




Australian Government
AusAID



Australia Laos Development Cooperation Strategy

2009 – 2015



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Cover: Supporting better education outcomes, particularly in basic education, is fundamental to development in Laos. Students at Ban Dak Duang primary school where teachers from minority ethnic groups are among those who have received Australia funded training. Photo: Jim Holmes

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Abbreviations

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
GDP	Gross Domestic Product
LANGOCA	Laos-Australia Non-Government Organisation (NGO) Cooperation Agreements program
MDG	Millennium Development Goals
NGO	Non-Government Organisation
NGPES	National Growth and Poverty Eradication Strategy
NSEDP	National Socio-Economic Development Plan
ODA	Official Development Assistance
TB	tuberculosis
UN	United Nations
UNICEF	United Nations Children's Fund
UXO	unexploded ordinance

Executive summary

This paper describes the new aid strategy which will guide Australian aid to Laos over the period 2009 to 2015. It provides an overview of the development situation in Laos, identifies what Australia sees as some key development challenges and explains why the Australian Agency for International Development (AusAID) has chosen to focus its program in particular areas.


Lao People's Democratic Republic (Lao PDR) is one of the poorest countries in Southeast Asia with Gross Domestic Product (GDP) per capita of only \$US924 in 2008-09. An estimated 26.9 per cent of the population live on less than \$US1 per day and a considerable proportion of the population still live close to the poverty line. Poverty in Laos is increasingly defined by geography and ethnicity. Vast improvements in government services are needed, human capital is extremely low and without a sustained effort to strengthen governance, the benefits of economic growth may not be maximised.

Despite these continuing development challenges, Laos has made good progress over the last decade-and-a-half with reducing poverty and addressing many other important development issues, including child mortality, management of communicable diseases and access to water supply and sanitation. Since the mid-1980s the Government of Laos has pursued a program of economic reform which has been a key driver of poverty reduction.

However continued reform is not guaranteed. Reforms invariably create winners and losers, with the later often strongly resisting change. In this respect Laos is no different from many other countries attempting to progress significant economic and governance reforms. Furthermore, the opening up of the Laos economy will also, along with improved opportunities for wealth creation and poverty reduction, increase the potential for corrupt behaviour which, in turn, will potentially slow implementation of other important elements of the reform agenda.

The global recession is having an immediate impact on the resource sector and government revenues. However, in the medium term, resource-sector growth and associated increases in government revenues will provide Laos with a once-in-a-generation opportunity to diversify its economy for sustained growth and social development.

Australia has been a key partner in Laos' development over the last 50 years and has ranked among the top five bilateral donors during this period. During the strategy period—2009 to 2015—Australia will closely align its support with the Government of Laos' own development goals. We will do so in areas crucial to Laos' long-term development and in areas in which we have expertise. In **basic education**, we will build on past success, drawing on our understanding of the sector to develop new approaches and closer partnerships with the Government of Laos and other donors. With **rural development** we will enhance Laos' capacity to meet basic food needs, build agricultural markets and diversify livelihood



opportunities, particularly in the poorest areas of the country. We will also retain a role in unexploded ordinance (UXO) clearance work.

Further, Australia will continue to assist Laos achieve **inclusive growth through trade and investment** by building human resources, helping Laos integrate into regional markets and developing a broader-based, more resilient national economy. We will also pursue other key outcomes, including policy reform, engagement in regional and global markets and setting the conditions for new enterprise development.

1 Introduction

Laos is a least developed country bordering Vietnam, China, Burma, Cambodia and Thailand. Over the last decade and a half Laos has enjoyed peace and stability as well as sustained economic growth. This growth has been driven by greater use of natural resources and increased economic engagement with the region.

Australia has a strategic interest in assisting Laos to reduce poverty and become a stable, well-managed and increasingly prosperous regional neighbour. We will assist Laos to address its own development challenges and tackle significant trans-boundary threats like human trafficking and pandemic and infectious diseases. Australia has had a development cooperation partnership with Laos for more than 50 years and Australian companies, especially in the mining sector, have invested significantly in the country.

Despite steady economic and social gains since the mid 1980s, Laos remains the second poorest country in the Mekong region. Major challenges remain. Poverty is increasingly defined by geography and ethnicity. Improvements in basic service delivery and greater levels of investment in the development of human capital are vital. Without a sustained effort to strengthen governance and combat corruption, the benefits to Laos of future domestic and regional economic growth will not be maximised.

In recent years Laos experienced an economic boom fuelled by accelerating demand for natural resources from its neighbours, but the global recession is undermining these gains. A further risk could arise if Laos paused in its restructuring and reform efforts. With good management, anticipated medium-term growth and increased government revenues from the resources sector can contribute to further poverty reduction. If poorly managed, negative social and environmental impacts could undermine hard-won development gains.

Australia is committed to enhancing the quality and impact of its aid to Laos. This strategy is aligned with the Laos National Socio-Economic and Development Plan (NSEDP)¹ and Australia's global development and foreign policy priorities.

¹ Lao People's Democratic Republic Committee for Planning and Investment October 2006, Lao People's Democratic Republic National Socio-Economic Development Plan for 2006–2010, Lao People's Democratic Republic Committee for Planning and Investment, Vientiane.

2 Economic performance

Since 1997, growth in the Laos economy has been driven by an ongoing transition to a market economy and increased engagement in regional markets. Prudent macroeconomic policies have contributed to growth, the resource sector has boomed and the services and industrial sectors have steadily increased their share of non-resource sector GDP. While agriculture's share of GDP has fallen over the last decade, it has still grown at about five per cent per annum and has been the key driver in reducing rural poverty. Expanding exports have played a significant role in Laos' growth and the economy is now significantly more open. Foreign direct investment, while small at two per cent of GDP in 2007, grew 20-fold between 2003 and 2007. The Government of Laos has pursued policy reforms over the last decade, focusing on promoting economic growth and integration. Reform agendas in trade and investment facilitation, private sector development, public financial management reform, and public expenditure policy have been driven by an increasing number of well-trained managers and technical experts, many of whom have been educated in Australia under AusAID's scholarship program. While Laos was relatively protected from the initial shock of the global recession, the flow-on effect on government revenues and further private sector investment will need to be well managed in the short- to medium-term as global demand for Laos' commodity exports contracts.



Growth in the agriculture sector remains a key driver in reducing rural poverty. Bounma uses an 'Iron Buffalo' or walking tractor, to prepare a paddy field for rice seedlings near Sekong. Photo: Jim Holmes

3 Development context



Australia is placing considerable emphasis on reaching those children who find it difficult to access an education – particularly girls from ethnic groups in rural areas. Nang Kaew 9 years old studies at her desk in a school where Australia has funded training for teachers from minority ethnic groups, Ban Dak Duang Photo: Jim Holmes

Development performance

Laos' performance against the achievement of the Millennium Development Goals (MDGs) has been mixed (Appendix A assesses progress). As with many developing countries, statistics in Laos are often of doubtful quality and can present an incomplete or contradictory picture of development progress.

Hunger and poverty (MDG 1): Laos is one of the poorest countries in the region. Gross National Income per capita was \$US580 in 2007. An estimated 26.9 per cent of the population live under the \$US1 per day poverty line and a considerable proportion of the population still live close to it. Poverty is concentrated in the remote and mountainous north and in the southeast along the Vietnam border. There is a strong relationship between poverty and ethnicity. Since the late 1980s, per capita income has grown strongly and the percentage of the population living in poverty has fallen. Malnutrition remains an important issue in Laos with little improvement in malnutrition levels in children under five over the last 10 years.

Education (MDG 2): Educational status is poor with an adult literacy rate of 73 per cent and only 75 per cent of grade 1 students reach grade 5. Student progression from primary to secondary school is also poor with only 75 per cent of boys and 66 per cent of girls making the transition. National budget allocations to the sector—12 per cent of total government

expenditure—are low by international standards. While significant progress has been made towards achieving universal primary education, reaching the remaining young people living in remote areas is challenging. Laos is unlikely to meet its MDG targets for primary school retention or youth literacy by 2015 unless it significantly reinforces its efforts and receives greater international support.

Status of women (MDG 3): Women in Laos suffer systemic disadvantage, particularly women and girls from ethnic groups in rural areas. The government is male-dominated and educational access for girls is significantly below that for boys. There is a strong relationship between ethnicity, geography and the status of women and girls. In education, for example, an 18-year-old rural female from an ethnic group is likely to have had only two years of schooling while her urban Lao Tai male equivalent will have had 8.5 years. Laos is making progress towards gender equality with significant improvements in the education sector, in adult literacy and in women's representation in Parliament. Overall, Laos will struggle to meet its MDG targets in this area.

The Government of Laos has committed to achieving 'gender equality in all spheres, including business, politics, culture, society and within the family'. Gender equality features in the Constitution, the government's National Growth and Poverty Eradication Strategy (NGPES), the current NSEDP and national MDG targets. The Government of Laos has passed a law on the protection of women and children and ratified several international conventions, including the United Nations (UN) Convention on the Elimination of All Forms of Discrimination against Women. A range of institutions are supporting gender equality including the Lao Women's Union and the Lao Commission for the Advancement of Women.

This environment provides a strong basis for further progression of gender equality in Laos. Areas requiring attention include: improving services for rural women, particularly with reproductive, maternal and child health services; improving women's representation at senior levels of the bureaucracy in the public sector; and protecting women from sexual exploitation, HIV, trafficking and violence.

Health (MDGs 4 to 6): Health indicators are poor (50 per cent of children under five suffer stunted growth) but they are improving, with better outcomes for infant mortality (70 deaths per 1000 live births in 2005); under-five mortality (70 deaths per 1000 live births in 2008); and maternal mortality (530 deaths per 100 000 live births in 2000). HIV/AIDS prevalence is currently low, but there are risk factors including proximity to countries with high HIV/AIDS rates; a rise in the use of illicit drugs; and an increasing number of, and demand for, commercial sex workers. Increasing integration with the region is escalating these risks.

Data on **disability** is poor. The March 2004 Lao Expenditure and Consumption Survey indicated that five per cent of the population has a long-term illness or disability. Survey data, combined with other information available for under-five-year-old stunting and malnutrition prevalence, indicates that disability is a significant issue. The signing of the International Convention on the Rights of Persons with Disabilities, the development of a draft Decree on the Rights of Persons with Disabilities and revisions to relevant sectoral laws reflect an increasing commitment by the Government of Laos to address the issue.

Environmental sustainability and clean water (MDG 7): Laos has significant natural resources with mineral deposits, forests and the capacity to generate hydropower from its river systems. As Laos increasingly draws on these resources to support economic growth the environment is coming under increasing pressure. The granting of large land concessions, resettlement, and the conservation and protection of environmental resources all present major challenges.

Laos has made good progress in improving **water supply and sanitation**, with access to improved water sources rising from 28 per cent in 1990 to 60 per cent in 2003. But significant challenges remain, particularly in rural areas where between 40 and 50 per cent of people still have no source of safe drinking water and 50 per cent do not have access to a simple pit latrine.

Unexploded ordnance: UXO from Laos' conflict-ridden past is a major issue. Twenty-five per cent of all villages are UXO-contaminated and around 37 per cent of all agricultural land is affected by UXO contamination. The Government of Laos accords UXO clearance high priority in its NSEDP and treats UXO as a key constraint to poverty reduction. It has already signed and ratified the Convention on Cluster Munitions and has expressed its intention to accede to the international Mine Ban Convention.² The Government of Laos recognises the magnitude of the UXO problem and is improving efficiency and coordination of mine-action work through the National Regulatory Authority it established in 2004.

Corruption: Corruption is a problem in need of greater attention, particularly in the context of the resources boom and growing foreign investment. Laos ranks poorly in international corruption perception surveys, but it has fared better in business and household surveys. The 2009 World Bank enterprise survey revealed that 19 per cent of enterprises in Laos perceived corruption to be a major constraint (compared to a global average of 36 per cent). The Gallup global polls suggest that 46 per cent of Lao citizens believe that corruption is widespread in government, compared to 59 per cent in Vietnam and 81 per cent in Thailand. The

² Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (adopted on 18 September 1997 and entered into force on 1 March 1999).

Government of Laos has made some progress in addressing the issue by acceding to the UN Convention against Corruption in 2009 and passing several anti-corruption laws. Vigorous implementation of legislative and institutional reforms will still be required.



Unexploded ordinance (UXO) from Laos' conflict-ridden past is a major issue. A female deminer from UXO Lao searches for UXO on an upland farm in Luangprabang province, Lao PDR. Photo: Paul Wagner/UXO Lao

Governance, civil society and fragility: Laos is a one-party state with only a nascent civil society and weak legal and institutional frameworks. The World Bank's Country Policy and Institutional Assessment Index ranks Laos 40 out of 77 countries and defines it as 'marginally fragile'. While the World Bank ranks Laos relatively well in economic management, it ranks the country as a poorer performer in financial sector management, social protection, revenue mobilisation, and transparency, accountability and corruption. The Government of Laos faces major challenges in delivering basic services to its poor and highly-dispersed population. A key feature of governance in Laos is the relationship between the national and provincial governments. Policy is centrally determined but provincial governors have significant autonomy which at times hampers national policy implementation. While Laos has made significant gains in poverty reduction, progress with legislative and institutional reform in support of comprehensive human rights has been slower. Nevertheless, there have been

several positive developments, including the recent ratification of the UN International Covenant on Civil and Political Rights and the establishment of a legal framework for the operation of domestic Non-Government Organisations (NGOs).

Development priorities

Government of Laos development policies: Development policy in Laos is guided by two key policy documents—the NGPES, adopted in November 2004, and the NSEDP, approved in 2006 and covering the period 2006 to 2010. Key objectives of the NGPES include tripling per capita income by 2020 and eradicating mass poverty by 2010. The NSEDP complements the NGPES through four main pillars:

1. human-development driven growth
2. competitiveness, trade and regional integration
3. social development and focused poverty reduction interventions
4. good governance.

Consistent with the priorities articulated in these two key policy documents, three key development challenges influence the direction of Australia's new aid strategy priorities.

Continuing broad-based growth and reducing poverty across the country:

Facilitating economic growth and ensuring it is inclusive is a major challenge for Laos, particularly in light of increased volatility in the global economy. International experience shows that resource-rich developing countries face high levels of risk to sustainable development. Resource-sector development can lead to the formation of economic and social enclaves poorly linked to the rest of the economy. The prosperity of the resource sector obviously heavily relies on commodity prices and exposes the rest of the economy to any rapid and deep downturns in commodity prices, which often indicate general weaknesses in regional and global economic conditions. Pursuit of sound economic and fiscal policies promoting balance and increasing links between the resource and other sectors of the economy are therefore vital. Government of Laos' development policy recognises the need to build growth across the economy, focusing on small- and medium-enterprises. Growth in agriculture also receives significant attention as a strategy for promoting broad-based development.

Strengthened service delivery: Access to quality education and health services is poor in Laos. Extending a universal standard of service in these sectors to a highly dispersed population across challenging terrain is difficult. The Government of Laos needs to—and based on expectations of increased government revenues in the medium term has the ability to—significantly increase its own resources allocated to education and health, while

simultaneously reducing its reliance on donor support. Education and health are high on the government's development agenda and are two of the NGPES's four priority sectors.

Better governance: The demands of running an increasingly sophisticated economy with significant links with the region and globally requires a sophisticated government response. Laos needs to strengthen both the institutions and policies that govern land and resource management to ensure future development appropriately balances economic, social and environmental outcomes. Likewise the trade and investment sector requires better policies and practices to minimise opportunities for discretionary and sub-optimal decision making. Improved delineation of responsibilities between national and provincial governments is essential. Greater involvement of citizens in public policy formulation needs to be an integral part of the governance agenda.

Donor environment

Donor flows: Laos depends heavily on donor support. In 2005-06 Official Development Assistance (ODA) accounted for 41 per cent of total government expenditure and 87 per cent of the public investment program. This represents approximately eight per cent of Laos' GDP, one of the highest dependencies in the region. In 2005-06, bilateral donors provided 48 per cent of ODA disbursements, with multilaterals providing the balance. Japan was the largest bilateral donor (28 per cent of bilateral flows). Australia ranked seventh, accounting for eight per cent of bilateral flows. The Asian Development Bank (ADB) is the largest source of multilateral funding. While Australia is a middle-ranking donor our leadership roles in education and trade give us a more than commensurate profile and influence. Laos also has very significant economic cooperation programs with China and Vietnam.

Aid effectiveness: Donors to Laos have performed poorly on aid effectiveness. A large number are engaged in many sectors through many stand-alone projects. Some donor programs are managed remotely, creating difficulties with coordination and responsiveness. Excessive use of parallel aid-delivery systems; insufficient joint analysis and programming; and inadequate performance assessment are some of the issues needing attention.

Despite this, progress is being made. The Vientiane Declaration on Aid Effectiveness, a local version of the Paris Declaration on Aid Effectiveness, adopted by the Government of Laos and donors in 2006; has a companion document setting out implementation; and several joint government-donor working groups have been created to support improved policy discussion and programming. Further improvements in aid effectiveness needs to be a priority of all donors to Laos.

4 Current Australian assistance

Australia has provided development assistance to Laos for more than 50 years. Our aid program is well regarded by the Government of Laos and we have played a lead role in facilitating policy discussion and aid effectiveness in the education and trade sectors. Our aid program has a high profile, through significant projects such as the 'Friendship Bridge' (the first between Laos and Thailand) and our scholarships program (which in any one year has approximately 100 Lao scholars studying in Australia). Total Australian aid to Laos throughout the previous country strategy period —2003-04 to 2007-08—was around \$108 million. Australia's aid to Laos for 2009-10 is estimated at \$36.04 million, comprising \$28.1 million in bilateral flows and the remainder through regional and global initiatives.

Over the last five years Australian assistance to Laos has focused on improving access to basic education, building skills through the scholarship program, supporting trade policy reform, and supporting rural development through livelihoods enhancement, disaster risk reduction and UXO risk mitigation. The Australian Centre for International Agricultural Research (ACIAR) has a significant program in Laos (accounting for around four per cent of Australian aid flows) that focuses on developing alternatives to shifting cultivation in upland regions and agricultural diversification for lowland farming systems. Programs supported by other Australian Government agencies were modest in size, accounting for only one per cent of total flows.

Effectiveness review assessment of current strategy performance: As part of the development of this new country strategy for Laos, AusAID commissioned an independent review of the relevance and effectiveness of its previous country strategy. The review concluded that the country program had performed well at the output level, was well-managed and had made a positive contribution to Laos' development. It made recommendations to guide the development of this new strategy, including the need:

1. for more and better monitoring and evaluation
2. to plan our interventions on country-level analyses and not by the preferences of certain types of aid or development partners
3. to incorporate aid-effectiveness targets
4. to focus on deeper engagement in fewer areas to improve impact.

5 Strategic choices

The shape and focus of future Australian assistance, as outlined in this new Australia – Laos Development Cooperation Strategy 2009–15, will be driven by:

1. Laos' development policy priorities and MDG performance
2. Australian capacities and interests
3. the performance of our previous development assistance strategy
4. an assessment of the opportunities offering the greatest development returns.

The strategy is informed by Laos' steady equitable economic growth and poverty reduction in recent years with its national government policies underpinning this. A range of challenges facing the country require strong national government policy responses. Highest among these is the need to ensure that growth is maintained during this uncertain global environment, that growth is inclusive and sustainable and that increased national government revenue is shared equitably and transparently.

Elements of the Laos Government's current reform agenda go back to its 'New Economic Mechanism' policy framework of 1986 while others are more recent, including integration and public financial management reform. The continued pursuit of reform is by no means guaranteed. Economic reform in particular—essential for continued growth and poverty reduction—can adversely affect the position of those benefiting from old ways of doing business who may, in turn, strongly resist reforms. Furthermore, opening up the economy (itself engendered by a set of economic reforms), while improving opportunities for legitimate wealth creation and poverty reduction, can also increase opportunities for corrupt behaviour. Corruption may slow down or derail a range of important elements of reform, including increased transparency and accountability around government decision making.

Supporting the Government of Laos' reform efforts provides an important opportunity for Australia to contribute to further poverty reduction. Engaging in policy discussion will be complemented by efforts to deliver direct, visible results for poor people by supporting improved service delivery and rural development.

International experience highlights the crucial role education plays in development. This holds true for Laos where poor educational attainment contributes to low agricultural productivity, poor health outcomes and reduced opportunities for non-farm employment. The centrality of education to Laos' development, the challenges in the sector and our current sectoral leadership role provide a clear rationale for stronger engagement. But Australia will significantly change the way it does business in the sector. Under the new strategy, we will help the Government of Laos to build more schools, train more teachers and print and distribute more textbooks. Also, in line with the strategy's partnership principles, we will require the Government of Laos to increase its education spend. Support in the initial years of

the strategy will lay the foundations for improved policy discussion and donor-government program integration. We will maintain our in-Australia scholarship program while exploring options to support tertiary-level study in country.


Facilitating greater economic integration is a central plank of the Government of Laos' economic development platform. This reflects the increasingly important role of trade and investment in Laos' economy. The impact of the global recession aside, there has been strong growth of exports and imports; foreign direct investment; and its contribution to GDP. The increasing economic importance of this sector, the scale of remaining sector-reform challenges and Australia's sector leadership role, provide the rationale for enhanced Australian engagement under the new strategy. We intend to play a greater role (both in policy contribution and resourcing) in future trade and investment facilitation efforts.

The strong initial performance of a program of incentive-based funding to the Government of Laos (the Poverty Reduction Support Operation³) makes it an attractive vehicle through which Australia can support several key elements of the Government of Laos' reform plans. The operation also creates opportunities to support better public financial management which is central to sustainable improvements in government service delivery. In the short term, the global recession will constrain the ability of the Laos Government to pursue plans for increased education and health resourcing, but donor support, through the Poverty Reduction Support Operation, will help compensate for the expected, significant reductions in resource sector-derived revenues.

Given the geographic dimensions of poverty in Laos, a more strategic focus on rural development is warranted. In particular, we see a continuing role for geographically targeted, community-based and community-driven interventions aimed at tackling key constraints to rural development. Our programs will target community-level health services, water supply and sanitation, livelihoods, UXO risk and micro-credit availability. Given the relationship between poverty and access to infrastructure, we propose to also significantly strengthen rural-road and electricity infrastructure.

In considering strategy options, AusAID took into account the significant development needs of the health sector, particularly in relation to maternal and child health. We concluded that expanding the sectoral coverage of AusAID's country program to include assistance to the health sector would, in light of finite program resources, limit our ability to engage in greater depth in areas such as education and trade reform. Our desire to engage in greater depth in these areas has been, in part, influenced by the findings of the effectiveness review of the previous strategy. As mentioned earlier, this review concluded that, in the interest of enhanced

³ Led by the World Bank.



effectiveness, future Australian aid to Laos should involve deeper engagement in fewer areas to improve program impact. Expanded sectoral engagement would also cut across the Accra Agenda for Action's call for donors to reduce costly aid fragmentation by improving the division of labour among donors. Despite the fact that the health sector will not be an explicit area of focus for AusAID's country program, consistent with international experience, our planned education inputs can be expected to contribute to better health outcomes. AusAID's regional programs will also retain a strong health focus.

6 The new strategy

The new Laos country strategy will cover the period 2009 to 2015 with an initial review in 2011 coinciding with the release of the next five-year NSEDP. Australia will focus on three pillars: education; inclusive growth through trade and investment; and rural development (a strategy overview diagram is in Appendix B).

Pillar 1: Education

Australia will work to ensure all boys and girls complete a full course of quality basic education through:

- > ensuring equitable access to quality basic education in targeted poor geographic areas
- > improving the management and more effective use of Government of Laos' and donor resources available to the education sector through enhanced strategic planning, coordination and alignment.

Supporting better education outcomes, particularly in basic education, is fundamental to development in Laos. The review of our previous strategy concluded that future investments in education should focus on primary education and be based on a joint donor - Government of Laos analysis of the sector.

Australia plans to increase its investment in basic education in Laos over the next six years if the conditions for success are present. Our effectiveness will be judged on the extent to which we can assist the Government of Laos achieve the MDG target of a full course of primary education for all boys and girls by 2015. We will pursue this through two country strategy objectives for the education sector:

Objective 1—Ensuring equitable access to quality basic education in targeted poor geographic areas

Australian support in the sector will be delivered in partnership with other donors, including the World Bank. Throughout strategy implementation we will, depending on the Government of Laos' performance, increasingly move from projects that have their own administrative and delivery mechanisms to approaches that are much better integrated with government systems. We will support the Government of Laos' 10-year Education Sector Development Framework. Key areas of focus include: the need for improved school infrastructure; teacher training; curriculum materials; increased operation and maintenance budgets; and improved management of educational resources. We will pay particular attention to the significant disparities in educational attainment between boys and girls and Lao-Tai and other ethnic groups.



Australia will work to ensure equitable access to quality basic education in targeted poor geographic areas. Children in front of their old classroom building, next to the new building constructed with Australian funds in Ban Chaling. Photo: Jim Holmes

Objective 2—Improving the management and more effective use of Government of Laos’ and donor resources available to the education sector through enhanced strategic planning, coordination and alignment

We will support the strengthening of the national-level management of the education system. We will do so through the development and implementation of a jointly agreed Education Sector Development Framework, governing the efficient and effective allocation of resources.

A key measure of success will be the extent to which the Government of Laos increases recurrent education-sector expenditure through its own budget. The donor community is looking for a steady increase in the education expenditure as a percentage of government expenditure from its current very low level of 12 per cent to the international norm of 20 per cent.⁴ Allocation of additional Australian resources to the sector will depend on Laos’ performance in this area.

⁴ Australian Agency for International Development (2007), ‘Delivering Better Education in Laos Engagement Strategy’, Australian Agency for International Development.

Ensuring development is inclusive is a priority for the Australian Government. A key element of this is the Australian Government's disability strategy for the aid program, Development for All. The Government of Laos has also recently drafted a decree on the 'Rights of Persons with Disabilities'. The draft decree commits the Government of Laos to providing 'inclusive education' for people with disability through appropriate facilities, curriculum and teacher training; establishing 'special education' facilities to cater for individuals unable to participate in main-stream education programs; and to provide financial support to people with disability to offset their educational expenses. We will use our education resources to ensure these policy commitments are further developed and given effect.

We expect our education-sector engagement to significantly contribute to our inclusive growth and rural development objectives. International experience has shown, for example, that access to at least four to six years of education is required to support the effective application of technologies to enhance agricultural productivity. Providing six to eight years of education to rural women can be expected to result in enhanced status, better family planning, improvements in infant and child health and enhanced future educational attainment for children.

Pillar 2: Inclusive growth through trade and investment

Australia will work with Laos to increase trade and investment in sectors which support poverty reduction by:

- > addressing policy and institutional impediments in areas with high potential to contribute to sustained and inclusive economic growth.

Laos' development trajectory will increasingly be determined by its performance in facilitating sustained and inclusive private sector growth. With low labour costs, significant land and other resources and proximity to increasingly affluent markets, Laos has the potential to pursue a similar development path to other industrialising economies in the region. But there are fundamental constraints to doing so. These include: a lack of awareness of modern, transparent, market-based ways of doing business; rudimentary infrastructure; a regulatory system built on control and rent extraction rather than facilitation; and decentralised authority for trade, with confusing and overlapping responsibilities of the national and provincial governments.⁵

⁵ World Bank East Asia Poverty Reduction and Economic Management Network 2006, 'Building export competitiveness in Laos Summary Report', the World Bank East Asia Poverty Reduction and Economic Management.

The recent collapse of commodity prices will significantly reduce Laos' economic growth and resource sector-derived revenues. Growing other parts of the economy is crucial to reducing the country's exposure to volatile minerals prices and ensuring that poverty reduction is broad-based.

Objective 3—Addressing policy and institutional impediments to trade and investment in sectors that contribute to inclusive and sustained growth

The new strategy will focus on supporting private sector growth and on opportunities for small- and medium-sized enterprises through an improved trade and investment environment. We will contribute by addressing some of the policy and institutional impediments to trade and investment in sectors identified as having the ability to promote inclusive growth. This will require a focus on the non-resource side of the economy, in particular on areas that have good growth potential and are labour-intensive. Also important is supporting growth in areas offering significant opportunities for formal-sector employment for women. Sectors with this 'high potential for human development'⁶ include: agriculture (unprocessed crops, non timber forest products, cattle, coffee and jasmine rice); agri-processing (processed foods); tourism; and light manufacturing (wood processing and garments).

Australia will support implementation of the trade and investment reform agenda through the multi-donor funded Trade Development Facility. This facility focuses on: export competitiveness; trade facilitation; the business environment; trade policy and agreements; and trade opportunities for the poor.

Another key element of our private-sector growth strategy is our support for the second phase of the multi-donor funded Poverty Reduction Support Operation which provides policy-based funding to the Government of Laos and includes a strong private sector development agenda. A central element focuses on the investment climate, competitiveness and business development. Under the business development agenda business licence reform features prominently and if implemented will help address Laos' poor performance⁷ in relation to business facilitation. The Government of Laos is currently reforming state-owned enterprises and state-owned banks. The aim is to create an environment in which the local private sector has the market space to grow and also to free-up financial resources (by reducing state-sector demands) to support this growth.

⁶ United Nations Development Programme (2006), 'National Human Development Report: International Trade and Human Development: Lao PDR 2006', United Nations Development Programme.

⁷ The World Bank's 2009 Doing Business report ranks Laos 165 out of 181 countries on ease of doing business. This is lower than the country's 2008 ranking and is the second lowest rank of any assessed South East Asian country.

Trade reform and private sector growth require a strong government commitment to transparency and accountability. Reform requires a harmonised and consistent voice from the donor community in policy discussions with the Government of Laos. Australia is well placed to play a central role in this.

As a further contribution, we will also support more extensive and higher quality road transport infrastructure in the north of Laos and more efficient international road border crossings in partnership with the ADB. This will strengthen access to local and regional markets.

Pillar 3: Rural development


Australia will work with Laos to reduce poverty in rural areas through:

- > equitable and sustainable improvements to food security and livelihoods in targeted poor geographic areas
- > improved prioritisation, efficiency and coordination of mine action activities
- > improved rural infrastructure, particularly roads and electrification.

Approximately 80 per cent of poor people in Laos live in rural areas. Food security and nutrition remain core and intractable issues at the heart of rural poverty. The Government of Laos and donors recognise there are constraints to future rural development including: inadequate infrastructure; weak education and health service delivery; inadequate potable water and sanitation facilities; weak agricultural support services; limited access to inputs and markets; poor understanding of the impact of climate change; and lack of access to short- and medium-term credit.

Objective 4—Equitable and sustainable improvements to food security and livelihoods in targeted poor geographic areas

Our engagement under the new strategy will take an integrated livelihoods approach and focus on improving nutrition and food security, increasing income-generation opportunities, supporting better human and animal health, improving water supply and sanitation, and enhancing access to credit. Initial programs will be implemented through the existing Laos-Australia Non-Government Organisation (NGO) Cooperation Agreements program (LANGOCA). We will also explore opportunities to support rural development programs delivered by the Government of Laos in partnership with other donors. We will also strengthen our partnership with ACIAR, drawing on their research work to enhance the agricultural elements of our rural development interventions.



Our engagement will be informed by our understanding of the role women play in providing for their families, responding to potential livelihood threats, participating in household and community decision making and sustained improvement in agricultural productivity. We will actively pursue strategies that increase income-earning opportunities for rural women.

People with disability, being among the most poor and vulnerable members of rural populations, will be a specific focus. We will also support interventions that prevent disability from occurring, including those that improve nutrition (poor nutrition during pregnancy and/or early childhood can cause severe and irreversible mental and physical damage).⁸

Objective 5—Improved prioritisation, efficiency and coordination of mine-action activities

We will continue to support community-based and geographically-focused clearance and risk-reduction activities which bring immediate benefits to affected communities. When funds permit, we will also strengthen sector management through the National Regulatory Authority and support opportunities to disseminate information on improved approaches to UXO clearance, UXO risk education and disability services provision. Furthermore we will support the establishment of national databases (tracking key mine action information such as accident frequency) and other socio-economic impact assessment processes to help better target mine-action activities.

Survivor assistance will receive particular attention under the new strategy. Current assistance for survivors of UXO accidents is currently limited in scope and reach and funding support is far from adequate. Assistance focuses mainly on medical care and physical rehabilitation. A more holistic approach is needed, however, including the provision of socio-economic re-integration services to UXO survivors as well as people injured and disabled from UXO accidents.⁹

Women are increasingly becoming involved in UXO risk-mitigation work, finding employment with organisations such as UXO Lao and also mine-action NGOs. We will seek to support this positive trend through our own mine-action engagement.

⁸ 'Malnutrition Is Still a Major Contributor to Child Deaths but Cost-Effective Interventions Can Reduce Global Impacts' by FJ Levinson and L Bassett, Population Reference Bureau, Washington DC, United States, 2007.

⁹ Laos -Australia NGO Cooperation Agreement Program analytical mission report 2006, AusAID 2006.

Objective 6—Improve rural infrastructure, particularly roads and electrification.

Access to infrastructure is a key determinant of rural poverty. Village distance to hospitals and access to roads, markets, primary schools, licensed pharmacies and electricity all correlate with poverty statistics. The collapse in foreign aid from the Soviet Union in 1991 resulted in a significant deterioration in much of Laos' rural infrastructure over the next four years and was assessed as a key factor in the much weaker poverty-reduction performance in rural areas over this period. In recognition of the strong relationship between access to rural infrastructure and poverty we will pursue a significant program of improving rural infrastructure, focusing initially on enhancing northern road infrastructure and central and southern rural electrification.

Land management

The effectiveness review concluded that our land-titling activities were effective in addressing property rights uncertainty, a central development constraint. However the review noted that increasing institutional and policy uncertainty over land management more generally was likely to impact on program sustainability and increase risks for donors engaging in this area. The review concluded that unless Australia engaged on a larger scale and more in-depth then we should withdraw from the land sector. While acknowledging the review's findings, the centrality of land management to Laos' development must be recognised. We plan to step back from significant stand-alone interventions in land administration. Our future engagement in land management will be through planned rural development work where we can tackle related issues in an integrated manner. We will seek to support policies that result in improved land management and land tenure security for the most vulnerable.

Strategy-wide approaches

Public sector governance in support of improved trade and education outcomes

The World Bank-led Poverty Reduction Support Operation has been running for three years and has entered its second phase. It is designed to support: a Government of Laos reform agenda around improved public expenditure management performance; greater public expenditure on pro-poor programs; and increased growth and revenue generation. This policy-based funding operation and complementary public expenditure management program has contributed significantly to these areas. We will support these programs and, in doing so, will provide Australia with access to a policy-discussion platform, enabling us to contribute to policy reform in trade and investment, education management and resourcing—all key areas

of our strategy engagement. While there are fiduciary risks with providing funding through government systems these are well understood and effective measures are already in place to manage them.

Tertiary-level skills development in support of strategy objectives

We will continue to support our successful and widely respected in-Australia scholarship program. We will also examine the capacity of in-country and in-region educational institutions to deliver tertiary-level training in strategy priority areas as a cost-effective complement to our existing scholarship program.

Engagement with civil society


An active civil society is only beginning to develop in Laos, with the most visible evidence being the formation of local associations. The Government of Laos recently moved to formally recognise and regulate local associations by issuing a 'Decree On Associations in Lao PDR'. This provides a renewed imperative and opportunities for Australia to support the development of civil society in our strategy sectors, including through international NGOs working with the Government of Laos and/or local associations. We will start by commissioning a policy paper to explore how best to strengthen our civil society engagement.

Environment and sustainable resource management

Australia recognises that effective environmental management is central to sustainable growth and poverty reduction. In Laos this is becoming more obvious as the increasing exploitation of water for hydropower and forest resources, which have contributed significantly to past growth, are now placing increasing pressure on the environment. Across the Mekong region, Australia will examine opportunities for integrating water resources management to mitigate climate change impacts through our sub-regional programs.

Gender

Laos is making progress on gender equality and the Government of Laos has articulated its policy commitment by making gender a high priority in both the NGPES and NSEDP. Further progress will require greater attention from the Government as well as support from the donor community. Australia's approach to supporting gender equality will be provided through national-level policy engagement with the Government of Laos and through program design, implementation and monitoring.



At the policy level, Australia will, as a priority, advocate to integrate the Government of Laos' policies on gender in all of the sectors in which we engage. As an operating principle we will endeavour to ensure that men and women have equal decision-making roles in the design, implementation, monitoring and evaluation of all the programs we support. We will also assess the impact of our poverty-reduction programs in gender disaggregated terms.

Our support to the education sector will be the main mechanism through which we will judge the success of gender outcomes. We will focus on improving access to basic education for girls, particularly in poor rural areas. Through our Australian Scholarships, we will continue to ensure that equal numbers of men and women benefit from the program. In trade and investment we will ensure that the activities delivered through the Trade Development Facility take into account gender equality issues as they are designed, evaluated and monitored. We will support activities that enhance non-farm employment opportunities for women such as facilitating the growth of the processed food, garments and handicrafts industries. In our rural development work we will improve developmental outcomes for women. This will involve ensuring that women participate in program design and play a role in determining program priorities. We will support activities that reduce the need for domestic labour inputs from women (such as enhanced water supplies), provide better services directly relevant to women (such as community health care), and offer higher returns on women's labour (such as increased agricultural productivity and the creation of non-farm, income-generating opportunities).

Disability

AusAID's disability strategy, Development for All, is the framework for the Australian aid program to include and address the needs and priorities of people with disability. We intend to pursue better outcomes for people with disability through all elements of the Laos – Australia country strategy, focusing on our education and rural development pillars. We will also look to operationalise the relevant elements in the national strategy and action plan for disability currently being developed by the Laos Disabled People's Association with support from Australia.

Anti-corruption

Our approach to addressing corruption under the new strategy will involve several elements. The first will ensure that tackling corruption is a prominent agenda item in key national and sectoral policy discussions between the Government of Laos and donors. We will commission joint research, in partnership with the Government of Laos, on the prevalence of, development costs of, and treatment strategies for corruption, and we will publish the results. We will support programs that reduce opportunities for corruption, including those that strengthen

public financial management and help to ensure that the Government of Laos' engagement in the market economy is appropriate. We will support communities and social organisations to participate in anti-corruption efforts, including by articulating their concerns around the transparency of basic service delivery, in compliance with the laws and regulations of Laos. We will also focus on strengthening strategies that reduce the risk of corruption in delivering the Australian aid program.



Australia will work to address a range of issues in rural development, including by working with NGOs to address food security. A woman sits in the doorway of the Vackneu village rice bank – an AusAID funded Oxfam initiative that loans rice to families during the two months that they spend planting rice. Photo: Tracie Williams

7 Strategy implementation

Consistent with the international aid effectiveness agenda, we propose to shift our program implementation approach. In doing so, we will increase the proportion of the program implemented in partnership with other donors, including multilateral organisations and international financial institutions. This approach is crucial in Laos. At present a large number of donors are funding a large number of generally poorly integrated programs. This places an unsustainable administrative burden on limited Government of Laos' management resources, makes the implementation of coherent reform agendas difficult, reduces development outcome sustainability, and results in higher than necessary donor expenditure on program management. Depending on the Government of Laos' performance in the early years of the strategy, we also intend to direct more Australian aid through the government's own systems.

Australian visibility

The program will ensure that key program stakeholders in Laos and Australia know about our work in Laos. Physical infrastructure will be badged, offices we are assisting will display posters, engagement with the media will be increased and our website, brochures and promotional material will be scaled up. Maintaining Australian visibility will be challenging for AusAID given the shift to increased partnership and use of Government of Laos' systems. We will make a concerted effort to maintain visibility by being active in policy development and dialogue, being responsive to government priorities, building a reputation for delivering effective outcomes, and pursuing opportunities to communicate what we are achieving.

Enhanced engagement with Australian Non-Government Organisations

Australian NGOs have had a long-standing and important role in promoting development in Laos. They often have access to valuable local knowledge and are vehicles through which we can deliver development outcomes that could not otherwise be achieved. In Laos, the Australian aid program will continue to support these organisations through the AusAID – NGO Cooperation Program and more recently the LANGOCA program. Rural development (an area of increasing importance for the program) is the area that provides the most opportunity for strengthening our engagement with Australian NGOs. We will support community-based and community-driven livelihood interventions to address a range of issues in rural development, including food security. This focus will take full advantage of the strengths Australian NGOs have in community consultation, mobilisation and delivery of services where government coverage is weak.

Areas for further analysis and consideration in relation to future programming

Targeted applied development research and analytical work will guide our aid investments in Laos. This strategy is not a static document. Rather, it has been designed on the understanding that emerging trends will need to be analysed and, as appropriate, incorporated into our work. This includes opportunities to support better functioning agricultural markets and strengthened market linkages as an effective approach to addressing rural poverty; collect more socio-economic impact data to better prioritise and program mine action activities; and commission a policy paper to explore strategies to strengthen our civil society engagement.

Performance assessment and review

In keeping with AusAID's emphasis on aid effectiveness, assessing our performance in delivering the new strategy is paramount. A Performance Assessment Framework has been developed for the strategy to govern our assessment efforts (Appendix C). The framework will be updated over the life of the strategy to reflect changing circumstances. New annual progress milestones for the strategy will be developed to help us gauge incremental progress towards its objectives. We will also continue to refine the strategy's performance indicators to help ensure maximum clarity about whether objectives have indeed been met when the strategy ends. Through Annual Program Performance Reports we will describe the results achieved by our aid program, the quality of our activities and any management consequences of our work. Performance assessment and review processes will draw on gender-disaggregated data to inform future action on gender equality issues.

Risk management

Donor programs in Laos face a range of risks. A central and significant risk is the lack of sustainable impact—the lack of capacity and reach of the Lao public service (through which most donors engage); the vulnerability of the reform agenda; the multitude of aid activities being delivered by a large number of donors (with aid not well harmonised or aligned); and the modalities of delivery chosen to date (parallel funding rather than using government systems).

As a strategy for managing the risk of inadequate sustainability we will commit to driving the aid effectiveness agenda forward. We will deliver an increasing percentage of the program in partnership with other donors. Our joint assistance will support programs that build more effective policy dialogue platforms with the Government of Laos and the donor community. The policy agenda of these programs and their associated resources will be explicitly linked to key elements of the government's reforms. We will support programs that build the capacity of government agencies central to improved service delivery, better economic governance and aid effectiveness. We will also increasingly use Government of Laos' systems to deliver aid when we have confidence that these systems are robust and transparent and when we have assessed the fiduciary risks and determined they are modest and manageable.

Fiduciary risk is also a significant risk in a country like Laos. We will continue to assess fiduciary risks and develop treatment strategies during design and implementation for our own programs, and those of our partner aid agencies. We will also engage in country-level public expenditure review and expenditure tracking surveys, such as the 2007 Lao PDR Public Expenditure Review Integrated Fiduciary Assessment, to ensure we are abreast of and can influence dialogue, policy and practice in this area.

While increased use of in-country government systems contributes to program effectiveness and sustainability, it also increases the risk of misuse of funds. Our program will reduce and manage this risk through:

- > supporting programs that aim to create incentives for better public financial management (the policy triggers associated with the Poverty Reduction Support Operation) and strengthening the capacity of the Government of Laos to respond effectively to those incentives (the Public Financial Management Strengthening Program)
- > developing and implementing intervention strategies that empower beneficiaries to report on the quality, quantity and process transparency of development assistance delivered
- > building partner capacity to collect and report on performance information
- > increasing the transparency of aid activity procurement and financial management processes
- > developing and implementing a communication strategy on corruption, to deliver consistent message to all stakeholders on the issue.

To provide a framework within which to manage these risks we have developed a risk matrix and anti-corruption plan to support this country strategy.

Future Australian aid

Total Australian aid to Laos is estimated to be \$36 million for 2009-10 and it is expected that our total assistance will grow moderately strongly throughout the strategy period. Looking forward, we see opportunities for increased support for basic education where there are immense needs. There is also scope to increase support to the trade and investment sector to take forward the institutional strengthening agenda that our initial policy engagement will articulate. We will use the results of our annual program performance review, regular Poverty Reduction Support Operation implementation performance assessment, biannual public expenditure reviews, and expenditure tracking surveys to inform decisions about increased support, in particular using government systems to deliver our assistance.

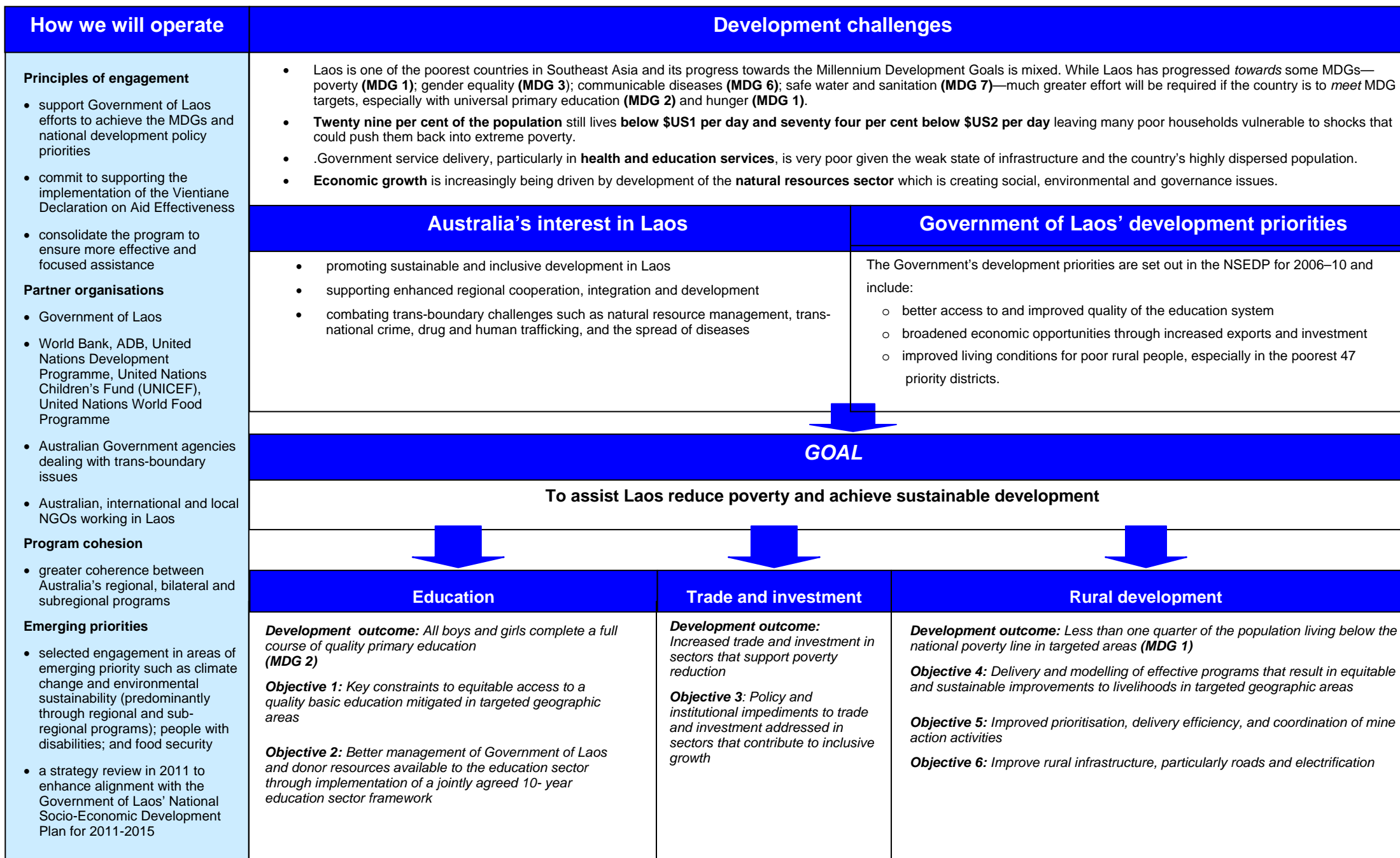
Appendix

A Progress towards the Millennium Development Goals

Progress Towards the Millennium Development Goals

MDG	Year	National target	Progress	Most recent figures
1. Eradicate extreme hunger and poverty	2015	1a Poverty Reduce poverty headcount to less than 24% Reduce poverty gap ¹⁰ to 6%	On track	Poverty head count: 26.9% Poverty gap: 10%
	2015	1c Hunger Reduce prevalence of underweight children under five years of age to 22%	Off track	37%
2. Achieve universal primary education	2015	Increase net primary enrolment rate to 98% Increase primary completion rates to 95% Increase literacy rates of 15- to 24-year-olds to 99%	Off track	Enrolment rate: 84% Completion rate: 62% Literacy rate: 84%
3. Promote gender equality and empower women	2015	Increase the ratio of girls to boys in primary and secondary school to 100%	Off track	Education ratio primary: 86% Education ratio secondary: 78%
4. Reduce child mortality	2015	Reduce under-five mortality rate to 80 deaths per 1000 live births Reduce infant mortality rate to 49 deaths per 1000 live births Increase proportion of one-year old children immunised against measles to 90%	On track: mortality rates; Off track: immunisation	Under-five mortality: 98 per 1000 live births Infant mortality: 70 per 1000 live births Immunisation against measles: 69%
5. Improve maternal health	2015	Reduce the maternal mortality rate to 260 deaths per 100 000 live births Increase the proportion of births attended by skilled health personnel to 50% Increase the contraceptive prevalence rate among women aged 15 to 49—no target	Off track: maternal mortality rate Off track: birth attendants Not assessed: contraceptive prevalence	Maternal mortality rate: 405 per 100 000 live births Births attended by skilled health personnel: 23% Contraceptive prevalence rate: 38%
6. Combat HIV/AIDS, malaria and other diseases	2015	Reduce the death rate associated with malaria to 0.2 deaths per 100 000 Increase the proportion of children under five sleeping under bed nets to 95% Increase proportion of tuberculosis (TB) cases detected under Directly Observed Short-Term Treatment Courses (DOTS) to 70%, and cured under DOTS to 85% Keep HIV/AIDS prevalence lower than 1% of the population	On track	Malaria: 0.4 deaths per 100 000 Bed nets: 87% TB detection: 72% TB cures: 90% HIV/AIDS prevalence : ~0.1%
7. Ensure environmental sustainability	2015	7b Sustainable development Increase the proportion of land forest cover—no target Reduce biodiversity loss—no target Eliminate consumption of ozone-depleting chlorofluorocarbons (CFCs)	Not assessed due to absence of agreed targets	Land forest cover: 35% CFCs: 18 tonnes
	2015	7c Safe water and sanitation Increase the proportion of the population with sustainable access to an improved drinking water source to 80% Increase the proportion of the population with access to improved sanitation to 60%	On track	Sustainable access to improved drinking water source: 74% Access to improved sanitation: 49%

B Laos – Australia Development Cooperation Strategy strategic overview



C Laos – Australia Development Cooperation Strategy Performance Assessment Framework

Goal: To assist Laos reduce poverty and achieve sustainable development			
Laos development outcomes 2015 (expected influence)	Strategy objectives 2015 (where Australian aid adds value)	Strategy objective indicators 2015 (how we know if we have achieved our objectives)	Government of Australia assistance (how we work towards the strategy objectives)
Pillar 1: Education			
<p>All boys and girls complete a full course of quality primary schooling:</p> <ul style="list-style-type: none"> net enrolment and completion rates for primary education increase nationally and in targeted geographic areas all primary school teachers have appropriate qualifications all primary school teachers and students have access to up-to-date core curriculum resources gender disaggregated data for primary age children demonstrates reduced gender disparities in educational outcomes. 	<p>Mitigation of key constraints to equitable access to a quality basic education in targeted poor geographic areas.</p>	<p>In targeted poor geographic areas schools meet Ministry of Education School Quality Standards, including through:</p> <ul style="list-style-type: none"> provision of appropriate school infrastructure and maintenance of same qualified, trained teachers who are using up-to-date core curriculum, methods and materials access by teachers of systematic in-service training provision to schools of adequate water and sanitation infrastructure. 	<ul style="list-style-type: none"> policy engagement through co-chairing with UNICEF the Education Sector Working Group deliver the Better Education in Laos program Poverty Reduction Support Operation Public Expenditure Management Strengthening Program
	<p>Better management of Government of Laos and donor resources available to the education sector through implementation of a jointly agreed 10-year education sector framework.</p>	<p>Delivery of better prioritised, aligned and coordinated Government of Laos and donor resources to the sector through:</p> <ul style="list-style-type: none"> development and implementation of a 10-year education sector development framework by Government of Laos and donors development and implementation of annual costed sector plans by Government of Laos and donors (commencing in 2009) strengthened management capacity of the Ministry of Education. 	<ul style="list-style-type: none"> policy engagement through co-chairing with UNICEF the Education Sector Working Group deliver the Better Education in Laos program access to Basic Education in Laos Program Poverty Reduction Support Operation
Pillar 2: Trade and investment			
<p>Increased trade and investment in sectors which support poverty reduction:</p> <ul style="list-style-type: none"> evidence of positive linkages between improved growth performance in targeted areas and poverty reduction. 	<p>Policy and institutional impediments to trade and investment addressed in sectors that have high potential to contribute to inclusive growth.</p>	<ul style="list-style-type: none"> Trade is effectively mainstreamed into National Development Plans, with a focus on key sectoral plans. Enhanced private sector competitiveness through improved productivity of selected sectors. Implement the Trade Facilitation Master Plan. Implement the improved legal and regulatory framework. 	<ul style="list-style-type: none"> Trade Development Facility Integrated Framework Facilitator Specialist harmonisation of donor assistance in trade sector Poverty Reduction Support Operations Association of Southeast Asian Nations (ASEAN) – Australia Development Cooperation Program (AADCP)
Pillar 3: Rural development			
<p>Less than one quarter of the population living below the national poverty line.</p> <p>In targeted areas:</p> <ul style="list-style-type: none"> reduction in poverty rates increased levels and reduced fluctuations in consumption improved nutrition levels reduced gender disparities in these statistics. 	<p>Delivery and modelling of effective programs that result in equitable and sustainable improvements to livelihoods in targeted poor geographic areas.</p>	<ul style="list-style-type: none"> Engage in effective policy discussions with the Government of Laos on mine action issues resulting in incorporating best-practice approaches into government policy. Engage in effective policy discussion with the Government of Laos on livelihood issues resulting in incorporating good practice approaches into government policy. Trial innovative livelihood enhancement approaches, share results and adopt recommendations more broadly. Approaches to focus on community-driven and community-delivered livelihood interventions). 	<ul style="list-style-type: none"> Laos Australia NGO Cooperation Agreements Program ACIAR Mekong Sub Regional Program rural electrification
	<p>Improved prioritisation, delivery efficiency, and coordination of mine action activities.</p>	<ul style="list-style-type: none"> Innovative mine action approaches trialled, results shared and more broadly adopted by government and donors. Approaches to focus on community consultation, community-assisted clearance and variable clearance effort reflecting end-state land use. Conduct and implement the results of a socio-economic impact assessment study to prioritise UXO programming. 	<ul style="list-style-type: none"> Lao Australia NGO Cooperation Agreements Program institutional strengthening of the National Regulatory Authority ACIAR
	<p>Improve rural infrastructure, particularly roads and electrification.</p>	<ul style="list-style-type: none"> Higher traffic volume on improved rural roads. Lower passenger and freight vehicle operating costs and travel times on improved rural roads. Increased number of rural households benefiting from electricity provision (proportion from renewable energy). 	<ul style="list-style-type: none"> Northern Transport Network Improvement Project (ADB) Road Maintenance Improvement Project (World Bank) Rural Electrification Phase I (World Bank)



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