting period covers Laos' year as chair of ASEAN in 2016, marked by high-level visits to Laos by Australia's Prime Minister, Foreign Minister, and Trade, Tourism and Investment Minister. The visits provided opportunities to progress bilateral strategic and economic issues, announce new aid investments, and promote Australia's broader engagement with Laos. A highlight included a scholarships ceremony presided by the Australian Prime Minister and Lao Vice-President to announce the successful Australia Award recipients for 2017. The second half of the reporting period coincided with the start of the 65th anniversary celebrations of bilateral relations; Australia has the longest unbroken diplomatic relationship, at Ambassador level, with Laos. Foreign Minister Saleumxay, an Australian alumnus, provided an address to mark the anniversary on Australia Day. Economic and political links were further strengthened during a visit by Deputy Prime Minister Sonexay to Canberra, Melbourne and Hobart in February 2017.

Laos' economy is expected to continue to deliver high growth, although slightly less than planned at around 7.0 per cent in 2016 (and again in 2017, according to forecasts), led by electricity production as additional hydropower plants came on line, along with a 1.9 gigawatt lignite-fired plant in Hongsa. Laos has aspirations to significantly increase the installed capacity of its hydropower industry. Unless carefully managed, dam construction across the Mekong River Basin has the potential to compound climate change impacts of flood and drought, with a disproportionate effect on the rural poor. Growth remained uneven and contributed less to poverty reduction than other countries in the region. Each percentage point of GDP growth was matched on average by an unimpressive 0.47 per cent decline in the poverty rate, one of the smallest in South-East Asia.¹ Statistics from the World Bank show Laos was the only country in East Asia and Pacific where the bottom 40 per cent of the population had slower income growth than the total population. Two thirds of the population still live on less than US\$2 a day, and poverty is almost three times higher in rural areas (28.6 per cent), compared to urban areas (10 per cent). About two thirds of the poor in Laos are ethnic minorities, even though they constitute a third of the population in the country.²

With a relatively young population (60 per cent of the population is under 25 years of age), Laos has a potential demographic dividend, but its human resources do not have the capacity to take advantage of the benefits from greater regional economic integration, such as the ASEAN Economic Community. Health and education outcomes are poor and a drain on the productivity of the economy. Around 58 per cent of boys and girls who reach Grade 5 are unable to read fluently, and almost 30 per cent of Grade 3 students are unable to read a single word. Approximately 36 per cent of the population is malnourished.

Laos continues to be a difficult place to do business, with a ranking of 139 out of 190 on the World Bank's 2017 Ease of Doing Business index (compared to 134 the year before). An increasing concern is the sustainability of public debt, estimated at 68 per cent of GDP in 2016, with a fiscal deficit widening to 6.2 per cent (from 4 per cent in 2015). In February 2017, the IMF Article IV mission reclassified Laos' risk of external debt distress from moderate to high, suggesting a need to tighten fiscal policy, strengthen public financial management, and develop a debt management strategy. Adding to budget pressures, a US\$6 billion railway linking Vientiane with Yunnan Province (1,620 km) began construction in December 2016, with Laos responsible for an approximate US\$720 million equity share (including a \$480 million loan from China).

Australia's aid program in Laos responds to the above challenges of sustained growth and poverty reduction, in line with Laos' eighth National Socio-Economic Development Plan, our capacity to assist, and the support

¹ Compared, for example, to 1.2 per cent in Cambodia. *Economic Trends and prospects in developing Southeast Asia*, 2017, ADB.

² System Country Diagnosis, World Bank, 2016.



provided by other donors. Our education program builds on our leadership role in this sector and over 20 years of engagement to help more boys and girls, particularly in disadvantaged areas, leave the primary school system able to benefit from and contribute to Laos' economic development. Our human resource development program, including Australia Awards, aims to address a crucial impediment to the competitiveness of Lao businesses and effective government service delivery. Our scholarships program is highly regarded by the government of Laos and has contributed to over 1200 graduates over six decades. Our aid-for-trade support helps Laos integrate into global and regional markets, helping level the playing field so Laos can better attract quality investment, and take advantage of opportunities provided by the ASEAN Economic Community and AANZFTA.

The second year of implementation under the Laos Program AIP saw an increased focus on gender equality, including the launching of three new activities to support women's leadership, women's economic empowerment and ending violence against women. These activities were designed in response to reviews³ which found increased barriers to women fully utilising their skills from scholarships and training opportunities, as well as an opportunity under the Gender Equality Fund to scale-up our successful partnership with CARE Australia to eliminate violence against women. With support from the Disability Inclusive Development Fund, we also launched a new program on disability-inclusive development, designed to assist people with a disability access our local scholarships scheme, and to advance English skills for disabled persons organisations in Laos⁴. We also supported a pilot for Australian volunteers with disabilities to work with disabled persons organisations in Laos. Responding to a request from government, we launched a new training program with the Canberra Institute of Technology to provide 30 Lao Government staff with upgraded qualifications on human resource management and public administration. With the Australian Human Rights Commission, we launched a second phase of our Human Rights Technical Cooperation Program, designed to complement our biennial human rights dialogue and assist the Lao Government implement their international obligations. Our education sector advocacy resulted in reforms to Laos' national primary curriculum and the way teacher training is conducted, which have the potential to significantly increase children's learning.

Australia continued to advocate for reforms to Laos' trade, investment and business operating environment. Highlights of our advocacy include the de-listing of Laos on the Financial Action Task Force's 'grey list' (on anti-money laundering) and the hosting of the Lao Business Forum, which was chaired by the Lao Prime Minister to develop recommendations to strengthen the private sector operating environment. We continue to advocate for an improved Minerals Law and the lifting of the moratorium on new mining licenses, which offer an important potential source of revenue and quality investment. Major new private investments from Australia in logistics and plantation forestry offer the potential to stimulate local business and employment.

In 2017-18, the program will aim to consolidate its investments as the remaining activities from our rural development program conclude, following our budget reductions in 2015. It will also be an opportunity to review the continued relevance and appropriateness of investments at the mid-way point of the AIP, building on the findings from a mid-term review of our basic education program and plans for future investments in trade and private sector development.

EXPENDITURE

Australian aid to Laos in 2016-17 was estimated at \$44.7 million. According to Laos' Ministry of Planning and Investment, Australian aid accounted for around 15 per cent of total aid to Laos, and about 0.23 per cent of GDP. According to the OECD DAC, Australia was the fifth largest donor to Laos in 2015 (the latest year statistics are not yet available). The donor landscape in Laos is becoming more crowded, with increased

³ Building Women's Leadership Contributions of Australian Awards, Office of Development Effectiveness (ODE), 2015.

Analytical Study of Women's Leadership in the Lao PDR, Laos Australia Institute, 2015.

⁴ Through the program 18 people are being trained, including 12 with a disability (30% female).

flows from non-traditional donors such as China and Vietnam. Official Development Assistance (ODA) to Laos is still dominated by Japan, ADB and Korea, but for the first time, Thailand surpassed Australia in the OECD's latest ranking. We expect Australia's relative position to further decline, given recent budget reductions and increased ODA commitments from the US and EU.

Table 1 Total ODA Expenditure in FY 2016-17

Objective	A\$ million	% of total ODA
Objective 1 More disadvantaged girls and boys complete a quality basic education	\$6.1	14%
Objective 2 Improving Laos' human resources through scholarships, training and organisational capacity building	\$8.9	20%
Objective 3 A stronger trade regime and more competitive private sector	\$1.2	3%
Legacy Rural Development program	\$4.2	9%
Cross cutting	\$2.2	5%
Sub-Total Bilateral	\$22.6	51%
Regional and Global ⁵	\$15.9	36%
Other Government Departments	\$6.2	14%
Total ODA Expenditure	\$44.7	100%

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective	Previous Rating	Current Rating
Objective 1. More disadvantaged girls and boys complete a quality basic education	Green	Amber
Objective 2 Improving Laos' human resources through scholarships, training and capacity building	Amber	Green
Objective 3 A stronger trade regime and more competitive private sector	Amber	Green

Note:

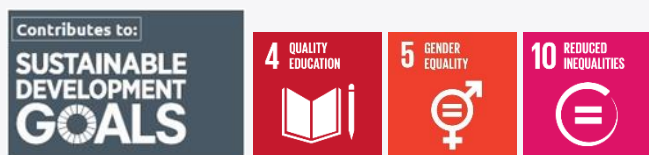
■ Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ 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.

⁵ Includes regional activities reported in the ASEAN and Mekong Program APPR.

Objective 1: More disadvantaged girls and boys complete a quality basic education



Laos' literacy and numeracy rates lag behind the region and remain a major impediment to economic growth⁶. While Laos has achieved close to universal access to primary education⁷, progress against other education performance indicators is mixed. Primary completion rates have risen slightly, with around 78.4 per cent of students finishing primary school. However, there is an increasing gap between advantaged and disadvantaged areas, with some districts up to 20 percentage points below the national average. Gender parity remains flat, at 96.5 per cent, with most education indicators still worse for girls than boys. Some girls face a triple disadvantage, with an estimated 27 per cent of ethnically non-Lao girls aged 6 to 9 years in rural areas never enrolling.⁸ Australia's flagship Basic Education Quality and Access in Laos (BEQUAL) program helps the Lao Government strengthen national systems while also providing targeted support for the 66 most educationally disadvantaged districts in Laos. It is implemented through a Managing Contractor, a consortium of non-government organisations, the World Food Program and UNICEF. Support through WFP and UNICEF will conclude in December 2017.

All three investments are on track to achieve the outputs identified in annual workplans. Key achievements during the reporting period include supporting reform of Laos' national primary curriculum, including developing new Grade 1 textbooks and conducting a year-long trial of new Grade 1 materials (a 2016-17 Performance Benchmark); commencing reform of Laos' teacher training system; commencing training of an additional 152 ethnic teacher trainees (a 2016-17 Performance Benchmark); providing Lao language support to 3,000 students from non-Lao speaking homes (as planned); piloting four innovative approaches to increase student participation, through the BEQUAL Education Innovation Fund; training more than 81,500 education administrators; providing water and sanitation to children in 194 schools across Laos (92 schools over its target)(through UNICEF); and delivering school meals to more than 140,000 children (as planned) in disadvantaged districts (through WFP).

As the largest donor in the sector, we exercise a leadership role, including as co-chair of the Education Sector Working Group and informal Education Development Partner Working Group, and as Country Coordinator for the Global Partnership for Education (GPE) in Laos. Through our engagement on major national reform processes, we have successfully advocated for a number of fundamental improvements to the national primary and teacher training curricula, such as reducing the number of Lao language characters that children in Grade 1 are required to learn (an overcrowded Lao language curriculum has been identified as a key constraint to learning outcomes). We have also influenced the approach and implementation schedules of other development partners to strengthen support for these reforms.

Despite these achievements, DFAT has concerns about the design, scope and targeting of the program, justifying an amber rating during this reporting period. It has become clear BEQUAL's design did not sufficiently acknowledge the institutional constraints and significant diversity across Laos' education sector.⁹ As a result, there is a lack of focus on system strengthening, some activities are being implemented at a pace that could compromise sustainability, and others are not appropriately adapted to different local contexts.¹⁰ BEQUAL is a flexible program designed to adapt to changes in context or new analysis. A Mid Term Review of

⁶ World Bank Investment Climate Report 2016

⁷ Net primary enrolment has plateaued in recent years (at around 97.8 per cent).

⁸ *Reducing Early Grade Dropout and Low Achievement in Lao PDR: Root Causes Research and Possible Interventions*, World Bank, May 2016, p. 12.

⁹ LADLF Rapid Appraisal of the BEQUAL Design, 2016; LADLF Decision-making Ecosystem Study 2017.

¹⁰ BEQUAL MTR, Aide Memoire, 25 August 2017.

BEQUAL in early 2017-18 will help articulate whether and how objectives and/or activities need to be modified to ensure BEQUAL achieves real impact in the most disadvantaged classrooms.

Objective 2: Improving Laos' human resources through scholarships, training and organisational capacity building



Laos' labour market continues to fall short of demand¹¹, despite the government's efforts to improve education quality and encourage vocational training opportunities. The Laos Australia Institute (LAI) Phase II (mobilised in July 2017) continues to support Laos' National Strategy on human resources development (HRD) through scholarships, training and organisational capacity building. Phase II also positions LAI to better support and influence the Lao Government's analysis and policy-making through an annual Human Resource Development Dialogue and targeted technical assistance to improve civil service management.

Progress against this objective is rated green, with our main investment LAI delivering strong results against the Performance Benchmarks. During the reporting period, LAI successfully managed the 2017 Australia Awards and Laos Australia National Scholarships (LANS) selection and mobilisation processes, launched a Women's Leadership Program (through a Gender Equality Fund award) and a Disability Inclusive Development activity. At a high-profile scholarships ceremony in September 2016, Prime Minister Malcolm Turnbull handed out 32 Australia Awards, including to 22 female recipients (surpassing the 50 per cent target). The awardees selected are all studying in areas considered crucial to Laos' socio-economic development, including trade and private sector development in line with the AIP. Of the 70 LANS recipients in 2016, 39 were female (meeting the 50 per cent target) and three had a disability. A total of 96 per cent of Australia Awards students successfully graduated (exceeding the Performance Benchmark of 85 per cent), and all LANS recipients are on track to complete their studies (exceeding the Performance Benchmark of 85 per cent). LAI also commenced a new program of Competency Based Training to improve human resource practices in the Ministries of Home Affairs and Education and Sports, and provided English Language training to 16 Lao Government officials and a representative from the Lao Disabled People's Association.

During the reporting period, LAI implemented a range of activities to empower women, people with disabilities, and people from disadvantaged communities. The entire 2016 LANS cohort came from disadvantaged districts, with more than 80 per cent of students from a minority ethnic group. However, female alumni continue to fall behind their male counterparts in career progression.¹² In response, through the innovative Women's Leadership Program, LAI is supporting LANS graduates to be 'work ready', sponsoring executive development among returned Australia Awards alumni, and matching senior women alumni with younger LANS graduates as mentors. Working with the Ministry of Home Affairs, LAI provided technical assistance to improve public sector policies on performance management, promotion and training, which will reduce barriers for women to progress their careers, and fully utilise their skills and experience.

LAI experienced challenges in component design and monitoring and evaluation during the reporting period. Completion and implementation of a re-design for the LANS program was delayed due to resourcing issues. As a result, some of the recommendations (such as updates to the Academic Support Program) were not implemented in time for the 2017 cohort's first year. Monitoring and evaluation (M&E) was another challenge for the program, with improvement required for outcome-level reporting. These shortcomings are

¹¹ Ministry of Labour and Social Welfare Report to National Assembly on the implementation of the National Socio-Economic Development Plan 2017.

¹² Building Women's Leadership Contributions of Australian Awards, Office of Development Effectiveness (ODE), 2015.

Analytical Study of Women's Leadership in the Lao PDR, Laos Australia Institute, 2015.

being addressed through the development of the Phase II M&E system, with new outcome-level Performance Benchmarks identified for 2017-18.

Objective 3: A stronger trade regime and more competitive private sector



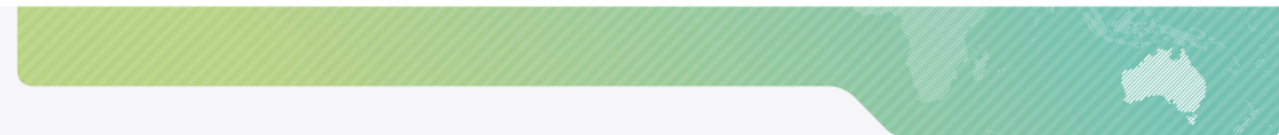
Laos has enjoyed high GDP growth over the last decade (averaging around 7 per cent), but more work is required to ensure Laos remains competitive within a dynamic and economically active region. Australia supports trade reform and inclusive growth in Lao PDR through the World Bank managed multi-donor Trade Development Facility Phase 2 (TDF2). TDF2 is a five-year program helping Laos address impediments to trade and investment in sectors with a high potential to contribute to inclusive growth. TDF2 is a well-regarded program in Laos that has supported reforms to Laos' trade regime, in line with WTO and regional free trade agreements. This has helped the Lao economy diversify, with natural resources less dominant and significant growth in services as a percentage of GDP. As Laos' economy integrates more closely with the region, the focus will need to shift to supporting Lao business competitiveness and reforming its restrictive business climate.

Progress against TDF2's annual workplan and program objectives during the reporting period has been steady, with movement on key trade reforms and establishment of a Non-Tariff Measure (NTM) Review Working Group to reduce trade related barriers (delays to this work were the main reason for an amber rating in the 2015-16 APPR). TDF2 worked to enhance the regulation of the agriculture sector by supporting the introduction of new Plant Protection, Livestock and Chemicals laws, which have the potential to benefit the 60 per cent of the workforce employed in subsistence agriculture. TDF2 also helped eliminate import licenses for crude oil and vehicle spare parts through its NTM working group. On the business environment, TDF2 supported the revitalisation of the Lao Business Forum (the country's primary forum for public-private dialogue); the Forums was successfully held in March 2017 for the first time in several years. Australia provided additional support of \$700,000 during 2016-17, to help mainstream gender across TDF2. The program is conducting provincial consultation workshops with women businesses to help them engage in the next Lao Business Forum, scheduled in early 2018.

TDF2 also enhanced competitiveness of Lao SMEs by providing co-financing and business skills to 208 companies in total (58 more than originally planned) through the Business Assistance Facility (BAF). The BAF's matching grants program supported 56 companies in 2016-17, exceeding the performance benchmark of 50 companies. The BAF exceeded its gender targets during the reporting period: 34 per cent of BAF grants were awarded to women-owned businesses (from a target of 30 per cent); and women made up 42 per cent of employees in BAF-supported businesses (from a target of 30 per cent). An impact assessment survey found BAF-assisted firms achieved average growth rates 21 per cent, higher than companies not benefitting from assistance.¹³

Two financial inclusion programs, Access to Finance for the Poor (AFP) and Making Access to Finance Inclusive for Poor People (MAFIPP), were initially conceived as part of the rural livelihoods portfolio, but have now been brought under the trade and inclusive growth objective. Both performed well against their annual workplans in the last year, supporting improved access to finance for Laos' poor. Our funding has supported AFP to expand the 'Village Bank' network to provide access to finance for more than 47,811 additional members (exceeding the outreach target of at least 31,600 clients, an achievement rate of 151 per cent). Women form more than 30 per cent of AFP's village bank committee members (as per the target). With

¹³ Impact Assessment Survey of the Business Assistance Facility, National Implementation Unit, Ministry of Industry and Commerce, 28 March 2017.



MAFIPP's support, the major local retail bank, BCEL, has scaled-up its pilot of a new Digital Financial Service platform, which allows for mobile transfer of money through a network of banking agents.

TDF2 and the two financial inclusion programs, MAFIPP and AFP, will conclude in late 2018. The Lao Prime Minister is focused on reform to the business climate, and supporting SMEs and the services sector to drive inclusive growth. Support for inclusive trade and economic empowerment remains a policy priority for both Australia and Laos. Work will begin in early 2017-18 to plan for future potential investments in these sectors.

Legacy rural development investments

We are continuing to support a number of existing rural development investments until their conclusion at the end of 2017. These investments are progressing as expected, helping to increase household productivity and incomes and reduce unexploded ordnance (UXO) contamination. During the reporting period, Australia's support helped clear 180 hectares of UXO contaminated land (target was 190 ha), benefiting over 17,699 people. Our support to the Poverty Reduction Fund phase II (PRF2) provided more than 63,800 people with access to small-scale community-based infrastructure (139% of the target)¹⁴. An impact evaluation of PRF2 found the program generated high impact where the small-scale infrastructure was located in or near target villages (but less so when households need to travel far away).¹⁵ Lessons learned from the evaluation were to ensure service support follow infrastructure development, and the need to align planning processes at the local level. The Social Protection and Sustainable Livelihoods (SPSL) project completed in August 2017 and provided 1132 poor households (target was 1200) with productive assets, stipends and capacity building. The World Bank is planning to build on the work of SPSL to develop a National Strategy on Social Protection, and pilot an early childhood grant. This follows good progress by the government in issuing a Social Welfare Decree to create a Social Welfare Fund. Some of our rural livelihoods work in southern Laos will continue with third-party funding.

Australian Centre for International Agricultural Research (ACIAR)

Australia's development assistance program in Laos is also partly delivered by ACIAR. In 2016-17, ACIAR delivered a research program (valued at \$5.3 million) focused on improving agricultural production systems and market linkages, and increasing smallholder income. These investments resulted in: production of genetically-improved teak seedlings that provide better quality wood and increase returns to farmers; adoption and scaling-up (together with ADB, WB and USAID) Australian fish passage technology in Laos to help overcome man-made obstacles to fish migration, vital to protect the Mekong as a fishery; and a rapid increase in adoption of mechanised drill seeding by smallholders (especially women farmers) across more than 17,000 hectares of farm land. ACIAR undertakes climate proofing of its investments in Laos.

MUTUAL OBLIGATIONS

The Laos Program AIP represents jointly agreed priorities of the Australian and Lao Governments, confirmed at high-level aid consultations in 2015 and 2017. The Lao Government has made a series of policy commitments in national planning documents that support the effectiveness of Australian aid in priority areas.

In the education sector, Laos has made a commitment 'subject to budget constraints' to increase the proportion of the budget devoted to education, and the proportion of the education budget allocated to non-wage recurrent expenditure (such as text books and teacher training). However, deterioration of the economic and fiscal outlook (lower GDP growth, lower revenue, and high debt) has led to a substantial revision of budget projections to 2020. While, in nominal terms, the education budget remained stable in

¹⁴ Implementation Completion and Results Report: Poverty Reduction Fund Project II, World Bank, 26 June 2017, p. 11. Total project beneficiaries reached was 970,431 compared with a target of 700,000 (139% achievement rate; 49% female; 72% ethnic group).

¹⁵ Lao Poverty Reduction Fund Phase II: Impact Evaluation: Final Report, World Bank, 1 October 2016.



2017, there is a risk of cuts in future years. Moreover, as a proportion of Laos' budget, the education sector has reduced from an estimated 15.63 per cent in 2015-16 to a projected 13.11 per cent in 2017 (the target set by the Education Law is 17 per cent). The proportion of the education budget allocated to non-wage recurrent expenditure has increased slightly from 12 to 13 per cent, but remains low by international standards. We are urging the EU to include similar policy provisions as it negotiates a new package of budget support for Laos.

There has been good progress on policy and institutional improvements in the trade sector. With the establishment of a regular meeting of the NTM Working Group in late 2016, there has been progress in reducing import/export barriers for traders. The Ministry of Industry and Commerce is now finalising the Trade Facilitation Road Map (2017-2022), driven by Laos' decision to join the WTO Trade Facilitation Agreement. The plan seeks to address gap areas like inadequate coordination with line departments, weak communication with provincial offices, poor coordination with the private sector, and reduction of NTMs. This work takes place in the context of other drivers of change, including under AANZFTA (through which Australia provides technical capacity support) and Laos' commitments under the ASEAN Economic Community (AEC). Work to finalise a Financial Inclusion roadmap is progressing slower than expected, but is expected to be approved by December 2017.

PROGRAM QUALITY

Overall, program quality across the program's eight investments improved in 2016-17 compared to 2015-16. Investments with unsatisfactory *Effectiveness* ratings (School Meals and WATSAN and LAI) and unsatisfactory *Efficiency* ratings (LARLP and support for UXO Action) in 2015-16 improved during the reporting period and have now been assessed as satisfactory. Performance on *Relevance*, *Gender Equality* and *Sustainability* was found to be satisfactory across all investments. One investment (School Meals and WATSAN) was downgraded to an unsatisfactory rating for *Monitoring and Evaluation* due to insufficient progress capturing outcome-level data.

The program has worked to lift quality across the portfolio by:

- **Improving and increasing use of evidence and analysis:** Working with the *Laos-Australia Development Learning Facility*, Post commissioned a range of studies on issues with potential to influence the delivery and impact of Australian aid in Laos (such as changes to legislation, changes to the operating environment for NGOs and the impact of budget allocations). Over the reporting period, LADLF produced over 15 evidence-based and qualitative analytical studies to inform current and future programming decisions, and support our policy dialogue;
- **Sectoral leadership, policy engagement and advocacy:** Australia has strong relationships with the Lao Government and actively contributes to donor coordination mechanisms. This includes co-chairing the Education Sector Working Group and Illicit Drugs working Group, and acting as Country Coordinator of the GPE in Laos. This has positioned us well to influence major national reforms and increase donor coordination. This includes our advocacy on curriculum, teacher training and budget allocation in the education sector, and our success in increasing the focus on business environment constraints to private sector growth under TDF2;
- **Increasing engagement on, and resources for, gender equality:** Australia has led a range of high-level events and engaged key government decision-makers on gender equality and women's economic empowerment. This includes successful proposals for additional funds to mainstream gender across TDF2; designing a new Women in Leadership Program; and launching *Standing Up, Speaking Out*, a new two-year program on ending violence against women, focused on prevention and survivors' increased access to community-based support and response;
- **Improving performance assessment and innovation:** Australia engages the *Laos-Australia Development Learning Facility* to enhance the effectiveness and efficiency of the implementation of Australia's aid



program in Laos. The LADLF reviews the quality of Australia's aid programs, provides staff training, and has been supporting the Lao Ministry of Planning and Investment to develop a strengthened system for monitoring ODA.

Managing contractors continue to manage a large share of the delivery of Australian aid funds delivered through the bilateral program, accounting for around 67 per cent of funds delivered in 2016-17. The performance of our delivery partners remains satisfactory overall, with no unsatisfactory rating against any partner performance criterion.

MANAGEMENT ACTIONS

We will ensure the BEQUAL MTR provides guidance on the assumptions, sequencing and timing for BEQUAL activities, in light of what we now know about Laos' readiness for change. The final report of the MTR is expected by November 2017. We will support this process through the use of targeted analytical work commissioned through the Laos-Australia Development Learning Facility and Asia Foundation.¹⁶ We will work closely with UNICEF and WFP to ensure these programs transition appropriately when Australian support finishes in December 2017.

In response to the declining fiscal space for education, Post will continue to advocate for higher public investment in education, predictable disbursement and stronger public financial management. This includes working with all levels of government on issues of teacher allocation (including by providing technical assistance to the Teacher Allocation Committee), and working with other development partners on broader financial system reform.

During 2017-18, we will closely manage the development of the new M&E Framework for LAI Phase II. This new framework will need to address the weaknesses identified in the previous phase, and also contribute to consistent whole-of-program reporting and higher-level analysis. The framework will also need to identify structural constraints to program impact, particularly for our Women's Leadership Program. Working with a newly recruited LAI M&E Adviser, we will be responsible for developing the framework before the end of 2017. We will also closely monitor the progress of the LANS re-design to ensure it is completed in time for the 2018 intake.

In the lead-up to completion of TDF2 in October 2018, we will undertake a situation analysis and develop a trade and private sector 'Sector Investment Plan' (SIP). We will participate in the World Bank program design mission for a new phase of cooperation, under the title of the 'Lao PDR Competitiveness and Trade Program', to explore our options for future support in this sector, including increased attention to women's economic empowerment. We will explore options to continue targeted support for financial inclusion.

We will continue to monitor our support for UXO clearance, and manage the conclusion of our Social Protection and Sustainable Livelihoods program, including by disseminating the lessons learned and promoting opportunities for further support to other interested donors in Laos.

We will work with the Laos-Australia Development Learning Facility and Embassy gender/disability focal points to undertake a review of gender equality and disability inclusion performance in the Lao aid program, to ensure our support is well targeted and strategic. The review is scheduled to be conducted in a phased approach, with initial results and recommendations ready by the end of the financial year.

Noting that the aid program has reached a mid-way point in the current AIP cycle, we will also conduct a mid-term review, as appropriate, of the bilateral program in 2018. This will be an opportunity to ensure

¹⁶ Over the reporting period, 10 evaluative studies were commissioned through the Learning Facility focusing on the targeting, context, and effectiveness of BEQUAL interventions.



policy alignment with the directions of the forthcoming Foreign Policy White Paper, and make any adjustments necessary to respond to changes in Laos.

ANNEX A- PROGRESS IN ADDRESSING MANAGEMENT RESPONSES

Management responses identified in 2015-16 APPR	Rating	Progress made in 2016-17
Education A number of evaluative studies to be conducted to confirm the program logic remains sound and relevant, and help map donor engagement in the sector.	Achieved	DFAT commissioned 10 studies which are being used to test BEQUAL's program logic and ensure BEQUAL's scope and targeting remains relevant. DFAT also conducted an education sector donor mapping exercise which is being used to determine areas of need or oversupply.
Human Resource Development Undertake the design on a new phase of our human resource development program	Achieved	The LAI Phase II design was successfully completed to schedule, and the contract amendment for the new phase signed in time for commencement on 1 July 2017.
Trade TDF2 will enhance the program's focus on the business environment and women's economic engagement.	Achieved	DFAT's additional financing supported improvements to the business environment by undertaking a stocktake of regulations and mapping business licencing procedures, a first step towards simplification. Women's economic empowerment has also been a particular focus of the additional financing. With our funding, the project is conducting consultation workshops at provincial levels with women businesses to help them formulate their concerns and action these in the upcoming Lao Business Forum, scheduled in early 2018.
Rural Development Further reduce our engagement in rural development. Conclude the Laos Australia Rural Livelihoods Program in a manner which maximises the sustainability of its development outcomes	Partly Achieved	Our support for the Social Protection and Sustainable Livelihoods program (SPSL) concluded in August 2017. Post disseminated the outcomes and lessons learned of the investment and is working with interested donors, including the World Bank, to continue some of the work. Post is working with the Social Protection Hub to consider continuing some of the social protection work given the opportunity to support reform in this area and its potential impact on poverty reduction. Our support to UXO clearance is expected to conclude by the end of 2017. Several major investments by other donors (ie US State is investing US\$90m/3 years) will sustain this important work.

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 – PERFORMANCE BENCHMARKS

Progress towards Performance Benchmarks in 2016-17

Aid objective	Performance Benchmark	Rating	Progress in 2016-17
1. More disadvantaged girls and boys complete a quality basic education	152 new ethnic students commence training at teacher training college	Achieved	152 new teacher trainees (65 per cent are women) commenced training at three teacher training colleges. During the reporting period, two trainees were expelled due to underperformance. DFAT is working with the Department of Teacher Education and relevant TTC to ensure scholarship awardees are provided sufficient supplementary support to complete their studies.
	New Grade 1 primary curriculum piloted	Achieved	New Grade 1 textbooks and teachers guides were piloted over an entire school year, in a representative sample of primary schools across Laos. Grade 1 learning materials are now being edited to reflect the outcomes of this trial.
2. Improving Laos' human resources through scholarships, training and organisational capacity building	85 percent of Australia Awardees due to finish, successfully graduate.	Achieved	In 2016-17, 96 per cent of Australia Awardees due to finish successfully graduated (42 per cent women).
	61 out of 72 students (85 percent of the cohort) due to complete their Laos Australia National Scholarships successfully graduate.	Achieved	In 2016-17, 72 out of 72 students (100 per cent of the cohort) due to complete their studies successfully graduated (55 per cent women).
3. A stronger trade regime and more competitive private sector	An additional 50 business activities approved by the Business Assistance Facility (including at least 30 per cent from women-owned businesses).	Achieved	56 firms received grants in calendar year 2016, of which 34 per cent were female-owned. The final evaluation showed that BAF-assisted firms achieved average growth rates 21 per cent higher than companies that did not benefit from this assistance.

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

Performance Benchmarks for remainder of Aid Investment Plan

Aid objective	Performance Benchmark	2017-18	2018-19	2019-20
1. More disadvantaged girls and boys complete a quality basic education				
	Number of ethnic teacher (including per cent female) trainee scholarship holders supported with improved teaching capabilities	381 ethnic students supported to undertake teacher training	217 ethnic student trainees graduate	150 ethnic student trainees graduate
	New primary curriculum piloted and associated textbooks distributed to students	New Grade 2 primary textbooks and teachers guides written and piloted	New Grade 1 textbooks provided to every school in Laos	New Grade 2 textbooks provided to every school in Laos
2. Improving Laos' human resources through scholarships, training and organisational capacity building				
	Percentage of Australia Awards alumni using their new skills to contribute to development in Laos	90 per cent	90 per cent	90 per cent
	Percentage of Australia Awards alumni contributing to targeted areas of cooperation between Australia and Laos	10 per cent	15 per cent	20 per cent

3. A stronger trade regime and more competitive private sector

More inclusive business environment through policy dialogue for women-led businesses and SMEs

Laos hosts second Lao Business Forum, incorporating comments from prior consultation with SMEs and women-led businesses at the Provincial level

Recommendations from first and second Lao Business Forum are actioned, including recommendations from women-led businesses and SMEs

Number of poor women and men with access to financial services

250,000 people provided with financial services following successful launch of a new digital financial services platform, and more than 40 per cent of village bank committee members are women

ANNEX C- EVALUATION PLANNING

LIST OF EVALUATIONS COMPLETED IN THE REPORTING PERIOD

Investment number and name (if applicable)	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
INK391 Laos Australia Rural Livelihoods Program	Evaluation	September 2016	19 December 2016	19 December 2016	19 December 2016
INJ573 Poverty Reduction Fund	Lao Poverty Reduction Fund Phase II Impact Evaluation:	December 2016	17 January 2017	22 February 2017	06 April 2017 on the World Bank's website

LIST OF PROGRAM PRIORITISED EVALUATIONS PLANNED FOR THE NEXT 12 MONTHS

Evaluation title	Investment number and name (if applicable)	Date – planned commencement (month/year)	Date – planned completion (month/year)	Purpose of evaluation	Evaluation type
BEQUAL Mid-term Review		July 2017	February 2018	<ul style="list-style-type: none">- improve existing investment demonstrate results- verify performance- examine value for money	DFAT led (consultants engaged by DFAT).

ANNEX D- AID QUALITY CHECK RATINGS

AQC RATINGS

AQC investment performance over the previous 12 months and where available last year's AQC ratings.

Investment name	Approved budget and duration	year on year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Basic Education Quality & Access in Laos	\$65m	2017 AQC	5	4	4	4	4	4	
	2016-19	2016 AQC	5	5	5	4	4	5	5
Basic Education School Meals & WATSAN Program	\$22.1m	2017 AQC	4	4	4	3	4	4	
	2012-18	2016 AQC	4	3	4	4	3	4	4
Laos Australia Institute	\$29.6m	2017 AQC	5	4	5	4	4	5	
	2012-2021	2016 AQC	5	3	4	4	4	4	4
Trade Development Facility	\$9.1m	2017 AQC	5	4	4	4	4	4	
	2013-2019	2016 AQC	5	4	4	4	4	4	4
Laos Australia Rural Livelihoods Program	\$34.9m	2017 AQC	4	5	4	4	4	4	
	2012-2019	2016 AQC	3	4	3	4	4	5	4
Support for UXO Action in Laos	\$9m	2017 AQC	4	5	4	4	4	4	
	2011-2016	2016 AQC	3	4	3	4	4	5	4
Laos Australia Development Learning Facility	\$10.6m	2017 AQC	5	4	4	4	4	4	
	2014-2020	2016 AQC	5	5	5	4	4	4	5

FAQC RATINGS

Final AQC's assess performance over the lifetime of the investment (ratings are not compared to previous years).

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Poverty Reduction Fund Phase II	\$20.3m 2011-2017	4	4	5	5	5	4	4	

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all areas.

5 = Good; satisfies criteria in almost all 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 and/or fails in at least one major area.

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

1 = Very poor; does not satisfy criteria in many major area.