

Joint Programming 2016-2020
Working document on programming
LAO PDR

1. A few key data:

- **Alignment on the national development plan:** Yes.
- **Programming period:** 2016-2020, which covers the duration of Laos' current plan.
- **Joint Programming:** Yes. Shared response, joint document with 7 Member States and Switzerland.

2. Strategic Objectives for EU relationship with the country

Laos is a relatively small country with big and powerful neighbours in a fast growing region. The country is in transition from a closed one-party state to an open economy (WTO accession in 2012), which is increasingly integrated in its region. The country is committed to developing its legal system, but it is not yet committed to multi-party democracy or to a significant immediate increase in individual political and civil rights. The authorities are relatively tolerant in daily life, but will act to protect the system. Graduation from LDC status by 2020 is one of the government's prime priorities. Laos has opted for an export-oriented growth, mainly based on exploitation of natural resources. This has led to strong economic growth and impressive poverty reduction, but Laos still ranks as 141 on the human development index with major socio-economic challenges, including high levels of food insecurity and malnutrition. There are also serious issues related to maternal health and environmental sustainability.

The Development Cooperation Instrument (DCI) from which Laos receives financial support sets out a primary objective of the reduction and in the long term the eradication of poverty, calling for cooperation to contribute to (i) fostering sustainable economic, social and environmental development; and (ii) consolidating and supporting democracy, the rule of law, good governance, human rights and the relevant principles of international law.

The joint programming for 2016-2020 with Finland, France, Germany, Ireland, Hungary, Luxemburg, United Kingdom, as well as Switzerland, substantially strengthens European coordination and cooperation in Laos while reducing transaction costs for Laos.

3. Choice of priorities, justification

The priorities for the EU intervention are aligned with the priorities in Laos' new 5-year plan, they correspond to major needs, reflect EU's added value, have been consulted with the Government and civil society and are agreed with the Member States participating in the joint programming in Laos, as follows:

Education (France is also active in this sector)

Governance (France, Germany, Luxemburg and Switzerland are also active in this sector)

Nutrition (France and Switzerland are also active in this sector).

The European development partners in Laos (EU Member States and Switzerland) also support the following sectors: Agriculture and rural development; environment and natural resources; health; private sector development.

4. Succinct description of sector specific objectives and corresponding expected results

Sector 1: Education: The focus is on basic education, which is essential for Laos because half of the population is 22 years old or younger. This could deliver a 'demographic dividend' as these young people become economically productive, but requires timely investment in education. While the enrolment rate for basic education stands at an impressive 98%, international comparisons indicate that the quality of education needs substantial improvement. The EU will support equitable access to and completion of basic education, improvement of the quality and relevance of education and improved governance of the education system.

Sector 2: Governance: The specific objectives are to support improvement in government services; contribute to citizens' engagement for sustainable development and good governance and support the consolidation of the rule of law. The capacity of the National Assembly will be enhanced. There is scope to support government initiatives at the sub-national level, where there are opportunities for civil society to engage. It is also foreseen to support measures to reinforce transparency, public accountability and anti-corruption measures.

Sector 3: Nutrition: There is hidden hunger in Laos. In 2012 44% of children under 5 years of age were stunted, 6% were wasted and 27% were underweight. Stunting threatens the human, social and economic development of the country. The EU will support strengthened nutrition governance, contribute to scaled nutrition specific support (targeting vulnerable communities) and scaled up nutrition sensitive support. Nutritional status is directly linked to educational outcomes.

5. Indicative allocation foreseen

The total EU financial envelope for 2016-2020 is EUR 162 M (of which EUR 2.5 M for mainly studies, audits and evaluations).

Indicative allocations per sector:

| | |
|----------------------|------------|
| Sector 1: Education | EUR 62.0 M |
| Sector 2: Governance | EUR 22.5 M |
| Sector 3: Nutrition | EUR 75.0 M |

For information only: The total estimated financing from all the European development partners participating in joint programming (EU Institutions, Member States and Switzerland) for 2016-2020 is EUR 524.2 M.

Annex

Country at a glance:

Country rank: lower middle income country

LDC according to UN ECOSOC

Human development index: 141 (2015)

GDP per capita: USD 1785

Worldwide Governance Indicators:

- voice and accountability: 4.4

- political stability and absence of violence: 61.2

- rule of law: 26.9

- control of corruption: 25

Red Flags for Food Security: Yes

Fragility according to OECD: No.

Member of the G7+ initiative for fragility: No.

New Deal pilot country or similar: No

EU position in the country:

EU rank (volume of aid in country): 4th

Number of donors in country: 43

EU% of ODA in the country: 3.8% (2013)

EU institutions: 3.8% (2013)

EU Institutions and EUMS: 29.1% (2013)

EU Allocation for 2016-2020: EUR 162 M



**European Joint Indicative Programming
Document for
Lao People's Democratic Republic**

2016-2020



Foreword

As Lao PDR's European partners (the European Union, the Member States of the European Union and Switzerland) we are combining our development cooperation in support to the government's 8th National Social Economic Development Plan (8th NSEDP). By jointly programming (planning) our development resources to Lao PDR over the 2016-2020 period, we expect higher impact and better value for money. This contributes to the development effectiveness objectives embodied in the *Vientiane Declaration on Partnership for Effective Development Cooperation*. Notably, European joint programming in Lao PDR is now one of a handful of global joint programming best practices to improve ownership and alignment, thus contributing to more efficient programming of the LAK 4.5 trillion (EUR 0.5 billion) European partners expect to provide.

Lao PDR's recent records in dramatically reducing poverty and advancing on the Millennium Development Goals adds optimism to its ambitions to graduate from Least Developed Country status in a reasonable timeframe. Yet the developmental challenges faced are both increasingly complex and could put at the progress made over the last decade. The new Sustainable Development Goals (SDGs), make only more apparent the importance of balancing growth with sustainable management of natural resources.

This joint programming document is a testament to the European long-term commitment to sustainable development in Lao PDR. Development cooperation in Lao PDR is however going through a paradigm shift and a business as usual approach will not deliver results. With government revenue increasing faster than aid, the value of development cooperation will increasingly be found in policy dialogue and capacity transfer rather than in the size of financing itself. Equally, the European development partner commitment to financing development projects in Lao PDR must be met by comparable commitments from the government itself. This means that programming in the future will increasingly emphasise joint ownership and structured policy dialogue.

We have organised our programming around seven priority sectors (in annex) and use division of labour arrangements to improve coordination and enable dialogue. We are committed to working with other international development partners in each of the priority sectors but more importantly a structured and sustained dialogue with responsible line ministries to ensure a government led response.

We are fully committed to the 2030 Agenda for Sustainable Development and the Sustainable Development Goals particularly those related to agriculture and rural development, education, environment, health, governance, nutrition and private sector development. We are ambitious and optimistic that in working better together through this joint programming exercise, European partners and the Government of Lao PDR will meaningfully contribute towards enabling Lao PDR's graduation from LDC status, by responding to Lao PDR's development challenges, and to the growing ties and relations between Europe and Lao PDR.

(Eventual) – Electronic Signatures of European Heads of Mission, Date

European Joint Indicative Programme Document for Lao People's Democratic Republic 2016-2020

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Acronyms and Abbreviations

| | |
|---------|---|
| AEC | ASEAN Economic Community |
| ARD | Agriculture and Rural Development |
| ASEAN | Association of Southeast Asian Nations |
| CS (O) | Civil Society (Organisation) |
| DSA | Daily Subsistence Allowance |
| EIB | European Investment Bank |
| EU | European Union (including the European Commission) |
| (EU) MS | (European Union) Member States |
| FICHE | <i>From French literally 'index' or 'form':</i> Summary of File |
| FO | Farmers Organisation |
| GDP | Gross Domestic Product |
| GoL | Government of the Lao People's Democratic Republic |
| Lao PDR | Lao People's Democratic Republic |
| LDC | Least Developed Country (from UN list of fifty least developed countries) |
| LSMP | Legal Sector Master Plan |
| LPRP | Lao People's Revolutionary Party |
| MAF | Ministry of Agriculture and Forestry |
| MEM | Ministry of Energy and Mines |
| MDG | Millennium Development Goals |
| METT | Ministry of Education, Training and Technology |
| MIC | Middle-Income Country |
| MoES | Ministry of Education and Sport |
| MoF | Ministry of Finance |
| MoFA | Ministry of Foreign Affairs |
| MoHA | Ministry of Home Affairs |
| MoJ | Ministry of Justice |
| MoNRE | Ministry of Natural Resources and Environment |
| MPI | Ministry of Planning and Investment |
| NA | National Assembly |
| NGPAR | National Governance and Public Administration Reform |
| NGO | Non-Government Organisation |
| NNC | National Nutrition Council |
| NUoL | National University of Laos |
| NPA | Not for Profit Associations |
| NSEDP | National Social Economic Development Plan |
| NRE | Natural Resources and Environment |
| OECD | Organisation for Economic Cooperation and Development |
| ODA | Official Development Assistance |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PSD | Private Sector Development |
| REDD | Reducing Emissions from Deforestation and Forest Degradation |
| RTM | Round Table Meetings |
| SDG | Sustainable Development Goals |
| (S)SWG | (Sub) Sector Working Group |
| TVET | Technical and Vocational Education and Training |
| UN | United Nations |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNFCCC | United Nations Framework Convention on Climate Change |
| UXO | Un-Exploded Ordinances |

1. Introduction

Following commitments to improve development effectiveness, the EU, EU Member States and Switzerland (European partners) decided to develop a single joint strategy (programming document) under the overall framework of the 8th National Socio Economic Development Plan 2016 - 2020.

European partners have a long-standing partnership with Lao PDR in support of sustainable economic development. This partnership is equally directed at advancing European and global commitments to combatting poverty, sustainable environmental management, protecting fundamental human rights, strengthening democratic governance, gender equality and protection and inclusion of disadvantaged minorities. Combating corruption and improving the efficiency and effectiveness of governance is central to the cooperation partnership and the sustainability of Lao PDR's growth path. Economic growth needs to also be complemented with other measures, namely combatting illegal exploitation of resources and preventing involuntary resettlement.

A joint European development strategy improves efficiencies and effectiveness whilst making it easier for the Lao Government, implementing and other partners to analyse and participate in programming. The Government welcomed this European initiative that started with a transitional joint programming strategy for 2014-2015 and is now being elaborated into a full joint programming document synchronised with the government's 2016-2020 planning cycle. Joint programming is implementation of development effectiveness commitments to better coordinate and support national policies and their implementation as detailed in the EU Code of Conduct on Complementarity and Division of Labour in Development Policy. As such it reflects the commitments taken in the Busan Partnership for Effective Development Cooperation, reinforcing existing Lao coordination and development effectiveness initiatives.

The programming approach is based on European policy commitments to sustainable development and in-line with the internationally endorsed *Sustainable Development Goals*. For European partners this means the promotion of democratic governance, protection of fundamental human rights, inclusion of minorities and disadvantaged ethnic groups and contributing to equitable growth. Gender equality is at the core of democratic societies and good governance, and the cornerstone of inclusive sustainable development. As such, gender equality is enshrined within the EU's legal and political framework. European development programming particularly focuses on opportunities to redress gender imbalances, stop exploitation and trafficking of women and girls and equal access to services and economic opportunities. Moreover, European partners endeavour through its programming to reduce the risks and impacts of climate change and enhance the implementation of the Paris Agreement (COP21).

Practically, country ownership is strengthened in *synchronising with and aligning* to the programming cycle of Lao government. Synchronising development partner and government programming cycles improves dialogue and enables decision making based on a shared timetable and access to the same evidence base in policy making. Joint programming promotes policy coherence by aligning European development cooperation with European approaches to government policy, sector definitions and working arrangements that in turn create entry points for government and development partners for dialogue on policy and programming. Joint programming enhances policy dialogue at the national and sector levels. Joint analysis, joint monitoring and evaluation contribute to evidence based policy making and are enabled through joint programming.

Joint programming is at the partner country strategy planning level. Implementation decisions still take place at the sector level in which joint implementation is considered in consultation with line ministries, civil society and implementing partners. In Lao PDR, the European programming document clusters implementation in seven sectors that are detailed below. Additionally European partners also provide support to complementary sectors such as in culture cooperation, UXO clearance and research. European cross-cutting priorities are mainstreamed in all programming and policy dialogue. These include fostering sustainable and inclusive development, gender equality, protection of human rights and democratic governance

2. Context and Strategic Objectives

Lao People's Democratic Republic (Lao PDR), in South East Asia, has a population of 6.8 million citizens and GDP per capita of EUR 1,687 (USD1,857)¹. Bordered by China, Cambodia, Myanmar, Thailand and Vietnam, Lao PDR has easy access to some of the world's fastest growing markets and economies. The economy has grown by 8%² or more annually, through government policies promoting exports³ and exploitation of natural resources. Lao PDR has made progress on implementing the Millennium Development Goals (MDGs)⁴ notably in reducing poverty by 40%, achieving a primary education enrolment rate of 98%, meeting the MDG child mortality target.

However, important challenges remain regarding the achievement of the MDGs, in particular the 44% of children stunted needs to be urgently addressed, secondary school enrolment rates of 39% are too low (2012)⁵ and meeting the targets related to the new Sustainable Development Goals (SDG) on gender equality, maternal health or environmental sustainability require significant investment.

Lao PDR is a one party state, ruled by the Lao People's Revolutionary Party (LPRP). Voters directly elect representatives for a 5-year term to the National Assembly, which is the highest organ of state power. A LPRP Congress is convened every five years to discuss and adopt national development roadmaps for the next five years.

Lao PDR recognises the strong link between economic development, sustainability and the need to mainstream environmental considerations, including action on climate change into its development plans, as also highlighted in its Intended Nationally Determined Contribution.

The 8th NSEDP, constitutes the national integrated development policy document for the period 2016-2020 and sets priorities to pave the way for Lao PDR's realisation of the 2015 Sustainable Development Goals (SDGs). European programming directly supports the government's 8th NSEDP priorities and contributes significant resources to eleven of the seventeen SDGs. Lao PDR's classification as a least developed country (LDC) is directly related to being off track in a number of MDGs including in maternal mortality, education, environmental protection and worryingly, with food poverty (nutrition) worsening. In the 2016-2020 period, the Government needs to measurably increase spending and address a burgeoning implementation gap. The

¹ 2014-2015 estimate by the Ministry of Finance of the Lao PDR. Whilst Laos is on the UN's 'Least Developed Country' list it is actually a lower middle income country and only marginally poorer than Vietnam (GDP per capita of USD 1,900) and considerably richer than neighbours Cambodia (GDP per capita USD 1,000) and Myanmar (USD 1,200).

² 8% GDP growth rate or higher is cited by the government in the 8th NSEDP; the Asian Development Bank, however, estimates growth at a lower rate of 7% in 2015 and 7.2% in 2016; the World Bank projected annual growth to be 7.5% for 2015.

³ The 2010 Public Expenditure and Financial Accountability (PEFA) report notes that government has done much in recent years to make "Lao PDR... a relatively open economy."

⁴ <http://la.one.un.org/millennium-development-goals/mdg-progress-in-lao-pdr>

⁵ 8th NSEDP Baseline for all data expect poverty headcount, sourced from the World Bank (<http://data.worldbank.org/country/lao-pdr>)

quality of essential social service delivery to poor and vulnerable groups is in urgent need of improvement, including and particularly to disadvantaged minority and upland populations.

The strategic objectives of European development cooperation are reducing poverty, promoting good governance, sustainable and equitable growth. Rapid economic expansion is sustainable only insofar as environmental and public policy protects fragile ecosystems⁶ and vulnerable populations. Lao PDR needs to also provide an enabling environment and better services if its citizens are to benefit from growing investments in industrialisation, manufacturing and export of finished goods. This means equipping Lao PDR's citizens and businesses to compete in the local and regional markets as well as strengthening the public financial management systems and regulations. Markets are expected to become more competitive with the country joining the Association of South East Asian Nations (ASEAN) Economic Community (AEC). Regional connectivity makes sustainable management of forests, energy and agriculture a priority.

Inclusive and equitable economic growth is a programming priority for European partners particularly in improving participation of rural populations, which still constitute the large majority of the population and the most marginalized in regards to development indicators. Those in urban areas (particularly on the Thai border) do better than those in isolated areas, with inequalities between ethnic groups also growing. Rapidly increasing pockets of wealth are contrasted with more than 70% of the population still depending on agriculture for subsistence. 25% to 50%⁷ of the income of Lao PDR's 1.4 million poorest citizens comes from remittances⁸. Growing inequalities need to be better addressed by ensuring that sufficient resources are channelled in support of social services. Investing in key social sectors will be instrumental to reducing chronically high malnutrition rates, improving access to quality education and vital health services, all of which are crucial to poverty alleviation and reducing inequalities, with emphasis on gender inequality.

Half of the population is twenty two years old or younger. Lao PDR is going through a seismic demographic shift as this younger population becomes economically productive. Managing this effectively could deliver a 'demographic dividend'⁹ and potentially deliver the catalytic economic growth to graduate Lao PDR from LDC status.

Support to governance features prominently across the European development cooperation partnership, including through incentives for results-oriented reform and putting emphasis on partners' commitments to human rights, democracy and the rule of law. Improvements in the economic governance are also identified as a priority: with Lao PDR ranking of 148 out of 189 on the World Bank's Doing Business Survey 2015 local business are at a substantial disadvantage to regional competitors¹⁰. The 2012 Corruption Perceptions Index also calls attention to the need for Lao PDR to more comprehensively tackle corruption. Improving the governance situation, is something European partners can support and can only be achieved with the government leading in reducing on corruption, improving transparency, protecting human rights and promoting gender equality.

⁶ Paragraph 14, World Bank 2012-2016 Country Partnership Strategy for Lao PDR.

⁷ *Lao labor migration and remittances report*, March 2014, by Mana Southichak

⁸ The government estimates that 25,000 are employed in the garments sector in Laos compared to an estimated 400,000 Laotians currently working in Thailand typically in low skill/labour intensive industries. The draft 8th NSEDP also estimates that remittances could constitute as much as 7% of GDP.

⁹ 'Demographic dividends' are associated with large influxes of productive populations into the local economy; demographic dividends are associated with, for example, the EU's and US' economic growth that accompanied the 'baby boomer' generation entering the workforce.

¹⁰ Vietnam ranks 80 places higher at 78; China ranks 90th and is improving whilst Thailand is the 26th best place to do business globally.

3. Principles of the Development Cooperation Partnership

European partners have been actively participating in the elaboration of aid effectiveness and development effectiveness principles at global level such as defined in the Paris Declaration, the Accra Agenda for Action and the Busan Partnership. Development cooperation is most effective when it builds on and contributes to the government's development policies and practices. The Government of Lao PDR is the principal driver of development and guided by the plans set forward in the 8th National Social and Economic Development Programme (NSEDP) for 2016-2020. The overarching goal of the European joint programme in Lao PDR is to build on what has been a long-standing and strong partnership with the government, civil society and implementing partners to reduce poverty, enable equitable and sustainable growth and development, foster respect for human rights, democratic participation and responsive governance, while promoting gender equality and women empowerment. European partners support *The Vientiane Declaration on Partnership for Effective Development Cooperation*, which promotes, inter alia, mutual transparency and accountability, strengthening and aligning to government systems, avoiding parallel project implementation units and recognising the importance of a comprehensive partnership including civil society and private sector in support of development efforts.

European partners have comparative advantages in a number of areas based on applicable lessons learned from their own growth and development paths and in being amongst the most experienced development partners globally, as well as in Lao PDR. In this context, European partners bring their comparative advantage in supporting Lao PDR in improving its institutions and accountability systems. Capitalising on efficiencies and opportunities to expand service delivery by using information technologies, is a key feature of the European approach. Equally, Europe has a comparative advantage in sharing its experience of regional integration. The European Union is the most advanced example of regional integration including the free movement of persons, goods, services and capital (which to a large extent also applies to Switzerland) and an economic and monetary union. European partners also have vital lessons and knowledge to share on the importance of ensuring social protection and welfare in the context of rapid economic growth and regional integration.

Policy coherence for development also features strongly in European programming and is achieved in aligning with the 8th NSEDP and all aspects of European policies including trade, environment, migration and security cooperation policy consistent with development objectives. European development cooperation is also reinforced through regional partnerships such as working with local actors involved in managing the Mekong River and supporting regional integration through ASEAN.

4. Joint Approach and Choice of Sectors

Government Policy and National Architecture: The government has a well-established medium term national integrated policy planning process. The 2016-2020 8th NSEDP's primary goal is to accelerate economic and social development to graduate Lao PDR from LDC status. The plan focuses on *national income, human assets* (social protection to ensure access to education, nutrition and health), *economic vulnerability and resilience* to natural and man-made shocks. European partners see the 8th NSEDP as a sound framework for development planning, although it needs greater attention to rights based approaches and to delivering on global commitments to national ownership¹¹. The efficacy of the 8th NSEDP, however, depends on government improving transparency in public budgeting, meeting and raising its commitments to increasing spending on social services.

¹¹ In line with the Busan Partnership Principles, Laos and its development partners have committed to strengthening 'national' ownership meaning greater inclusion of civil society, the private sector and citizens.

Development partners coordinate through a national development cooperation architecture. Lao PDR holds annual round table meetings bringing together representatives of government and development partners in ten sector working groups with sub-sectors. The Ministry of Planning and Investment is a key intermediary for international development partners who together support the principles of *The Vientiane Declaration on Partnership for Effective Development Cooperation 2016-2025*. Lao PDR performed satisfactorily in the 2010 *Paris Declaration Survey* but there is need for greater use of joint programming and implementation as well as integration of Busan commitments especially on inclusive development. The national aid architecture could also be strengthened to improve coordination and dialogue with ‘emerging development partners’ (e.g. China and Vietnam).

European partners (comprising the European Union, Germany, Finland, France, Hungary, Ireland, Luxembourg, Poland, the United Kingdom and Switzerland) cumulatively account for almost a quarter of international development cooperation in Lao PDR¹². They also have strong trade and commercial relations with Lao PDR. Joint programming in Lao PDR is a means to improve effectiveness and reduce transaction costs. Specifically, European partners are committed to using joint analysis, coordinated programming, implementation and policy dialogue wherever feasible. Joint programming is recognized in the Busan Partnership as a tool to improve effectiveness, ownership, alignment with government plans and policies and enabling mutual accountability for results. This framework will enhance coordination, while existing bilateral relations and bilateral cooperation mechanisms (such as Joint Committees, review mechanisms of bilateral cooperation) between individual European partners and Lao PDR will be maintained.

Development cooperation complements private sector investment, as well as trade and commercial relations. As such, it welcomes opportunities for deeper partnerships, dialogue and synergies with the private sector. Development cooperation is an important tool for government, elected representatives and related actors (e.g. in the private sector and academia) to develop national capacity and to access international experience as part of the evidence base in policy making.

The European Intervention: The 8th NSEDP identifies 62%¹³ of public investment funds coming from Official Development Assistance (ODA) and the remainder coming from state budget. However, the government also expects three times as much investment from the private sector and through borrowing from capital markets. ODA is expected to shrink as a portion of overall investment spending as domestic revenue and the private sector grows. With domestic revenues of growing proportional importance, the value of development cooperation will increasingly be in strategic interventions such as in transferring skills and contributing to efficient and effective national and government systems (rather than in financing services directly). Continued investment will thus require incentives and an enabling environment for the private sector and civil society to better partake and invest in national development.

Justification of the Sectors: European partners are focusing at the sector level on reducing poverty through private sector development and expanding markets for agricultural goods and services. A focus on improved nutrition complements agriculture, rural development, health and education. European partners are investing in stronger national and local environmental management systems and better access to health and education (including tertiary¹⁴ and vocational education and capacity strengthening for civil servant). Across all sectors, European

¹² See OECD DAC/QWIDS database; www.oecd.org.

¹³ 8th NSEDP Financing Plan, pg. 135

¹⁴ France, for example, currently supports 600 Lao graduate students in French institutions providing high level training to doctors, policy makers and educators amongst others.

partners are strengthening national planning and coordination capacity to improve service delivery at the sub-national level.

European partners have jointly identified seven 'priority sectors' in which they have a comparative advantage and are active in policy dialogue. The sectors are **aligned** with the government's policies and definitions, and coordination is ensured through the relevant working group mechanism, thus enabling **ownership**. European partners are **harmonising** their programming through this joint programming exercise with each sector annex (fiche) contributing to a results framework linked to monitoring indicators included in the 8th NSEDP to enable **mutual accountability for results**.

The core of the development partnership is **governance**, focusing on greater participation, effectiveness and responsiveness of government institutions at the national and sub-national levels. **Agriculture, education and health** are 'traditional' sectors in which European partners have a long-standing partnership with the government such as in expanding delivery of essential social services. **Private sector development** particularly for Lao PDR's small-scale farmers and entrepreneurs promise to deliver higher household incomes and poverty reduction. This is accompanied by Technical and Vocational Education and Training (TVET). European partners are investing heavily in **nutrition** and thus contribute to the achievement of the government's goal of reducing by 190,000¹⁵ the number of stunted children by 2025. Critically, European partners continue to invest in sustainable **environmental and natural resource** management. European partners are also involved in cross-cutting and complementary sectors which are detailed further in annex.

Monitoring and Evaluation: The European joint strategy is implemented through development cooperation programmes in Lao PDR. Its implementation is coordinated through monthly European Development Counsellors' meetings and the relevant working groups in the existing country-based coordination architecture. The joint strategy includes a framework for joint monitoring of implementation and results against agreed indicators (see Joint Results Framework – annex 2), which are, and will be, predominantly drawn from the NSEDP defined indicators and targets, in order to ensure alignment. The European partners will support, and actively participate to, the monitoring and evaluation of the NSEDP as it will be the main mechanism for the monitoring and evaluation of this Joint Programme. In addition, existing bilateral review mechanisms between European partners and Lao PDR will be maintained. A mid-term review or monitoring exercise will be carried out if considered necessary and relevant.

¹⁵ Based on current estimate of 385,000 stunted children being 44% and 1.7% annual population growth rate

5. European Development Partner Financing Estimates for 2016-2020 and Division of Labour

5.1 European partners recognise that their development cooperation programmes should complement each other to foster efficiency gains and avoid duplications in line with the 2007 *EU Code of Conduct on Complementarity and Division of Labour in Development Policy* and *The Vientiane Declaration on Partnership for Effective Development Cooperation 2016-2025*. Each European development partner strives to concentrate their programming in three sectors or less and using division of labour to better coordinate and share the workload. While no European partner will act as a lead on Joint Programming, in each of the sectors (listed below), a European partner may act as coordinator, sharing information and ensuring policy dialogue with the responsible line ministry in close coordination with other European partners. The table below shows the current sector presence of European partners and *indicative* allocations of new funding for the 8th NSEDP programming period (2016-2020).

5.2 – Financing estimates per sector (in EUR million)

| | Agriculture & Rural Develop | Education, Scholarships | Environment & Natural Resources | Governance | Health | Nutrition | Private Sector Development | Other/ Not yet Identified | Total |
|----------------------|-----------------------------|-------------------------|---------------------------------|------------|--------|-----------|----------------------------|---------------------------|-------|
| <i>No. in sector</i> | 4 | 2 | 2 | 5 | 2 | 3 | 3 | 4 | |
| EU | | 62 | | 22.5 | | 75 | | 2.5* | 162 |
| Finland | | | 4.2 | | | | | | 4.2 |
| France | 20.7 | 32.9 | | 4.1 | 12.3 | 4 | | 5.0 | 79 |
| Germany | | | 50 | 5 | | | 45 | | 100 |
| Ireland | | | | | | | | 3 | 3 |
| Hungary | 27.5 | | | | | | | 1 | 28.5 |
| Luxembourg | 18.9 | | | 7.6 | 26 | | 7.5 | | 60 |
| Switzerland | 27.1 | | | 30.7 | | 9.2 | 22.5 | | 89.5 |
| United Kingdom | | | | | | | | 3 | 3 |
| % | 14% | 18% | 11% | 14% | 8% | 18% | 15% | 2% | |
| Total | 93.7 | 94.9 | 54.2 | 69.9 | 38.3 | 92.2 | 75 | 8.5 | 524.2 |

(*) For Support Measures (for EU): an indicative amount of maximum EUR2.5 million will be set aside for support measures aimed at supporting the preparation and implementation under this programming period, including through feasibility studies, consultation and planning, workshops, outreach, audits, evaluations and other activities as necessary to ensure quality in design and implementation of actions.

Notes:

European Union: The above estimated amounts are based on the Multiannual Indicative Programme for Lao PDR. Commitments for individual programmes are confirmed through Commission Decisions, and are the basis for Financing Agreements between the European Union and the Government of Lao PDR.

Finland: funding estimates are for 2016, 2017 and 2018. Finland does not have a specific bilateral strategy document for Lao PDR. Cooperation in Lao PDR is based on its Action Plan for South East Asia.

France: estimates of EUR15 million per annum; estimates extrapolated by sector based on previous allocations. France does not have a specific bilateral strategy document for Lao PDR.

Germany: extrapolated by consultant from past commitments *but* no official data provided for 2016-2020. For Germany, JP replaces the bilateral development cooperation strategy for Lao PDR. Existing bilateral intergovernmental negotiations on development cooperation will remain.

Ireland: estimate is based on 2016 estimations only of EUR 500,000 for UXOs and the rest for other sectors. Ireland does not have a specific bilateral strategy document for Lao PDR.

Hungary: estimated contribution for Agriculture and Rural Development sector are based on the *planned Tied Aid* Loan Agreement, and the indicative EUR1 million is extrapolated by ongoing yearly scholarship programs, but no official data is provided for 2017-2020.

Switzerland: extrapolated from 2016-2017 actual data but no official data provided for 2018-2020. Switzerland does not have a specific bilateral strategy document for Lao PDR. Cooperation in Lao PDR is based on its Mekong Region Strategy.

United Kingdom: estimate based on transition strategy disbursements. United Kingdom does not have a specific bilateral strategy document for Lao PDR.

6. Sector Response Plans

6.1 Sector Response Plan: Agriculture and Rural Development

According to the World Bank, 62% of the Lao population was still living in rural areas in 2014. Agriculture and rural development is essential to the Lao economy and the livelihood basis for more than 70% of the population (and 20% of Gross National Income) but it is facing many challenges particularly in its transition from subsistence based towards a market oriented approach. The sector is need of considerable investment and support to build the capacity among a large range of stakeholders from individual farmers to civil servants, traders and processors. The livelihoods of rural populations also depend on access to public and private infrastructure and services as well as management of resources in other sectors such as environment and natural resources, water and sanitation, health and nutrition, education. A holistic approach reflecting these various dimensions (technical, economic, social, environmental and political) will be essential to poverty reduction and economic growth in rural areas. Increasing climate resilience with respect to agriculture is also a high priority especially for food security.

The prevailing challenges are addressed through a specific strategic document developed by the Ministry of Agriculture and Forestry – MAF (The Agriculture Development Strategy to 2025 and Vision to 2030¹⁶) covering the period 2015-2025 endorsed by Lao government on the 20 February 2015. Many subsectors' components fall under the scope of related policies such as on upland development strategy, law on irrigation, coffee sector strategy, etc.

Overall and Specific Objectives (SO):

The overall objective is sustainable development in rural areas through fair agriculture development preserving the interests of small holders and contributing to poverty reduction. At the same time pressures to extend agricultural production to forested areas needs to be reduced. Social conditions need to also be improved including better nutrition, access to markets and social services through better and more rural roads, safe water and climate change resilience.

SO 1 – Improve Agricultural Practices.

Farmers (both men and women) need support to improve their agricultural practices taking into account improved and adapted varieties, efficiently manage their soil fertility to sustain their cropping system, training them in managing pests and disease affecting their crops (and livestock), including sustainable production and harvesting of agro-biodiversity products, and appropriate irrigation schemes construction. Diversification of crops is undoubtedly part of this improvement for various reasons including nutrition objective, increasing resilience to climate change and hazards (natural and economic) management.

Food insecurity induced by hazard in climate patterns should also be addressed including through the introduction of new technologies together with the use of indigenous knowledge in order to better prevent and address shocks.

This sub objective includes support to extension services, capacity building of various stakeholders, vocational education in this sector and enhancing research capacities.

SO 2 – Strengthen the Role of Family Farming.

¹⁶ The ADS 2025 and V. 2030 Sectoral Vision and Aims is: “Ensuring food security, producing comparative and competitive agricultural commodities, developing clean, safe and sustainable agriculture and shift gradually to the modernization of a resilient and productive agriculture economy linking with rural development contributing to the national economic basis”

Supporting family farming is essential to combatting food insecurity and improving nutrition. To maintain the role of family farming, it is necessary to strengthen their capacity to organise themselves through farmers organisations targeting collective function and being able to raise their voices in the various fora organised for agriculture linked topics.

SO 3 – Improve Economic Efficiency.

Production processes are to be improved but more importantly European partners focus on improving products’ post-harvest techniques, development of new food chain system and better develop linkages with the market. Various commodity value-chains could be addressed through better use of market information systems that provide access to better opportunities for farmers, traders, civil servants and the private sector. Commodity organisations are also supported to provide all the stakeholders along the value chain the basis to exchange information on opportunities, risks and challenges.

SO 4 – Improve Service Delivery in Rural Areas

Poverty reduction in rural areas is not only limited to improving the income of target population but also needs to address availability of and equitable access to social services including nutrition, water and sanitation and also health and education. These services as well as local planning and administration, based on the needs and priorities of rural populations, are essential for the development of rural livelihoods in remote areas and to improve socio-economic conditions. The expansion and rehabilitation of rural roads is considered as one main driver which will help improving the access to these services.

Expected results:

The population in the rural areas remains more or less stable (in number not in percentage) to ensure enough manpower to cultivate agricultural land. The poverty situation of this rural population improves and the number of people below the poverty line reduced. The contribution of agriculture to the national economy increased in absolute values (and reduced in percentage).

Sustainable agriculture production increases enough to ensure food security at the national level (which is already the case, despite the existence of some remaining food insecure pockets in the uplands) and to contribute to exportation in an increasing number of market places, while becoming increasingly resilient to climate change related hazards.

Local planning and administration are based on needs and priorities of local populations identified through inclusive and participatory processes.

| Specific objectives | Expected results |
|--|--|
| SO 1 – Improve agricultural practices | <ol style="list-style-type: none"> 1. Stabilisation of the area dedicated to agriculture and to the forest. 2. Reduced poverty rate in the rural population. 3. Increased average yield per hectare for the main commodities (e.g. rice, rubber, coffee, ...) |
| SO 2 – Strengthen the role of family farming | <ol style="list-style-type: none"> 1. Percentage of smallholders in the production process. 2. Increased number of Farmer Organizations (FOs) that provides services to their members |
| SO 3 – Improve economic efficiency | <ol style="list-style-type: none"> 1. Reduced poverty rate in the rural areas 2. Competitiveness of Lao products in regional and international markets |

SO 4 – Improve service delivery in rural areas

1. Availability of services from public and private providers and capacity of district staff to answer the demand
2. participatory planning and administration process in place
3. Improved living conditions in rural areas through better services access.

Main Indicators by Result:

For each result, the main **indicators** are:

| Expected Results | Main Indicators |
|--|---|
| Stabilisation of the area dedicated to agriculture and to the forest | Agricultural land management (area covered) |
| Reduced poverty rate within the rural population | Percentage of total households living below national poverty line by region/province (Poverty Headcount ratio) |
| Increased average yield per hectare for the main commodities (e.g. rice, rubber, coffee, ...) | Average yield of rice coffee and rubber per hectare |
| Percentage of smallholders in the production process increased | Market share of subsistence smallholder agriculture |
| Increased number of Farmer Organisations that provide services to their members. | Number of Farmers Organizations (formal and informal) and extension organizations (private or public) that promote sustainable technologies or management practices |
| Reduced poverty rate in the rural areas, Competitiveness of Lao products in regional and international markets improved. | Economic Vulnerability Index - Instability of Agricultural Production B- 2015: 20.4 T-2020: target to be established according to LDC graduation requirement EVI component: Merchandise export concentration B-2015: 22.4 T-2020: target to be established according to LDC graduation requirement |
| Availability of services from public and private providers and capacity of district staff to answer the demand | Farmers organisation (number and annual turnover) |
| Participatory planning and administration process in place, | Extension services (number of skilled extension workers having capacity and budget to deliver services) |
| Improved living conditions in rural areas through better services access. | Percentage of villages with water source in the village or close by. |

Development Partner Coordination and Policy Dialogue:

Policy dialogue between the development partners and the government, under the auspices of the SWG, should contribute to a balance between possible contradictory objectives such as reducing slash and burn but preserving the livelihood of smallholders in the upland, increasing rice production but securing smallholders’ place in the commodity chain, developing new and

more intensive crop systems but avoiding more chemicals to flow, etc. European partners involved in the sector will continue to share experience with the other development partners in order to improve the general efficiency of aid delivery in this sector. The co-financing by France and Switzerland, complementarity with Germany, of a programme based approach (that makes use of government systems to support implementation of the government's policies related to development in the uplands) through the *Northern Upland Development Programme* is an example of what could be done to strengthen structures within the sector.

Environmental Assessment:

Agriculture has direct interaction with lands and consequently could have adverse impact on the environment through deforestation process, soil degradation and pollution of the water bodies, with subsequent impacts on health, greenhouse gases emissions and vulnerability. Adequate process should be put in place to reduce this potential impact and take the necessary measures to cope with.

Risks

| Risk | Mitigation measures |
|---|---|
| The major risk is an insufficient political attention given to the situation of the rural population and no budget allocated to MAF to implement its policies | Ministry of Finance to allocate to the MAF the necessary budget to have central and decentralised services able to develop their capacities and to support the farmers. Development partners' financial support to the sector to remain at an adequate level |
| Other risks are linked to specific commodities or area such as drop in commodities prices or natural disaster in specific areas | Better commodities organisation and support from the government to overpass temporary crisis. Institutional arrangement to enhance resiliency to such shocks Development of regulation and "insurance" scheme. |
| Resettlement of populations can put at risk livelihoods of affected populations as well as previous investments by development partners | EU shared guidance on resettlement and dialogue with the GoL. |
| Land based industrial investment puts additional pressure on availability of land for smallholders | Policy dialogue with the GoL while at the same time improving access to legal aid and knowledge for affected populations. Engage a political dialogue with the GoL on existing tools for the promotion of responsible agricultural investment (such as the <i>guide to due diligence of agribusiness projects that affect land and property rights</i> developed by France). |
| Environmental and land degradation due to non-respect of environmental standards | Sensitizing MAF staff and local authorities on including environmental concerns and standards in agriculture development |

6.2 Sector Response Plan: Education

Overall Objectives:

The European partners support to the education sector is aligned to the Lao Government's to the national Education Sector Development Plan (ESDP) 2016-2020 (and as reflected in the 8th NSEDP), the international targets articulated in the Sustainable Development Goals (SDGs)¹⁷, and to the EU's objectives as stated in the EU Agenda for Change.

The focus is on basic education, comprising primary and lower secondary education. Basic education is an essential building block in Lao PDR because it has an outsized impact on public health, demography, economic growth, governance and, although more difficult to measure, also on human rights and political stability.

In addition to basic education, the European partners, most notably including the Czech Republic, the EU, France, Germany, Hungary, Ireland, Luxembourg, Poland and the UK provide significant complementary support in the form of tertiary education scholarships and vocational education and training (covered in the Private Sector Development fiche).

Specific Objectives

The specific objectives (SO) relate to support equitable access to education, improved quality of education and to improved governance of the education system. All of the specific objectives and particularly SO1 contribute to the achievement of the Human Asset Index target for exit from LDC status with reduced disparity.

SO 1 – Support to Ensuring Equitable Access to and Completion of Basic Education (with a focus on disadvantaged groups)

Children from disadvantaged groups, particularly ethnic minority groups, children with disabilities and those living in remote and impoverished circumstances, are less likely to complete primary school. Girls are also more likely to be out of school than boys.¹⁸ The causes of low completion rates are multiple: informal costs of schooling; opportunity costs of the loss of livelihood generated from children working or caring for younger siblings; poor nutrition, curriculum does not fully reflect the needs of different learners; teaching incompatibility with language of ethnic minorities; and inadequate learning environments.

The Ministry of Education and Sports has prioritized the need to increase the participation and completion rates for all levels by 2020 in the ESDP (Expected Outcome 1 in ESDP) and has addressed some of the barriers to equitable access (Expected Outcome 2 in ESDP).

SO 2 – Support to Improvement of Education Quality and Relevance

The Ministry of Education and Sports has acknowledged that a key factor contributing to low participation in basic education is the poor quality of learning. Assessment of Student Learning Outcome (ASLO 2009) results for Grade 5 revealed that current levels of functional literacy and numeracy skills are not sufficient to support quality learning at higher grades of primary and lower secondary education. Teachers were not able to complete full curriculum particularly for Lao language and mathematics during the school year. The need to improve the quality of learning outcomes through the improvement of curriculum and teaching are key priorities for the Government (Expected Outcomes 2, 3 and 4 of ESDP). These priorities are also widely endorsed by development partners working in the education sector. The need to improve the quality of learning outcomes through the improvement of teaching is a priority for the

¹⁷ The SDG targets relevant to the EU's support in the education sector are 4.1, 4.5, 4.6, 4.7, 4.a, 4.b and 4.c.

¹⁸ UNESCO Country Statistics

Government (Expected Outcomes 3 and 4 of ESDP). This priority is also widely endorsed by development partners working in the education sector.

To address the situation, substantial and rapid improvements will be made through human and physical resourcing in: 1) literacy and numeracy based primary curriculum, 2) teacher supply, teacher training and teacher deployment, 3) supply and management of text books and other basic teaching and learning materials and 4) more balanced infrastructure investments between urban and rural areas.

SO 3 – Support to Improved Governance of the Education System

In order for resources to be utilized effectively and to raise awareness for greater investment in education, the education sector needs to be planned, financed and monitored appropriately. This requires substantial skilled human and financial resources, with results only to be yielded in the medium term. The importance of improving the education system is well outlined in the ESDP (Expected Outcomes 8, 9 and 10).

In addition, in order to reduce cost barriers for poorer families, education financing strategies will have to be adjusted in a very tight overall budget environment. Hence, increased efficiency in sector planning/prioritization, allocations and spending will be essential. This will also require enhanced intra-ministerial and inter-ministerial coordination.

Expected Results:

| Specific objectives | Expected results |
|--|---|
| SO 1 – Support to ensuring equitable access, and completion of basic education, with a focus on disadvantaged groups | Increased number of children completing a cycle of basic education, with a focus on disadvantaged groups. Repetition and dropout reduced |
| SO 2 – Support to improvement of education quality and relevance | Increased literacy and numeracy skills Increased availability of relevant teaching and learning materials Improved delivery of teacher education (pre-service) and improved professional development system for teachers, school principals and pedagogical advisers (in-service) Improvement of basic literacy and numeracy learning outcomes |
| SO 3 – Support to improved governance of the education system | Strengthened and more effective links between planning and budgeting at central and provincial levels District and school management enhanced Increased non-wage recurrent budget through improved efficiency of teacher deployment |

Indicators for monitoring results

For each result, the main **indicators** are:

| Expected Results | Main Indicators |
|---|--|
| Increased number of children completing a cycle of basic education, with a focus on disadvantaged groups. Repetition and dropout reduced | Survival rate to grade 5 Gross enrolment rate to lower secondary education Dropout rates for grade Repetition for Grade 1 |

| | |
|--|--|
| <p>Increased literacy and numeracy skills Increased availability of relevant teaching and learning materials Improved delivery of teacher education (pre-service) and improved professional development system for teachers, school principals and pedagogical advisers (in-service) Improved results in literacy and numeracy learning outcomes evaluation</p> | <p>Percentage of students reaching the functional levels (in Lao Language and Mathematics) Pupil/textbook ratio Number of teaching staff trained Number of teachers/ school principals and pedagogical advisers trained/certified. Numeracy and literacy learning outcomes evaluations.</p> |
| <p>Strengthened and more effective links between planning and budgeting at central and provincial levels District and school management enhanced Increased non-wage recurrent budget through improved efficiency of teacher deployment</p> | <p>Consolidated Central and Provincial Annual Costed Sector Education Plans (ACSEPs*) endorsed by the Ministry of Education and Sports by the end of January</p> <p>*ACSEP is a rolling planning and budgeting system embedded in the MoES system. improved efficiency of teacher deployment</p> <p>Share of government expenditure to the education sector in line with ESDP projections</p> <p>Percentage of annual school development plans established</p> <p>Number of School Development Plans sent to the DEB for approval. School Development Plan (SPD) jointly established by the village education development committees and School Principals.</p> <p>Percentage of non-wage recurrent spending for quality improvements over education sector total recurrent budget</p> |

Development Partner Coordination and Policy Dialogue:

There are over 200 projects in the education sector supported by development partners, non-governmental organisations (NGOs) and the private sector. Most education projects use project-based modalities. For the fiscal year 2013-2014, 68% of education¹⁹ capital expenditures (investments) were financed by international development partners. Australia (focusing on primary education) and Japan (primary education and lower secondary education) are the largest OECD bilateral development partners, while UNICEF (focusing on early childhood and primary education), the Asian Development Bank (focusing on higher, TVET and secondary education) and the World Bank (early childhood education) lead multilateral sector contributions.

The EU has also been active in the education sector for many years with a focus on sector planning, financing and budgeting at country level, and through our contributions to Australia (BEQUAL) the Global Partnership for Education (GPE), focusing on primary education. While the first operation of the GPE was mainly focused on access and infrastructure, the second operation is more oriented on improving the quality of the education system at the school level.

Other development partners, such as Luxembourg, Germany and Switzerland focus on technical vocational training (TVET) which is explained in more detail in the private sector development fiche. China, Korea, Thailand and Vietnam also have substantial education investment portfolios

¹⁹ State Budget Plan for FY 2013-2014 as adopted by the National Assembly, Legislature XII, 24 June 2013, Official Gazette – January 2014

with a heavy focus on infrastructure and information communication technology to secondary education institutions.

The primary coordination mechanism for dialogue with the government of Lao PDR is the Education Sector Working Group (ESWG). Out of the 10 sector working groups active in Lao PDR, the ESWG is regarded as one of the most effective. The group is chaired by the government of Lao PDR and co-chaired by Australia and EU. The ESWG has steadily evolved from a forum primarily used for information exchange towards an active and evidence-based policy dialogue. The ESWG is now seen as a vital forum for the government and development partners in sector planning, policy dialogue and coordination. Four sub-sector focal groups have been established and development partners participate actively in the monthly Informal Education Development Partner Working Group meetings. EU is also co-chairing focal group 3 with Japan on planning, financing and monitoring and actively participates in, and coordinates, policy discussions with the Ministry of Education and Sports (MoES)' planning and finance departments and development partners.

The Government's Financial and Policy Commitments:

The government prioritizes human resource development in its national planning, as evidenced by education being a top priority under the 8th NSEDP (2016-2020). A coherent policy and overall strategy to strengthen Lao PDR's education system is articulated in the Education Sector Development Plan (ESDP) 2016-2020 outlines sector goals, expected outcomes, targets, and resource requirements together with monitoring requirements.

The ESDP 2016-2020 puts more emphasis on raising education quality than on system expansion. The financing requirements indicate therefore the need to create fiscal space for increased quality-related investment as well as operational expenditures such as school block grants, in-service teacher training, textbook replenishment, pedagogical advisor missions etc. Strategies to increase fiscal space are foreseen in the ESDP 2016-2020 such as more efficient human resource management (i.e. teacher deployment and/or redeployment), and improved policy planning, budgeting and monitoring.

The National Assembly has made a commitment to allocate 17% of the State Budget to Education Sector. However, the actual budget allocation for education has never reached 17% of total government budget as committed by National Assembly; the highest was 15.5% in FY2013/14 but declined to 14.5% in FY2014/15.

The attainment of ESDP targets will depend on resources made available during 2016-2020. There is an assumption that the education share of the government budget will be 17% per year. Based on past experience and current economic slowdown, it would be a challenge to increase education budget to 17%. If the education share is less than 17% and ODA pledges are not factored, non-wage operational expenditures and investment would need to be restricted, unless recruitment of new teacher posts would be cut back and offset by improved efficiency of teacher deployment/redeployment. The Ministry would also need to establish priorities and postpone some expensive investment plans.

Environmental Assessment: Not applicable

The Overall Risk Assessment

| Risk | Mitigation measures |
|--|---|
| The major risks are related to financing: The committed target allocation to education sector is less than 17% of the government budget | Policy dialogue with National Assembly, Ministry of Finance and Ministry of Education and Sports. |

The operating budget (non-wage recurrent expenditure) is approximately 10% of the total sector budget. Very little discretion is being given to carry out interventions aimed at improving the quality of education and at strengthening inspection, monitoring and evaluation.

The ESDP targets used to guide sector priorities are ambitious and not yet fully reflects operational or fiscal feasibility

Technical Assistance (TA) support to help Department of Planning and Department of Finance, Ministry of Education and Sports, to better prioritise non-wage recurrent expenditures and to strengthen planning and budgeting.

Support Ministry of Education and Sports in developing projection planning and budgeting tools that may provide the basis for proposing more feasible and realistic targets (i.e. targets can be revised during ESDP Mid Term Review)

6.3 Sector Response Plan: Environment and Natural Resources

With the 8th NSEDP the Lao government has reaffirmed its goal to graduate from LDC status and to induce an economic and structural transformation from a primarily agriculture and natural resource exploitation based economy to a more diversified one which is increasingly reliant on industrial development, manufacturing and services. In the past, the impressive economic growth levels have been largely sustained by the expansion of hydropower, mining, large agriculture concessions and timber sales.

In the last decade, the government has successfully reduced poverty and enabled sustained economic growth. However, wide-spread corruption, misuse of power, limited capacities of the relevant government authorities, unclear or even contradicting legislation and regulation, a lack of enforcement and inconsistent implementation of policies and almost un-monitored investments have become a notable threat to sustainable development in Lao PDR. Large-scale conversions of forests into plantations and for infrastructure development, logging along and outside the borders of designated concession areas are only some of the visible examples. Rapid loss and depletion of natural resources are evident throughout the country and in some instances the pace is even increasing, deforestation rates, biodiversity loss, degradation of land, depletion of soil and pollution of water resources are raising concerns. There is ample evidence that Lao PDR's economic growth will be accompanied with irrevocable destruction of natural resources. There is a clear risk that a deteriorated natural resource base will cause huge costs and compromise future economic growth of the country. In addition, Lao PDR has transformed from a carbon sink to a net carbon emitter over the last decade. There is increasing international pressure on Lao PDR as part of the international community to address the prevailing challenges, most notably illegal logging and illegal wildlife trade for which Lao PDR has received a somewhat negative reputation in the international arena. In addition, the international community prepares a new global framework to address climate change and Lao PDR has the potential to benefit from increased climate financing for mitigation and adaptation.

In figures, the World Bank estimates that natural resources (forestry, agricultural land, hydropower, and minerals) comprise more than half of Lao PDR's total wealth and that from 2005 to 2013, the hydropower and mining sectors alone generated about one third of the country's economic growth. Yet this is only a share of what could be generated in taxes and revenues for the state budget, if the large proportion of informal and illegal trade most importantly of timber was regulated well and integrated into the formal economy. Definite and reliable data on the volume of illegal timber trade and its value is difficult to establish, but according to the import statistics from Vietnam, Thailand and China total timber imports from Lao PDR almost doubled from 2010-2012 alone. This is at the same time when UNODC estimated the proportion of illegal timber in the market and trade flows at 65 %.

Supporting the government, affected communities and other stakeholders to address the prevailing challenges and ensure a sustainable approach by balancing the use and preservation of natural resources is thus as essential to the continued viability of the current economy as it is to protecting a fragile ecosystem. The European partners, led by Germany as the largest European development partner in this sector, have adopted a medium-term approach on how best to improve sector governance and facilitate positive change.

Overall and Specific Objectives

The overall objective of European partners in the natural resource and environment sector in Lao PDR is for the rural and poor communities targeted by European support to benefit from healthy and sustainably managed forest ecosystems and secure access to land in line with the Voluntary guidelines on the responsible governance of tenure of land, fisheries and forest in the context of national food security. The European actors also support the Government of Lao PDR in delivering on the 8th NSEDP's outcome three which is to reduce the effects of natural shocks

as required for Least Developed Country (LDC) graduation and sustainable management of natural resources. The Ministry of Natural Resources and Environment (MoNRE) has developed a Five-Year Action Plan to implement the 8th NSEDP, a Strategy 2025 and Vision 2030. Over the period of the elaboration of the above mentioned documents, Germany has provided support to the Ministry of Planning and Investment (MPI) and MoNRE to harmonising these strategic documents, especially the targets and indicators therein and aligning them with international commitments (i.e. the SDGs) and obligations (UN convention, international and regional treaties etc.). Regarding the SDGs, programming in this sector will contribute particularly to the achievement of:

- Ending poverty (SDG 1),
- Ending hunger, achieving food security, improved nutrition and promoting sustainable agriculture (SDG 2),
- Ensure sustainable consumption and production patterns (SDG 12)
- Take urgent action to combat climate change and its impacts (SDG 13)
- Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss (SDG 15)

To achieve the above mentioned objectives, European actors support the relevant line ministries, particularly MONRE, MAF and to some extent MEM. In the past the National Assembly has increasingly played an important role in the “NRE sector” as well, making use of its oversight and legislative role and being prominently involved in the debate on land and forest issues and the granting of large concessions and investment projects.

Expected Results:

Specific objectives

Expected results

SO 1 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss (SDG 15)

Illegal logging is reduced and forests are managed sustainably in the target areas.

The loss of biodiversity and threatened species is halted and illegal trade with wildlife reduced in the target areas.

SO 2 – Ending poverty (SDG 1); Ending hunger, achieving food security, improved nutrition and promoting sustainable agriculture (SDG 2),

The land rights and access to land is secured for rural and poor communities in the target areas.

SO 3 – SO4 Government takes urgent action to combat climate change and its impacts (SDG 13)

Institutional structures to address the impacts of climate change are functional at national and provincial level.

Indicators for monitoring results

For each result, the main **indicators** are:

| Expected Results | Main Indicators |
|---|--|
| Illegal logging is reduced and forests are managed sustainably in the target areas. | Percentage of timber harvested and traded certified by FSC and/or with legal origin |
| The loss of biodiversity and threatened species is halted and illegal trade with | Number of production forest areas (and Hectares) with approved management plans in place and implemented |

| | |
|--|--|
| wildlife reduced in the target areas. | <p>Number of species threatened with extinction</p> <p>The targeted National Protected Areas are managed more effectively as demonstrated by an increase of Management Effectiveness Tracking Tool (METT) indicators .</p> <p>Government of Laos effectively implements its obligations from multilateral environmental agreements on biodiversity protection (Convention on Biological Diversity, CITES etc.).</p> <p>The knowledge and attitude related to climate change, forest and biodiversity protection of targeted government staff at national and local level and of local communities in XY villages have improved significantly.</p> |
| The land rights and access to land is secured for rural and poor communities in the target areas. | <p>Percentage of people in target areas with secure rights to land (i) with documented tenure and (ii) who perceive their rights are recognized and protected</p> <p>Number of additional land titles,</p> <p>Proportion of all land titles issued in the target areas include the man and woman in the title or the woman alone</p> <p>By 2020 all land owners and users who are expropriated in the target areas, receive adequate compensation according to the law and based on the value of the assets they have lost.</p> <p>Percentage of land concessions that include provision to share positive benefits for the local population</p> <p>Status of an inter-ministerial database for land-related information</p> |
| Institutional structures to address the impacts of climate change are functional at national and provincial level. | <p>Existence of an institutionalised mechanism to promote access and use of climate financing at the national level</p> <p>Status of regulatory and legal requirements for results-based payments for REDD+ in Lao PDR</p> <p>Number of provinces that have developed emission reduction action plans and structures to use climate financing.</p> <p>Number of targeted villages in Huaphan that receive performance-based pilot REDD+-payments and are ready to receive international performance-based payments.</p> <p>Mio. EUR for adaptation and mitigation measures are available to the Government of Lao PDR based on initiatives supported by projects funded by European partners.</p> |

Development Partner Coordination and Policy Dialogue

Formal policy dialogue between the Lao government and development partners active in the “NRE sector” takes place in the context of the Natural Resource and Environment Sector Working Group (NRESWG) and its five Sub-Sector Working Groups (SSWG) on 1. Land, 2. Forest, 3. Water Resources, 4. Environment and Climate Change and 5. Geology and Minerals. Here, Germany acts as co-chair of the NRESWG, the Land SSWG (GIZ mandated), Geology and Minerals SSWG (BGR mandated). The NRESWG meets twice a year, the SSWGs on a quarterly basis.

While the effectiveness of this mechanism and the quality of the dialogue has improved slowly over the past years, some challenges remain and will continue to be addressed by the European actors. This includes an increased depth of dialogue between the Lao government and development partners, increased transparency on the sector budgets and financial flows to the sector, a more effective use of the NRESWG and the SSWGs for consultation and debate on sector strategies, new and revised laws and decrees, monitoring of activities and achievements in the sector and link with and preparation of the annual Round Table Meeting. On a positive note, sensitive issues such as illegal logging and illegal wildlife trade or land related issues are increasingly addressed and (within certain borders) discussed in the meetings. Development Partner coordination in the “NRE sector” is regarded as comparatively effective. Informal coordination is organized by Germany and the World Bank as the co-chairs of the NRESWG.

One prevailing bottleneck regarding coordination and more effective support to the NRE sector is the fact that there is no coherent information regarding government’s sector allocation and budgeting. Partner contributions to programs in the sector are very limited, the budgets of the relevant authorities (MoNRE, MAF or MEM) are not transparent, budgets from other sources including the private sector (i.e. flows from concessions) or flows from royalties, related taxes etc. are unknown. This problem will inevitably grow in importance as accessing climate financing will require increased transparency of financial flows to and within the sector. In this regard, European partners are committed to ensuring that the dialogue with government is used to address this cross-cutting challenge, to increase transparency on financial flows and ensure that increasing counterpart contributions are delivered for the NRE sector as a demonstration of ownership and to ensure sustainability of the interventions.

The overall risk assessment of the sector intervention:

| Risk | Mitigation measures |
|--|--|
| Economic growth continues to take precedence over sustainable natural resource use. In consequence, NRE-projects are limited in their scope and possible impacts. | Continuous dialogue with Government on the risks of economic dependency on resource-exploitation and neglecting sustainability aspects in natural resource management. Encourage elaboration of a green growth strategy through policy dialogue. |
| Reduced space for CSOs to engage in dialogue and implement projects (on behalf of European partners) in the sector. | Continuous dialogue with Government on a conducive regulatory framework for CSO engagement. Also addressed by support to the governance sector. |
| Important legislation such as the National Land Policy, land law and forest law divert from international standards and do not increase security of tenure for rural and poor communities. | Continuous dialogue with Government. Provision of expertise and advice on the legislation. Strengthening of the link between National Assembly and the citizens. Also addressed by support to the governance sector. |
| No sufficient political will and law enforcement capacities to combat illegal timber and illegal wildlife trade. | Continuous dialogue with Government. Targeted support to law enforcement agencies. |
| Interests of powerful actors outside the existing EU – Government dialogue channels (regional actors, military) hamper improvements in governance of the NRE sector. | Efforts aimed at including these actors into the existing dialogue formats. Identifying areas of mutual interests and cooperating along these. |

Communities' role and participation in natural resource management is not acknowledged by Government and in upcoming legislation, incentive-based schemes for communities to protect the environment (co-management, benefit sharing, payment for ecosystem services etc.) cannot be up-scaled.

MoNRE and MAF are not awarded sufficient financial and personnel resources to implement existing policies, laws and decrees and cannot fully fulfil its mandate.

Mandates between MAF and MoNRE and MoNRE and MEM remain overlapping and unclear.

Continuous dialogue with Government.
Provision of expertise and advice on the legislation.

Support to strengthening sector financing and institutional and strategic capacities of MoNRE and MAF.

Continuous dialogue with Government.

6.4 Sector Response Plan: Governance

The governance sector in Lao PDR refers to the NSEDP priority of public service effectiveness, particularly at the sub-national level. It also relates to the GoL priority of becoming a “Rule of Law State by 2020,” particularly the pillars on ‘people’s voice’ and on oversight by the National Assembly. Engagement of the European DPs on decentralisation may also contribute to the “Three Builds” policy of GoL. From the European side, the strategy will be in line with the Agenda for Change, the Rights-Based Approach and the EU strategy on Gender Equality and Women’s Empowerment.

Overall and Specific Objectives

The overall objective is to contribute to good governance, the rule of law and human rights in Lao PDR. People’s representation and participation and Rule of law are two of the four pillars of the Lao PDR Strategic Governance Plan 2011-2020. This envisages Lao PDR as a rule of law state by 2020. The legislative and regulatory framework is also evolving, albeit slowly, to enable greater people’s participation, on the basis of the rights and obligations established in the constitution and currently valid legislation. The overall structure of the state is however unlikely to change substantially during this period.

The specific objectives (SO) are to support improvements in government service (SO1) to contribute to an environment that promotes citizens’ engagement for sustainable development and good governance (SO2) and support to the consolidation of the rule of law (SO3).

SO1 Support improvements in government services.

Through the Governance Public Administration Reform (NGPAR) and other initiatives, MoHA is focusing on the competencies of sub-national government units and supporting the effectiveness of service delivery and overall professionalism of civil service. Planning capacity and service delivery will be strengthened, by focussing more on capacity development of authorities at province and district level and enabling them to carry out their tasks according to their mandates. There are opportunities to reinforce citizens’ access to justice, as well as benchmarking of public service delivery and citizen feedback. At the district level, there are opportunities to strengthen citizens’ engagement in planning, resource allocations and monitoring of development and government funds. At central level, there are opportunities to improve transparency and accountability of public finance management (PFM), promote fair and transparent domestic tax systems, improve domestic revenue mobilisation and procurement, and to increase the capacity and control of oversight bodies. Establishing key guiding principles and policies for sound PFM will be done by providing support to the MoF, to the oversight bodies and to the role of the National Assembly and agencies such as the State Audit Institution or State Inspection Authority.

SO2 Contribute to an environment that promotes citizens’ engagement for sustainable development and good governance.

The legislative and regulatory environment for civil society activities is evolving and there are opportunities to reinforce practical cooperation between GoL and CSOs/networks of CSOs, through support to CSO actions addressing GoL priorities and complementary to State actions. MoHA and MoFA continue to revise the framework for regulation and accountability of national and international CSOs respectively. The NA is already working with CSOs to reinforce parliamentary outreach and consultation, at national and increasingly at sub-national level (through some INGOs’ support). The aim is to support the National Assembly in reaching out to the constituencies and strengthening their link with the citizens (including through the future local/provincial assemblies), and not only for legislative consultations (i.e. hotline, petition, consultations on socio-economic matters). The capacity of CSOs to engage in service delivery and support for good governance, including dissemination and awareness raising of rights, particularly outside the capital region, will be strengthened.

S03 Support the consolidation of the rule of law

Through the Legal Sector Master Plan (LSMP), the MoJ is consolidating the formal justice system and reinforcing semi-formal arbitration mechanisms at the community level. Civil servants at all levels are being trained to implement measures associated with the “rule of law state by 2020” approach. The institutional capacity of the judicial and legal training institutions is being strengthened. Access to justice is being reinforced by state and non-state actors. The MoJ is also striving to improve dissemination of legal information and legal advice to citizens. MoFA is coordinating GoL monitoring and reinforcement of compliance with international human rights obligations. MoJ and MoFA are working to domesticate the international agreements ratified by GoL and ensure inclusiveness in the UPR process. To ensure the respect and application of principles of rule of law, it is also necessary to provide legal education which responds to international standards. To strengthen the understanding of these concepts among legal practitioners will be important to improve the quality of the formal and semi-formal justice systems. Appropriate opportunities to encourage transparency, law enforcement, reduction of corruption, greater pluralism in media and cultural life will be identified and supported. The National Assembly will be supported in fulfilling its legislative function, in its participation in the drafting of laws, scrutinising them, ensuring gender sensitivity and monitoring their enforcement by the government and the justice system.

Under all three SOs, there is scope to support GoL initiatives at sub-national level, where the service delivery takes place, the capacity of state agencies is weakest and where there are pragmatic opportunities for CSO engagement. It will also be possible to support measures to reinforce transparency, public accountability and anti-corruption measures under all three SOs.

Expected Results

For each of the specific objectives the main expected **results** are:

| Specific Objective | Expected Results |
|---|---|
| SO1 Support improvements in government services to citizens | R1.1 Capacities of the District/local administration capacities to deliver responsive, efficient and accountable public services to citizens is strengthened. |
| | R1.2 Improved access and utilisation of public services (health, education services etc....) to citizens, in particular women and men, from ethnic group living in rural areas. |
| | R1.3 Increased citizens’ engagement in local development (identification of priorities and monitoring of service delivery). |
| | R1.4A Increased transparency and accountability in provision of public service and public finance management. |
| | R1.4B Improved financial management for appropriate revenue management |
| | R1.5 Reduced corruption. |
| SO2 Contribute to an environment that promotes citizens’ engagement for sustainable development and good governance. | R2.1 CSOs are able to work effectively and efficiently |
| | R2.2 CSOs provide fact-based research and advocacy that complements GoL and DP efforts in development and good governance |
| | R2.3 NA consistently consults with the public regarding legislative proposals |

| | |
|---|---|
| | R2.4 NA has effective oversight over state investment planning and spending |
| SO3 Support the consolidation of the rule of law | R3.1 NA has greater capacity to revise draft legislation that is gender sensitive |
| | R3.2 Legal sector reforms are moving forward through an inclusive process |
| | R3.3 Legal and paralegal training programmes are practice oriented and are in line with international standards |
| | R3.4 Increased citizen's access to formal justice and to local mediation and reconciliation mechanisms |
| | R3.5 Implementation of international human rights obligations and constitutional rights. |

Indicators for monitoring results

For each result, the main **indicators** are:

| Expected Results | Main Indicators |
|---|--|
| 1.1 Capacities of the District/local administration capacities to deliver responsive, efficient and accountable public services to citizens is strengthened | Number of districts covered by the National Governance and Public Administration Reform (NGPAR) with budgets allocated to sub-national government administrations Number of district administrations mandated and capacitated to implement public services in rural areas Number of One Door Service Centres implemented and operational |
| 1.2 Improved access and utilisation of public services (health, education services etc....) to citizens, in particular women and men, from ethnic group living in rural areas | Access and availability of services for citizens disaggregated by gender (in NGPAR provinces) |
| 1.3 Increased citizens' engagement in local development (identification of priorities and monitoring of service delivery) | Number of locally accountable district development funds Number of 'citizen scorecard' and other accountability and monitoring mechanisms implemented and used Number of women and ethnic groups engaged in most local development initiatives/projects and consultation processes increases. |
| 1.4A Increased transparency and accountability in provision of public service and public finance management | Number of public procurement procedures that respect national regulations and international best practice Number of cases where procurement irregularities are resolved in a transparent fashion consistent with national regulations and international best practice Improved financial management for appropriate revenue management |
| 1.4B Improved financial management for appropriate revenue management | Improved predictability in control in budget execution (measured as average of PEFA scores) Timely, relevant and reliable financial information (measured as average of PEFA scores) Improved budget comprehensiveness and transparency (measured as average of PEFA scores) |

| | |
|--|--|
| 1.5 Reduced corruption. | Rank and score on Corruption Perceptions Index Rank and score on Control of Corruption Index |
| 2.1 CSOs are able to work effectively and efficiently | Average time required for CSO registration and compliance with regulations Number of provinces and development sectors where CSOs are active |
| 2.2 CSOs provide fact-based research and advocacy that complements GoL and DP efforts in development and good governance | Number of provinces and development sectors where CSOs provide fact-based research |
| 2.3 NA consistently consults with the public regarding legislative proposals | Percentage of draft legislation consulted with public (including CSOs) before NA debate |
| 2.4 NA has effective oversight over state investment planning and spending | Percentage of % state budget and expenses scrutinised by NA |
| 3.1 NA has greater capacity to revise draft legislation | Percentage of draft legislation revised before adoption |
| 3.2 Legal sector reforms are moving forward through an inclusive process | Legal sector master plan updated and implemented |
| 3.3 Legal and paralegal training programmes are practice oriented and are in line with international standards. | Number of graduates of relevant legal and paralegal training programmes in line with international standards. |
| 3.4 Increased citizen's access to formal justice and to local mediation and reconciliation mechanisms | Percentage of % citizens and % districts where citizens have access to legal advice. Number of cases brought to village mediation units and child protection committees |
| 3.5 Implementation of international human rights obligations and constitutional rights | Number of Accepted UPR recommendations translated into practice Number of treaties domesticated in national laws |

Development Partner coordination and policy dialogue

European DPs involved in the sector are the EU, Germany, France, Switzerland, Luxembourg, UK and Finland (around 11% of total Aid or Euro 60 million for 5 years). Among the European partners, the EU is the biggest contributor to the Legal Sector Master Plan's implementation. France and Luxembourg are most active in legal sector reform and training of legal professionals, while Germany and Switzerland are active in support to the National Assembly. France, Germany, Switzerland, the UK and Luxembourg are active in support to Lao CSOs.

UNDP co-chairs the Governance Sector Working Group. This holds occasional thematic workshops concerning governance reform initiatives. The EU is the governance sector coordinator in the framework of European Joint Programming. European and like-minded DPs cooperate informally on issues relating to governance, human rights and civil society. A joint EU-German-Swiss governance programme is planned for 2016-onwards and will strengthen the dialogue of European partners with the government.

The existing GoL-Development Partner coordination structures, such as the Governance Sector Working Group, could be strengthened through additional support (both technical and financial) to allow for a substantive discussion of policy objectives and civil society participation. The increasing capacity of the National Assembly could be a good opportunity to engage.

European partners have a well-established informal coordination on issues related to human rights and to the environment for civil society. There is an EU-Lao Human Rights dialogue process, the EU and its MS address human rights and governance related issues in their annual review meetings on development cooperation and each MS and the EUD also has contacts with

stakeholders and like-minded DPs in its sub-sectors of intervention. There is an interest as well to have a specific group on the support to National Assembly.

Government’s financial commitments and policy objectives

European Joint Programming 2016-2020 will be aligned to the Government of Lao PDR's 8th National Socio-Economic Development Plan (NSEDP). People’s participation is the 2nd pillar of the Lao PDR Strategic Governance Plan 2011-2020, which envisages a rule of law state (and ‘graduation’ from the group of Least Developed Countries) by 2020. The ongoing National Governance and Public Administration Reform (NGPAR) Programme seeks to improve the public service including in the supervision and coordination of civil society. A follow-on project is in the design phase. It is likely to include a component of citizen engagement for local development, based on the District Development Fund, and providing for community-managed development initiatives as well as local structures of public accountability. The Legal Sector Master Plan (LSMP) coordinated by Ministry of Justice, includes support to legal training, access to justice, ratification and domestication of international conventions.

Risk assessment, monitoring and mitigation at the sector level

The overall **risk assessment** of the sector intervention is as follows:

| Risk | Mitigation measures |
|---|--|
| Commitment of national stakeholders may be uneven across the various components of the European programme. Lack of national and local level leadership/ commitment to implement and monitor public service delivery to rural areas | Maximise points of engagement with GoL at central and local levels |
| Change of government and election of members of parliament might lead to changes in priorities and approaches | Maximise points of engagement with GoL/NA at central and local level as well as other stakeholders |
| GoL does not take an active part in monitoring and evaluating joint activities. | The European DPs will combine multi-donor and direct support to GoL counterparts. Delegated cooperation arrangements will allow European DPs to concentrate on policy dialogue and monitoring activities. |
| The legislative and regulatory environment for CSOs may become more restrictive. Citizens' engagement in public affairs is limited. | Facilitate coordinated approach of development partners to promote appreciation of CSOs' role; multiply political and policy dialogue at all levels |
| Policy commitments relating to transparency and accountability regarding the state budget are not consistently implemented | Engage with wide range of GoL counterparts including at sub-national level, where there is already good experience regarding transparency and accountability in many pilot districts. Address transparency and accountability as a theme of support for CSO actions. |

6.5 Sector Response Plan: Health

Overall Objective:

Health is central to people's lives being a human right and a key element for equitable and sustainable growth and development, including poverty reduction. The 8th NSEDP emphasises access to high quality health care and preventive medicine as does the international community through MDGs 4, 5 and 6 and goal 3 of the *Sustainable Development Goals*. European partners support achieving universal health coverage in Lao PDR through strengthened health systems and improved quality and equitable access to services for all persons and populations.

Support to the health sector is based on the *Lao National Health Sector Reform Strategy 2013-25*, the corresponding *8th Health Sector Development Plan (2016 – 2020)* and relevant subsector strategies regarding maternal and child health (MNCH), health financing, nutrition and health personnel development. The 2010 Council of the European Union conclusions on the EU role in Global Health²⁰ and strategies of EU development partners in this sector make health a European priority with support concentrated on: health systems strengthening and improvements to maternal and child health.

Specific Objective (SO) 1 –Strengthening Public Health Systems in Lao PDR

Lao PDR has improved its health systems and access to health services over the last years. Efforts have been made in harmonising and developing national models regarding staff categories and training, financing mechanisms for health services, planning procedures and collection of health information. Recruitment of health personnel has been scaled up to improve coverage. However efforts remain insufficient to ensure access to quality health care especially at local level and in remote areas. Integrated outreach to remote communities remains crucial for sufficient service coverage, also needing strong cooperation between formal and informal/community health systems. The main challenges include implementation of newly adopted guidelines and strategies. The development of a health and social insurance system is at its beginning and needs clarification of roles and responsibilities of different actors. Studies also underlined a gap in trained health personnel at the level of middle management which could put additional strains on service delivery in the coming years and put at risk recent improvements in the overall health situation. As for higher education in general, quality of training of health workers is also affected by a limited number of highly trained teachers and researchers. Finally, despite recent increases in the public health budget, Lao PDR remains one of the countries with the lowest public spending on health as a percentage of GDP worldwide. This lack of domestic resources directly affects all aspects of health systems including quality and availability of services.

Specific Objective (SO) 2 – Improving Access to and Quality of Maternal and Child Health

With an infant mortality rate of slightly above 50 deaths per 1,000 live births, an under five mortality rate of 68 and a maternal mortality rate of 220 per 100,000 live births in 2015²¹, additional efforts are needed to reach the MDG targets on maternal and child health which were still off track at the end of 2015. These national averages further hide significant inequalities in progress between rural and urban areas. In view of fulfilling LDC graduation criteria and in improving the general health status of its population, the Lao government adopted a free MNCH policy. Financing for this initiative still largely comes from development partner funding. In addition incentives for use of health services have to be accompanied by availability of good quality health services. Reforms in midwife training are showing first results and an increase in midwives provides for better coverage. However a lack of practical and on the job training still

²⁰ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/114352.pdf

²¹ According to the Background Document of the 12th High Level Round Table Meeting (27th November 2015, Chapter 2 – A Brief Summary of Achievements and Challenges of the 7th National Socio-Economic Development Plan 2011-2015)

affects the quality of services provided. Insufficient outreach to remote areas and language barriers among different ethnic groups continue to affect access to health services for the most vulnerable groups and are partly responsible for low usage of pre and antenatal care and a preference for home deliveries. Increasing accountability of health providers in order to strengthen users' trust in the health system will be crucial to increase service usage. Undernutrition, which remains a huge concern especially in remote and ethnic minority areas, is a further factor which affects the health of mothers and children.

Expected Results:

The results framework is based on the 8th NSEDP, the 8th Health Sector Development Plan and related sector strategies.

| Specific Objective | Expected results |
|---|---|
| SO1 Strengthening Health Systems | <ol style="list-style-type: none"> 1. Planning and monitoring capacity improved including at national, provincial and district levels. 2. Availability of adequate and trained health personnel improved in the formal sector and at local level, 3. Capacity for research, higher education and analysis on country specific public health challenges strengthened. |
| SO2 Improving Maternal and Child Health | <ol style="list-style-type: none"> 1. Reduced maternal mortality through improved access to health services including pre- and antenatal care and family planning. 2. Reduced child and infant mortality through better access to health services including integrated outreach activities and vaccination. 3. Better access to health services specifically in rural areas and among vulnerable groups. |

Indicators for monitoring results

For each result, the main **indicators** are:

| Expected Results | Main Indicators |
|--|--|
| <ol style="list-style-type: none"> 1.1 Planning and monitoring capacity improved including at national, provincial and district levels. 1.2. Availability of adequate and trained health personnel improved in the formal sector and at local level, 1.3. Capacity for research, higher education and analysis on country specific public health challenges strengthened. | <p>Percentage of GDP allocated to the health sector Percentage of population without effective financial protection for health care</p> <p>Availability of health plans at district/ provincial/ national level Availability of adequate financing mechanisms at district/ provincial/ national level Number of health workforce including doctors, nurses and midwives per 1,000 population,</p> <p>Number of research studies published/ undertaken Number of research centres/ researchers.</p> |
| R2.1. Reduced maternal mortality through improved access to health services including pre- and antenatal care and family planning | <p>Maternal mortality per 100,000 live births, Percentage of women with at least 1 antenatal care visit Percentage of deliveries assisted by a trained health provider</p> |

| | |
|---|---|
| R2.2. Reduced child and infant mortality through better access to health services including integrated outreach activities and vaccination. | Mortality of children under 1 year Mortality of children under 5 year. Percentage of children immunised against DPT3 Percentage children immunised against measles |
| R2.3. Better access to health services specifically in rural areas and among vulnerable groups | Number of Outpatient Department visits per child under 5 per year |

Development Partner Coordination and Policy Dialogue:

Currently around 20% of financing for public health is coming from international sources²². Japan, Luxembourg, the Asian Development Bank and the World Bank provide bilateral support to the Ministry of Health while France, Luxembourg and the EU are providing substantial support to research activities under the Pasteur Institute, the National Institute of Public Health and the University of Health Sciences. Cooperation between Lao and European hospitals and universities further contributes to the strengthening of health systems. The EU is providing support through nutrition specific interventions targeting mainly child and maternal health in line with the Lao PDR National Nutrition Policy to 2015. Several UN agencies including WHO, UNFPA, UNICEF, and WFP are working with the Lao government and development partners to improve health systems and to provide technical assistance on specific issues. The EU as well as several Member states fund international and local non-governmental organisations that are active in the sector providing support to outreach activities in remote areas but also technical support in specific areas. Due to their privileged relationship with local populations and specific groups and/ or their technical expertise, their work and knowledge complements and adds to bilateral and multilateral support and provides complementarity to the public health system. Finally private sector operators play an important role in providing health services and drugs but also technical services for which the required expertise does not yet exist within the national institutions and/ or where such services are not competitive to develop in house.

The primary coordination mechanism for dialogue with the government of Lao PDR is the Health Sector Working Group (HSWG). It is chaired by the Lao Ministry of Health and co-chaired by Japan and WHO. The forum is used for information exchange as well as coordination among different development partners in the sector, including civil society organisations. Technical discussions and cooperation on specific issues are discussed under the sub-sector working groups. Coordination among development partners is further strengthened through the regular meetings of the informal development partner group.

France and Luxembourg also participate in the Country Coordinating Mechanism of the Global Fund to Fight Aids, Tuberculosis and Malaria, a further forum of dialogue with the Government of Lao PDR on strategies and programmes to combat these three diseases.

An evaluation of potential costs and benefits for the health sector of a Lao membership in the International Health Partnership can provide a further channel for policy dialogue on strengthening health systems and accompanying the Lao government in its efforts to realise universal health coverage.

The Government's Financial and Policy Commitments:

Human development is a priority under the 8th NSEDP and health, through the indicator of under-five mortality rate, part of the sectors to be strengthened to fulfil the LDC graduation criteria. The Health Sector Reform Strategy has two objectives: to meet health-related MDGs and to achieve universal health coverage by 2025. It is implemented in three phases. The first focuses on laying the foundation for universal health coverage and accomplishing the MDGs by

2015. The second aims to ensure that essential health services of adequate quality are available to the majority of the population by 2020. The final phase calls for achieving universal health coverage by 2025. Specific programmes, targets, and resource requirements are outlined under the Health Sector Development Plan 2016 – 2020.

Government spending on health increased over the last years and is now estimated at around EUR31 (USD35) per capita annually²³. However private health expenditure including out of pocket spending still accounts for almost half of all health spending. Only around 25% of total health spending comes from the government while the remaining part is provided by external funding including bilateral, multilateral and NGO support. Under the Health Sector Reform Strategy, public spending on health should reach 9% of General Government Spending. This increase in combination with the expansion of health insurance schemes should also lead to a decrease of out of pocket spending to 35% of health expenditure by 2020.

Recent strategies such as support for free MNCH services and the expansion of health equity funds show government commitment to improve basic health services. The introduction of the healthy village concept put further emphasis on the importance of basic health and the necessity to provide access to health facilities at local level. If the number of health facilities has increased, assuring the quality of the facilities as well as a continuous presence and outreach to remote communities remains challenging.

23 According to the draft National Health Account report for the FY 2010-11 and FY 2011-12

The overall risk assessment of the sector intervention:

| Risk | Mitigation measures |
|--|---|
| Lao PDR remains one of the countries with the lowest spending on health. To reach the off track MDG targets in the sector and to move towards universal coverage an increase in resources in the sector is needed. | Policy dialogue |
| The lack of resources is also reflected in the number of personnel in the sector. From administration to service delivery, a lack of trained and experienced personnel affects the quality of services. | Policy dialogue, training opportunities, capacity building provided by development partners |
| Health services in Lao PDR have a low usage rate which might reflect low satisfaction of users with the quality of service provided, unavailability of services, difficult access or lack of trust. | Health coverage and quality of health services have to be developed in parallel. Awareness raising activities can further help to promote the use of health services. Policy dialogue should also stress the need to improve accountability of health services providers. |
| Unclear policy framework might affect sustainability of support provided. | Concentrate on areas which have clear regulations, provide support to drafting legal frameworks. |

6.6 Sector Response Plan: Nutrition

Food and nutrition security is about ensuring that everybody is able to access sufficient, affordable and diversified nutritious food. In Lao PDR access to sufficient and affordable food remains a challenge in itself. Beyond this crucial question, ensuring that food, once obtained, is being utilised and provides adequate nutrition is another key challenge. Nutrition is interlinked with agriculture, food security, social protection, health, education, water and sanitation. As the factors shaping nutrition are multi-sectoral, so are the interventions that must combine to achieve improvements.

The devastating consequences of 'hidden hunger' in Lao PDR and the urgent need to scale up interventions to tackle this 'hidden hunger' challenge are undeniable. In 2012 among children under five, 44% were stunted²⁴, 6% were wasted, and 27% were underweight. Stunting threatens the human, social and economic development of the country²⁵; it is associated with reduced years of school enrolment, reduced learning achievement and a future productivity deficit. Healthy children learn better. People with adequate nutrition are more productive and can seize or create opportunities to gradually break the cycles of poverty and hunger, thereby contributing to future wealth creation.

Smart nutrition programming must take due account of gender, and increasingly migration²⁶, issues at all stages of the programming cycle. Women, girls, boys and men face different risks in relation to their nutritional status. For example young female migrant workers' social lives are usually centred around factories, located in the outskirts of urban centres like Vientiane, without necessary infrastructure nearby. These factory workers live in crowded on-site dormitories, work long hours, and in most cases do not have access to basic health services or proper nutrition while often having increased risks of unwanted pregnancies and dependent on informal health services.

Addressing these 'hidden hunger' challenges requires a high level recognition of the nutrition problem by the Government and a commitment to tackling it. This includes, very importantly, financial resources to be set aside by the Government which through improved public financial management mechanisms need to be earmarked for improved basic service delivery and integrated outreach at the provincial, district and village levels.

Lao PDR is acknowledging nutrition as a key development challenge and is actively advocating a "convergence approach" herewith seeking the geographic co-location of nutrition-specific and nutrition-sensitive interventions (targeted by food insecurity and undernutrition prevalence) with multi-sectoral planning and review but with sectoral implementation. The Government further recognises that improved gender equality and (young) women's education are directly related to nutrition outcomes. Very high levels of adolescent pregnancies and maternal undernutrition, as well as suboptimal breastfeeding practices, and extremely poor dietary diversity are all important drivers of undernutrition in Lao PDR. These drivers are exacerbated by ethnicity, language, illiteracy, cultural practices regarding food habits and remote geography where the poverty incidence and prevalence of stunting are the highest.

²⁴ Lao Statistical Indicators Survey (LSIS), 2011-2012. Stunting refers to low height for age.

²⁵ Lao PDR is estimated to lose approximately USD 197 million annually (2.4% of GDP) from reduced GDP growth caused by under nutrition (NERI/UNICEF 2013). Estimated USD142 million or 73% of these losses are due to under nutrition occurring in the first 1,000 day period.

²⁶ This is linked to ASEAN's integration and Lao PDR's LDC graduation ambition and expected to become a challenge in the following years.

Overall and specific objectives

European partners seek to support Sustainable Development Goal (SDG) 2 “*End hunger, achieve food security and improved nutrition and promote sustainable agriculture*” (**overall objective**). In this respect European partners will align their support, with the vision statement of the Lao PDR National Nutrition Policy to 2025 “to improve the nutritional status of children and women, especially the most vulnerable and hard to reach” and the priorities set out in the 8th NSEDP, in line with aid effectiveness principles.

Building on the EU Foreign Affairs/Development Council Conclusions on the “Action Plan on Nutrition - Reducing the number of stunted children under five by 7 million by 2025” and the “Lao PDR National Nutrition Strategy to 2025 & Plan of Action 2015-2020”, European partners support will focus on **basic nutrition** by supporting strengthened nutrition governance (**specific objective 1, SO1**); contributing to scaled-up nutrition specific support (**specific objective 2, SO 2**); and contributing to scaled-up nutrition sensitive support (**specific objective 3, SO 3**).

SO 1 – Support to strengthened nutrition governance

Leadership, good governance and ownership are central in tackling undernutrition. Lao PDR has to be commended for the impressive progress made in terms of nutrition governance in recent years. To help Lao PDR to further achieve this, the European partners will support the current political commitment to nutrition and solicit broader support from across the development partner community, UN agencies, civil society and private sector so that: 1) nutrition is prominent in national development priorities, with Lao PDR taking time-bound and measurable commitments such as national stunting reduction targets; 2) sound nutrition governance approaches are applied – including mobilisation of the most relevant sectors, adoption of costed nutrition plans and strong coordination at the national and subnational levels through multi-stakeholder platforms; 3) accountability/responsibilities for ensuring nutrition outcomes are clearly defined at the national level; 4) effectiveness of nutrition support is enhanced through stronger development partner coordination and alignment and inclusive partnerships; and 5) planning and implementing communication for behaviour change

SO 2 – Contribute to scaled-up nutrition specific support

Access to basic health services has always been a challenge for residents living in the remote, rural and upland areas of Lao PDR. Promoting improved access to and the quality of health care services is both an important source of care for rural residents, and can assist in the development of an adequate supply of community based services including the availability of an adequate number of skilled, professional health workers at all operational levels. Other venues for integrated outreach such as providing basic health services to schools, parenting and community learning groups could also be considered. European partners will contribute to improved integrated outreach including nutrition-specific service delivery mechanisms, thus improving the nutrition status of vulnerable communities especially women and young children, through the health sector, civil society, mass organisations, and potentially public-private partnerships.

SO 3 – Contribute to scaled-up nutrition sensitive support

Nutrition-sensitive interventions are very important because it is estimated that interventions such as breastfeeding, complementary feeding or provision of micronutrients could only reduce stunting by 20%. For the rest, it is necessary to address food security, water and sanitation (WASH), education and other issues. The European partners will be investing in interventions such as water and sanitation, sustainable nutrition-sensitive farming including more diverse food production, nutrition-sensitive services and value chains, and empowerment of women. International experience shows that combating undernutrition only works when local communities and their village institutions are at the centre of the action. In this regard European partners will put a lot of attention to support the creation of a social and economic

environment to better enable vulnerable women to care for their children and families and to provide them with the necessary resources, time, and knowledge to do so, as well as promoting reduced work-loads, especially during pregnancy and lactation.

Expected results

| Specific objectives | Expected results |
|---|--|
| SO1 – Support to strengthened Nutrition Governance | <ol style="list-style-type: none"> 1. The National Information Platform for Nutrition is functional and institutionalised. 2. Planning, resource mobilisation, coordination, communication and capacity development at the national, provincial, district and village levels strengthened. |
| SO2 – Contribute to scaled-up Nutrition Specific Support | <ol style="list-style-type: none"> 1. Integrated outreach and end-delivery of nutrition specific services and investments at district and village levels improved. 2. Nutrition status improved in vulnerable communities, with particular attention on mothers and children health and nutrition status. |
| SO3 – Contribute to scaled-up Nutrition Sensitive Support | <ol style="list-style-type: none"> 1. Smallholders’ production in farming activities with high nutrition impact increased 2. Vulnerable communities have access to and consume quality and diverse food throughout the year (agricultural products as well as non-timber forest products) 3. Hygiene, water and sanitation related services to the vulnerable members of the community improved. 4. Vulnerable communities, in particular mothers and young children, have access to functioning parenting and community learning groups |

Indicators for monitoring results

For each result, the main **indicators** are:

| Expected Results | Main Indicators |
|---|---|
| <ol style="list-style-type: none"> 1.1. Functional and institutionalised National Information Platform for Nutrition (NIPN). 1.2. Planning, resource mobilisation, coordination, communications and capacity development at the national, provincial, district and village levels strengthened. | Availability of centralised information on planned and achieved geographical coverage of nutrition interventions Number of functional provincial and district coordination mechanism for multi-sectoral response to nutrition Availability of a functional monitoring and evaluation system for Nutrition |
| <ol style="list-style-type: none"> 2.1. Integrated outreach and end-delivery of nutrition specific services and investments at district and village levels improved. 2.2. Nutrition status improved in vulnerable communities, with particular attention on mothers and children health and nutrition status. | Percentage of women of reproductive age and children under 5 benefiting from nutrition related programmes with EU support Prevalence of stunting in children under 5 years of age Prevalence of underweight in children under 5 |
| 3.1. Smallholders’ production in farming activities | Number of farmers (F/M) having diversified food |

| | |
|---|--|
| <p>with high nutrition impact increased</p> <p>3.2.Vulnerable communities have access to and consume quality and diverse food throughout the year (agricultural products as well as non-timber forest products)</p> <p>3.3. Hygiene, water and sanitation related services to the vulnerable members of the community improved.</p> <p>3.4.Vulnerable communities, in particular mothers and young children, have access to functioning parenting and community learning groups</p> | <p>crop production</p> <p>Individual dietary diversity (disaggregation focus on young children (F/M), reproductive age women and adolescent girls)</p> <p>Percentage of households using clean water sources</p> <p>Percentage of households using toilets</p> <p>Percentage of the population practicing open defecation</p> <p>Percentage of the population washing their hands with soap</p> <p>Number of functioning parenting and community learning groups</p> |
|---|--|

Development Partner coordination and policy dialogue

Key stakeholders include the National Nutrition Committee (NNC), its Secretariat, Provincial and District Governors, Village Committees, the key Ministries of Health, Agriculture and Forestry, Education, and Planning and Investment both at the national and sub-national levels, policy think tanks, civil society, private sector and mass organisations.

The NNC demonstrates Lao PDR's ownership and plays a key coordination role centrally. The NNC is chaired by the Deputy Prime Minister. The recently established NNC Secretariat guides and supports the implementation efforts in line ministries. Provincial and District Governors play key roles in the sub-national coordination mechanisms that are currently being set up.

Mass organisations are also important stakeholders and the Lao Women's Union, the Lao Youth Union and the Lao National Front for Reconstruction in particular are well respected stakeholders. They could play an important role in supporting necessary women's demand for and ownership of pro-nutrition plans and actions at the village level, as well as in raising awareness and changing attitudes and behaviours through a coordinated behavioural change communication strategy.

The Development Partners' Meeting on Food and Nutrition Security (co-convened by the EU and UNICEF) provides an opportunity to coordinate among development partners. It brings together the "Scaling Up Nutrition" (SUN) development partner, UN and CSA networks on a quarterly basis. The private sector is also showing an initial interest to engage in nutrition issues.

The Lao PDR Round Table Process (RTP) is the national mechanism for coordinating and managing Official Development Assistance (ODA) and its effectiveness and the 2014 RTP Provincial Consultation focused on the promoting convergence approach. This provided a high level platform to promote inter-ministerial cooperation on nutrition and food security activities. Within the RTP, the most relevant Sector Working Groups would be those on Health, Education as well as on Agriculture and Rural Development.

An Annual Nutrition Forum will be organised and regular policy dialogue will take place between the co-conveners of the Development Partners' meeting on Food and Nutrition Security and the NCC Chair.

The Government's financial and policy commitments

There is a lack of sufficient and predictable national budget *and* development partner resources. Although Lao PDR has demonstrated political commitment by increasing domestic budget allocations for nutrition, particularly for nutrition specific actions, nationwide coverage and in particular nutrition related integrated outreach, is still an enormous problem. Given the fluctuation of foreign assistance, Lao PDR's reliance on development partners to finance such important nutrition priorities is unfortunate. However for accelerated and sustained progress to be achieved substantial development partner support will be further required in the short term. In the longer term Lao PDR is hopeful of covering its specific nutrition requirements from its budget resources - which through improved public financial management mechanisms could support better integrated service delivery at the sub-national levels. In this regard the adoption of costed nutrition plans, as foreseen under the National Nutrition Strategy to 2025, and strong coordination will be critical.

Environmental assessment

Water and sanitation activities will not affect the availability of water for drinking purposes.

The overall risk assessment of the sector intervention

| Risks | Level (H/M/L) | Mitigating measures |
|--|---------------|---|
| The National Nutrition Committee (NNC) and its Secretariat will be unable to sustain high level commitment with collaborating ministries and other stakeholders | L/M | Development Partners will lobby strongly for increased national budgets in support of nutrition specific priority interventions. Emphasis will be placed on the need for Annual Work Plans and Budgets at all levels of the GoL (national, provincial, district) and for all the relevant sectors to explicitly include nutrition priority interventions. An Annual Nutrition Forum will be organised and regular policy dialogue will take place between the co-conveners of the Development Partners' meeting on Food and Nutrition Security and the NCC Chair. |
| DPs overlapping and weak coordination - undermining each other's work if division of labour responsibilities is not clear | L | Development partners are elaborating on a mapping of the geographical and sectoral interventions of each development partner in the Development Partners' meeting on Food and Nutrition Security so that interventions can focus on the gaps, build on the added value of each development partner and select geographic locations and sectoral focus for interventions accordingly. |
| Resettlement, urbanisation and internal migration have an impact as 'man-made hazards' on food and nutrition security | M/H | Simultaneous resettlement, urbanisation and internal migration and its associated transformation of livelihoods requires more support to ensure improved access to basic services, markets and potentially labour to increase the diversity of livelihoods and people's resilience. Migration linked nutrition risks however do remain, and are expected to increase in sub-urban centres. These will be discussed in the existing EU-Lao PDR dialogues and among like-minded DPs. |
| GoL may perceive increased GoL - CSOs cooperation as a threat | M | GoL acknowledged on several occasions the important role of CSOs in tackling nutrition challenges through a multi-stakeholder approach. Political risks however do remain for CSOs. These will be discussed in the existing EU-Lao PDR dialogues and among like-minded DPs. |
| Assumptions | | |
| The main assumption is that the GoL will remain committed to the convergence approach and integrate its priority interventions in the 8th NSEDP (2016-2020). Backtracking in the GoL's | | |

| Risks | Level (H/M/L) | Mitigating measures |
|-------------------------|------------------|---------------------|
| commitment is unlikely. | | |

Sector monitoring will follow national reporting mechanisms such as reporting on the implementation of the National Nutrition Policy and discussions at sector working group level and will be complemented by annual joint-monitoring missions of European partners working on food and nutrition security with GoL - and other Development partners where possible.

6.7 Sector Response Plan: Private Sector Development

(including Technical, Vocational Education and Training and Tourism)

Overall Objectives

In recent years, the Lao economy experienced a period of sustained high growth rates (on average around 8%) and GDP per capita has more than doubled since 2005. However, past economic growth has not been broad based and inclusive and is limited to few sectors, largely driven by the exploitation of natural resources. Increasing productivity, quality and competitiveness of the private sector is seen as vital to decent employment, poverty reduction and long-term sustainable and inclusive growth. In recent years, the Lao government has continuously taken steps to stabilize the macroeconomic environment and to open up the economy to international trade and investment flows. Improving the domestic business environment, developing a more robust financial system and strengthening vocational education can be considered key factors to achieve the overall objective of the Lao government to graduate from the status of a Least Developed Country (LDC) by 2020.

The interventions discussed in this section support the Lao government in continuing on the path of economic openness and sound structural policies towards long-term sustainable economic development. The joint support of the European partners will focus on the development of the economy, especially value chains, trade and investment policy in the context of the ASEAN Economic Community (AEC) (SO 1); technical and vocational education and training (TVET) (SO 2); facilitating financial sector development to ensure better access to finance for Micro-, Small and Medium-sized Enterprises (MSMEs) (SO 3). The support will be aligned with the 8th National Socio-Economic Development Plan (NSEDPlan) of Lao PDR.

SO 1: Enabling Lao PDR to Make Use of the Potentials and Reduce the Economic Risks of the ASEAN Economic Community (AEC)

On its way towards increased regional and global economic integration, Lao PDR joined ASEAN in 1997 and the World Trade Organisation in 2013. Today, ASEAN is working progressively towards the establishment of the ASEAN Economic Community (AEC) – including an ASEAN Single Market and Production Base - by the end of 2015. The AEC will become highly relevant for the development of the country. Intra-ASEAN trade already accounts for more than half of the countries imports and exports. The AEC will create risks for the Lao economy by more productive competitors from other AEC member states. At the same time, it also provides opportunities for Lao companies to broaden their market base and increase production and exports, thereby cutting production costs and becoming more competitive. Lao PDR will also be able to attract a growing amount of intra-ASEAN investment and become a production base, service provider and transit station in regional value chains.

However, the implementation of reforms as part of the AEC poses great challenges for the Lao legislation and administration. Due to the lack of awareness of the possible effects of the AEC, the private sector is not yet in the position to take full advantage of the improved framework for intraregional trade and investment. Even more, progressive market integration will bring about more competition with other countries in the region, placing heavier demands on productivity and product quality of Lao enterprises.

Germany and Ireland support Lao PDR via the Trade Development Facility II (TDF II) which accompanies trade integration and work with the private sector, including on improved labour standards. Switzerland delivers support for trade policy, negotiations, the implementation of WTO commitments and obligations, and also for the development of productive capacities (UN Trade Cluster). In addition, Switzerland is present with its Swiss Investment Fund for Emerging Markets (SIFEM AG) which participates in local, regional and global venture capital funds. Technical assistance is also provided by Germany in the field of “Trade and Investment Policy for ASEAN integration”. The support aims at the improvement of the regulatory and

administrative framework for intraregional trade in goods, services and trade-related investments. In addition to this, technical support aims at strengthening the private sector, particularly SMEs, to prepare themselves for the AEC in order to take advantage of the improved regulatory and administrative framework for more trade and investments. Through a project implemented by the French National Association of Chartered Accountants, France is supporting the drafting of the new Lao accounting and auditing standards based on international standards (ISA and IFRS), and related training for public and private operators. Germany also supports the mining sector with a focus on capacity building and the improvement of mining legislation, inspection and licensing system. The support aims at enhancing the technical and management capacity of the government agencies responsible for the development and supervision of a sustainable mineral sector on both national and provincial level.

SO 2: Improving Quality, Relevance and Inclusiveness of the TVET system

The increasing global and regional economic integration of Lao PDR will lead to an opening of the labour market as well as an intensified competition with other countries in the region. This means that the demand for high-quality products and qualified workers will increase. The draft of the TVET Development Plan 2016-2020 predicts that 96,000 young people will be entering the Lao labour market annually in the next decade. The sectors with the highest needs for skilled workers are agriculture, industrial processing and automated manufacturing, garment, construction, hospitality and tourism, mechanical systems and small motors repair, furniture as well as high technology equipment for buildings, electronics, and energy.

Even though TVET institutions managed by the Ministry of Education and Sports (MoES) have trained an increased number of students, the numbers required by the labour market are still not reached. Moreover, the number of short courses has to be increased in order to promote the inclusion of disadvantaged groups and tap on the potential of unskilled workers, reintegrate them into the TVET system and provide them with a better perspective with regard to jobs and income. In addition to mere quantitative targets (facilities, equipment, number of students), the skill levels of TVET graduates need to be improved in order to help them to generate incomes that allow for a decent living. Furthermore, the quality of the teachers has to be rapidly enhanced to assure qualification standards that are competitive in the region.

Well qualified teachers with sufficient practical experience can be considered as a key success factor for a well performing TVET system, therefore development of TVET- personnel is still identified as a priority. Furthermore, cooperation of TVET institutions with the private sector needs to be further promoted in order to improve the relevance and market-orientation of TVET.

The support provided to Lao PDR by Germany, Switzerland and Luxemburg will focus on improving the quality, relevance and inclusiveness of the TVET system with a special consideration of disadvantaged groups in society.

SO 3: Facilitating Financial Sector Development: Access to Finance for MSMEs

The financial sector in Lao PDR is still underdeveloped. Access to finance remains an important obstacle for MSME development and poverty reduction. Requirements for getting credit are high. At the same time, capacity for financial system supervision and regulation is low within the Bank of Lao. A key priority for the sector is to keep credit growth in line with objectives of low inflation and financial sector stability, while ensuring the availability of finance for the development of the economy.

Facilitating the development of a healthy and stable financial system that serves Lao economic development is a key to sustainable economic development. Assistance will aim at developing financial services and policies that support the access of various economic entities, particularly

MSMEs (producers, manufacturers, entrepreneurs, smallholders, micro enterprises and traders) to financial products. A particular focus will be on serving poor households and MSMEs in rural areas, with limited access to finance through formal and informal financial intermediaries that offer sustainable and demand orientated services.

Germany is supporting the financial sector of Lao PDR via financial and technical cooperation and the work of NGOs. Through the Lao Access to Finance Fund (LAFF), SMEs are able to get access to loans. Microfinance approaches supported by technical cooperation (e.g. village banks) together with MSME-initiatives are further developed and strengthened at national, provincial and village level, in order to increase financial literacy, enhance consumer protection, induce economic thinking and planning and encourage entrepreneurship. France is supporting access to finance for MSMEs through the mechanism “ARIZ”, a risk-sharing mechanism designed for local banks and financial institutions to partially cover their “SME risk”.

Expected Results:

The results framework will be aligned with the 8th National Socio-Economic Development Plan (NSEDP) 2016-2020 and the TVET Development Plan 2016-. In its current draft version, the 8th NSEDP aims at ensuring sustained and inclusive economic growth, through the following intended outputs (among others): macroeconomic stability, aligning development planning and budgeting, competitiveness of local entrepreneurs in domestic and international markets, regional and international integration, improved labour force capacity and universal access to quality education.

Specific Objectives

Expected results

SO 1: Enabling Lao PDR to increasingly make use of the potentials and reduce the economic risks of the ASEAN Economic Community (AEC)

- 1. Key stakeholders in the government are able to effectively steer, coordinate, implement and monitor processes related to the AEC.
- 2. SMEs in key economic sectors are able to use opportunities presented by the AEC.

SO 2: Supporting the improvement of quality, relevance and inclusiveness of the TVET system

- 1. Increasing number of skilled graduates match the requirements of the labour market
- 2. TVET schools are becoming more inclusive and supply increasing numbers of semi-skilled workers along with graduates

SO 3: Facilitating financial sector development to ensure access to finance for MSMEs

Poor households and MSMEs in rural areas have better access to financial services

Indicators for monitoring results

For each result, the main **indicators** are:

| Expected Results | Main Indicators |
|--|---|
| Key stakeholders in the government are able to effectively steer, coordinate, implement and monitor processes related to the AEC. SMEs in key economic sectors are able to use opportunities presented by the AEC. | National Trade Value Ranking on World Bank Ease of Doing Business Report (8th NSEDP Overall Objective Indicator); Share of GDP attributable to non-resource sectors Number of locally owned SMEs : |
| Increasing number of skilled graduates match the requirements of the labour market | Graduates with degrees or professional |

| | |
|--|--|
| TVET schools are becoming more inclusive and supply increasing numbers of semi-skilled workers along with graduates. | certification in agro-processing, tourism, construction, vehicle mechanics, and engineering: Average annual growth in new graduates (disaggregated by sex, age group, ethnicity, geography) |
| Poor households and MSMEs in rural areas have better access to financial services | Proportion of own-account and contributing family workers in total employment Percentage of SMEs with improved revenue generation and growth |

Development Partner Coordination and Policy Dialogue

The Trade and Private Sector Development Working Group (TPSWG), chaired by the Ministry of Industry and Commerce and co-chaired by the EU and Germany is the primary official coordination and policy dialogue structure for the sector. A multi-donor trust fund for international trade development (Trade Development Facility II (TDF II)) supports implementation of government trade priorities. The fund comprises EUR11million (USD13 million) with contributions from Australia, the EU, Germany and Ireland as well as EUR3.5million (USD4 million) from the World Bank. EU support for TDF, however, ends with the current phase (TDF II).

The Subsector Working Group (SSWG) on Post-Basic Education covers TVET and is co-chaired by Germany. SSWG works under the Education Sector Working Group (ESWG) chaired by the Ministry of Education and Sports. Participation in this Subsector Working group is very broad and it is desirable to organize specific coordination meetings on TVET within the frame of the SSWG, for discussing strategic TVET issues such as the strengthening of the NTC, introduction of the Lao Vocational Qualification Framework and the launching of the labour fund. There is also an Informal Development Partners' TVET meeting, organised on a rotational basis with ADB, IOM, KOICA, Germany, Luxemburg and Switzerland participating. Coordination related to mining is done through the SSWG on Minerals and Geology co-chaired by Germany, falling under the SWG Natural Resources and Environment.

The Government's Financial and Policy Commitments

Governments' budgetary commitments for the 2016-2020 year(s) are not clear with the 8th NSEDP lacking concrete information about government allocations to the sector.

Risk Assessment

| Risk | Mitigation measures |
|--|--|
| The main risk is political. Sustainable economic development is a very complex process, involving a multitude of public and private stakeholders with very different interests and priorities. Very often the interests of poor or marginalized groups may be neglected. Rent seeking behaviour may prevail over strategic policies to foster international competitiveness. Prioritization therefore is necessary, as well as clear objectives and targets for intervention, without distraction by short-term political interests. Further risks are the high dependency of the Lao economy on extracting industries. The trade balance and import/export patterns rely heavily on international commodity prices and the exchange rate. | Monitoring, advocacy and strengthening dialogue with government at the policy level, through Heads of Mission and through regional mechanisms. |

Due to weaknesses in supervision of the financial sector the economy may be vulnerable to internal or external shocks.

Availability of foreign currency, exchange rate fluctuations and competitiveness are factors that will influence FDI and the exporting industry.

Influx of companies and workers from the surrounding countries may accelerate with the AEC and may pose a risk to Lao SMEs and their work force. In the TVET sector the general image and poor attractiveness of technical and vocational education can be considered a mayor risk.

7. Complementary Sectors and Cross-Cutting Issues

On top of their specific programming commitments in the sectors listed above, European partners also provide significant financial and technical support in complementary areas (sectors) and on cross-cutting policy priorities.

Cross-Cutting Issues in All Aspects of the European Partnership with Lao PDR

Protection of **fundamental human rights, gender equality, protection and inclusion of disadvantaged minorities** feature prominently as cross-cutting priorities in all European above identified sectors. European partners are committed to a 'Rights Based Approach' for development cooperation²⁷ (in line with the 2014 *EU Council Conclusions on a Rights-Based Approach* and the 2011 *EU Council Conclusions on the Agenda for Change*). Rights based approaches contribute to the realisation of all human rights whether civil and political, or economic, social and cultural. The approach is premised on human rights principles and standards being both a means for and a goal of effective development cooperation.

Gender equality is at the core of European values (and accompanied by the framework for Gender Equality and Women's Empowerment: Transforming the Lives of Girls and Women through EU External Relations – 2016-2020) and enshrined within the EU's legal and political framework. European Partners are at the forefront of the protection, fulfilment and enjoyment of human rights by women and girls and strongly promote them in all external relations and development cooperation. Promoting **equal participation of women and men in decision making** and empowering women to become equal actors in all spheres of society. Wherever possible programming reports on sex-age disaggregated statistics and gender sensitive data, and resource allocations are intended to right imbalances and strengthen the role and voice of women in Lao PDR. Of particular importance is the urgent need to **address trafficking**, particularly of women and girls. European partners will support Lao PDR to build the capacity of key stakeholders to mainstream gender elements into the 8th NSEDP 2016-2020.

Further, **democratic governance and combating corruption** are essential to delivering public goods. Corruption is a major obstacle to economic and social development; it undermines the efficacy of development assistance and impacts poor people most severely. Good governance, **transparency, accountability, information sharing** (including access to the digital economy) and the rule of law are vital to economic development. **Sustainable environmental management and climate change mitigation and adaptation** are global priorities needing action in Lao PDR particularly when it comes to **illegal mining, logging and trade in protected wildlife**, as well as **increasing resilience of the population** to climate hazards in particular floods and droughts. The country's Intended Nationally Determined Contribution submitted under the United Nations Framework Convention on Climate Change identifies priority actions for both mitigation and adaptation in the country, including on agriculture, forestry and health.

Of particular concern is that European programming emphasize the European position that **resettlement practices in Lao PDR must be based on a voluntary basis**, well informed, following a participative consultation process including all relevant stakeholders and respecting a human rights based approach. Any non-voluntary resettlement should be duly justified in responding to public interest, the absence of a viable alternative, the possibility of recourse and the provision of adequate compensation. In some cases communities have been resettled on sites which have neither sufficient resources (e.g. water, suitable land, etc.) nor infrastructure such as sanitation, sufficient clean water and/or schools and facilities. Such practices unfairly put resettled populations at risk whilst also increasing poverty and undoing developmental

²⁷ In line with the 2014 *EU Council Conclusions on a Rights-Based Approach and the 2011 EU Council Conclusions on the Agenda for Change*

progress to date. Additionally, **recipient communities are put under increased stress** having to share already scarce resources. European partners underline that all **resettlement initiatives respect the legal framework which should follow international best practices and respect the national regulations**. Cross-cutting priorities such as on resettlement are incorporated in all programming and inform coordination and policy dialogue.

Complementary Programming Support:

European bilateral aid is complemented by and in coherence with regional and thematic funding (often non-bilateral), as well as non-aid policies and programmes, addressing a wide range of issues and areas, amongst which are the following:

Civil Society: European partners also provide financial support in form of grants and micro-grants to Non-Profit Associations and Non-Governmental Organizations in diverse areas such as in promoting community based tourism, piloting new approaches to service delivery, mitigating climate change and protecting natural resources. Moreover, European partners channel funds through grassroots activities and projects of CSO that promote community based development. European partners are committed to strengthening the capacities of emerging Lao CSOs and engaged in the dialogue to guaranty a favourable environment for civil society and people's participation.

Climate finance: European partners are amongst the most pro-active promoters and sponsors of climate finance mechanisms, including financial aid for mitigation and adaptation activities to spur and enable the transition towards low-carbon, climate-resilient growth and development through capacity building, research & development and economic development. Although Lao PDR has so far only accessed marginal amounts of climate financing, its comparatively high level of vulnerability to climate change indicates that climate finance will be an increasingly important funding stream. In this regard, European Partners will support as much as possible in helping Lao PDR to articulate a clear strategy on climate finance, in order to maximize opportunities in this area.

Culture and Heritage: European partners provide substantial funding and support to cultural diversity and heritage in complement to programming focused on social and economic development. Cultural exchange and promoting culture are tools for community-based education and drivers of democracy, diversity, freedom of expression and tolerance. Culture is important for young people as a medium of communication to strengthen cultural identity (local and national), social cohesion and intercultural exchanges within Lao PDR. Investments in cultural heritage have also proven effective at promoting sustainable growth, protecting natural resources and raising awareness for greater inclusivity. Tourism development has made the protection of UNESCO World Heritage sites of Luang Prabang and Vat Phou/Champassak a matter of economic security.

France, Germany, Luxembourg and Switzerland provide vital support to cinema, dance, theatre, puppetry, literature, handicrafts and visual arts. France, amongst others, supports cultural heritage through urban and tourism development, archaeology, culture and scientific research. European partners continue to support cultural cooperation alongside heritage conservation and promotion.

Disaster Risk Reduction/Preparedness: The European Commission's Humanitarian Aid and Civil Protection (ECHO) continues to provide funds for disaster risk reduction/ preparedness projects in areas highly susceptible to multiple hazards. The projects aim to build the resilience of vulnerable communities, increasing their capacity to withstand recurrent shocks by better understanding the hazards they face, developing adequate preparedness plans, and implementing small scale alternative livelihood strategies. Humanitarian funds are also available to respond to large-scale disasters and/ or epidemics as they arise. The UN,

International Non-Governmental Organizations and their local implementing partners are eligible for these funds.

Democracy and Human Rights: European partners support a wide range of human rights initiatives (as well as in the governance sector) carried out both by Lao and international institutions, including non-governmental organizations and national non-profit associations. This is complemented by public diplomacy and ad hoc demarches on specific issues.

European Investment Bank: Under the current mandate of EIB lending in Asia and Latin America, covering the period 2014-2020, the EIB will provide lending for operations supporting the EU cooperation strategies and complementing other EU development and cooperation programmes and instruments. The EIB gives priority to the following types of projects: 1) climate change mitigation and adaptation (e.g. renewable energy, energy efficiency, urban transport and other projects that reduce CO2 emissions); 2) development of social and economic infrastructure, including water and sanitation; 3) local private sector development, in particular support to SMEs.

Energy: European actors are growing investors in the energy sector in Lao PDR. Europe's experience with promoting sustainable energy consumption, improving access to sustainable energy while mitigating global climate change, financing in renewable energy, energy efficiency and innovation investments feature strongly in dialogue with the government.

Investment: European private sector and public investment agencies are major investors in Lao PDR thus contributing measurably to job creation and economic growth. European partners will support and improve the quality of vocational skills to ensure that the Lao workforce meet the demands of the labour market through enhancing Dual Cooperative Training between the European private sector and vocational schools in Lao PDR.

Mekong River Commission: : European partners support the Mekong River Commission that aims at encouraging riparian countries to collectively managing water resources in a sustainable manner and to develop common policies to prevent environmental degradation and to adapt to the effects of climate change. Several European DPs are committed or planning to contribute to the MRC's current institutional transformation process, including through a multi-donor basket fund for the implementation of MRC's Strategic Plan 2016-2020.

Migration is a phenomenon that will be further facilitated by increased integration and connectivity in the region. Migration can be a much needed boon for development but it has enormous costs too. Economic migrants tend to increase household incomes but they also add to social costs and burdens on family members left behind and are prone to economic vulnerabilities and other forms of exploitation. Migrations and regional integration also raises new challenges such as human and merchandise control, integration of regional regulations into the national systems or emerging cross-border diseases. European partners see fair and sustainable management of migration as a shared challenge and encourage efforts to combat exploitative practices and to mitigate the social costs of migration.

Multilateral Institutions: European partners contribute core funding for multilateral and regional institutions that are active in Lao PDR. Multilateral development banks and funds, the IMF, the United Nations, the Global Fund, CGIAR and GAVI all draw on European support to continue their operations in Lao PDR.

Regional Integration: ASEAN and Europe share similar goals, that of peace, stability, prosperity and regional integration. European partners are working to bring the two regions closer together as well as providing a host of assistance to ASEAN through: i) improving

connectivity between the ASEAN Member States through sustainable, inclusive economic integration and trade; ii) supporting Climate Change, Environment and Disaster Management initiatives, and iii) facilitating policy dialogue and exchange of experience on regional integration between EU and ASEAN policy makers and practitioners.

Research and Innovation: European partners promote the integration of research and innovation into development objectives, where appropriate, into research, innovation and development. Lao PDR continues to benefit from partnerships between Lao and European academic, research and training institutions to facilitate innovative education, research and knowledge sharing.

Scholarships and higher education: European partners provide funding for scholarships to Lao students to study at leading European Universities. These programmes foster mutual enrichment and better understanding between the European and Lao students and academics. France alone has funded 600 Lao university students to study in France over the last 10 years. Hungary's 'Stipendium Hungaricum' Educational Agreement with the Government of Lao PDR provides assistance through 15 *more* full scholarships for Lao professionals *in 2016* at BA, MA, PhD and research level. Besides studying abroad, European partners will also improve access to vocational education and training for disadvantaged groups through the scholarship schemes, supporting at least 2,000 scholars per year for short courses (Certificate 1 & 2) at the Lao National Vocational Schools. The EU Erasmus+ programme includes a component for Asia, representing mobility for around 10,000 individuals and over 500 full Master degree scholarships, with specific priority for LDCs over the period 2014-17. The EU also reserves funds under Erasmus+ for capacity building in higher education (including curriculum development, modernisation of governance, management and functioning of institutions and systems and strengthening relations with the wider societal and economic environment): this should fund at least 140 projects in Asia over the period to 2017. Although Erasmus+ is a worldwide programme with regional allocations, Lao PDR receives direct benefit which is complementary to the effects of bilateral actions.

Statistics: Solid official statistics are required to ensure a robust follow-up of the joint programming strategy (monitor progress, inform policy, ensure accountability of stakeholders), and, more generally, monitor implementation of the Sustainable Development Goals. There is a constant need to strengthen capacities of the national production and analysis of official statistics through targeted support provided to Lao People's Democratic Republic in coordination with the support already provided through ASEAN in the area of statistics.

Youth: Lao PDR is currently experiencing a structural generational shift with the median age of the population being just twenty two years old. A younger generation will steadily enter the labour force and compete for opportunities in the public and private sector. Germany financed a study in 2015 on the aspirations of youth in Lao PDR that concluded that much needs to be done to reduce vulnerability and increase economic and education opportunities particularly for young girls and youth in rural areas. A better understanding of how to address these challenges would be valuable to the development cooperation partnership. Within the context of the EU's Erasmus+ programme, eligible organisations (e.g. youth organisations) from Lao PDR are entitled to participate as partners in 'Capacity building in the field of youth' projects which aim at fostering youth cooperation and transnational non-formal learning mobility (e.g. Youth exchanges, the European Voluntary Service or Mobility of youth workers). Young people and youth workers from Lao PDR can participate in these activities.

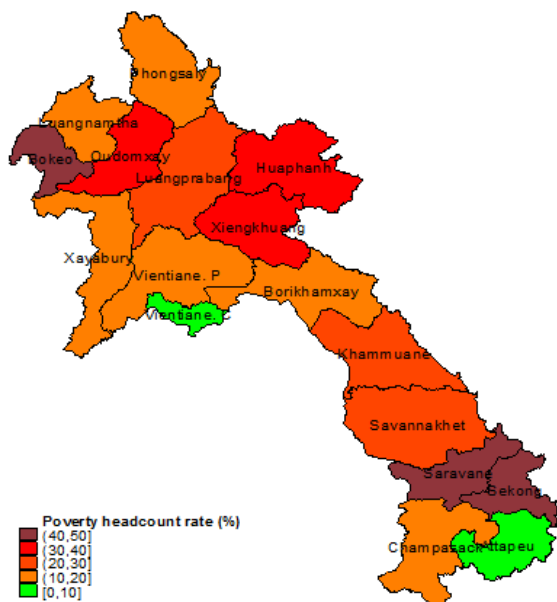
UXOs: European partners also continue to provide funding to the Un-Exploded Ordinances (UXOs) sector and continue the partnership with governmental institutions (notably the National Regulatory Authority and UXO Lao) in reducing the impact of UXO contamination in Lao PDR. The actions supported in this sector focus on activities related to clearance (promoting evidence-based survey), risk education and victims' assistance. On top of the assistance provided to national UXO institutions, European partners also provide grants to Non-Profit Associations and Non-Governmental Organizations which operate under coordination and regulatory mechanisms established by the Government of Lao PDR.

Annexes

- Annex 1: Country Snapshot: People's Democratic Republic of Lao PDR
- Annex 2: Joint Results Framework
- Annex 3: Indicative Timetable for European Commission Commitments

Annex 1: Country Snapshot: People’s Democratic Republic of Lao PDR

Sources: Government of Lao PDR (Ministry of Planning and Investment - MPI, Ministry of Finance – MoF and Lao Bureau of Statistics - LBS), World Bank, Asian Development Bank (ADB) and World Fact Book



Poverty rate by province: 2012/13
 World Bank. 2015. *Lao PDR poverty policy notes : drivers of poverty reduction in Lao PDR.*
 Washington, D.C. : World Bank Group.

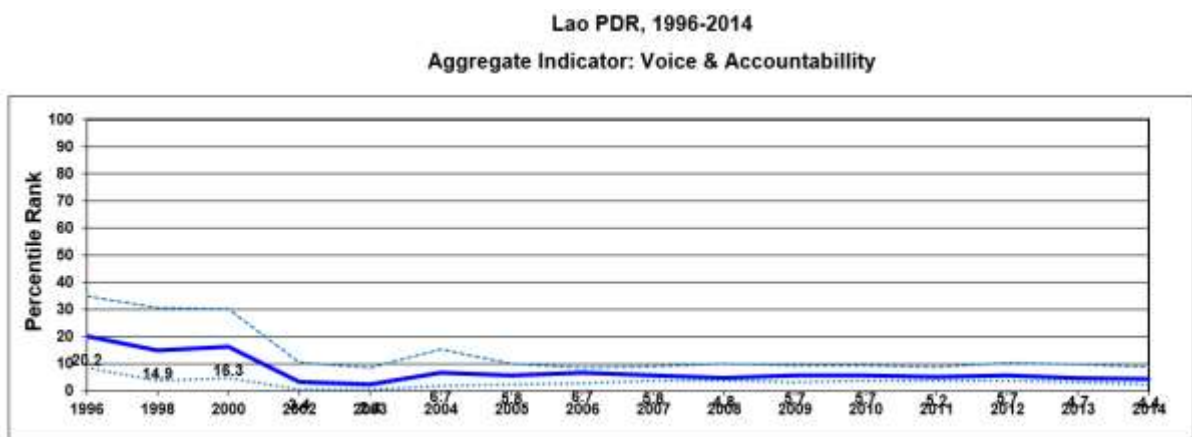
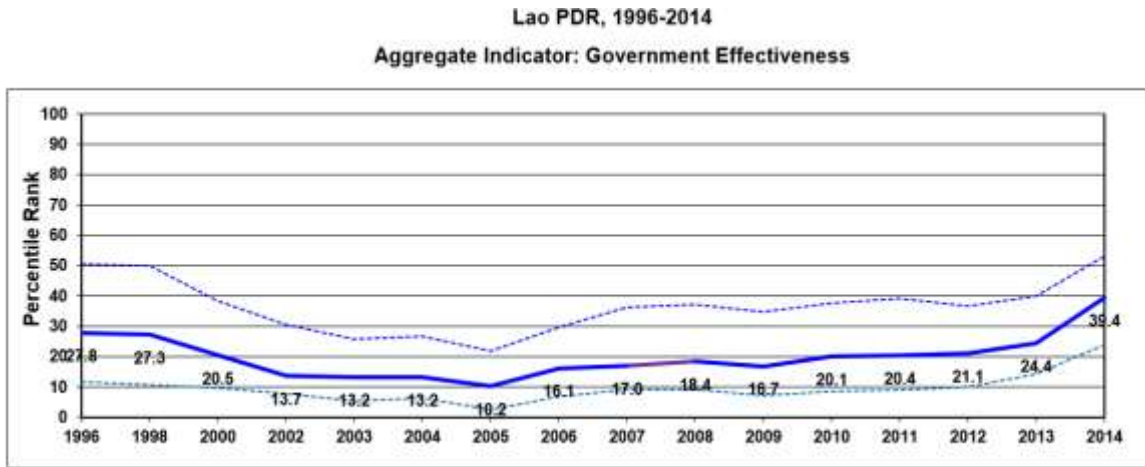
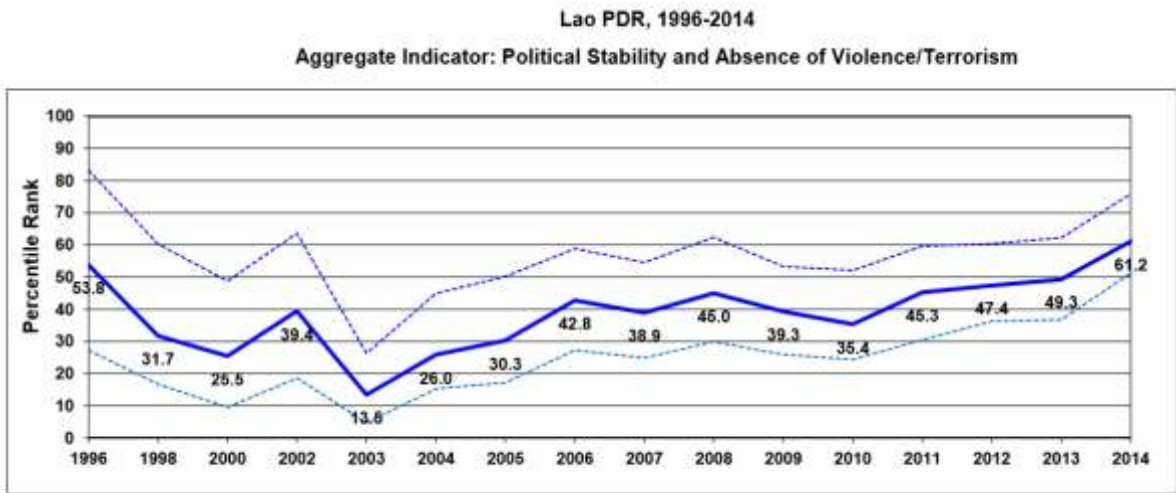
Lao PDR is a mostly mountainous, landlocked South-East Asian country bordered by Cambodia, China, Myanmar, Thailand and Vietnam, two thirds of which is covered in forests. Only 6% of the country is classified as arable land. Lao PDR has significant natural resources of which timber, hydropower (providing 98% of the national energy needs), gypsum, tin, gold and gemstones are major economic contributors. Lao PDR's shares its biggest borders with Thailand and Vietnam both of whom are amongst Lao PDR's largest trade partners and also members of the ASEAN regional and trade grouping.

Lao PDR's economic growth has been amongst the fastest in Asia recently and averaged nearly 8% per year for the last decade. Lao PDR is a country with an underdeveloped infrastructure, particularly in rural areas. The labour

force still relies on agriculture, dominated by rice cultivation in lowland areas, which accounts for about 25% of GDP and 73% of total employment. Economic growth has reduced official poverty rates from 46% in 1992 to 26% in 2010. The economy benefits from foreign direct investment in hydropower dams along the Mekong River, copper and gold mining, logging, and construction. However, there are ongoing problems with the business environment, including onerous registration requirements and unclear or conflicting business regulations.

| | |
|--------------------------|--|
| Total area: | 236,000 sq. km |
| Land boundaries: | 5,083 km (Burma: 235km; China: 423 km; Vietnam: 2,130km Cambodia: 541 km Thailand: 1,754 km) |
| Climate: | tropical monsoon, rainy season (May-Nov), dry season (Dec-Apr) |
| Terrain: | mostly rugged mountains, some plains and plateaus, highest point: Phu Bia (2,187 m) |
| Natural resources: | hydropower, copper, gold, gypsum, gemstones and timber |
| Environmental issues: | UXOs, deforestation, soil erosion, limited access to potable water |
| Capital: | Vientiane |
| Administrative division: | 16 provinces and 1 capital city |
| Republic day: | 2 December (1975) |

Governance: one-party system (socialist); Lao People's Revolutionary Party (LPRP)



Population 6,809,054 (LBS 2014)
 Male 3,403,964 (LBS 2014)
 Female 3,405,090 (LBS 2014)

Under 20 years old 46.7% (MPI 2015)

| | |
|---|--|
| Over 60 years old | 5% (LBS 2014) |
| Population Growth Rate | 2% (ADB 2014) |
| Population Density | 29/sq.km (compared to Vietnam 274/sq.km) (ADB 2014) |
| GDP/capita (2014) | EUR 1,687 (MoF 2015) |
| GDP Growth Rate (2014) | 7.56% (LBS 2014) |
| GDP | USD 11.77 billion (World Bank 2014) |
| <i>Of which</i> | 23% is agriculture, 32% industry and 38% services. (LBS 2014) |
| Poverty Rate (World Bank) | 23% in 2012 <i>down from</i> 46% in 1992 |
| Proportion of population on less than USD 1.25/day (PPP) | 30.3% (ADB 2012) |
| Life Expectancy | 68 (World Bank 2013) |
| Inflation Rates: | |
| 2010 | 6% (LBS 2014) |
| 2011 | 8% (LBS 2014) |
| 2012 | 4% (LBS 2014) |
| Government Revenues: | USD 2.742 billion (ADB 2014) |
| Expenditures: | USD 3.297 billion (ADB 2014) |
| Gini | 36.7 in 2008 <i>from</i> 34.6 in 2002 (ADB 2014) |
| Exports (2014) | USD 2.8 billion (ADB 2014) |
| Imports (2014) | USD 4.1 billion (ADB 2014) |
| Current Account Balance: | -25% of GDP (ADB 2014) |
| Fiscal Balance: | -4% of GDP (ADB 2014) |
| Trade Balance: | -28% of GDP (ADB 2014) |
| HIV Rate: | 0.2% (ADB 2013) |
| Under 5 Mortality Rate | 68/1,000 (Thailand 13/1,000) (MPI 2015) |
| Proportion of Women in Wage Employment in Non-Agricultural Sector | 32% (ADB 2012) |
| Proportion of under 5 years Old Underweight | 27% (ADB 2012) |

Foreign Labour Registered in Lao PDR in 2014

(LBS 2014)

| | |
|----------------|--------|
| Foreign labour | 20 942 |
|----------------|--------|

| | |
|---------------------------------|--------|
| Chinese Labour | 10 542 |
| Vietnamese Labour | 4 246 |
| Thai Labour | 3 228 |
| Other Labour | 2 926 |
| Foreign labour by Sector | |
| Agriculture | 1 768 |
| Industries | 12 441 |
| Service | 6 733 |

Annex 2: Joint Results Framework²⁸

| SDG | Overall Objective | Indicators ²⁹ | | Means of Verification |
|------------------|---|---|---|--|
| | Reducing poverty, promoting good governance, sustainable and equitable growth in Lao PDR | <p><u>8th NSEDP:</u></p> <p><u>10.1 Gini Coefficient (Inequality)</u> B-2013: National = 36.17 Urban 37.51 and Rural 32.52 T-2020: improved from baseline value</p> <p><u>10.2 Human asset index (composite HAI)</u> B-2012: 61.4 T-2020: not lower than 68.</p> <p>10.3 GDP growth rate B-2015: 8% T-average annual rate for 2016-2020 period: 7.5%</p> <p>10.4 Household poverty rate B-2012/13 (LECS V): 20.5% T-2020: 7%</p> | | 8 th NSEDP M&E Reporting (for all indicators) |
| | Specific Objectives | Results | Indicators ³⁰ | Means of Verification |
| 5, 8, 12, 16, 17 | In line with the SDG priorities of a strengthened global partnership for development European partners actively support improved development effectiveness and continue to support the partnership infrastructure, most notably the sector working groups, policy dialogue, monitoring and evaluation. <i>MDG 8 Met with good practices noted relating to coordination.</i> | Cross-cutting priorities include gender equality, equitable development, protection of ethnic minorities, sustainable environment, promotion and protection of fundamental human rights and prevention of involuntary resettlement. | | |
| | SO 0 Partnership with government strengthened. | R0.1 Government co-financing of Development Partner financed projects. | I0b.1.1. ODA received as a proportion of the gross national income B-2014: 6.42% | Joint Programming Mid-Term Review drawing on reports from European partners. SDG related reports |

²⁸ As much as possible using 8th NSEDP or other Government Indicators

²⁹ As far as possible indicators will be disaggregated by age and sex.

³⁰ B-year = Baseline year; T-year = Target year

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| | | | | OECD Creditor Reporting System |
| | | R0.2 Government spending on social services | I0b.2.1. Percentage of Government spending on social sectors over 2016-2020 period B-2014/2015: 23.5% T-2020: To be defined (NSEDP) | 8 th NSEDP Progress Reports, M&E Framework and Reports from European partners. |
| | | R0.3 European partners advocate in dialogue and coordination structures for strengthened partnership particularly around monitoring results and greater transparency around budgeting. | I0b.3.1. Number of Sector Working Groups in which European partners are active B-2016: 6 T-2020: at least 6 | Round Table Process - Sector working Group reporting Joint Programming Mid-Term Review. |
| | | R0.4 Improved communication on European priorities and development goals delivered through development and implementation of a joint European communication strategy. | I0b.4.1. Existence of a joint European communication strategy on Joint programming B:No T:Yes I0b.4.2. Percentage of objectives defined in the JP communication strategy achieved. B-2016: 0 T-2020: 100) | Joint Programming Communication Strategy Joint Programming Mid-Term Review. |
| SDG | Specific Objectives | Results | Indicators³¹ | Means of Verification |
| European Priority Sectors | | | | |
| 2.1. Agriculture and Rural Development | | Contributes to NSEDP Outcomes 1 and 3 | | |
| 1, 2 | European partners involved: France, Hungary, Luxembourg and Switzerland | | | |
| Sustainable rural development and fair agricultural development. | | | | |
| | SO 1: Improve agricultural practices | R1.1.Stabilisation of the area dedicated to agriculture and to the forest, R1.2.Reduced poverty rate within the rural population, R1.3.Increased average yield per hectare for the main commodities (e.g. rice, rubber, coffee, ...) | I1.1.1. Agricultural land management (area covered) B-2011: 10.2% (of total land area used for agricultural production) T-2020: 19% I1.2.1. Percentage of total households living below national poverty line by | 8 th NSEDP M&E Framework. Lao Census of Agriculture 2010/2011 MAF: Agricultural Development Strategy 2020 8 th NSEDP M&E framework |

³¹ B-year = Baseline year; T-year = Target year

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| | | <p>region/province (Poverty Headcount ratio): B-2012-2013: 23.2% T-2020: 15%</p> <p>I1.3.1. Average yield of rice per hectare B-2011: 3.6 T/Ha T-2020: 4.16 T/Ha</p> <p>I1.3.2. Average yield of coffee per hectare B-2011: 950kg/Ha T-2020: To be defined (NSEDP)</p> <p>I1.3.3. Average yield of rubber per hectare B-2011: 1.7 T/Ha T-2020: To be defined (NSEDP)</p> | <p>National Forest Inventory</p> <p>LECS V 8th NSEDP M&E framework</p> <p>8th NSEDP M&E framework</p> |
| SO 2: Strengthen the role of family farming | <p>R2.1. Percentage of smallholders in the production process increased, R2.2. Increased number of Farmer Organisations that provide services to their members.</p> | <p>I2.1.1. Market share of subsistence smallholder agriculture B-2010: 10% T-2020: higher than 10%</p> <p>I2.2.1. Number of Farmers Organizations (formal and informal) and extension organizations (private or public) that promote sustainable technologies or management practices B-2016: 2,950 (current number of Farmer Groups – applicable baseline value to be measured and target to be defined)</p> | <p>8th NSEDP M&E Framework. MAF: Agricultural Development Strategy 2020</p> <p>MAF-Department of Agriculture Extension and Cooperatives</p> |
| SO 3: Improve economic efficiency | <p>R3.1. Reduced poverty rate in the rural areas, R3.2. Competitiveness of Lao products in regional and international markets improved.</p> | <p>I3.1.1. Economic Vulnerability Index - Instability of Agricultural Production B- 2015: 20.4 T-2020: target to be established according to LDC graduation requirement</p> <p>I3.2.1. EVI component: Merchandise export concentration</p> | <p>8th NSEDP M&E Framework. Outcome 3 – output 3</p> <p>8th NSEDP M&E framework</p> |

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| | | | B-2015: 22.4 T-2020: target to be established according to LDC graduation requirement | |
| | SO 4: Improve service delivery in rural areas | R4.1. Availability of services from public and private providers and capacity of district staff to answer the demand, R4.2. Participatory planning and administration process in place, R4.3. Improved living conditions in rural areas through better services access. | I4.1.1. Farmers organisation (number and annual turnover) B-2016: 2,950 I4.2.1. Extension services (number of skilled extension workers having capacity and budget to deliver services) B-2016: to be determined T-2020: 3 extension workers/village I4.3.1 Percentage of villages with water source in the village or close by. B-2010: 45% T-2020: not available | 8 th NSEDP M&E Framework. MAF-Department of Agriculture Extension and Cooperatives Lao Census of Agriculture 2010/2011 8 th NSEDP M&E framework MAF-Department of Agriculture Extension and Cooperatives |

| SDG | Specific Objectives | Results | Indicators ³² | Means of Verification |
|-----|--|---|--|--|
| 4 | 2.2. Education³³ | | | |
| | Contributes to NSEDP Outcome 2 | | | |
| | European partners Involved: EU and France | | | |
| | <i>MDG 2 Not Met due to low retention rates.</i> | | | |
| | Improved completion rates and better quality education. | | | |
| | SO 1: Support to ensuring equitable access, and completion of basic education, with a focus on disadvantaged groups. | R1.1. Increased number of children completing a cycle of basic education, with a focus on disadvantaged groups. R1.2. Repetition and dropout reduced | I1.1.1. Survival rate to grade 5 B-EMIS 2014-2015: 78.3% (female: 80%; male: 76.8%) T-2020 ESDP: 90% | Education Management Information System (EMIS) – Ministry of Education and Sports (MoES) - (for all indicators in SO1) |

³² B-year = Baseline year; T-year = Target year

³³ The sector intervention framework is drawn from the existing Education Sector Development Plan (ESDP2016-2020). Results and indicators, including targets and baselines are based on ESDP 2016-2020. When available, data will be disaggregated by sex, geographic area and ethnicity.

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| | | | <p>I1.1.2. Gross enrolment rate to lower secondary education B-EMIS 2014-2015: 78.1% (female:76%; male: 80%) T-2020 ESDP: 85%</p> <p>I1.2.1. Dropout rates for grade B-EMIS 2014-2015: 8.5% (female:8.0%; male: .09%) T-2020 ESDP: <5%</p> <p>I1.2.2. Repetition for Grade 1 B-EMIS 2014-2015: 13.5% (female:12.6%; male: 14.4%) T-2020 ESDP: <5%</p> | |
| SO 2: Support to improvement of education quality and relevance | <p>R2.1. Literacy and numeracy skills increased</p> <p>R2.2. Increased availability of relevant teaching and learning materials</p> <p>R2.3. Improved delivery of teacher education (pre-service) and improved professional development system for teachers, school principals and pedagogical advisers (in-service)</p> | <p>I.2.1.1. Percentage of students reaching the functional levels (in Lao Language and Mathematics) increased. B-2009 ASLO: Lao Language 78.4% and Mathematics 33.6% T-2020: % increase over ASLO 2009 rates</p> <p>I.2.2.1. Pupil/textbook ratio T-2020 ESDP: 1:1</p> <p>I2.3.1. Percentage of teaching staff trained B-2016: 0% T-2020: 50% (to be further defined during formulation)</p> <p>I2.3.2. Number of teachers/ school principals and pedagogical advisers trained/certified. B-2016: 0% T-2020: 50% (to be further defined during formulation)</p> | ASLO, EMIS –TIMS- MoES - (for all indicators in SO2) | |

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| | <p>SO 3: Support to improvement of governance of the education system.</p> | <p>R3.1. Strengthened and more effective links between planning and budgeting at central and provincial levels</p> <p>R3.2. District and school management enhanced</p> <p>R3.3. Increased non-wage recurrent budget through improved efficiency of teacher deployment</p> | <p>I3.1.1. Consolidated Central and Provincial Annual Costed Sector Education Plans (ACSEPs³⁴) endorsed by the Ministry of Education and Sports by the end of January B-2015: ACSEPs FY 2015/16 accepted by MoES T: Four consecutive ACSEPs sent for approval in FY 2016/17, 2017/18 2018/19 and ACSEP 2019/20</p> <p>I3.1.2. Share of government expenditure to the education sector in line with ESDP projections B-201-2015: 14.6% T-ESDP 2016-2020:17%</p> <p>I3.2.1. Percentage of annual school development plans established B-2016: 10-20% T-2020: 100%</p> <p>I3.2.2. Number of School Development Plans sent to the DEB for approval. School Development Plan (SPD) jointly established by the village education development committees and School Principals. B-2016: 0% T: 100%</p> <p>I3.3.1. Percentage of non-wage recurrent spending for quality improvements over education sector total recurrent budget B-2014-2015: 10% T-2020: 21%</p> | <p>Annual Joint Sector Review</p> <p>ESDP Performance assessment framework (DoI, DoP, EMIS – MoES) - (for all indicators in SO3)</p> |
|--|--|--|--|--|

³⁴ACSEP is a rolling planning and budgeting system embedded in the MoES system. improved efficiency of teacher deployment

| SDG | Specific Objectives | Results | Indicators ³⁵ | Means of Verification |
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| 1, 2, 12, 13, 15 | 2.3. Environment and Natural Resources | | | |
| | Contributes to NSEDP Outcome 3 | | | |
| European partners Involved: Germany and Finland | | | | |
| <i>MDG 7 Not Met with insufficient rural access to sanitation and clean drinking water; worrying signs of worsening forest and environmental degradation.</i> | | | | |
| Sustainable environment management; protected natural resources, climate change mitigated and managed. | | | | |
| | SO1 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss (SDG 15) | <p>R1.1. Illegal logging is reduced and forests are managed sustainably in the target areas.</p> <p>R.1.2. The loss of biodiversity and threatened species is halted and illegal trade with wildlife reduced in the target areas.</p> | <p>11.1.1. Percentage of timber harvested and traded certified by FSC and/or with legal origin B-2015: 20% T-2020: 50%</p> <p>11.1.2. Number of production forest areas (and Hectares) with approved management plans in place and implemented B-2016: All PFA (3.1 Mio. Ha) with approved management plans T-2018: all production forest areas are being managed according to management plans³⁶</p> <p>11.2.1. Number of species threatened with extinction B-2015: 212</p> <p>11.2.2. The targeted National Protected Areas are managed more effectively as demonstrated by an increase of Management Effectiveness Tracking Tool (METT) indicators . B-2016: Available for HNN NPA, NEPL,</p> | <p>8th NSEDP M&E Framework. Outcome 3 FLEGT/FSC monitoring tools Forest Trends</p> <p>8th NSEDP M&E framework National Forest Inventory</p> <p>8th NSEDP M&E Framework. Outcome 3 8th NSEDP M&E framework IUCN Red list Index</p> <p>METT surveys</p> <p>Reports to and correspondence from the Convention on Biological Biodiversity, CITES</p> |

³⁵ Baseline and target values to be determined based on the 8th NSEDP M&E Framework

³⁶ If logging ban will not be lifted then not all parts of management plans can be implemented

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| | | | <p>NNT, and planned for Nan Ha; Nam Kan, and others</p> <p>11.2.3 Government of Laos effectively implements its obligations from multilateral environmental agreements on biodiversity protection (Convention on Biological Diversity, CITES etc.). B-2016: CITES Secretariat recommends suspension of commercial trade in specimens of CITES-listed species with Lao PDR T-2020: the Government of Laos effectively implements its obligations from multilateral environmental agreements on biodiversity protection (Convention on Biological Diversity, CITES etc.).</p> <p>11.2.4 The knowledge and attitude related to climate change, forest and biodiversity protection of targeted government staff at national and local level and of local communities in XY villages have improved significantly. B: to be determined</p> | <p>Knowledge-Attitude-Practice (KAP) Study</p> |
| <p>SO2 Ending poverty (SDG 1); Ending hunger, achieving food security, improved nutrition and promoting sustainable agriculture (SDG 2),</p> | <p>R2.1. The land rights and access to land is secured for rural and poor communities in the target areas.</p> | | <p>12.1.1. Percentage of people in target areas with secure rights to land (i) with documented tenure and (ii) who perceive their rights are recognized and protected B and T: to be determined</p> <p>12.1.2. Number of additional land titles, T-2020: 100,000 additional land titles, of which at least 30,000 in the target areas and 50% in rural areas.</p> <p>12.1.3. Proportion of all land titles issued in</p> | |

| | | | | |
|---|--|--|--|---|
| | | | <p>the target areas include the man and woman in the title or the woman alone B-2016: to be determined T-2020: 70% of land titles issues in targets areas include the man and woman in the title or the woman alone</p> <p>I2.1.4. By 2020 all land owners and users who are expropriated in the target areas, receive adequate compensation according to the law and based on the value of the assets they have lost.</p> <p>I2.1.5. Percentage of land concessions that include provision to share positive benefits for the local population B and T: to be determined</p> <p>I2.1.6. Status of an inter-ministerial database for land-related information B-2016: no such database exists T-2020: exists and can be accessed by all government authorities concerned.</p> | <p>8th NSEDP M&E framework</p> |
| <p>SO3 Government takes urgent action to combat climate change and its impacts (SDG 13)</p> | <p>R3.1. Institutional structures to address the impacts of climate change are functional at national and provincial level.</p> | <p>I3.1.1. Existence of an institutionalised mechanism to promote access and use of climate financing at the national level B-2015: National Focal Point for the Green Climate Fund (GCF) has been nominated for Lao PDR <u>T-2018</u>: a National Designated Authority (NDA) is in place and fully functional to apply for funding from GCF</p> <p>I3.1.2. Status of regulatory and legal requirements for results-based payments for REDD+ in Lao PDR B-2015: no such system exists T-2018: regulatory and legal</p> | <p>Project proposals have been submitted successfully to the GCF</p> <p>REDD+ Strategy and REDD+ Decree by 2018 Benefit Sharing Mechanism by 2018 Safeguard Information System (SIS) and MRV System by 2018</p> | |

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| | | | <p>requirements for results based payments for REDD+ in Lao PDR are finalized according to agreed international standards (UNFCCC).</p> <p>13.1.3. Number of provinces that have developed emission reduction action plans and structures to use climate financing. B-2015: 0 T-2020: 7 Provincial REDD+ Action Plans (PRAPs) developed and provincial structures (REDD+ Task Force, REDD+ Office)</p> <p>13.1.4. Number of targeted villages in Huaphan that receive performance-based pilot REDD+-payments and are ready to receive international performance-based payments. B-2015: 0 T-2018: 70</p> <p>13.1.5. Mio. EUR for adaptation and mitigation measures are available to the Government of Lao PDR based on initiatives supported by projects funded by European partners. B-2015: 0 B-2020: Up to 30 Mio. EUR from FCPF Carbon Fund of the World Bank (payments are available by 2023)</p> | <p>Emission Reduction Program Document (ER-PD), to be submitted to FCPF Carbon Fund by 2018</p> <p>CiiPAD (KfW and GIZ) Reporting</p> <p>Emission Reduction Purchase Agreement (ER-PA) between Lao PDR and FCPF Carbon and achieved ER by 2023</p> |
| SDG | Specific Objectives | Results | Indicators³⁷ | Means of Verification |
| 10, 16 | 2.4. Governance | Contributes to NSEDP Outcome 2 | | |
| European partners Involved: EU, Switzerland, France, Germany and Luxembourg | | | | |

³⁷ B-year = Baseline year; T-year = Target year

| Contribute to good governance, the rule of law and human rights in Lao PDR. | | | |
|--|--|--|---|
| SO1: Support improvements in government services | R1.1. Capacities of the District/local administration capacities to deliver responsive, efficient and accountable public services to citizens is strengthened | <p>11.1.1. Number of districts covered by the National Governance and Public Administration Reform (NGPAR) with budgets allocated to sub-national government administrations B-2016: 53 T-2018: 70</p> <p>11.1.2. Number of district administrations mandated and capacitated to implement public services in rural areas B-2015: no districts mandated T-2020: All NGPAR districts mandated</p> <p>11.1.3. Number of One Door Service Centres implemented and operational B-2015: 11 district and 5 provincial ODSC implemented, semi-operational T-2020: 35 districts and 17 provincial ODSC implemented, fully operational.</p> | 8th NSEDP M&E Reports. 8th NSEDP Outcome 2 NGPAR II Output 1: Policy Reform & NGPAR II – Output 2a “Developing the capacity of local administrations to finance SDC targeted services” |
| | R1.2. Improved access and utilisation of public services (health, education services etc....) to citizens, in particular women and men, from ethnic groups living in rural areas | 11.2.1. Access and availability of services for citizens disaggregated by gender (in NGPAR provinces) B-2017: to be determined T-2020: Increase value from baseline | NGPAR II Output 1 (baseline to be conducted in Q1-2017) |
| | R1.3. Increased citizens' engagement in local development (identification of priorities and monitoring of service delivery) | <p>11.3.1. Number of locally accountable district development funds B-2015: 14 funds available T-2020: 50 funds available</p> <p>11.3.2. Number of 'citizen scorecard' and other accountability and monitoring mechanisms implemented and used Baseline 2015 Scorecard project of Lao Women's Union Target 2020 continued scorecard project</p> | 8th NSEDP M&E Reports NGPAR II Objective 2b “Developing the capacity of local administrations to finance local economic development” NGPAR II Objective 3b |

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| | | | of LWU, plus parallel citizen grievance module (hotline) established and functioning in at least 3 provinces. | |
| | | R1.4A. Increased transparency and accountability in provision of public service | 11.4.A.1. Number of public procurement procedures that respect national regulations and international best practice 11.4.A.2. Number of cases where procurement irregularities are resolved in a transparent fashion consistent with national regulations and international best practice | 8th NSEDP financial Reports SIA reports |
| | | R1.4B. Improved financial management for appropriate revenue management | 11.4.B.1. Improved predictability in control in budget execution B-2010: PEFA Score D (average score) T-2020: PEFA Score C+ 11.4.B.2. Timely, relevant and reliable financial information B-2010: PEFA Score C+ (average score) T-2020: PEFA Score B+ 11.4.B.3. Improved budget comprehensiveness and transparency B-2010: PEFA Score C (average score) T-2020: PEFA Score B | PEFA scores of the latest publicly available assessment |
| | | R1.5. Reduced corruption. | 11.5.1. Rank and score on Corruption Perceptions Index B-2014: 145/175, score 25/100 T-2020: increase (absolute and within ASEAN) 11.5.2. Rank and score on Control of Corruption Index B-2010: percentile rank 14%, score - 1.071804505 T-2020: increase (absolute and within ASEAN) | Transparency International |

| | | | |
|--|--|---|---|
| SO2 Contribute to an environment that promotes citizens' engagement for sustainable development and good governance. | R2.1. CSOs are able to work effectively and efficiently | <p>I2.1.1. Average time required for CSO registration and compliance with regulations B-2013: Not for Profit Associations (NPAs) central registrations completed in 2013 took average 13 months. T: yearly reduction</p> <p>I2.1.2. Number of provinces and development sectors where CSOs are active B-2015: Centrally registered NPAs: Gender -19/12 provinces, children - 21/12 provinces, ethnic minorities - 15/13 provinces, disabled -9/8 provinces T-2020: +30% in all four sectors and presence in all provinces and Vientiane Capital (18/18)</p> | <p>MoHA-Civil Society Division responsible for registrations collects and provides such data to DPs on request.</p> <p>Lao CSO Directory produced annually by CSO network with DP support. Can be verified and expanded with data from mappings and mapping updates</p> |
| | R2.2. CSOs provide fact-based research and advocacy that complements GoL and DP efforts in development and good governance | <p>I2.2.1. Number of provinces and development sectors where CSOs provide fact-based research B-2016: to be determined T-2019: increase on number of fact-based research</p> | <p>CEGGA (baseline to be conducted in Q-3 2016) NA Reports</p> |
| | R2.3. NA consistently consults with the public regarding legislative proposals | <p>I2.3.1. Percentage of draft legislation consulted with public (including CSOs) before NA debate B-2013-2014: 30% T: annual increase, reaching 100% in 2020</p> | <p>NA ICPMS monitoring and annual reporting.</p> |
| | R2.4. NA has effective oversight over state investment planning and spending | <p>I2.3.2. Percentage of state budget and expenses scrutinised by NA B-2013-2014: 10% T-2020: 100%</p> | <p>Report by NA Finance Committee. Verification by interviews, qualitative assessment</p> |
| SO3 Support the consolidation of the rule of | R3.1. NA has greater capacity to revise draft legislation that is gender sensitive | <p>I3.1.1. Percentage of draft legislation revised before adoption</p> | <p>NA ICPMS monitoring and annual reporting. Verification by comparison</p> |

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| law | | B-2013-2014: 40% T-2020: annual increase, reaching 80% | of draft laws or draft amendment for laws sent to National Assembly with the actual laws passed by the National Assembly. |
| | R3.2. Legal sector reforms are moving forward through an inclusive process | I3.2.1. Legal sector master plan updated and implemented B: N/A T: annual progress | LSMP M&E Reports. |
| | R3.3. Legal and paralegal training programmes are practice oriented and are in line with international standards. | I3.3.1. Number of graduates of relevant legal and paralegal training programmes in line with international standards. B-2015: 600 graduates T-2020: annual increase at NUoL and other institutions | LSMP M&E Reports. NUoL, Provincial Education Centre, National Judicial Institute |
| | R3.4. Increased citizen's access to formal justice and to local mediation and reconciliation mechanisms | I3.4.1. Percentage of citizens and % districts where citizens have access to legal advice. B-2015: legal advice centres 5/17 provinces and Vientiane Capital T-2020: 17 provinces and Vientiane Capital | MoJ, LSMP M&E Reports |
| | R3.5. Implementation of international human rights obligations and constitutional rights | I3.5.1. Percentage of Accepted UPR recommendations translated into practice I3.5.2. # treaties domesticated in national laws B-2015: 600 treaties and agreements ratified but not domesticated Target: annual decline. At least 200 agreements domesticated by 2020 | UPR reports LSMP M&E Reports MoJ Department of Justice is responsible for domestication |

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| | | | <p>doctors, nurses and midwives per 1,000 population, B-2013/2014: 2.88 T-2020: To be defined (NSEDP)</p> <p>11.3.1. Number of research studies published/undertaken B and T: to be determined</p> <p>11.3.2. Number of research centres/researchers. B and T: to be determined</p> | FY 2013/14 |
| | <p>S02: Improving Access to and Quality of Maternal and Child Health</p> | <p>R2.1. Reduced maternal mortality through improved access to health services including pre- and antenatal care and family planning R2.2. Reduced child and infant mortality through better access to health services including integrated outreach activities and vaccination. R2.3. Better access to health services specifically in rural areas and among vulnerable groups</p> | <p>I2.1.1 Maternal mortality per 100,000 live births B-2015: 220 T-2020: <200</p> <p>I2.1.2 % of women with at least 1 antenatal care visit B-2015: 60% T-2020: 90%</p> <p>I2.1.3 % of deliveries assisted by a trained health provider B-2012: 41.5% T-2020: To be defined (NSEDP)</p> <p>I2.2.1. Mortality of children under 1 year B-2015: 45/1000 live births T-2020: 30/1000 live births</p> <p>I2.2.2. Mortality of Children under 5 year. B-2015: 70/1000 live births T-2020: 45/1000 live births</p> | <p>8th NSEDP M&E Framework Outcome 2</p> <p>8th NSEDP M&E framework</p> <p>8th NSEDP M&E framework</p> <p>8th NSEDP M&E framework</p> <p>8th Health Sector Development Plan (2016-2020)</p> |

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| | | | <p>12.2.3. % children immunised against DPT3 B-2015: 90% T-2020: 90%</p> <p>12.2.4. % children immunised against measles B-2015: 90% T-2020: 90%</p> <p>12.3.1. Number of Outpatient Department visits per child under 5 per year B-2015: 0.8 T-2020: not available</p> | <p>8th NSEDP M&E framework</p> <p>National Health Information System, 2015</p> |
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| SDG | Specific Objectives | Results | Indicators ³⁹ | Means of Verification |
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| 2 | 2.6. Nutrition | | | |
| | Contributes to NSEDP Outcome 2 | | | |
| European partners Involved: EU, France and Switzerland | | | | |
| <i>MDG 1 target not met. High stunting rates remain.</i> | | | | |
| Hunger ended; stunting and malnutrition reduced; improved nutrition. | | | | |
| | SO1: Support to strengthened Nutrition Governance | R1.1. The National Information Platform for Nutrition (NIPN) is functional and institutionalised. R1.2. Planning, resource mobilisation, coordination, communications and capacity development at the national, provincial, district and village levels strengthened. | <p>11.1.1. Availability of centralised information on planned and achieved geographical coverage of nutrition interventions B-2015: nil T-2018: Implementation progress is tracked in at least 25% of planned nutrition relevant interventions</p> <p>11.2.1. Number of functional provincial and district coordination mechanism for multi-sectoral response to nutrition B-2015: nil T-2018: Multi-sectoral Provincial and District Annual Work Plans and Budgets in at least 7 provinces</p> <p>11.2.3. Availability of a functional monitoring and evaluation system for Nutrition B-2015: nil T-2018: 3 logical/results frameworks for Agriculture, Education and Health available and stating their contributions to a multi-sectoral nutrition response</p> | European partners Reports NIPN, Provincial and District Annual Work Plans and Budgets, Reporting of the NNC secretariat; Annual Work Plan and Budget, Reporting of the NNC secretariat; LSIS or Nutrition Survey Report 2016 and 2019 HMIS Annual Reports (from 2017) Annual Work Plan and Budget, Reporting of the NNC secretariat; |
| | SO2: Contribute to scaled-up | R2.1. Integrated outreach and end-delivery of nutrition specific services and investments at district and village | 12.1.1. Women of reproductive age and children under 5 benefiting from nutrition | 8 th NSEDP M&E Framework. |

³⁹ B-year = Baseline year; T-year = Target year

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| | Nutrition Specific Support | <p>levels improved.</p> <p>R2.2. Nutrition status improved in vulnerable communities, with particular attention on mothers and children health and nutrition status.</p> | <p>related programmes with EU support</p> <p>B-2011: 48.6%</p> <p>T- 2020 from the baseline: 2.3%</p> <p>relative increase per year or 11.5%</p> <p>relative increase</p> <p>12.2.1. Prevalence of stunting in children under 5 years of age</p> <p>B-2012: 44%</p> <p>T-2020: 34%</p> <p>12.2.1. Prevalence of underweight in children under 5 years of age</p> <p>B-2012: 27%</p> <p>T-2020: 17%</p> | <p>MoH administrative data (HMIS/DHIS2)</p> <p>Demographic and Health Surveys (DHS)</p> <p>8th NSEDP M&E framework</p> <p>8th NSEDP M&E framework</p> |
| | SO3: Contribute to scaled-up Nutrition Sensitive Support | <p>R3.1. Smallholders' production in farming activities with high nutrition impact increased</p> <p>R3.2. Vulnerable communities have access to and consume quality and diverse food throughout the year (agricultural products as well as non-timber forest products)</p> <p>R3.3. Hygiene, water and sanitation related services to the vulnerable members of the community improved.</p> <p>R3.4. Vulnerable communities, in particular mothers and young children, have access to functioning parenting and community learning groups</p> | <p>13.1.1. Number of farmers (F/M) having diversified food crop production</p> <p>B-2016: drawn from implementing partners' baseline survey/assessment</p> <p>T-2020: Increase in number of farmers (F/M) with diversified food crop production</p> <p>13.2.1. Individual dietary diversity⁴⁰ (disaggregation focus on young children (F/M), reproductive age women and adolescent girls)</p> <p>B: drawn from implementing partners' baseline survey/assessment</p> <p>T- 2020: Increase in diet diversity per year or at least 11.5% relative increase by 2020 from the baseline</p> <p>13.3.1. Percentage of households using</p> | <p>8th NSEDP M&E Framework.</p> <p>Lao Census of Agriculture</p> <p>National Nutrition Survey report</p> |

⁴⁰ Dietary diversity scores are defined as the number of food groups consumed by an individual over a reference period

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| | | | <p>clean water sources B-2015: 70% T-2020: 90%</p> | Lao Statistical Indicators Survey |
| | | | <p>13.3.2. Percentage of households using toilets B-2015: 60% T-2020: 75%</p> | Lao Statistical Indicators Survey |
| | | | <p>13.3.3. Percentage of the population practicing open defecation B-2015: 38% T-2020: 18%</p> | Lao Statistical Indicators Survey |
| | | | <p>13.3.4. Percentage of the population washing their hands with soap B-2015: 25% T-2020: 50%</p> | Lao Statistical Indicators Survey |
| | | | <p>13.4.1. Number of functioning parenting and community learning groups B-2015: 0 T-2018: At least 50% of vulnerable communities have functional parenting and community learning groups in place</p> | National Nutrition Survey report |

| SDG | Specific Objectives | Results | Indicators | Means of Verification |
|---|---|---|---|--|
| 8, 10 | 2.7. Private Sector Development | | | |
| | Contributes to NSEDP Outcome 1 | | | |
| European partners Involved: Germany, Switzerland and Luxembourg⁴¹ | | | | |
| Equitable, inclusive and sustainable private sector development. | | | | |
| | SO 1: Enabling Lao PDR to increasingly make use of the potentials and reduce the economic risks of the ASEAN Economic Community (AEC) | R1.1. Key stakeholders in the government are able to effectively steer, coordinate, implement and monitor processes related to the AEC. R1.2. SMEs in key economic sectors are able to use opportunities presented by the AEC. | 11.1.1. National Trade Value B-2014: US\$ 3,843,560 T-2020: increase by 15 percent 11.1.2. Ranking on World Bank Ease of Doing Business Report (8 th NSEDP Overall Objective Indicator); B-2016: 134 T-2020: to be defined 11.2.1. Share of GDP attributable to non-resource sectors B-2015: 5,6 percent T-2020: N/A 11.2.2. Number of locally owned SMEs : B-2015: 140,000 T-2020: N/A | World Bank Doing Business Report, 8 th NSEDP M&E Reports |
| | SO 2: Supporting the improvement of quality, relevance and inclusiveness of the TVET system | R2.1. Increasing number of skilled graduates match the requirements of the labour market R2.2. TVET schools are becoming more inclusive and supply increasing numbers of semi-skilled workers along with graduates. | I2.1.1. Graduates with degrees or professional certification in agro-processing, tourism, construction, vehicle mechanics, and engineering: - Number - % increase over previous year B and T: to be determined | 8 th NSEDP M&E Reports 8 th NSEDP M&E framework |

⁴¹ EU and Ireland active through Trade Development Facility Project.

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| | | | <p>12.2.1. Average annual growth in new (disaggregated by sex, age group, ethnicity, geography) B and T: to be determined</p> | 8 th NSEDP M&E framework |
| | SO 3: Facilitating financial sector development to ensure access to finance for MSMEs | R3.1 Poor households and MSMEs in rural areas have better access to financial services | <p>13.1.1. Proportion of own-account and contributing family workers in total employment B and T: to be determined</p> <p>13.1.2. % of SMEs with improved revenue generation and growth B and T: to be determined</p> | <p>8th NSEDP M&E framework</p> <p>SME Surveys 8th NSEDP M&E framework SDG indicators 9.3</p> |

Annex 3: Indicative Timetable for European Union's Commitments (in EUR million)

| EU commitments (EUR million) | Indicative allocation | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------------------|-----------------------|------------------|--------------------|------------------|------------------|------|
| Education | 62 | | | 62 | | |
| Governance | 22.5 | | 12.5 | | 10 | |
| Nutrition | 75 | 31 | | | 44 | |
| Support measures⁴² | 2.5 | | | | | |
| <i>Total commitments</i> | <i>162</i> | <i>31</i> | <i>12.5</i> | <i>62</i> | <i>54</i> | |

⁴² For Support measures annual commitments will be decided on a case by case basis.