

EN

**EUROPEAN UNION**

**Development Cooperation Instrument**

**Multiannual Indicative Programme (2014-2015)**

**LAOS**



**MULTIANNUAL INDICATIVE PROGRAMME  
LAO PEOPLE'S DEMOCRATIC REPUBLIC 2014-2015**

## **1. The overall lines for the EU response**

### **1.1. Strategic objectives of the EU's relationship with Lao People's Democratic Republic**

The Lao People's Democratic Republic (hereafter Lao PDR or Laos) is a small landlocked country of 6.4 million people divided into around 49 different ethnic groups. Laos is a one-party communist state with no free elections since 1975 when the Lao People's Revolutionary Party (LPRP) seized power and ended the monarchy. The economic reforms that began in 1986 with the New Economic Mechanism have gradually shifted the economy from socialist central planning towards a more market-oriented economy. Taking advantage of its geographical location in a fast growing region, Laos has increased its integration into the regional and international economies by becoming a member of the Association of South-East Asian Nations (ASEAN) in 1997 and of the World Trade Organisation in 2013. Graduating from Least Developed Country (LDC) status by 2020 is one of the government's main priorities.

While the government is engaged in governance reforms, respect for human rights is still below international standards. The Laotian legal system remains weak and consequently the judicial system, freedom of association and media freedom remain issues of concern.

Laos has opted for an export-oriented growth strategy, mainly based on the exploitation of natural resources such as primary commodities, timber, rubber and hydropower. As a result of economic reforms, and major investments in the mining and hydropower sectors, the economy has grown on average by 7% per year since 2001 in real terms. Real Gross Domestic Product (GDP) growth is projected at 7.2% in 2014 led by investment and private consumption. In 2013, the economy has been overheating from expansionary macroeconomic policies and the fiscal deficit widened to 6.5% of GDP (due to higher capital spending and doubling of public sector remuneration) and wage and other arrears of 2-3% of GDP have emerged.

Despite impressive economic growth and reduced poverty from 46% of the population in 1992 to 27% in 2008, Laos only ranks 138 in the Human Development Index (2013) with major socio-economic challenges still to be addressed. Laos is off-track or even seriously off-track, with regard to achieving Millennium Development Goal (MDG) indicators 1c (eradicate hunger), 5 (improved maternal health) and 7 (environmental sustainability). It is also off-track with national targets for MDG 2 (universal primary education) and MDG 3 (promote gender equality), as well as Education for All goals, despite strong progress.

The government has set out its development priorities in its 7<sup>th</sup> National Socio-Economic Development Plan (NSEDP or "Plan") 2010-2015 with the main objectives of achieving the MDGs by 2015 and by putting the country on-track for graduation from LDC status by 2020. The country's rich natural resources not only provide support for livelihoods but also serve as a safety-net, especially for the poor, and is the key asset underpinning the country's ambitious development agenda. The 7<sup>th</sup> NSEDP is built upon four main pillars: 1) GDP growth of at least 8% per annum; 2) achieve MDGs and eradicate poverty by 2015; 3) ensure the sustainability of natural resources and 4) increase effectiveness of public administration, good governance and the rule of law. Laos is supported by a large number of development partners (43 in 2011).

The EU carried out an in-depth assessment of the 7<sup>th</sup> NSEDP and concluded that notwithstanding certain shortcomings in particular in the areas of democratic governance and human rights, the Plan can form the basis for EU Programming in 2014-15. In that context, and in accordance with the priorities set out in the Agenda for Change, the overarching strategic objectives of EU's relationship with Lao PDR are two-fold: 1) to support inclusive growth and sustainable development in its economic, social and

environmental dimensions with particular focus on poverty reduction, driven by sound management of public finances and of natural resources, as well as 2) to promote the respect of fundamental values, notably the rule of law and human rights, including fundamental labour rights

Enhancing the quality and effectiveness of aid is another important objective for the EU. In Laos the EU and its Member States agreed to enhance consistency and complementarity of programmes across different sectors by engaging in EU and Member States's joint programming. Joint programming also intends to provide additional impetus for the development effectiveness agenda promoted by the government of Laos and its partners within the framework of the Vientiane Declaration (a localised version of the Paris Declaration) and the related Country Action Plan which has been adopted in November 2013.

## **1.2. Choice of sectors**

Based on the above strategic objectives of EU-Laos cooperation and a thorough analysis of the country situation and its development priorities, the EU has decided to support the implementation of the 7<sup>th</sup> NSEDP in 2014-2015. With due consideration of division of labour between development partners active in Laos, the EU will focus its bilateral assistance on the off-track MDG 1c (eradicate hunger), and MDG2 (universal primary education) as well as on the promotion of governance, human rights and strengthening the rule of law.

In addition to the EU's bilateral assistance, Laos will continue benefitting from EU thematic programmes such as the European Initiative for Democracy and Human Rights (EIDHR) and Civil Society Organisations and Local Authorities (CSO-LA). Laos will also be eligible under regional programmes, notably those implemented through ASEAN and the Mekong River Commission, which has headquarters in Vientiane.

When preparing Annual Action Plans, all programmes and projects that might have an environmental impact will undergo a specific environmental assessment to analyse such impact and propose mitigation measures. In these cases, A Strategic Environmental Assessment (SEA) or an Environmental Impact Assessment (EIA) will be carried out.

Information and Communication Technologies (ICT) are cross-cutting and their applications are proven drivers for creating more inclusive and sustainable growth, innovation and entrepreneurship and supports effective development and capacity building for the chosen focal areas.

### **Sector 1: Education**

Healthy and skilled human resources will be the cornerstone of sustainable development in Laos. However, the overall structure of the workforce (about two million people of working age) is not changing commensurately with the high levels of economic growth. Around 80% of workers are still engaged in subsistence-oriented agriculture and associated informal activities. Lack of adequate skills, particularly for the young, prevents poor people from participating effectively in the labour market or becoming entrepreneurs in order to escape from poverty.

The policy framework in the education sector is established by the Education Sector Development Plan 2011-2015 (ESDP), endorsed by development partners. The ESDP operationalizes the National Education System Reform Strategy (2006-2015) and the Education Sector Development Framework (2009-2015). It is built upon three main pillars: 1) Expand equitable access; 2) Improve quality and relevance; and 3) Strengthen planning and management. The plan specifically refers to the need to focus on the most disadvantaged groups in terms of education opportunities including children in rural areas, and remote and ethnic groups. A Performance Assessment Framework (PAF) was developed as a tool for monitoring progress. A new education plan is under preparation for the period 2016-2020, building upon the main findings and recommendations of the joint mid-term sector review in 2013.

Education is among the better-performing sectors in Laos, as reflected in continuous progress across all key indicators. Net enrolment rates in primary schools increased from 89% in 2007-08 to 95% in 2011-12<sup>1</sup>. Primary school completion rates are also rising however at a slower pace from 45% in 1990 to 77% in 2013. Significant progress has been made in improving gender parity at primary level although greater disparities are present as the level of education increases. Literacy rates have also been increasing, although the increases at secondary level are more modest. However, survival rates to grade 5 are low (70% in 2011-12) and significant gaps in learning persist. The Assessment of School Learning Outcomes (ASLO) for 2009 identified low functional numeracy at national level, with an actual decline compared to 2006 data.

When looking at transition to secondary education, enrolment rates remain low (64.7% in 2011-12) and on current trends the system will struggle to produce the skilled workforce required for the country's development objectives. At the lower secondary level in 2013 many students leave school without basic literacy skills.

As with other MDGs, there are significant variations in progress between regions. Provinces with low enrolment rates are often those with the highest proportions of rural, poor and children of different ethnic dialect groups. Differences also persist in literacy rates between Lao native-speaking and ethnic dialect-speaking groups. Young students are often called back to their villages to take care of their younger siblings. Overall in remote areas, sending children to school has an opportunity cost that the household cannot afford. The focus on disadvantaged groups suggests the need for targeted approaches to addressing gaps.

The major challenge to achieving MDG 2 is reduced dropout rates from grade 1. There has been no improvement in grade 1 dropout rates between 2008 and 2013. There would appear to be several reasons for this: parents take their children to their land plots during sowing and harvesting time, lack of early child education opportunities, "incomplete" primary schools (schools that do not provide grades 1-5 classes) and ineffective multi-grade teaching. The other key challenge relates to the overall teacher management system, including teaching quality, the unbalanced deployment of teachers between urban and rural areas, the shortage and unwillingness of teachers, particularly female, to work and remain posted in rural and remote primary schools while there is a substantial surplus in urban areas and municipalities. Moreover, multi-grade teaching is creating additional pressure on the education system particularly for communities living in remote locations, including ethnic groups. There are also weaknesses in the in-service training system which remains insufficient to maintain teacher skills and relevance of the curriculum. This also impacts on the demand of education, with parents questioning the value of sending children to school.

In the 7<sup>th</sup> NSEDP the government has made a commitment to increase the education allocation in the budget to 18% (16.7% for 2013). There is low level of non-wage recurrent spending for improving quality of teaching and learning and improving governance.

When taking a comprehensive approach to the education sector focusing EU support on basic education will allow the EU to build upon the foundation levels for further learning while also helping to address some of the inefficiencies in the system. EU support to the education sector will contribute to achieving the MDG education targets, paying specific attention to gender, ethnicity and other disparities in the education system. One key element will be to support effective sector planning, financing and budgeting (to ensure adequate resources and infrastructure are allocated across provinces to enable all pupils to complete basic education); to improve the quality of education including contributing to the development of a pool of well-trained teachers. This support will build upon the EU's experience in supporting primary education in Laos, and cross sectoral linkages with nutrition and governance, as these factors impact on learning outcomes and overall sector performance.

---

<sup>1</sup> Lao PDR Ministry of Education and Sports <http://www.moe.gov.la>

## **Sector 2: Sustainable agriculture and food and nutrition security**

Laos is a predominantly rural (close to 70% of the population live in rural areas) with agriculture accounting for about one-third of GDP and employing more than two-thirds of the labour force. Most farming households are engaged in subsistence and relatively low productive activities and rely on agriculture for income and food; there is thus a clear link between poverty, nutrition and agriculture. Agriculture and rural development are central elements of the 7<sup>th</sup> NSEDP given their importance for both growth and poverty reduction. Commitments have been made at a high policy level to address these challenges: the Agricultural Development Strategy (2011-2020) yet to be endorsed by the government of Laos and the Uplands Development Strategy, which is under formulation and validation. Agriculture is also highlighted as an important sector which can contribute to reducing risks related to climate change (Lao PDR National Communication to UNFCCC, 2013).

Despite some progress, poverty levels, in particular in rural areas, remain high and reducing food insecurity and chronic malnutrition are major challenges. At the same time peri-urban poverty caused by rural population migration is a growing concern.

Indeed, high levels of malnutrition and food insecurity persist. Although Laos experienced substantial economic growth, the Social Indicator Survey 2011-2012 shows only a marginal reduction in child under-nutrition and stunting from 48% in 2006 to 44% in 2010. There are disparities in malnutrition along geographic, social and economic lines. Nationally, rates of chronic malnutrition remain high, with 44% of children less than five stunted and 27% underweight. Chronic malnutrition tends to be higher in rural households. Children living in rural areas without roads are twice (55%) as likely to be stunted compared to children in urban areas (27%). Moreover, the north of Laos has the highest prevalence of stunting amongst the under-fives with a prevalence of more than 50% in the lowlands and almost 60% in the uplands. Prevalence also tends to be higher amongst non-Lao speaking ethnic groups who generally reside in the more geographically remote, high altitude regions of the country. The percentage of children who are stunted increases dramatically in relation to the decreasing education level of the mother, with as many as 58% of children whose mothers have no education being stunted compared to only 15% of children whose mothers have been through higher education. Moreover, approximately 14% of women in Laos are mildly or severely thin for their height. Every third woman in Laos is anaemic. The main causes of poor nutritional outcomes in children in Laos are related to the high prevalence of adolescent pregnancies and poor maternal nutrition, resulting in low-birth weights and anaemic new-borns, as well as inadequate child feeding practices and high prevalence of childhood illnesses.

MDG 1 relating to nutrition is thus 'seriously off-track' in Laos and will not be reached by 2015 unless decisive and integrated action to address malnutrition is taken. As a result, the government and development partners are putting a much stronger focus on food security and nutrition. The government of Lao PDR joined the Scaling-Up Nutrition (SUN) movement in 2010 and in July 2013 established the National Nutrition Committee (an inter-governmental initiative under the Prime Minister's office). In parallel a multi-sector Food and Nutrition Security Master Plan was drafted to accelerate progress in reducing malnutrition with a primary focus on young children, women of reproductive age, adolescent girls and school children. The strategy adopts the "multi-sectoral convergence approach", meaning the implementation of a range of high priority interventions in the agriculture, education, health, and water and sanitation sectors, with a focus on targeted vulnerable districts. Given the current fiscal situation, the government will however continue to depend heavily on external financial support and technical assistance to meet its objectives on malnutrition.

Laos is one of the richest countries in biodiversity in South East Asia. For many generations, Laos' rural population has depended on forests and natural resources for their livelihoods and basic needs, particularly, agriculture and fishing. However, increased economic growth has been driven by the over-exploitation of natural resources; the conversion of natural ecosystems and destructive harvesting

techniques. All this has had a particular negative impact on biodiversity and natural resources. The EU Agenda for Change acknowledges sustainable agriculture as of great importance because of its impact on rural economies and its contribution to nutrition, environmental protection and gender equality. In Laos, major drivers for poverty in rural areas include increasingly limited access to land and forests; government induced village resettlement and/or large investment projects; lack of, or limited, access to social services and infrastructure; and natural hazards. Moreover, Laos still suffers from the legacy of the "Vietnam war"; it is estimated that about 30% of the 200 million cluster munitions dropped did not explode. This unexploded ordnance (UXO) remain in the ground, affecting livelihoods and food security with a substantial number of casualties and fatalities every year and a substantial reduction of useable arable land, in particular in the east along the Lao-Vietnamese border. To achieve sustainable agriculture the focus needs to be on smallholder farmers and sustainable food production; as well as agricultural value chains (including nutrition) so as to create wealth. It also needs to promote the sustainable and transparent management of natural resources.

Building on previous and on-going support in this area, and in line with the classification of Laos as a 'red flag country' with regard to food and nutrition security, and in line with the EU's commitment to support partner countries in reducing stunting in children under 5 by at least 7 million by 2025, sustainable agriculture and food and nutrition security, including UXO clearance, will be a priority area of EU support for this programming period.

When planning support for sustainable agriculture, the contribution provided by a Voluntary Partnership Agreement (VPA) under the Forest Law Environment, Governance and Trade (FLEGT) initiative needs to be taken into account. The FLEGT process can enhance governance, facilitate law reforms and encourage stakeholder's consultation in the land sector as a whole, as the process requires an active engagement of forest stakeholders and requires enhancing governance as well as a robust legal framework for defining legal timber, land ownership, control of the timber supply chain, compliance and in order to be able to issue FLEGT licences and monitor the VPA implementation.

### **Sector 3: Governance, rule of law and human rights**

Lao PDR has been a one-party state since 1975, when the Lao People's Revolutionary Party (LPRP) became the only legal political party. The first Constitution was endorsed in 1991, and the National Assembly was created in 1992. This led to a gradual expansion of written legislation and regulation, heralding the slow beginnings of a reform process and the strengthening of the judiciary. Extensive amendments to the Constitution in 2003 reflected the country's accelerating transition towards the market economy, and efforts to strengthen the rule of law.

Laos has signed a number of human rights conventions, which have been partially integrated into national legislation, and with limited application in practice. For example, the Lao Penal Code is not in line with the International Covenant on Civil and Political Rights, to which Laos is a state party. Specifically the provisions regulating assembly and protests (Article 72 and Article 74), free speech (Article 65) and the right of association (Article 69) contain restrictions to recognized international human rights law.<sup>2</sup> Access to justice is improving slowly, however most citizens do not have any alternative to traditional customary justice solutions. The particularly disadvantaged include women in domestic disputes or in cases of sexual assault, and rural households whose land rights are infringed by powerful interests. Gender relations vary from one ethnic population to another. Among minorities, many women and some men face linguistic barriers to engage with state authorities. Concerning the judiciary, there is a shortage of lawyers in the country and the Bar Association is controlled by the Ministry of Justice.

Economic liberalisation has brought increasing competition for natural resources with corruption and rent-seeking behaviour affecting certain populations. In 2012, Laos scored 21 on the Corruption

---

<sup>2</sup> Appraisal Consulting (2013) *International Law Project – Impact Evaluation*, prepared for UNDP Lao PDR

Perceptions Index (CPI) placing it in joint 160<sup>th</sup> position (out of 176) alongside the Democratic Republic of Congo.

The political 'transition' is lagging behind the economic transition with limited signs of political liberalisation – e.g. increasing number of independent associations, more media autonomy and a more assertive National Assembly – have been observed in recent years. The unexplained disappearance of a social activist, Sombath Somphone, in December 2012 remains a major concern. Laos scores very low on the freedom in the World Index produced by the US foundation Freedom House. Scores of 7 (the lowest possible) for political rights and 6 for civil liberties have not changed since 1992.

Good governance and the rule of law are central for growth and development and represent a key dimension to addressing poverty reduction and inequality. Over the past decade, the government of Laos has embarked on wide-ranging public administration reforms, designed to create an effective, efficient, accountable and low-cost public administration, together with the requisite institutional and legal framework. Laos' Strategic Governance Plan 2011-2020 aims to improve the functioning of the State through its four pillars: i) people's representation and participation; ii) public service improvement; iii) rule of law; and iv) sound public finance management. The plan sets the objectives of graduation from the group of Least Developed Countries by 2020, including with improved rule of law. Laotian civil society includes some independent non-profit associations and foundations and informal groups of citizens working for common causes (access to land) or common values (religious communities). Laos also has 'mass organisations' that carry out many traditional roles of civil society but are integrated into the Party-State. The authorities have recognised the role of civil society in poverty reduction and in disaster relief. Some civil society organisations (CSOs) also provide useful expert advice.

There is a clear added-value for the EU providing support to improving the rule of law, the respect for human rights and support for the strengthening and protection of civil society. Moreover, the regular human rights dialogue between the EU and Laos Can play a important role in this regard. In addition, the EU will explore the additional areas of policy formulation and institutional development for good governance, including public financial management, public administration reform and human resource management.

The EU anticipates continued support for the Legal Sector Master Plan, and will explore options for support to the National Assembly and to multi-stakeholder efforts to reduce corruption. The EU will promote the creation of an enabling environment for civil society and support collaborative multi-actor partnerships including civil society organizations, public authorities and the private sector in facilitating inclusive growth and sustainable development in its economic, social and environmental dimensions, including provision and access to social services (health, education and social protection) as well as quality of work.

## 2. Financial overview (2014-2015)

The indicative allocation for Laos is up to EUR 60 million and the table below is based on this value:

<b>Focal area / Sector</b>	<b>Indicative amount (in €)</b>	<b>% of total</b>
Sector 1: Education	27 million	45%
Sector 2: Sustainable agriculture and food and nutrition security	27 million	45%
Sector 3: Governance, rule of law and human rights	5.5 million	9%
<i>Support measures</i>	0.5 million	1%

### **3. EU support per sector**

#### **3.1 Education**

##### **3.1.1 Overall and specific objectives:**

Education is a strategic sector for poverty reduction and sustainable development but first and foremost ‘education for all’ is one of the main building blocks of a fair and just society. Education is essential for giving young citizens the opportunity to acquire the knowledge and skills necessary to have opportunities and be active players of a developing and equitable society. The proposed interventions will contribute to the achievement of these **overall objectives**.

Building on the EU Agenda for Change and Laos’ Education Sector Development Plan (ESDP 2011-2015), EU support will focus on **basic education** by supporting equitable access to and completion of basic education (**specific objective 1, SO 1**); contributing to improving education quality and relevance (**specific objective 2, SO 2**); and contributing to improvements in the governance of the education system (**specific objective 3, SO 3**). These objectives will be fully coordinated with the other development partners.

##### **SO 1 – Contributing to equitable access to and completion of basic education, with a focus on disadvantaged groups**

Over the last decade, Laos has made steady progress with enrolment rates and more recently has focused on girls and those children who remain excluded from the mainstream education system. Despite these improvements, Laos is (and will still be in 2015) off-track to meet MDG 2 on universal primary education and MDG 3 on gender equality. Children from disadvantaged groups, particularly ethnic minority groups, girls, and children with disabilities, are less likely to complete primary school. 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, irrelevant curriculum; incompatibility with language of ethnic minorities; and inadequate learning environments, such as teacher shortages or schools with no toilet facilities.

##### **SO 2 – Support to improvement of education quality and relevance**

The Ministry of Education and Sports (MoES) has acknowledged that a key factor contributing to low participation in basic education is the poor quality of learning. Learning assessments conducted in 2009 and 2012 have demonstrated increasing learning and cognitive gaps, especially for students who do not have Lao as their mother tongue. To address the situation, substantial and rapid improvements will have to be made with regard to 1) teacher supply and teacher training which currently show major inefficiencies, 2) supply and management of text books and other basic teaching and learning materials and 3) more balanced infrastructure investments between urban and rural areas (incomplete schools).

##### **SO 3 – Support to improved governance of the education system**

Implementing education policies in a decentralized environment requires the strengthening of central and provincial planning and monitoring capabilities as well as enhancing district and school management systems. This will require substantial human and financial resources and might only yield results in the medium term.

In addition, in order to reduce cost barriers for poorer families, education financing strategies will have to be adjusted (expansion of block grants) 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 (between departments of strategic policy planning, budgeting and monitoring & evaluation) and inter-ministerial coordination.

##### **3.1.2. Expected results:**

The results framework will be based on the ESDP’s (2011-15) three main pillars: 1) equitable access expanded; 2) education quality and relevance improved; and 3) sector planning and management



strengthened and in line with the existing performance assessment framework (PAF), as a sector-wide monitoring tool.

<b>Specific objectives</b>	<b>Expected results</b>
SO 1 – Contributing to equitable access, and completion of basic education, with a focus on disadvantaged groups	<ol style="list-style-type: none"> <li>1. Increased number of children completing a cycle of basic education, with a focus on disadvantaged groups</li> <li>2. Reduced repetition and dropout</li> </ol>
SO 2 – Support to improvement of education quality and relevance	<ol style="list-style-type: none"> <li>1. Increased availability of relevant teaching and learning materials</li> <li>2. Improved delivery of teacher education</li> </ol>
SO 3 – Support to improved governance of the education system	<ol style="list-style-type: none"> <li>1. Links between planning and budgeting strengthened at central and provincial levels</li> <li>2. District and school management enhanced</li> </ol>

### **3.1.3. Main indicators by result:**

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in annex.

### **3.1.4. Donor coordination and policy dialogue:**

There are about 250 projects in the education sector supported by development partners and non-governmental organisations (NGOs), mostly in the form of project-based modalities. For the fiscal year 2011-2012, 80% of education<sup>3</sup> capital expenditures were externally financed by development partners. Australia (focusing on primary and lower secondary education) and Japan (primary education) are the largest Organisation for Economic Co-operation and Development (OECD) bilateral donors, while the Asian Development Bank (focusing on higher 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 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 will be more oriented on improving the quality of the education system at the school level.

Other donors, such as Switzerland and Germany focus on technical vocational training (TVET). China, Vietnam and Thailand also have substantial education investment portfolios with a heavy focus on infrastructure and information communication technology to secondary education institutions.

The primary coordination mechanism for dialogue with the government of Laos is the Education Sector Working Group (ESWG). Out of the 10 sector working groups active in Laos, the ESWG is regarded as the most functional and effective. It is chaired by the government of Laos and co-chaired by Australia and UNICEF. Gradually moving from a forum for information exchange towards an active evidence-based policy discussion, it is through this forum that the government and donors conduct 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. Since October 2013, EU is 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.

<sup>3</sup> State Budget Plan for FY 2011-2012 as adopted by the National Assembly, Legislature XII, 24 June 2011, Official Gazette – January 2012

### 3.1.5. The government's financial and policy commitments are:

The government prioritizes human resource development in its national planning, as evidenced by education being a top priority under the 7<sup>th</sup> NSEDP (2011-2015). A coherent policy and overall strategy to strengthen Laos' education system is articulated in the National Education System Reform Strategy (2006-2015). Moreover, the Education Sector Development Plan (ESDP) 2011-2015 outlines sector goals, objectives, targets, and resource requirements together with monitoring requirements.

Government priorities have shifted from system expansion in 2011 (school construction and recruitment of teachers) to investments related to staff salary increases in 2013 (salaries represent 11% of the total State budget and are likely to reach 17% by 2015). This public wage increase has resulted in the education budget almost doubling in fiscal year 2012-13, reaching 18% of the total State budget. The government is aware of the weaknesses in spending efficiency and the significant gaps in education financing which need to be addressed urgently to increase overall sector performance towards achieving national and international targets for education.

The education system has expanded very rapidly, and beyond the capacity of the government of Laos to maintain the overall quality of education. The link between NSEDP and the development budget is weak and not fully reflected in the sector's share of the recurrent budget. Remedial actions are foreseen in the ESDP 2011-2015 such as decentralization of education services and improved policy planning, budgeting and monitoring and more efficient human resource management.

### 3.1.6. Environmental assessment: Not applicable

### 3.1.7. The overall risk assessment of the sector intervention:

<b>Risk</b>	<b>Mitigation measures</b>
The major risk is financial. 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.	Ministry of Finance to allocate to the MoEs the school block grants according to the Prime Minister's decree 136 of 29 June 2010 Development partners' financial support to block grants through the Global Partnership, for Education II (GPE II) Better prioritisation of non-wage recurrent expenditures and strengthening planning and budgeting. Refrain from expanding the education system (new programmes)

## **3.2 Sustainable agriculture, food and nutrition security**

### 3.2.1 Overall and specific objectives:

The **overall sector** objective is to directly contribute to the achievement of MDG 1 on poverty and hunger, and MDG 9 on UXO clearance (country specific). It will also promote the achievement of MDG 3 on gender equality and MDG 7 on environmental sustainability, as mainstreaming issues.

The main focus will be to support rural households by reducing vulnerability to food insecurity and malnutrition, as well as increasing wealth created by the agricultural sector. The programme will promote the participation of a wide range of development actors and stakeholders and fully integrate the added value provided by civil society organisations in fighting poverty and hunger and to promote sustainable agricultural wealth creation. At the same time, it will complement government efforts and contribute to the implementation of the multi-sector Food and Nutrition Security Action Plan and to gradually reduce the impact of UXOs on livelihoods and food insecurity with a specific focus on areas where the poverty incidence and prevalence of stunting are the highest.

### **Specific Objective 1 (SO1): improved food and nutrition security among rural households**

MDG 1 is seriously ‘off track’ with the prevalence of stunting in children under five years of age at 44.2% in 2011/2012 (while the target for 2015 is 34%). Among children, male stunting is at 45.7% whereas female stunting is at 42.6%. Rural areas are most affected, especially remote and ethnic communities. The recently elaborated nutrition action plan recognizes the importance of working simultaneously in several mutually reinforcing sectors to increase the overall impact of interventions. The new nutrition governance structure for implementing the plan will need to be strengthened at central and sub-national levels while specific interventions will focus on two sectors: agriculture and health. The link with Education will be made through the support to priority sector 1.

Using the ‘convergence’ approach in target areas, support will focus on nutrition-specific interventions for young children, women of reproductive age and adolescent girls. Health but also nutrition sensitive interventions such as water and sanitation, diversification of food production and consumption (for example Linking Agriculture, Natural Resource and Nutrition (LANN approach), sustainable agricultural practices, empowerment of women as ‘agents’ instrumental to household food security and health outcomes and nutrition education, will also be pursued.

**Specific Objective 2 (SO2): sustainable agricultural wealth creation**

While agriculture remains the primary source of employment in rural areas, overall sector productivity is low as indicated by income per capita in the farming sector which is less than half of the national average. Most of the 650,000 farming households are engaged in subsistence and low productive activities, which suffer from a poor access to inputs (seeds, tools etc.), lack of appropriate technologies and crop selection, limited access to finance and other support services, limited organisation among farmers and limited access to markets. New trends such as trade agreements and ASEAN commitments increase the number and diversity of opportunities with the neighbouring countries, offer good potential for improving livelihoods in the rural areas, as does the introduction of new and increased production of existing cash crops, efforts to reach subsistence and transition to commercial farming. These all signal an evolution towards market-oriented agriculture and increased incomes.

Support will focus on improving farmers’ access to markets for selected products, in particular those with a high nutritional value, by concentrating on viable value chains and developing inclusive business partnerships between farmers and the private sector. Due attention will be paid to women’s empowerment, sustainable management of land, biodiversity, water and soil.

These two specific objectives will be mutually reinforcing in the targeted areas. During the period of this Multiannual Indicative Programme (2014-15) the focus will be primarily on SO 1 with a view to improving food and nutrition security amongst rural households.

**3.2.2. Expected results:**

<b>Specific objectives</b>	<b>Expected results</b>
SO1 – Improved food and nutrition security among rural households	<ol style="list-style-type: none"> <li>1. Vulnerable communities have access to and consume quality and diverse food throughout the year (agricultural products as well as non-timber forest products)</li> <li>2. Smallholders’ production in farming activities with high nutrition impact is increased</li> <li>3. Nutrition status is improved in vulnerable communities, with particular attention on maternal and child health and nutrition</li> </ol>
SO2 – Sustainable agricultural wealth creation	<ol style="list-style-type: none"> <li>1. Farmers’ income is increased through the creation and development of selected sustainable value chains</li> <li>2. Farmers are organized and linked to markets (including through rural infrastructure)</li> <li>3. Access to financial and land resources is improved</li> </ol>

For both specific objectives

1. Strengthened institutional and technical capacity at national and sub-national levels (including human resources and system capacities in terms of coordination, information systems for decision-making and governance in nutrition in line ministries, provinces and districts)
2. Land, forest, biodiversity, water and crops are managed in a participatory, sound and sustainable manner (including forestry/FLEGT)
3. UXO clearance improves the livelihoods of the communities concerned.

### **3.2.3. Main indicators by result:**

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in annex.

### **3.2.4. Donor coordination and policy dialogue:**

Major development partners supporting agriculture, rural development and nutrition include Asian Development Bank, Australia, International Fund for Agricultural Development (IFAD), UNICEF, Japan, Switzerland, World Food Programme and the World Bank. EU partners include the EU Delegation, Finland, France, Germany, and Luxembourg. Ireland, as a strong supporter of the SUN Movement at a global level, is currently considering how it can support Laos to address under-nutrition in 2013 and beyond.

Policy dialogue is primarily taking place in the context of the Sector Working Group (SWG) for 'Agriculture and rural development' which is co-chaired by France and IFAD. The EU is an active member. One of the SWG objectives is to provide a forum for dialogue and coordination between government, development partners and other stakeholders on development issues specific to the agriculture and rural development sector. Several sub-sector working groups (sSWGs) have been established and there is increased focus inter alia on uplands development, agro-biodiversity and agribusiness. Together with France, the EU is taking the lead in the sSWG on the uplands in line with the current programme focus on the Northern Uplands Development Programme (NUDP).

As **SUN donor convener**, the EU - together with UNICEF - leads the dialogue with Government and civil society on nutrition related issues. A SUN civil society alliance is being established.

In the UXO sector, a Trust Fund managed by the United Nations Development Programme (UNDP) was established in 2010 to pool donors' support for clearance and capacity building activities of relevant government agencies (National Regulation Authority and UXO Lao). The EU currently provides support to the sector partly through a direct contribution to UNDP (closely aligned with Trust Fund operations) and partly directly to NGOs active in the sector. Policy dialogue takes place in a dedicated SWG currently co-chaired on the Development Partners side by UNDP and the United States.

### **3.2.5. The Government's financial and policy commitments are:**

Agriculture and rural development are central elements of the 7<sup>th</sup> National Socio-Economic Development Plan (NSEDP) given their importance for both growth and poverty reduction. Commitments were made at a high policy level to address these challenges: the Agricultural Development Strategy, the Scaling-Up Nutrition Initiative, and most recently, the multi-sectoral Food and Nutrition Security Plan and the Uplands Development Strategy (both being finalised). The willingness of the government of Laos to access the ASEAN Economic Community also comes with commitments in trade, especially as far as the agricultural sector is concerned.

The government of Laos has also given important commitments in the UXO sector, by integrating MDG 9 in the 7<sup>th</sup> NSEDP. Two national entities (UXO Lao and the National Regulatory Authority) have been established and are being strengthened. A UXO sector 5-year annual work plan (2011-2015) is being

implemented and 300 priority sites have been identified based on poverty reduction and community needs.

While all the plans and commitments of the government are costed, the government continues to rely heavily on external technical assistance and financial support to achieve its objectives. Own resources provided by the government cover at most recurrent costs.

**3.2.6.** An appropriate type of **environmental assessment** will be carried out as necessary.

**3.2.7. The overall risk assessment of the sector intervention:**

Some of the main risks foreseen are:

<b>Risk</b>	<b>Mitigation measures</b>
Food and nutrition security does not remain a top priority in the government agenda	Continuing support, capacity building and policy dialogue
Stakeholders are not committed to work together on the nutrition agenda and development partners are not committed to raise additional resources	Facilitating coordination; supporting the policy making and operationalization of the action plan
Central and local governments do not make human and financial resources available at national, provincial and districts level to carry out development programmes in the sector	Engaging in policy dialogue, systematically remind government of Laos of their commitments
The government is not able to absorb money for the implementation of the activities	
Business environment is not enabling for small holders	Some grass-root level activities are implemented by CSOs
Environment for the work of the CSOs is restricted	Strengthening farmers' organisations so that they have better bargaining capacities
Risks associated with climatic changes which are relevant for agriculture - flooding caused by heavy rainfall during the raining season, drought caused by extended dry seasons, sudden flash-floods in the mountainous parts of the country, landslides and large-scale land-erosion on slopes, occasional windstorms and - recently - typhoons in the South	See sector 3 Undertake climate risk assessment for relevant interventions in risk-prone areas (flooding, droughts, land-slides)

**3.3 Governance, rule of law and human rights**

**3.3.1** The following overall and specific **objectives** will be pursued:

The **overall objective** is to contribute to good governance, human rights and the rule of law in Laos. People’s representation and participation and the rule of law are two of the four pillars of the government’s Strategic Governance Plan 2011-2020. This envisages Laos to become a rule-of-law state by 2020. The legislative and regulatory framework is also evolving to enable greater access to information and public participation, on the basis of the rights and obligations established in the Constitution and in legislation and regulations. The main challenge is to ensure that these principles are also consistently applied in practice and in a credible and relevant manner.

The **specific objectives** (SO) are to increase and broaden the public’s participation and voice (SO1), to contribute to creating an environment that enables civil society engagement for sustainable development and good governance (SO2), and enhanced respect for human rights and the rule of law (SO3).

**SO 1 – Increase and broaden public participation**

There is considerable unrealised potential for Civil Society Organisations (CSOs) to support disadvantaged or marginalised communities. The National Assembly has an increasingly important role in the scrutiny of legislative proposals and state spending. As part of this evolving role it is expanding consultations with independent CSOs and, through CSOs, with particular constituencies and interest groups. Policy dialogue between CSOs and the Government of Laos is limited, and there is little CSO research and advocacy; what exists tends to be non-confrontational and informal. The EU will support the engagement of the National Assembly with CSOs, as well as CSO policy, research and advocacy initiatives that are consistent with the Constitution, existing legislation and national priorities.

**SO 2 – An environment enabling civil society engagement for sustainable development and good governance**

The legislative and regulatory environment for CSOs is evolving in a complex manner; the number of registered CSOs is only slowly increasing and registration is a complex and time-consuming procedure. The Ministry of Home Affairs (MoHA) has signalled its desire to improve CSO accountability, and to expand the legislative and regulatory framework, possibly with presentation of a law on civil society to the National Assembly during the period of this programme. The Ministry of Foreign Affairs (MOFA) is currently working on International NGO's (INGO) regulations and guidelines that will define their operating environment for the coming years. The EU will consider strengthening the capacity of the government of Laos’ agencies responsible for the CSO interface, as well as supporting the consolidation and development of the legislative and regulatory framework.

**SO 3 – Enhanced respect for human rights and the rule of law**

As stated in the National Growth and Poverty Eradication Strategy (NGPES), the Lao government sees governance as an inter-sectoral priority and a “vital link between economic growth and poverty eradication”. The domestication of international obligations and their enforcement is a priority of the Ministry of Foreign Affairs (MoFA). The EU will explore opportunities to reinforce Laos’ respect for international obligations, access to justice for all citizens, and awareness of their rights and responsibilities. Multi-stakeholder engagements to combat corruption may also be supported.

**3.3.2 Expected results:**

Specific objectives	Expected results
SO 1 – Increase and broaden public participation	<ol style="list-style-type: none"> <li>1. The National Assembly provides a forum for public scrutiny of legislative proposals and state spending</li> <li>2. CSOs engage with government of Laos on issues linked to national development and good governance</li> <li>3. CSOs provide fact-based research and advocacy that complements government of Laos and development partners’ efforts in development and good governance.</li> </ol>
SO 2 - An environment enabling civil society engagement for sustainable development and good governance is created	<ol style="list-style-type: none"> <li>1. CSOs are able to work effectively and efficiently</li> </ol>
SO 3 - Enhanced respect for human rights and the rule of law	<ol style="list-style-type: none"> <li>1. Enhanced respect for international obligations taken by Lao PDR</li> <li>2. Access to justice for all citizens</li> <li>3. Reduced corruption</li> </ol>

**3.3.3 Main indicators by result**

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in annex.

### 3.3.4 Donor coordination and policy dialogue are:

The EU, France, Finland, UK, Germany, Denmark, Switzerland, Australia, Japan and the United States are active in the governance sector. Most donors cooperate informally on issues relating to the legislative and regulatory environment for civil society, with the EU often playing a coordinating role. The Governance Sector Working Group (GSWG) is the donor coordination body co-chaired by UNDP on the development partners' side. The GSWG holds occasional thematic workshops to disseminate information about relevant governance reform initiatives. However, these only rarely allow for substantive policy discussions. The EU co-chairs the sub-sector Working Group on Legal Institutional Oversight (SSWG-LIO).

### 3.3.5 The Government's fiscal and policy commitments are:

People's participation is the 2<sup>nd</sup> pillar of the Lao PDR Strategic Governance Plan 2011-2020, which envisages Laos to become a country where the rule of law is fully respected by 2020. The Ministry of Home Affairs is responsible for the supervision of Laotian CSOs, and the Ministry of Foreign Affairs is responsible for the supervision of INGOs registered in Lao PDR. Government representatives sit in the steering committee of each CSO project. Approval of INGO projects usually requires partnership with one or more state agencies which receive a significant share of project resources. CSO's activities at the provincial level are further controlled and coordinated by provincial committees chaired by the Ministry of Home Affairs. The permits for the projects that explicitly address human rights are difficult to obtain. A National Governance and Public Administration Reform Programme (NGPAR) seeks to improve the quality of the public service. The Legal Sector Master Plan (LSMP) coordinated by the Ministry of Justice, includes support to legal training, access to justice, and ratification and integration of international conventions into domestic legislation. The EU is the biggest contributor to the implementation of LSMP.

3.3.6 When needed, the appropriate type of **environmental assessment** will be carried out.

### 3.3.7 The overall risk assessment of the sector intervention:

Risk	Mitigation measures
<p>Elements within government of Laos tolerate further extra-judicial harassment of CSOs</p> <p>Legislative and regulatory obstacles and restrictions on CSOs remain or continue to increase</p> <p>Government of Laos' agencies make approval of CSO activities conditional on resource transfers.</p>	<p>Facilitate coordinated approach of donors to create a disincentive; political and policy dialogue at all levels</p> <p>Systematically remind government of Laos of its international obligations.</p> <p>Consider reorienting bilateral programming increasingly towards CSOs</p>
<p>Government of Laos is reluctant to cooperate in specific areas of the EU bilateral programme.</p> <p>Government of Laos is reluctant to cooperate with CSOs in the framework of the bilateral programme</p>	<p>Maximise points of engagement with government of Laos</p> <p>Communicate to government of Laos that increased EU Official Development Assistance is subject to improved governance and space for civil society</p>
<p>Few CSOs wish to engage in governance, rights and democracy issues</p>	<p>Support CSOs to work in governance and actions highly relevant to their existing service delivery engagement</p>
<p>CSOs cannot absorb the funds on offer</p> <p>CSOs do not cover all key target groups,</p>	<p>Support comprehensive CSO capacity development through thematic and possibly</p>

governance sub-sectors and regions of Laos

also this bilateral sector programme

#### **4. Support Measures**

An indicative **amount** of EUR 0.5 million will be set aside for measures aimed at supporting the preparation and implementation of actions under the Multiannual Indicative Programme including through feasibility studies, consultation and planning workshops, outreach, audits, evaluations and other activities as necessary to ensure a high quality design and implementation of actions.

#### **Attachments**

- I. Country at a glance
- II. Official development assistance to Lao PDR (2013)
- III. Sector intervention framework
- IV. Indicative timetable for commitment of funds
- V. Joint programming document