



Australian Government
Department of Foreign Affairs and Trade

Aid Investment Plan

Laos Program

2015-16 to 2019-20

This Aid Investment Plan governs the delivery of Australian aid to Laos from 2015-16 to 2019-20 which coincides with Laos' five year strategic development planning cycle.

Strategic objectives and rationale

Australia has a strong interest in ensuring Laos continues to develop as a stable neighbour that is increasingly well positioned to contribute to regional security and prosperity. Our aid to Laos aims to build prosperity and reduce poverty, while helping Laos to take advantage of economic integration with the region. A growing economy and improved business environment will foster opportunities for economic partnership in the future.

Laos has made strong economic progress since the introduction of market-based economic reforms in the 1980s. Standards of living have improved for many people but the country still faces significant development challenges. The benefits of economic growth have not been shared equally and some social development indicators remain very weak. Educational opportunities diverge significantly depending on geography, gender, and ethnicity.

The resources sector, led by mining and hydropower, will remain an engine of growth and trade. How well the sector is managed, and how revenues are utilised, will significantly affect the overall quality of growth and distribution of wealth in Laos.

The Lao Government needs to encourage greater investment in other sectors to broaden Laos' economic base and ensure economic opportunities are better shared. This will require further action to improve the business environment, particularly in relation to corruption, taxation, access to finance and a more skilled labour force.

To maximise the efficiency of the aid budget, the program will focus on three objectives: basic education; human resource development; and a stronger trade regime and more competitive private sector. We will not renew our investments in rural development but still expect to achieve some significant outcomes before they conclude, including on financial inclusion, livelihood enhancement and unexploded ordnance clearance.

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

An inadequately educated workforce is a central obstacle to development, employment and investment in Laos, particularly in the context of the ASEAN Economic Community. Education is therefore a priority for the Lao Government and for Australia's aid program.

Building on Australia's longstanding investments, and leadership in the sector, the first phase of Australia's new Basic Education Quality and Access in Laos (BEQUAL) program 2015-19 will be delivered in 66 of the most educationally disadvantaged districts to: increase student participation; improve learning environments (e.g. by building new classrooms); and improve the availability of quality teaching (e.g. by training 520 new teachers to be recruited from disadvantaged communities). The program will draw on the skills of multilateral agencies, managing contractors and non-government organisations.

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

Strengthened human resources are essential to Laos' future economic growth and competitiveness and its ability to provide its citizens with the social services required for equitable development. Australian aid will support a human resource development program which will build on the positive results of our longstanding scholarships program (for study in Australia and in Laos) and the opportunities presented by the New Colombo Plan.

To meet existing gaps in human resource capacity, our focus will be on both development for individuals and institutional strengthening for targeted Lao organisations. We will work with institutions responsible for promoting gender equality and disability inclusion to ensure our investments support inclusive human development policies.

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

Australia's aid program will continue to help Laos integrate into the regional and multilateral trading system. After supporting Laos' accession to the WTO in 2013, future work will focus on improving the quality and sustainability of Laos' trade and investment growth. We will do this through targeted

efforts to: support Laos to implement its WTO commitments; reduce the costs of trade by simplifying procedures at the borders; improve labour standards and skills in export industries such as garments manufacturing; and help Laos effectively manage ASEAN's economic integration agenda during its 2016 ASEAN chairmanship. We will also provide financial and advisory support to businesses operating in Laos to improve their competitiveness and ability to export, with a particular focus on women entrepreneurs.

Implementation approaches

To improve the management and visibility of Australian aid delivered in Laos, we will look to design and implement more activities directly with the Lao Government, rather than fund projects that are managed by other organisations. This will particularly be the case in the education sector, where we will work to ensure improvements in management, quality oversight, direct engagement with the Lao Government, and the visibility of Australia's aid.

Recognising the development resources the Lao Government can bring to the table, Australia will design future aid activities in a way that more clearly emphasises the contribution required from both Australia and Laos. In particular, we will ask the Lao Government to raise the amount and proportion of funds it invests in education.

Australia will also strengthen its engagement with the private sector in the delivery of aid. We will leverage private sector resources for development and partner with companies on matters of mutual interest in our efforts to improve the business environment in Laos.

Performance management

DFAT will report on progress against these benchmarks for our priority investments through annual Aid Program Performance Reports. Targets to be achieved in 2015-16 are set out below.

Australian aid objective - 1 - more disadvantaged girls and boys complete a quality basic education

Performance Four per cent fewer children drop-out of school from grade one.
benchmarks 220 teacher trainees (at least 60% female) from disadvantaged areas commenced training at teacher training colleges.

Australian aid objective - 2 - improving Laos' human resources through scholarships, training and organisational capacity building

Performance 30 qualified people (including at least 15 women) are awarded a tertiary scholarship to study in Australia.
benchmarks The Lao Ministry of Education and Sport approves a national Human Resource Development Plan based on a comprehensive organisational assessment process.

Australian aid objective - 3 - a stronger trade regime and more competitive private sector

Performance Over 30 grants issued to Lao-based businesses to help increase their sales growth.
benchmarks

Mutual obligations

Reflecting the importance of mutual accountability, the Lao Government has made a series of policy commitments in national planning documents that will support Australia's commitment to deliver an effective and efficient aid program. Key commitments by the Lao Government are that:

- the percentage share of the total government budget spent on education increases each year (subject to external considerations) and the education budget allocates an increasing proportion of funding to non-wage recurrent costs; and that
- the Lao Government establishes a Non-Tariff Measures (NTMs) Working Group and that this process leads to a reduction in the NTMs facing business.

Monitoring, review and evaluation

A Performance Assessment Framework has been developed for the Laos program to ensure it delivers development outcomes and represents value for money. Annual Aid Program Performance Reports will report on investment quality and specify any remedial action that might be required. Evaluations will be conducted for investments over \$10 million and under-performing investments or partners will be dealt with promptly.

Performance assessment processes will draw on sex-disaggregated data to inform future action on gender equality issues. In our education sector engagement we will take account of geography, ethnicity and gender in assessing the impact of our investments. In our trade sector engagement we will consider the impact of key investments on female entrepreneurs and on women working in the garments industry.