

LAO PDR POVERTY
REDUCTION FUND II

Critical Issues and Recommendations
Report

Prepared for

DFAT Australian Aid Program

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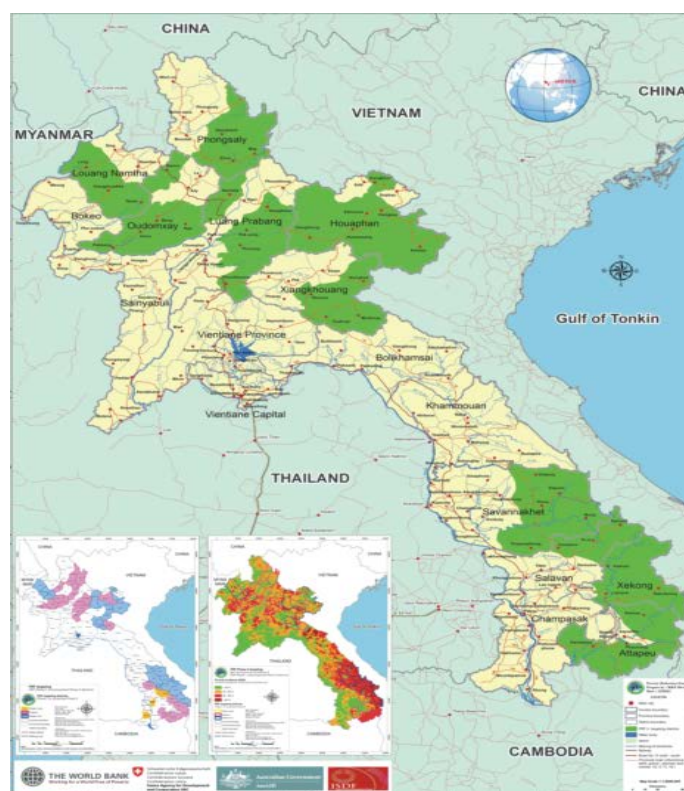
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Aid Activity Summary

Aid Activity Name	Poverty Reduction Fund Phase II (PRF-II)		
AidWorks initiative	INJ 573		
Commencement date	October 31, 2011	Completion date	December 31, 2016
Total Australian \$	A\$20 million (Multi-donor Trust Fund, US\$17.5 million Recipient-Executed and US\$2.5 million Bank-executed)		
Total other \$	Government of Lao PDR – US\$10 million (LAK equivalent) World Bank (IDA) – US\$25 million Swiss Agency for Development and Cooperation – US\$13.2 million		
Delivery organisations	PRF-II implementation committees at <i>kum ban</i> , district and provincial levels		
Implementing Partner	National Committee for Rural Development and Poverty Eradication		
Country/Region	Lao People's Democratic Republic (10 Provinces – see map)		
DFAT Objective	Sustainable Economic Development/Economic Diplomacy		



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Authors' Details

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Disclaimer

The views expressed in this Critical Issues and Recommendations Report are those of the authors and do not represent the views of the Government of Australia, the World Bank or the Government of Lao PDR.

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Executive summary

Background to the mid-term review

The second phase of the Poverty Reduction Fund (PRF-II) is a US\$65.6 million program implemented between 2011 and 2016 under the National Committee of Rural Development and Poverty Eradication (NCRDPE) in Lao PDR. The development objective of the PRF is to improve access to and use of basic infrastructure and services for targeted poor communities in a sustainable manner through inclusive community and local development processes. PRF-II works with 10 of the 17 Provinces in Lao PDR and in 42 districts (including 23 of the poorest identified by NCRDPE) and 274 of the poorest *kum ban* (village clusters) – making PRF-II one of the largest multi-sector programs focusing on rural poverty reduction in Lao PDR. The Australian Government contribution to PRF-II is A\$20 million, which is directed through a multi-donor trust fund administered by the World Bank.

The primary purpose of the mid-term review conducted in February 2014, covering the period of October 2011 to December 2013, is program improvement. An *aide memoire* for the MTR was published by the World Bank. This Critical Issues and Recommendations Report was prepared for DFAT against the terms of reference in Annex 8. Critical issues, conclusions and recommendations were based on detailed document review, field inspections and semi-structured interviews with 56 women and 142 men in Vientiane Capital, 5 Provinces and 8 Districts of Lao PDR conducted from February 4 – 14, 2014.

Context

Lao PDR is on an increasingly sustainable growth path but human development lags economic development, especially in rural areas. Lao PDR is more integrated into the regional economy but this is linked with growing inequality. A recent baseline survey, and much research in Lao PDR during the past 5 years, identifies key factors that contribute to measurable differences in access to services between households. These include: access to infrastructure, ethnicity, education of the household head, occupational status as a farmer and household size. Rural development in Lao PDR is complicated by central planning and government policies for community consolidation and relocation.

Critical issues

How are PRF-II outputs relevant to Lao PDR development context and beneficiary needs?

The Program Development Objective remains relevant to the context and needs of poor, rural people in Lao PDR. The general modality used by PRF remains relevant in the current context – it provides a space for NCRDPE and other GoL agencies to try novel approaches, take risks and learn new ways of delivering services and helping people work themselves out of poverty. PRF-II provides Australia with a vehicle for rapid delivery of outputs and related headline results to poor people in remote areas of Lao PDR. In supporting this, Australia makes a measurable contribution to the development of 42 rural Districts in 10 Provinces. Infrastructure outputs are accessed by and benefit participating villagers, with the emphasis on water supply and sanitation particularly relevant. PRF-II increases the capital budget of participating Districts. The reach and coverage of PRF-II outputs is impressive, the quality at mid-term is variable.

To what extent is PRF-II likely to achieve its stated objectives and outcomes?

At mid-term PRF-II has completed 316 Cycle X sub-projects (81% of plan) and delivered final outputs from 249 Cycle IX sub-projects (95% of plan). The adequate quantitative progress contrasts with the less-than-adequate progress towards qualitative results such as immediate outcomes (e.g. sub-project activities of high technical quality) and intermediate outcomes (e.g. PRF *kum ban* plans are used by government or other institutions; or households have increased access to and use of services). There is progress towards these qualitative results – particularly when compared with Phase I. However, the progress is inconsistent with the PRF-II narrative relating to use of services (currently access is provided); participation by village women and men (currently attendance at meetings is monitored); gender equality (despite progress, more is needed to ensure social inclusion of women, youth and ethnic minorities); and use of *kum ban* plans by government agencies (limited credibility is attached to the plans). The reach, quality and coverage of PRF-II results are threatened by late disbursement of GoL counterpart funding and recurrent budget constraints. PRF-II will maintain planned progress if the PMT becomes an outward-looking organisation and staff systematically use documented monitoring and management procedures in practice.

To what extent do results of PRF-II sub-project investments represent value for money?

PRF-II assesses Value for Money (VfM) through participatory planning, procurement and construction processes. The PRF-II procurement process provides a strong foundation for VfM assessment. PRF-II mostly uses a contracting model for infrastructure delivery. In some instances this is unavoidable (e.g. installing power

transmission lines) but the community construction model is shown to be efficient when comparing overall unit costs and quality. There are indications that some PRF-II construction costs are higher than peer programs operating in similar contexts. There is an opportunity for PRF-II to adopt value engineering of standard designs to improve VfM and reduce sub-project costs without compromising technical rigor or sustainability.

What difference does the Community Driven Development (CDD) Approach make?

Few other programs in Lao PDR use participatory methods to the extent delivered through CDD under PRF-II, and certainly none of this scale. There are important reasons for using CDD in PRF-II. The first is to demonstrate a cost-effective, viable alternative to top-down planning. The second is to promote an approach to poverty reduction where infrastructure and services are strengthened *in situ*. The steps envisaged for CDD are sound but the brevity and mode of facilitation currently employed limits the effectiveness of the approach. The PMT understands these constraints and is actively working with the available resources to improve the quality of participation and the building of social capital. CDD is relatively expensive in time, staffing and maintenance. For example, CDD processes and staff account for around 18% of the PRF-II program budget and more than 40% of the operational expenditure. The on-going investment in CDD would be more easily justified if PRF-II proactively engaged and coordinated with government, donor and civil society programs to make use of the resulting outputs (*e.g. kum ban plans*) and outcomes (*e.g. social capital in the form of organised village groups able to practice participatory planning, implementation and management*) that can be used by PRF-II as well as GoL, the private sector and donor programs.

How does working 'in partnership' improve the efficiency and effectiveness of DFAT investments in rural development?

Australia supports PRF-II in partnership with the World Bank, SDC, GoL and the women and men of participating villages. The administrative cost recovery and program management charges paid by Australia to the World Bank to administer and operate the MDTF represent value for money. When compared with other options to deliver rural development the leveraged relationships and outputs attributable to Australia through this partnership represent exceptional value for money. In addition to the immediate relationships and outputs Australia accesses through the PRF-II partnership, the program provides DFAT staff with access to a group of professional peers who provide entry points to GoL for policy dialogue as well as access to and influence over research to inform rural development in Lao PDR. The strength of the PRF-II partnership, with its complementary development perspectives and technical expertise, is also evident in the inventive and pragmatic approach to managing involuntary resettlement and village consolidation risks. There is an opportunity for the donor partnership supporting PRF-II to take the lead on evaluative and analytical work needed to inform management and strategic decisions relating to the program.

Conclusions

Information presented in this report, informed 10 conclusions reached by the Australian evaluation team:

- **PRF-II is worthy of continued investment** – PRF-II demonstrates effective delivery of infrastructure to remote communities with a reach and coverage that no alternative offers. Most outputs delivered measurably improve access to services and some benefits were quickly realised. GoL financing contribution for PRF II follows national planning processes and is reflected in the national budget.
- **PRF-II PMT demonstrates a willingness and capacity to engage, change and improve** – the Program Management Team has the people, the systems and procedures, the resources and the willingness to maintain quantitative delivery and improve delivery of qualitative results. The rapid return to planned delivery of quantitative results, and the strengthening of the social safeguards to 4+4 demonstrate that NCRDPE and PRF-II are willing to engage with donors, to change and to improve.
- **PRF-II provides GoL with space to take risks and try new things** – Lao PDR is a complex context and PRF-II contributes to a technically and socially complicated change processes in remote, rural areas. As a donor-supported program, PRF-II provides a space where GoL can take risks, which is a useful contribution that complements the aligned or narrow sectoral approaches adopted by other rural development programs.
- **Participatory planning at scale differentiates PRF-II** – investment in participatory planning and implementation processes differentiates PRF-II from other RDPE programs. Few other programs in Lao PDR use participatory methods to the extent delivered through CDD under PRF-II, and certainly none of this scale. In a country with relatively low ratings for voice using international governance indicators, giving village women and men a say in a government program is novel and beneficial.
- **PRF-II is quantitatively successful** – at mid-term PRF-II has completed 81% of planned Cycle X sub-projects and delivered final outputs from 95% of Cycle IX sub-projects.
- **PRF-II is yet to deliver adequate qualitative progress** – at mid-term, PRF-II demonstrates less-than-adequate progress towards qualitative results such as immediate outcomes and intermediate outcomes. The determination applied to quantitative performance needs to be applied to improving qualitative results.
- **Access to some services depends on GoL capital and recurrent budgets** – the extent of progress towards improved access to services depends on the nature of the sub-project. Infrastructure that provides facilities for government agencies to deliver services (*e.g. schools and dispensaries, electricity*) relies on non-wage

recurrent budget for equipment and supplies as well as wages for service providers. Unless PRF-II planning processes are aligned with GoL district planning and budget cycles, there is a risk of recurrent budget allocations being insufficient to enable delivery of services.

- **Value for money is not yet achieved** – more than 70% of the PRF-II budget is allocated to community development grants. Analysis of sub-projects, and site inspection of more than 25 outputs highlights that more could be done to deliver value for money; for example by using community contracting, value engineering and better monitoring, analysis and reporting of unit and sub-project costs.
- **Management decisions are not supported by timely, quality information** – PRF-II has a documented monitoring system. The timeliness of performance and progress reporting is improving but quality and timeliness of monitoring information is not yet achieved. Commitment to quality monitoring would be indicated by active use of information by management and feedback of benchmarked information and conclusions to provincial and district teams.
- **Shared evaluative research enables effective policy dialogue** – there are a number of myths surrounding rural development and poverty eradication in Lao PDR. There is an opportunity for DFAT to work with other partners and GoL to plan, implement and use research to inform policy dialogue for better rural development and poverty eradication in Lao PDR.

Recommendations

Based on the analysis and conclusions presented in this report, the Australian mid-term review team recommends that:

- **Australia supports PRF-II towards scale, institutionalisation and sustainability.** This allows Australia to influence the design of future RDPE investments (whether or not it chooses to invest in arising opportunities) and to remain engaged in policy dialogue about rural development and poverty eradication.
- **PRF-II PMT adjusts its focus and resource allocation to emphasise service delivery.** To achieve this requires: (1) clear communication of expected behaviours and results by donors (*e.g.* revision of results framework and agreement of revised 6-monthly performance targets); (2) mentoring and support to strengthen the PMT; (3) alignment of PRF-II processes to align with GoL district planning and budget cycles; (4) effective collection, analysis, reporting, use and feedback of monitoring data to support management decisions; and (5) reallocation of existing resources, particularly those at province and district levels, to the areas of greatest activity and need. If needed, the transition to a service delivery focus could target those provinces and districts that will participate in Cycles XII and XIII.
- **Donors support PRF-II to create social capital with strengthened participatory processes.** Thorough participatory processes have the potential to deliver additional outputs and outcomes in the form of social capital and community voice. Australia should use existing resources to engage with other donors to support PMT actions that lead to measurable social capital in participating villages by leveraging that social capital for use in other development investments. Implementing this recommendation could include, for example: (1) re-aligning resource allocation to have more staff at district level and less at provincial level; (2) increased use of community implementation of sub-projects; (3) proactive engagement and coordination with government, donor and civil society programs to make use of the resulting outputs and outcomes; and (4) securing GoL recurrent budgets needed for beneficiaries to have sustained access to and use of services.
- **Donors support the PMT to strengthen management of PRF-II performance.** The review team recommends that Australia and its donor partners support the PRF-II leadership to adopt an outward-looking culture based on service delivery outcomes rather than output targets; and commit to active use of information to support management decisions and provide feedback of benchmarked information and conclusions to provincial and district teams. This recommendation could include, for example: (1) systematically engaging with sector agencies at provincial and district levels to implement existing MoUs; (2) re-focusing capacity development for all stakeholders on use of infrastructure for service delivery to increase access to and use of services; (3) transitioning PRF-II planning systems to align with GoL annual planning/budget cycles; (4) systematically using the MIS and GIS for data collation, analysis and reporting to inform management decisions. Australia could allocate some existing technical hub resources to support PRF-II to strengthen the quality of PRF-II monitoring, analysis and reporting.
- **Australia supports research to improve the quality of PRF-II results.** The review team recommends that the donor partnership supporting PRF-II execute evaluative and analytical work needed to inform management and strategic decisions relating to the program. Such analysis may benefit other Australian Aid Program rural development and education investments in Lao PDR, and inform ongoing policy dialogue. The Australian contribution to this research should be provided through the Learning Facility in Vientiane and be informed by DFAT M&E Standards.

Acronyms

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
CDD	Community-Driven Development
CRPF	Compensation and Resettlement Policy Framework
DFAT	Department of Foreign Affairs and Trade (Australia)
DPI	Department of Planning and Investment (Lao PDR)
DRM	Disaster Risk Management
EGPF	Ethnic Group Policy Framework
EIA	Environmental Impacts Assessment
ESMF	Environmental and Social Management Framework
FRALA	Framework for Resettlement and Acquisition of Land or Assets
FRM	Feedback and Resolution Mechanism
GDP	Gross Domestic Product
GESI	Gender Equity and Social Inclusion
GoL	Government of the Lao PDR
HHs	Households
IBRD	International Bank for Reconstruction and Development
IEC	Information Education Communication
JSDF	Japan Social Development Fund
LDC	Least Developed Country
LECS	Laos Expenditure and Consumption Survey
LWU	Lao Women's Union
LYU	Lao Youth Union
MDGs	Millennium Development Goals
MDTF	Multi-Donor Trust Fund
M&E	Monitoring and Evaluation
MEF	Monitoring and Evaluation Framework
MIC	Middle Income Country
MIS	Management Information System
MOF	Ministry of Finance (Lao PDR)
MOHA	Ministry of Home Affairs (Lao PDR)
MPI	Ministry of Planning and Investment (Lao PDR)
NCB	National Competitive Bidding
NGOs	Non-Governmental Organisations
NGPES	National Growth and Poverty Eradication Strategy
NCRDPE	National Committee for Rural Development and Poverty Eradication
NSEDP	National Socio-Economic Development Plan
O&M	Operation and Maintenance
ORAF	Operational Risk Assessment Framework
PDD	Project Design Document
PDO	Program Development Objective
PMT	Project Management Team
POM	Project Operational Manual
PRF	Poverty Reduction Fund
PRF-I	Poverty Reduction Fund Project I (2003 – 2011)
PRF-II	Poverty Reduction Fund Project II (2011 – 2016)
SDC	Swiss Agency for Development and Cooperation
SEDP	Social and Economic Development Plan
SWOT	Strengths Weaknesses Opportunities Threats
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
VfM	Value for Money
WB	World Bank

1 Introduction

1.1 Background to PRF-II

The Poverty Reduction Fund (PRF) is a community-based infrastructure initiative that aims to address the challenges of poverty and lack of public services in remote rural communities of Lao PDR by improving the access of poor remote villages to essential services. It is administered by the PRF Office, which is located in the National Committee of Rural Development and Poverty Eradication (NCRDPE), which reports to the Office of the Prime Minister. The PRF was established by Government of Laos (GoL) and initially supported by the World Bank with approximately US\$19.5 million between 2003 and 2008. PRF is linked to the 2004 National Growth and Poverty Eradication Strategy (NGPES) and MDG commitment to poverty reduction by empowering communities in the poorest, most remote districts to work together and improve their access to services, infrastructure and resources to enable them to work their way out of poverty.

The first phase of the PRF (2002–2008 and extended period 2008–2011) was an important vehicle for delivering social infrastructure to poor communities in remote locations in Lao PDR. PRF-I evaluations showed that the Fund effectively delivered local infrastructure to 1,984 communities, and positively impacted health, education and transportation outcomes.

The scale of PRF increased from US\$42 million in Phase I to US\$65.6 million in Phase II (2011-2015) making PRF-II one of the largest multi-sector programs focusing on rural poverty reduction in Lao PDR. The additional funding increased PRF geographic coverage by 25% - PRF-II works with 10 of the 17 Provinces in Lao PDR and in 42 districts (including 23 of the poorest identified by NCRDPE) and 274 of the poorest *kum ban* (village clusters). The Australian Government contribution to PRF-II is A\$20 million, which is directed through a multi-donor trust fund administered by the World Bank.

1.2 Program objectives

As stated in the World Bank Project Appraisal Document (PAD), the development objective of the PRF is to improve access to and use of basic infrastructure and services for targeted poor communities in a sustainable manner through inclusive community and local development processes. The expected outcomes are increased access to, and use of, services (such as health, education and commerce), and increased community social capital, such as community participation and empowerment of disadvantaged groups.

1.3 Purpose of critical issues and recommendations report

The primary purpose of the critical issues and recommendations report, which covers the period of October 2011 to December 2013, is program improvement. This could include, for example, refining the focus of PRF-II to ensure that it is relevant to the current development context in Lao PDR and the needs of targeted beneficiaries; revising the sub-project options and delivery mechanisms to ensure effective use of resources and value for money; and adapting the community development driven approach to ensure that development results are sustainable. The report provides recommendations regarding refinements to strengthen the continued relevance and performance of PRF-II.

The primary intended users of information presented in the report are staff of the World Bank, Government of Lao PDR and DFAT Head of Development Cooperation and Senior Program Manager Rural Development (Vientiane Post and Lao PDR Desk as well as Sustainable Economic Development thematic advisers) as well as other PRF-II donors.

1.4 Key evaluation questions

The primary questions addressed in the critical issues and recommendations report are:

- How are PRF-II outputs relevant to the development context in Lao PDR and the needs of beneficiaries?
- To what extent is PRF-II likely to achieve its stated objectives and outcomes?
- To what extent do results of PRF-II sub-project investments represent value for money?
- What difference does the Community Driven Development (CDD) approach, as applied by PRF-II, make in target districts and in Laos more broadly?
- How does working ‘in partnership’ improve the efficiency and effectiveness of Australian Aid investments in rural development?

1.5 Scope and methods of the critical issues report

The PRF-II Critical Issues and Recommendations Report was prepared through a formative evaluation to enable shared learning across all partners and avoid over-burdening implementing partners and beneficiaries with multiple evaluation processes. The World Bank led a mid-term review concurrently and Australia contributed four technical specialists, covering: Monitoring and Evaluation; Infrastructure; Social Development; and Rural Development who participated in the review and prepared this report. Methods used included document review, semi-structured interviews, site inspections and field observations. Semi-structured interviews used selected secondary questions (Annex 7) to elicit additional evidence and case studies from stakeholders to support answers to review questions.

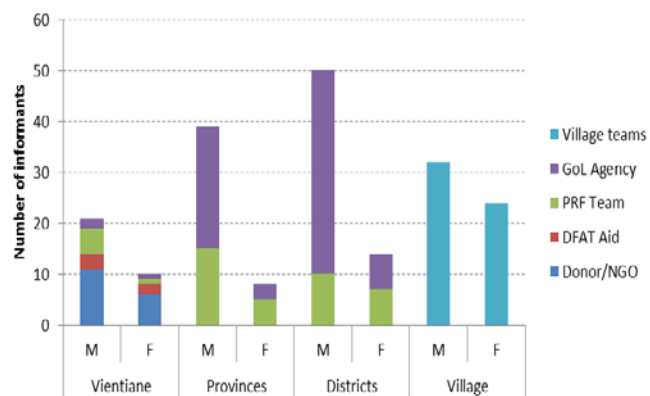
1.6 Limitations or constraints of the review

The mid-term review was conducted over a short time frame, with a small team covering a small and purposefully selected sample of PRF locations, activities and beneficiaries. It is not a scientific evaluation with a counterfactual and randomised sampling strategy – it is an inclusive review of a purposeful sample of activities that seeks to learn lessons from recent implementation and collaboratively identify opportunities for improvement. The limited field work and small number of site visits presents a limitation since it is unlikely that there will be enough data to allow use of rigorous methods. In addition, many documents were only available in Lao and the team relied on informal translations on site. Activities implemented in the first round (2011 dry season) were sufficiently advanced to assess effectiveness and efficiency as well as sustainability and quality of delivery. Activities implemented in the second round (2012 dry season) and being prepared for the current dry season were used to assess beneficiary engagement, quality of planning and procurement systems and coverage and reach of outputs as well as exposure to capacity development activities. Where there was no evidence of intermediate outcomes, the review team reviewed relationships and other outputs and focused on efficiency measures as well as assessing the adequacy of progress.

1.7 Participants in the review

Chart 1 gives a breakdown of the 56 women and 142 men engaged through interviews held in Vientiane Capital, 5 Provinces and 8 Districts of Lao PDR (Houameuang, Nga, Phin, Saravanh, Taouy, Toumlan, Viengthong, Viengkuka). In addition, many hundreds of village women, men and children attended village meetings held for the review. The evaluation schedule and key informants are presented in Annex 6.

Chart 1 : Informants for the review



2 Rural development context

2.1 The Lao economy, rural sectors and human development

World Bank development indicators¹ and analysis² confirm that Lao PDR is on a growth path, although recent fiscal and inflationary pressures threaten the sustainability of growth. Reforms underway have helped reduce poverty and stimulate broad-based growth. The rural poverty rate has reduced from 44% in 2002 to 34% in 2008. The economy grew on average more than 7 percent per year from 2001 to 2013. In 2012 Lao PDR reached a GNI per capita of US\$1,130. At this pace, Lao PDR is on track to achieve its long term vision: to graduate from the Least Developed Country status by 2020. However, inequality is growing, with the Gini coefficient increasing from 0.30 in 1993 to 0.37 in 2008. For example, in 2008 the poorest 20% of people shared 8% of national income, compared with 45% share held by the wealthiest 20%¹. In FY12/13, the fiscal deficit widened markedly due to a combination of a large increase in public sector wages and benefits, and a decline in grants and mining revenues. As a result of the wage and benefits increase the fiscal deficit is estimated to have widened sharply to 5.8 percent of GDP, from 1.3 percent in FY11/12 and non-mining fiscal balance to 8.6 from 4.6 percent in the same period. The rapid widening in the deficit appears to have strained the cash position of the government, leading to payment delays on wages and non-wage items³.

Natural resources – forestry, agricultural land, hydropower, and minerals – comprise more than half of the total wealth of Lao PDR. The hydropower and mining sectors combined accounted for about one third of the country’s economic growth between 2005 and 2010. The growth in these sectors has resulted in increased revenue which supports poverty reduction².

Human development in Lao PDR lags economic development. The country has a steadily increasing human development index (from .453 in 2000 to 0.543 in 2012) and a human development ranking of 138 out of 186 countries in 2012⁴. In Lao PDR: people have ~4.6 years of schooling; 45% of children under five years old die because of under-nutrition, and 44% of them are stunted, 27% are underweight, and 6% are wasted; and 15% of infants are

¹ World Bank (2014) World Development Indicators. <http://data.worldbank.org/data-catalog/world-development-indicators> Accessed January 10, 2014.

² World Bank (2014) Lao PDR Overview. <http://www.worldbank.org/en/country/lao/overview> Accessed February 4, 2014.

³ World Bank (2014) Lao Economic Monitor. <http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-monitor-june-2013-sustaining-growth-maintaining-macroeconomic-stability> Accessed April 2, 2014

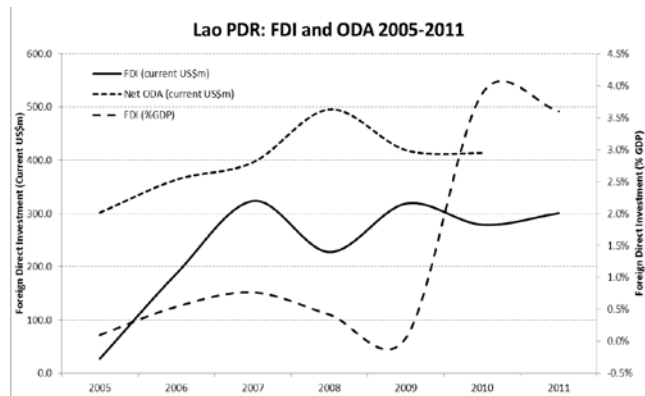
⁴ UNDP (2013) *Human Development Report*. United Nations Development Program, New York, USA.

born with a low birth weight. Child stunting and human under-nutrition in Lao PDR is worse than other countries in the same region and income group⁵.

2.2 Foreign Direct Investment

Lao PDR is increasingly integrated into the regional economy. It is a periphery state located in one of the fastest growing regions of the world⁶. This results in growing foreign direct investment⁷ (Chart 2) including for hydro-power, agricultural and mineral products from industrialising neighbouring countries. More than 2,000 land concession agreements have been signed by the Government, covering at least 1.6 million hectares⁸. Current trends suggest these changes are increasing inequality in Laos.

Chart 2: FDI is growing



2.3 Sam Sang and creation of stable settlements

As part of its efforts to reach middle-income status by 2020, the Government of Lao PDR introduced the *Sam Sang* directive in October 2012, in which villages are proposed as the development unit, districts as the integration unit, and provinces as the strategic unit. The Government identified confusion between *Sam Sang* approaches to rural development and grassroots building of district-rural development⁹. This suggests a tension between the approach of *Sam Sang* (where certain villages or districts are selected by central and provincial agencies to be a focal point for development defined by centrally-determined priorities and standards) and the participatory approach of PRF-II (where communities determine priorities from options aligned with the centrally-determined priorities and standards. Paradoxically, for a program that seeks to present a different approach to poverty reduction to that of the GoL, PRF-II is perceived by the NLCRDPE as not only compatible with *Sam Sang* but a potential ally. During interviews for this review NLCRDPE staff explained that they had learned a lot from PRF-II on village-level social and economic development. The PRF-II objective of infrastructure for service provision aligns with the GoL modernisation narrative and so may be confused with other programs that support *Sam Sang* (e.g. the District Development Fund – see <http://www.unCDF.org/en/Lao-PDR#topP>).

2.4 Causes of poverty and disadvantage

PRF-II implemented a randomised and mixed methods baseline survey of 4,393 households during late 2012. Analysis of results from a sample of households from four target provinces identified that infrastructure constraints are key factors shaping poor market access and use of education and health services. A synthesis of the symptoms and causes of poverty and disadvantage identified by the baseline survey in rural households, consistent with earlier research and surveys⁵, are presented in Box 1¹⁰:

⁵ Lao PDR (2012) *Lao Social Indicator Survey 2011-12*. Lao Statistics Bureau, Vientiane, Lao PDR.

⁶ Bartlett, A. (2012) *Trends in the agriculture and natural resource management sectors of the Lao PDR*. Report to Swiss Agency for Development Cooperation, Vientiane, Lao PDR. [pp17-19]

⁷ World Bank (2014) World Development Indicators. <http://data.worldbank.org/data-catalog/world-development-indicators> Accessed January 14, 2014.

⁸ Bartlett, A. (2012) *op. cit.* [p13]

⁹ Lao News Agency (2013): <http://www.kpl.net.la/english/news/newsrecord/2013/Feb/04.2.2013/edn1.htm> Accessed February 4, 2014.

¹⁰ World Bank (2014) Lao PRF-II Impact Evaluation: Baseline Report. World Bank, Vientiane, Lao PDR. [pp23-35]

Box 1 : PRF-II 2013 baseline – determinants of poverty

Household welfare and market access

- 92% of all households are farmers, including 94% of all poor households
- 22% of households have an agricultural surplus that they are able to sell, but of those with a surplus only 8% choose to sell goods outside the village
- The price premium for products sold in a district centre was 65% compared with the village price
- The primary reasons why households do not choose to sell outside the village relate to costs of transport and the lack of market access.
- 15% of the villages have no access to a road and 17% have access to public transport

Access to services: healthcare and education

- Primary school enrolment rate is 90% on average for children aged 7-12 years
- Children of non-poor and non-farming households attend primary school at rates approximately six percentage points higher than those from poor and farming households
- Male and female children attend primary school at the same rates
- Lower secondary school enrolment rate is 71% on average for children aged 13-16 years
- A gender gap of ~10 percentage points begins to appear in lower secondary school with boys enrolling at 76% and girls at 66% – caused by economic and social factors
- When secondary schools are present in villages, enrolment rates reach 86%, suggesting that infrastructure constraints shape enrolment decisions
- On average around 37% of people access health services when sick
- Factors highly correlated with higher consumption and lower poverty rates such as non-poor, non-farming and Lao and Khmu ethnic group status typically seek care when sick at rates between 2-15 percentage points above average
- Patterns of use for health and education services are strongly shaped by facility location
- The rate of seeking health care more than doubles from 25% to 56% when health clinics are located in villages
- Qualitative data also points to additional factors for poor service access: the potential for poor service quality and discrimination.

Access to water and sanitation

- Rates of access to clean water are highly dependent upon the use of rain water as a clean water source – average rate of access is 76%, with little variation across different groups
- On average 5% of households have access to protected wells or water pipes
- On average 33% of households have access to proper sanitation (defined as toilet with a water mechanism) but there is significant variation across groups, with Lao ethnic group status (49%) and non-farming status (47%) increasing access
- There are regional differences in access to sanitation – Phongsaly, Oudomxai and Attapeu have relatively low access to sanitation (14-29%) compared with Luang Prabang (46%)
- Maintenance of toilets can be an issue as villagers do not know how to conduct proper repairs and toilets are abandoned when dirty or non-functional.

Social dynamics and governance

- There is a well-established system of community and governance engagement through regular meetings attended by more than 90% of households
- Women and minority groups face problems in attending meetings due to language and capacity constraints – only 12% of women attended the most recent village meeting
- The primary speakers in meetings are village and mass front officials and the village chief – women, the poorest families, and members of some minorities rarely speak
- Overall rates of households reporting access to information on use of village funds, use of project funds, and project planning is low: at 20%, 23% and 26% respectively
- Poor households, farming households and households from Hmong and other minority ethnic groups report significantly less access to information relative to the better-off
- Overall 33% of households were aware of village plans
- Overall 84% of households reported being engaged by government to provide inputs to planning and other governance processes
- Qualitative analysis identified skill and education-based constraints as key factors in limiting collective and individual efforts at accountability and overall community influence
- 95% of households are willing to donate time to engage in collective action
- 62% of households are willing to share the infrastructure or operating costs for services, with poor and farming households 6-8 percentage points less likely to contribute.

2.5 Political economy, performance and rural development

Government organisations implementing PRF-II consist of two realities: the technical and the political. The relationship between these realities is like the two sides of a coin. Government staff inhabit both realities, but most rural development assistance provided through donors is designed to address only technical problems and opportunities¹¹. What happens within the political reality is largely unknown and unpredictable from the perspective of advisers and program staff. More importantly reasons for counterpart behaviour-change are often unknown¹². This emphasises that performance of partner organisations is not limited by capacity alone – the organisational environment and motivation also drive performance. Thus Component 2, with its focus on capacity development, may not be addressing the root cause of performance problems affecting PRF-II, rural development or poverty eradication in Laos (Chart 3)¹³. This represents a constraint to delivering sustainable behaviour change in public sector partners.

Chart 3: Performance needs more than capacity



3 Critical issues

3.1 Relevance of PRF-II objective, modality and outputs

3.1.1 The Program Development Objective remains relevant

The Program Development Objective (PDO) remains relevant to the context and needs of poor, rural people in Lao PDR. Baseline data analysis of results from a sample of households from four target provinces identified that infrastructure constraints are key factors shaping poor market access and lower-than-average use of education and health services. Field work conducted for this review consistently found participating women and men making use of PRF-II outputs and in many cases have established user-groups to collect funds for operation and maintenance. School and health dispensary facilities require sustainable recurrent budget from province and district before services can be delivered – so achieving the PDO requires effective coordination at district level (to ensure timely availability of funds for wages and non-wage recurrent costs) as well as at province and national levels (to ensure counterpart funds are available on time and that infrastructure priorities identified through community-driven processes align with national and sector plans, norms and standards). There remains a broader question about the most appropriate way to improve access to and use of basic services. It may be that certain services delivered by GoL can be more effectively delivered through interventions that do not rely on built infrastructure – for example mobile clinics, mobile-phone health messages and preventative care support in local languages (as done in central region of Vietnam) or early childhood centres in existing village or *kum ban* meeting places.

¹¹ Bartlett, A. (2013) *Capacity-building and alternative realities: Some observations on the political context of technical assistance in Lao PDR*. Report for the Laos Extension for Agriculture Project (LEAP), Vientiane, Lao PDR. [pp1, 5-6]

¹² Bartlett, A. (2012) *op. cit.* [p6]

¹³ Lusthaus, C., Adrien, M-H., Anderson, G., Carden F., and Montalvan, G. (2002) *Organisational Assessment: a framework for improving performance*. International Development Research Centre, Ottawa, Canada.

Interviews for this review, and review of the Manual of Operations, identified that PRF-II outputs align with the GoL narrative on modernisation. For example typical PRF-II sub-projects and related training¹⁴ help participating villages meet 6 of the 19 standards of a model village as defined by GoL (*i.e.* having transport access for the whole year, having electricity, being a model health village, enabling completion of primary education, having a village meeting hall/information centre, having gender equality). It is not clear to what extent these standards drive choices during participatory planning – but in any case village participants mostly have access to and benefit from PRF-II outputs.

3.1.2 The PRF modality is relevant but could be strengthened

The general modality used by PRF remains relevant in the current context – it provides a space for NCRDPE and other GoL agencies to try novel approaches, take risks and learn new ways of delivering services and helping people work themselves out of poverty. PRF-II performance is evaluated favourably for efficiency and effectiveness when compared with programs with similar objectives and different modalities such as the Northern Uplands Development Program or the District Development Fund.

The modality adopted by PRF-II is resource-intensive and complex, but it is delivering outputs accessed and often used by vulnerable people in remote areas and many of those outputs are resulting in behaviour changes linked to the PDO. There is an opportunity to strengthen this modality to make PRF-II more sustainable. Sustainability has three dimensions: (1) provision of recurrent budget to enable quality service delivery from public facilities such as schools and dispensaries; (2) development of social capital to enable effective operation and maintenance of community facilities such as village water supply, irrigation systems and access roads; and (3) quality control to ensure the life of well-maintained physical infrastructure. PRF-II has not yet systematically addressed these dimensions of sustainability.

3.1.3 Relevance to the national interests of Australia

PRF-II provides Australia with a vehicle for rapid delivery of outputs and related headline results to poor people in remote areas of Lao PDR. In supporting this, Australia makes a measurable contribution to the development of 42 Districts in 10 Provinces – most of which are centres of foreign direct investment for agriculture, energy and mining. This overlap of private sector and development interests at the district level provides an entry point for public diplomacy as well as practical policy dialogue on issues such as rural development, relocation and poverty reduction.

PRF-II and the partnership with the World Bank gives Australia access to and entry points for policy dialogue with central agencies such as MPI, MoF, MoHA and NCRDPE. These not only align with direct investment interests of Australians, but contribute to the broader policy objective of stability and resilience in a region of economic importance to Australia, APEC and ASEAN.

PRF-II infrastructure outputs in more than 300 targeted villages per year are clearly badged with Australian Aid logos, and the contribution of Australia is recognised along with that of other partners. These outputs contribute to poverty eradication in Lao PDR, but also contribute to a business enabling environment and access to markets.

¹⁴ For example see Table 3, p36 of the PRF-II Manual of Operations (2013 version).

3.1.4 Relevance of the type of outputs

Infrastructure outputs are accessed by and benefit participating villagers

Information from the PRF-II baseline survey conducted in 2013 identified that infrastructure constraints are a key factor shaping poor market access and use of education and health services. When health facilities are located in a village, rates of those seeking care when sick are double those of villagers having to travel to a facility outside their village. Lack of transport, long travel times and cost of transport were identified as key constraints to access to and use of services and markets. Access to district markets allows farmers to obtain prices that are double those received from traders coming to the village¹⁵. This aligns with earlier quantitative research that showed access roads have a significant impact on poverty reduction¹⁶ and that access to roads and health services is a key constraint in the rural areas of Lao PDR¹⁷. Key factors that contribute to measureable differences in access to services between households include Lao ethnic group status, education of the household head, occupational status as a farmer and household size¹⁸.

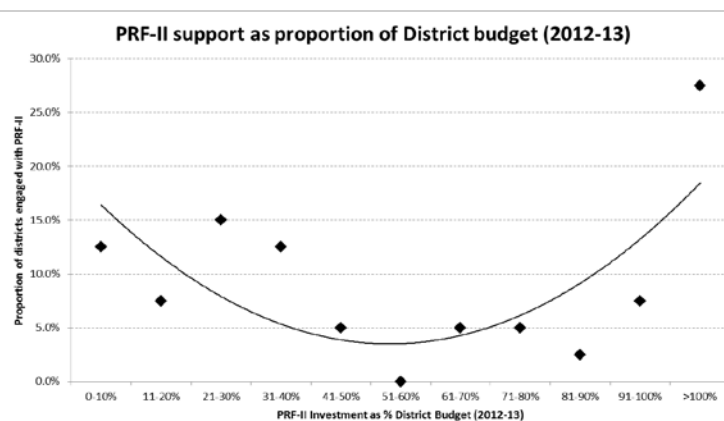
The emphasis on water supply and sanitation is relevant

Lao PDR has steadily increased the access to safe drinking water, but needs to accelerate progress to achieve the 2015 MDG target. By 2011/12, around 70% of the total population had access to improved sources of drinking water¹⁹. Access to improved drinking water especially benefits women, with the 2012 Lao Social Indicators Survey (LSIS) data showing that more than 60% of drinking water is collected by adult women, across all wealth quintiles and all ethnic groups²⁰. Lao PDR is also making progress in providing access to improved sanitation, but more needs to be done. The proportion of the population with access to improved sanitation increased by 18% between 2005 and 2010 – from 45% to 63% nationwide – exceeding the MDG target of 54% access to improved sanitation.

PRF-II increases the capital budget of participating Districts

PRF-II meaningfully increases the capital budget of participating Districts (Chart 4). For example, Nga District of Oudomxai Province: FY2013 District Development Budget is LAK20,500 million for 48 projects, of which PRF-II represents LAK2,387 million (11%) for 9 projects (19%). This provides donors with entry points for policy dialogue and some influence over rural development priorities in these Districts.

Chart 4: PRF-II greatly increases District budgets



Source: PRF-II Cycle X data and MPI 2012/13 District Budget Data

¹⁵ World Bank (2014) Lao Poverty Reduction Fund Phase II Impact Evaluation: Baseline Report. World Bank, Vientiane, Lao PDR. [p36]

¹⁶ Warr, P. (2005) Road development and poverty reduction: the case of Lao PDR. ADB Research Paper Series #64. Asian Development Bank, Manila, Philippines.

¹⁷ SIDA (2006) Determinants of poverty in Lao PDR. Country Economic Report 2005:10. Swedish International Development Agency, Stockholm, Sweden.

¹⁸ World Bank (2014) *op. cit.* [pp23-35]

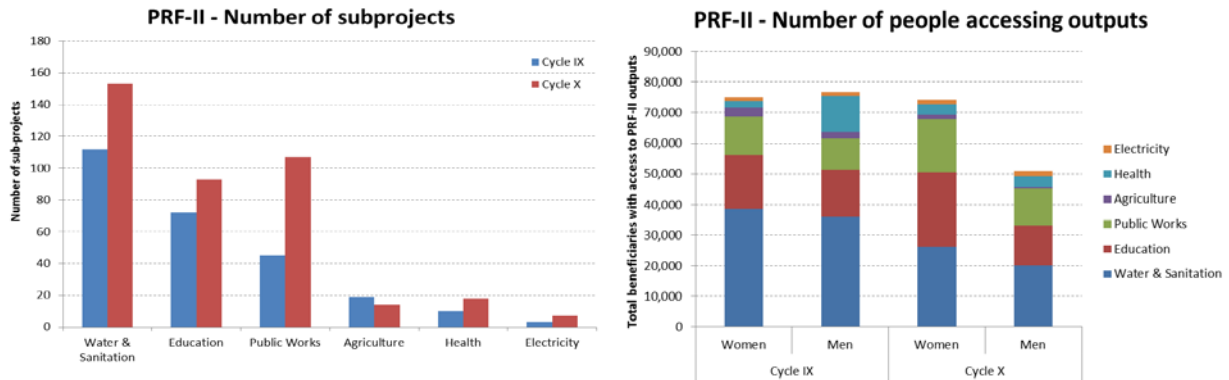
¹⁹ UNDP (2013) MDG Progress Report for the Lao PDR. United Nations Development Program, Vientiane, Lao PDR. [p151]

²⁰ LSB (2012) *Lao Social Indicators Survey 2011-12*. Ministry of Health and Lao Statistics Bureau, Vientiane, Lao PDR.

3.1.5 Reach of outputs

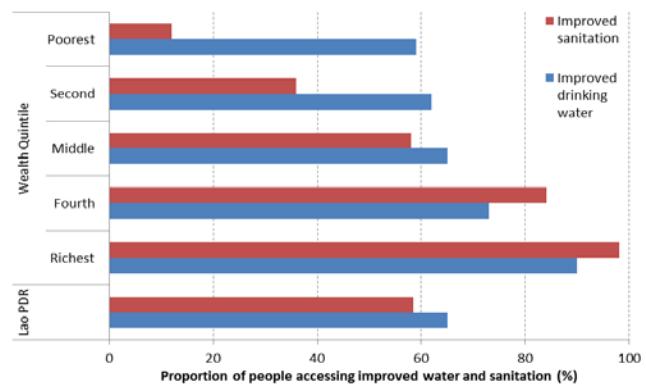
PRF-II monitoring data²¹ for sub-projects approved in Cycles IX and X list 653 sub-projects, with most outputs designed to provide water, education or access to services (Chart 5). These outputs reportedly benefit 150,881 women and 129,406 men, although this may include double-counting as some villages have outputs from both Cycle IX and Cycle X (Chart 5).

Chart 5: PRF-II reach by output type in Cycles IX and X



LSIS data highlight the impact of poverty on access to improved sanitation (Chart 6)²⁰. LSIS data suggest sanitation conditions are worse in rural areas, and for the poor where around half of the population have access to improved facilities and about 3 out of 10 people still practice open defecation²⁰. Most importantly, detailed economic analysis makes it clear that it pays to invest in sanitation improvements – with health benefits alone giving a tangible and immediate return on investment²².

Chart 6: Water and sanitation outputs benefit the poor and women



3.1.6 Coverage of outputs

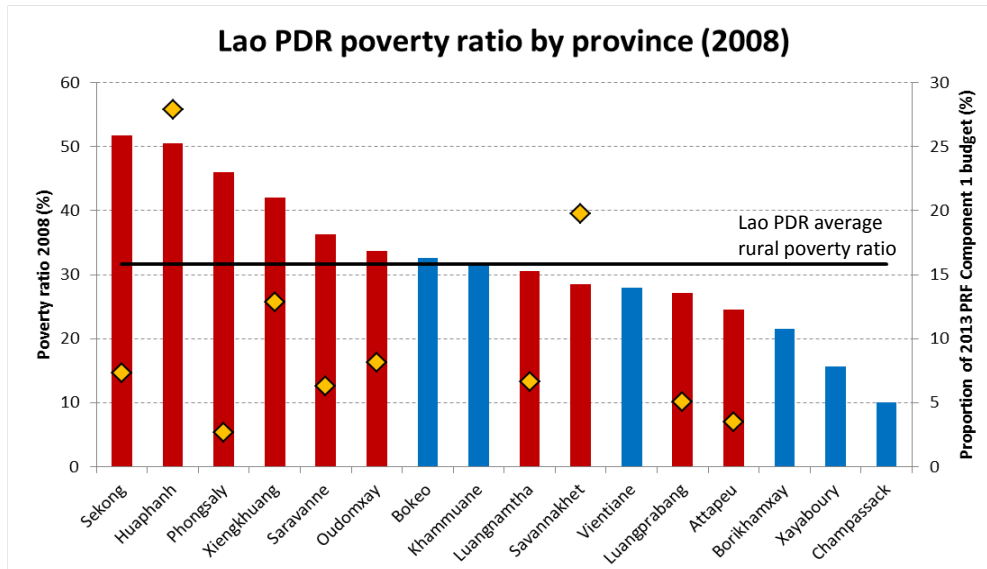
Provinces, districts and *kum ban* are selected for participation in PRF-II by NCRDPE at a central level. In the diverse socio-economic and geographic context of Lao PDR, national and provincial averages may mask pockets of pervasive poverty at *kum ban* and district levels. In the absence of more detailed poverty data (expected to be available in late 2014 from the 2012 LECS) a rapid appraisal of targeting can be done at province level. Chart 7 shows that six of the ten target provinces (the red bars) have poverty rates that exceed the average rural poverty rate in Lao PDR. Note that Khammuane Province is deliberately excluded from PRF-II because of other World Bank investments with similar objectives related to the Nam Theun II hydro-power project. The chart also shows the proportion of PRF-II Cycle X budget allocated to each participating province (the diamond points). Some allocation decisions relate to the absorptive capacity of districts. This appraisal suggests that the centrally determined coverage of PRF-II could be refined for the second half of the program. Once the new LECS data is available there is an opportunity to (1) refine targeting of *kum ban* and districts for Cycles XII

²¹ PRF-II (2013) *Annual Progress Report (September 2012 – October 2013)*. Poverty Reduction Fund, Vientiane, Lao PDR. [Table 5, pp13-14; Table 11, p17]

²² World Bank (2013) *Economic Assessment of Sanitation Interventions in Lao People's Democratic Republic*. Water and Sanitation Program Report. World Bank, Washington DC, USA.

and XIII; and (2) work with the DFAT Learning Facility to conduct an analysis of change between LECS 4 (2005) and LECS 5 (2012) to identify drivers of change.

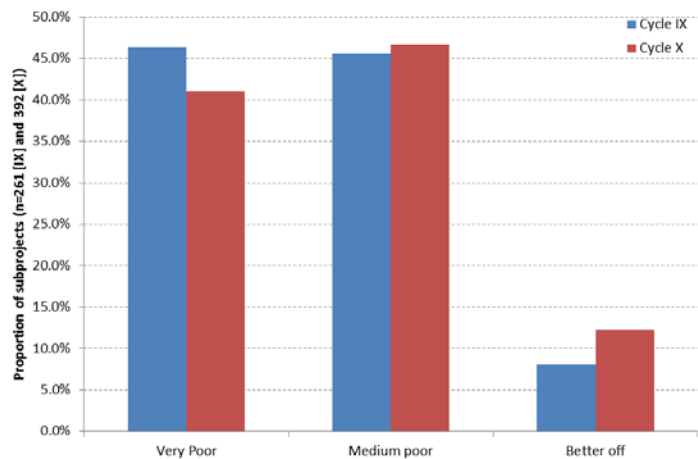
Chart 7: PRF-II poverty targeting – provincial level



Sources: Lao PDR Seventh Socio-Economic Development Plan (Appendix 4, pp207-208) and PRF-II Interim Unaudited Financial Report to September 30, 2013 (Annex 9).

PRF-II monitoring data for sub-projects approved in Cycles IX and X show that the coverage of sub-projects mostly benefit very poor and medium poor villages²³. For example, in Cycle IX 92% of sub-projects were located in projects categorised as very poor or medium poor, and for Cycle X 87.8%. However, there is a trend away from the very poor (Chart 8). Careful monitoring of coverage for subsequent cycles is needed to ensure that very poor villages are preferentially targeted for sub-project planning and implementation.

Chart 8: PRF-II poverty targeting – village level



3.1.7 Quality of outputs

The technical quality of sub-project outputs inspected during this review was generally satisfactory with some exceptions (see Section 3.3 and Annex 2). Site inspections for this review found the technical quality of sub-projects constructed using community force account (CFA), including building constructions and water supply systems, was good, and that there were advantages in increased local community involvement in the construction process and increased opportunities for skill transfer.

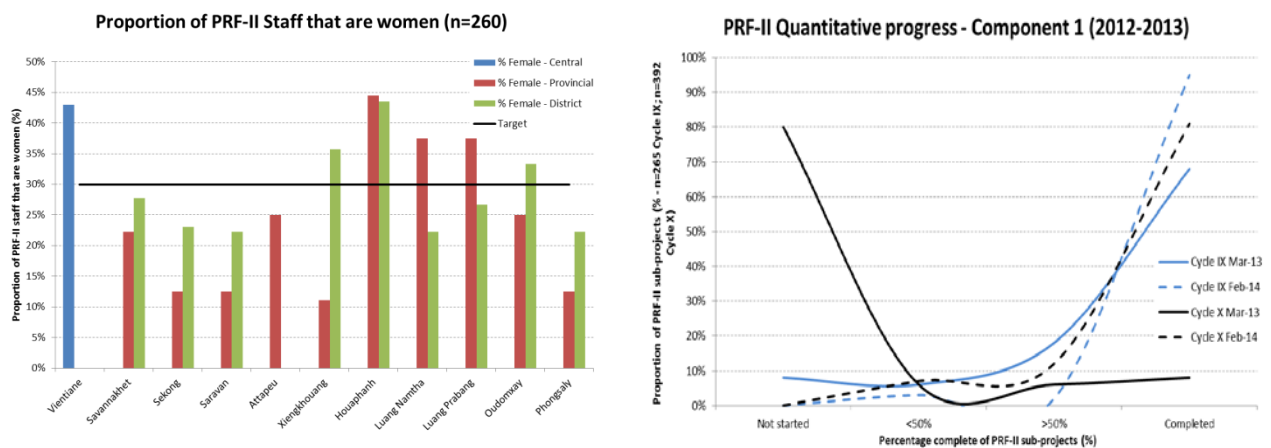
²³ PRF-II (2013) *Annual Progress Report (September 2012 – October 2013)*. Poverty Reduction Fund, Vientiane, Lao PDR. [Table 3, p12; Table 10, p16].

3.2 Adequacy of progress

3.2.1 Adequate quantitative progress – outputs

PRF is implemented in annual cycles of planning, implementation and results measurement. PRF-I completed eight cycles. Cycle IX was implemented in 2011/12 and was the first cycle under PRF-II. In mid-2013, PRF-II was significantly behind plan with delivery of outputs from Cycles IX and X – for example in March 2013 32% of Cycle IX sub-projects were not completed and 80% of Cycle X sub-projects had not started implementation. Following the implementation support mission in May/June 2013 the program returned to plan (Chart 9). This is a significant achievement in quantitative terms, especially for the completion of 316 Cycle X sub-projects (81% of plan) and final delivery of outputs from 249 Cycle IX sub-projects (95% of plan).

Chart 9: Progress towards PRF-II targets



Sources: PRF-II (2013) *Annual Progress Report (September 2012 – October 2013)*. Poverty Reduction Fund, Vientiane, Lao PDR. [Table 5, pp13-14; Table 11, p17] and World Bank (2013) *Aide memoire of independent support mission*. World Bank, Vientiane, Lao PDR. [Table 2, p5]

PRF-II was able to return to plan by using provincial relationships and lessons learned from PRF-I (*e.g.* that delivering improved access to services and livelihood outputs stretched the capacity of PRF, so the second phase uniquely focuses on delivering improved access to services) and because it has a well-documented Manual of Operations that codifies procurement, supervision and quality assurance amongst other processes. The program also used its strong controls and audit processes, which are well documented, as well as a procurement process that works well to return to plan.

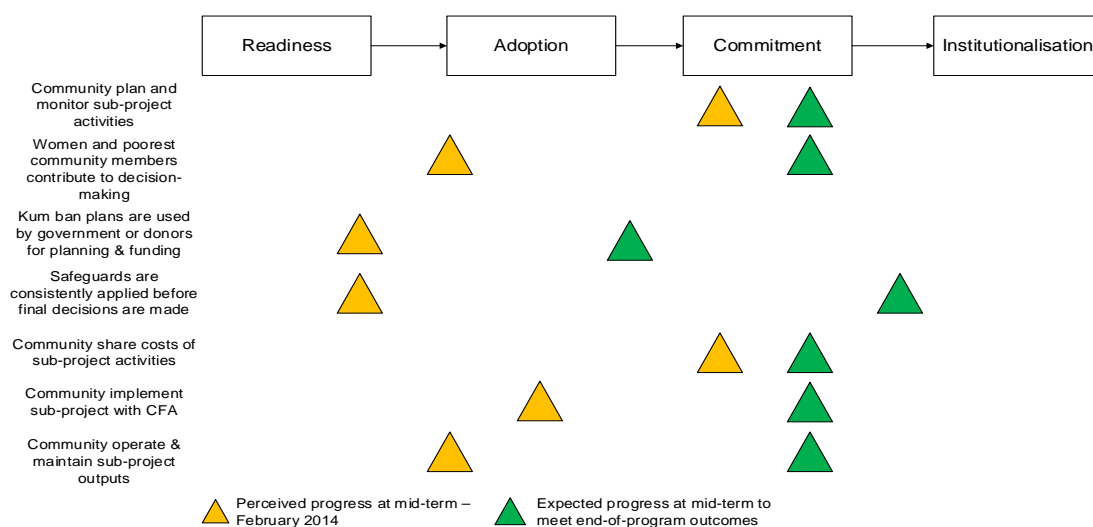
3.2.2 Less-than-adequate qualitative progress – intermediate outcomes

The adequate progress in delivering quantitative outputs, such as completed infrastructure, contrasts, at mid-term, with the less-than-adequate progress towards qualitative results such as immediate outcomes (*e.g.* sub-project activities of high technical quality) and intermediate outcomes (*e.g.* PRF *kum ban* plans are used by government or other institutions; or households have increased access to and use of services). There is progress towards these qualitative results – particularly when compared with Phase I. However, the symptoms of the progress at mid-term are demonstrated by the inconsistency between the PRF-II narrative and the actual performance and by PRF-II staff and their government partners (see Section 3.2.4). In addition to the transition from Phase I to PRF-II, the causes of these symptoms include: (1) the recent focus on returning delivery of infrastructure outputs to plan; (2) staff turnover of 25% in provincial and district staff in 2013, in part because of civil service salary increases³; (3) an organisational culture that does not yet demand, or motivate for, systematic use of operational procedures such as those for monitoring, quality assurance or community contracting in practice; (4) an organisational culture that focuses on quantitative targets (*e.g.* physical infrastructure) rather than qualitative results (*e.g.* improved access to services); and

(5) operational processes that are parallel to and not aligned with GoL systems. These causes can be addressed and managed with the resources and modality available to PRF-II. There is an opportunity to use the confidence and capability of each PRF-II division demonstrated by the return to planned quantitative outputs as the drivers for delivery of planned qualitative results. To achieve this requires skilled leadership; clear communication of expected behaviours and results; effective collection, analysis, reporting, use and feedback of monitoring data to support management decisions; and reallocation of existing resources to the areas of greatest activity and need.

Chart 10 presents an assessment of the adequacy of progress against a number of qualitative results identified from the PRF-II Results Framework. The schematic uses a theory of organisational change²⁴ as a framework for comparing actual observations of performance with what should be expected at mid-term if PRF-II is to meet the targets set out in the Results Framework. The perceived progress should be informed by systematically collected monitoring data, but in many cases (e.g. safeguards) that was not available for this review. PRF-II has the relationships, processes and financial resources to work with participating villages to deliver these qualitative results. For example, quality assurance procedures are well documented and understood by PRF-II staff at all levels and village implementation teams interviewed for this review. However, they are not routinely used in practice.

Chart 10: Adequacy of progress



Use of PRF kum ban plans by government or other development institutions

The review mission was not provided with monitoring data about the use of *kum ban* plans by other institutions. Interviews with sector agencies in 5 provinces and 8 districts confirmed that agency staff are aware of the plans and normally involved in their finalisation. However, these informants made it clear that the *kum ban* plans were not systematically used in, or integral to, the normal government planning and budgeting process. This seems to be because: (1) there is a mismatch between PRF and government planning and budget cycles; and (2) community planning is disconnected from the national socio-economic plan and related government policies, programs and sector plans. There is some progress towards institutionalisation of participatory planning at village level, with Ministry of Planning and Investment recently publishing a manual on this subject with support from GIZ, UNDP (and technical input from PRF-II²⁵). However, provincial and district staff informing this review were not yet aware of the manual. The relationship between *kum ban* plans and GoL plans seems confused at mid-term (Box 2) and would benefit from clarification and alignment of

²⁴ Armenakis, A., Harris, S. and Field, H. (1999) Making change permanent: a model for institutionalising change interventions. *Research in Institutional Change and Development*, 12: 97 – 128. Stamford, CT: JAI Press Inc. USA.

²⁵ MPI (2012) Participatory Planning Manual at Village Level. Ministry of Planning and Investment, Vientiane, Lao PDR.

PRF-II and GoL planning processes. There are also individual examples that demonstrate what is possible – for example, the UNCDF-MOHA District Development Fund used PRF-II *kum ban* plans to inform their choices of local infrastructure investment in NongHed District in Xiengkhouang Province during 2012. More significantly, DDF Guidelines advise that the outcome of any relevant PRF planning exercise may be used instead of undertaking a separate DDF planning exercise.

Box 2 : Linking participatory and national planning & budget cycles

In Oudomxai Province, the planning process first allocates government development budget resources to projects identified in provincial and sector 5-year plans – particularly larger, multi-year projects. Smaller projects are seen as suitable for financing by PRF and “those GoL priorities will be told to communities to see how they fit into *kum ban* priorities”. District sector agencies include new facilities (e.g. schools or dispensaries) in their operational plans and use national budget norms (e.g. LAK2m [-A\$285] per dispensary per year for non-wage recurrent costs) to prepare the operational budget proposal for consideration by the Province. To ensure availability of wage and non-wage recurrent costs to deliver services from infrastructure that relies on government resources (e.g. schools and dispensaries) it is essential that District sector agencies confirm such PRF-II sub-projects and include them in recurrent budget plans before March of the financial year preceding the one when operational funds will be needed.

Household access to and use of services

With an objective of improving access to services, not just infrastructure, PRF-II aims to deliver quality of life improvements, but not necessarily livelihood improvements, although there are examples of PRF-II outputs enabling households to increase their income (Box 3). The extent of progress towards improved access to and use of services depends on the nature of the sub-project. For example, women and men benefit immediately from safe water supply and access roads, and change their behaviour in response (Box 3). Infrastructure that provides facilities for government agencies to deliver services (e.g. schools and dispensaries, electricity) relies on non-wage recurrent budget for equipment and supplies as well as wages for service providers. With the emerging budget crisis (Chart 11) this presents an emerging risk. For example, in some cases infrastructure was built by PRF-II without any District allocation of recurrent budget for equipment, supplies or staff – resulting in delays 12 months before services could be accessed.

Box 3 : Women particularly benefit from some PRF-II outputs

In Nam Mang Village of Viengpuka District in Luangnamtha Province, a 4.2km compacted earth road reduced the time to access rice fields and forest resources from 2 hours by foot to 15 minutes by *tok tok* tractor. When PRF met with the community in Cycle IX (2012), improving road access to their rice and cassava fields was the unanimous priority for the women and men’s groups. Two groups of women informants explained to this review that before the access road, there was no vehicular access to fields – women carried firewood bundles and harvest loads on their heads. The 2-hour journey caused leg and back pain and it often meant they reached home after dark.

The US\$40,000 sub-project resulted in immediate benefits for women as well as unanticipated benefits. Small-vehicle access now means women can do their work more comfortably and save time, which is now used to cook, eat and rest earlier. The time saved in travel by foot was also linked to an increase in productive activities. Women explained the new road had enabled the village to expand its paddy fields from 40 to 50 hectares. Women also noted that they had increased their rice yield. For example, one lady explained that her household has increased rice production from 30 bags in 2012 to 40 bags in 2013 because of the access road. Another lady confirmed this experience, saying that her household increased production from 26 bags in 2012 to 40 bags in 2013. A third lady in another group said the road enabled her to increase rice production from 25 bags per year to 35 bags. The extra production is sold for cash to support food security as well as access to health and education services.

Household access to and use of some services is also dependent on availability of appropriately skilled service-providers. In some communities (e.g. Tandkoun Village in Nga District of Oudomxai Province) teachers were hard to secure for schools and so the village built simple dormitories for teachers to motivate their attendance in the village. Even with recurrent budget and service staff, access does not guarantee use of services because target beneficiaries have diverse value systems and languages (Box 4).

Box 4 : In complex contexts – create demand for services

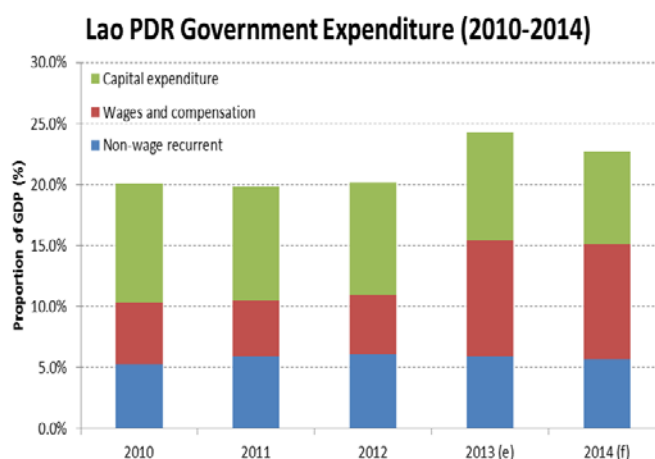
The PRF-II objective is to improve access to and use of basic infrastructure and services for targeted poor communities. At mid-term the program is quantitatively successful – improving access to basic infrastructure and services. Some services are also being actively used – for example water supply, schools and access roads. These supply-side changes benefit many people. However, it is not yet clear that PRF-II is always qualitatively successful. With targeted beneficiaries having diverse value systems and languages, the demand-side that determines use of some services needs to inform provision of those services. There is not one simple solution to providing useful services. This is especially the case with health services, where considerations beyond access and recurrent budget affect demand for and use of services (e.g. clinic user fees, the language or ethnicity of nurses and other service providers). Because of this complexity the construction of a dispensary will not necessarily cause women to use services to which they have access – for example if they are used to home births, undertaken by a respected traditional practitioner known to them. LSIS health data collected in 2012 suggest creating demand for services needs more attention: 37.5% of births take place in facilities; 41.5% of births are attended by a skilled practitioner; just over half of households seek care for suspected pneumonia in children under 5 (one of the top 3 killers of children).

Informants from several villages and Districts identified the opportunity for GoL and donors to provide scholarships for rural students to be trained as teachers or nurses. The importance of service-providers having language and value-systems in common with the communities they serve is particularly important in Lao PDR. In response to this context, PRF-II uses district and *kum ban* visits for women and men to learn from other villages with shared language and value systems. This is a practical approach to peer-learning, which is an appropriate and cost effective capacity development method for the rural areas of Lao PDR.

3.2.3 The threat of GoL budget constraints to adequate progress

Disbursement of the Government of Lao share of PRF-II financing was delayed, likely a symptom of the current fiscal deficit caused in part by a sudden expansion of public sector wages. In addition, the national budget is under pressure to meet the non-wage recurrent costs of sustainable public service delivery (Chart 11)²⁶. These budget constraints threaten the reach, quality and coverage of PRF-II outputs as well as their effectiveness. For example, services cannot be sustainably delivered without budget allocations for the operational costs of schools and dispensaries built by PRF-II.

Chart 11: Lao PDR budget allocation 2011-14



3.2.4 Refining the PRF-II narrative

The narrative used by PRF-II could be refined to better fit the current reality. For example, the narrative would support achievement of the PDO if it was adjusted to emphasise service delivery rather than infrastructure, especially for schools, dispensaries, electricity supply and irrigation systems. Services are delivered by people – sometimes by the community themselves (e.g. water supply, access roads), sometimes by public servants (e.g. teachers or nurses) and sometimes by civil society (e.g. private sector intermediaries supporting use of new irrigation systems, or Lao Women’s Union supporting operation and maintenance of maternity services). An emphasis on service delivery in a revised narrative is more likely to

²⁶ World Bank (2014) Lao Economic Monitor. <http://www.worldbank.org/en/news/press-release/2014/03/04/lao-pdr-economic-monitor-january-2014-managing-risks-for-macroeconomic-stability> Accessed March 4, 2014.

motivate coordination with sector agencies at national, provincial and district levels as well as create demand for monitoring and evaluation information about changes in service delivery resulting from PRF-II activities and outputs.

Similarly, the CDD process does not yet conform to international good practice CDD – being somewhere between community-based development and CDD. That is appropriate given the context, the stage of implementation, as well as the scale and scope of the project. It would be more realistic to talk about community engagement if true participation cannot be demonstrated; and it would be more accurate to talk about a transition towards CDD or from community-based development towards CDD. Evidence for this finding includes village participants with limited understanding of PRF and the broader development agenda for their district. For example, only 49% of village women and men attending village visioning and planning meetings understood what PRF staff and advisers said. Village delegates had better comprehension (77%) but were not consistently aware of process or progress – for example 57% of the village interview team members participating in the capacity building assessment indicated that confirmed funding was different from planned budget amounts²⁷. The Capacity Development Assessment identified that meetings to review and approve activities for inclusion in *kum ban* plans are attended by 57% of households and that 48% of households considered that they had been informed of changes to proposed budget allocations.

Field observations and interviews at all levels for this review highlighted systematic inconsistencies between Manual of Operations procedures and practice, including:

- weak management and monitoring of environmental and child protection and human trafficking risks (Annex 3)
- inconsistent approach to compensation for land use (*e.g.* some roads)
- no evidence of barriers and enablers to service use being considered during planning
- no systematic use of cross-cutting management functions: safeguards, monitoring, QA-QC, operation and maintenance plans.

3.2.5 Progress towards gender equality and social-inclusion

The PRF Gender Action Plan target of 30% female staffing is met in 7 of its 21 central, district and provincial teams (Chart 9 page 11).²⁸ This has not substantially changed since 2006 (when 26% of the 140 PRF employees were women).²⁹ At present, there are no female Provincial Coordinators, and female staffing levels range from 40% in Huaphan to 10% in Sekong Provinces. Seven of the ten PRF provincial teams have only one or two female staff, predominantly working in administrative roles (*e.g.* ~46% of the female workforce is in the finance and administration division³⁰), and 15 of the 40 district teams have no female staff at all.³¹ This is also mirrored with *kum ban* facilitators, of which there are 180 (29%) who are women. The factors constraining women's participation in this role and that of CD officer were easily recited, and accepted, by PRF staff: women don't own motorbikes which the job requires; travel to remote villages is unsafe and not approved of by husbands and families; and women have lower literacy and Lao language skill. A potential solution that was explored was to conduct village visits in small teams by car, including at least two women for safety and sanction by their husbands. Acknowledging the challenges involved, it was not evident that teams had systematically searched for solutions to gender equality. At mid-term,

²⁷ PRF-II (2014) *Capacity Building Assessment 2012-2013*. Report to PRF prepared by Mixaittechno Engineering and Consulting Ltd. Poverty Reduction Fund, Vientiane, Lao PDR.

²⁸ These include the team in Vientiane, and a combination of provincial or district teams in Houaphanh, Luang Namtha, Luang Prabang, Xiengkhouang and Oudomxai. PRF-II (2013). *Annual Progress Report*.

²⁹ Reported in Poverty Reduction Fund. (2011). *Measuring the Impact of Community-Driven Development Projects on Gender. A Toolkit for the Poverty Reduction Fund, Lao PDR*. Vientiane: World Bank.

³⁰ PRF-II (2013) *Annual Progress Report (September 2012 – October 2013)*. Poverty reduction Fund, Vientiane, Lao PDR. [pp47-48].

³¹ Gebert, R. (2013). *Gender and Social Inclusion in the Work of the Poverty Reduction Fund, Phase II: An Assessment*. Commissioned by the World Bank.

there are examples of women working successfully as District-level PRF professional officers. Lessons learned from their working experience should be shared more widely. Beyond targets, the lower numbers, professional grade and responsibilities of female staff affects PRF-II culture and norms.

Representation of ethnic minority groups in PRF-II roles is also low. In an organisation currently numbering 270 staff, only 34 people (12%) are of ethnic minority origins. Xiengkhouang province accounts for 6 ethnic minority staff alone (all male), and at least three male provincial CD staff are non-Lao-Tai (from Hmong, Khmu and Alak groups).

In terms of the PRF's impacts on the lives, inclusion and status of women, the picture was mixed. The review found that there were many instances described where PRF is meeting the practical needs of women. This includes reduction in the time and burdens associated with their gendered roles in collecting water and firewood. However, it is having limited penetration in meeting their strategic gender interests, such as altering or transforming gender relations such as the division of labour, resources, voice and influence.

3.2.6 Becoming an outward-looking organisation

PRF-I is designed as a parallel program and effectively provides GoL with a space where new ideas are tested and novel ways of improving access to services for remote and poor communities are demonstrated. Since inception, PRF-II has had an inward focus – as a result of inception activities; capacity development focused on socialising PRF-II processes; an emphasis on CDD processes rather than social capital formation; high staff turnover; and the need to return to planned delivery of infrastructure outputs from Cycles IX and X. This review and earlier assessments identified that output-focussed targets, which currently drive PRF-II management, have also discouraged systematic collaboration between the CD, TA and M&E divisions³². Some sector agencies are engaged and the resulting memoranda of understanding are available for action. At mid-term, with the concerns of the first two years largely addressed, it is time for the PRF-II leadership to promote an outward-looking culture based on service delivery outcomes rather than output targets. There is an opportunity for the contracted short-term adviser support (Dr Gamini) to support PRF-II leadership in:

- transitioning PRF-II planning systems to align more systematically with GoL annual planning/budget cycles
- re-focusing capacity development for all stakeholders on use of infrastructure for service delivery to increase access to services
- systematically engaging with sector agencies at provincial and district levels to implement existing MoUs
- systematically coordinating with GoL, donor and civil society livelihoods programs and other development initiatives in *kum ban* where PRF-II has started building social capital for CDD to leverage the benefits of other programs
- exploring co-funding options with District agencies to reduce the community operation and maintenance burden and increase sustainability.

3.2.7 Systematically use monitoring to inform management of progress

PRF-II has a documented monitoring system, implemented by 6 staff in Vientiane and 10 provincial staff, to track performance, progress and disbursement. The management information system (MIS) is commissioned but is not yet fully populated with static data (*e.g.* from village orientation form) and does not yet have all Cycle X or much Cycle XI dynamic data (*e.g.* from sub-project implementation monitoring form). Village, *kum ban* and district teams collect data manually using document monitoring forms. Data entry is completed at provincial level, allowing the MIS to be maintained in real time and accessed by all staff

³² McCarthy, P. (2013) CDD Assessment Mission Report September 30-October 10, 2013. PRF-II, Vientiane, Lao PDR.

connected to the internet. Each provincial PRF office has on-line access to the MIS, although connection speeds are slow in some provinces (*e.g.* Phongsaly) and regular power-outages during working-hours limits access.

The geographic information system (GIS) is operational and currently used to present data. There is an opportunity to systematically use spatial analysis to support monitoring of performance and reporting of information to support management decisions. This could especially include analysis of safeguard compliance (*e.g.* villages participating in PRF and those villages that have been relocated in the past 4 years or are identified for relocation) as well as location of sub-projects and their linkages to local markets and service centres.

The timeliness of progress reporting is improving – for example, the Annual Report for Cycle X, due November 30, 2013 was delivered in December 2013 and used for this review. The quality of performance and progress reporting is also improving – with increased use of analysis, graphs and conclusions. Interviews with provincial and district staff demonstrated adoption of documented monitoring procedures – and information from the PRF M&E Division suggests compliance is acceptable. However, quality and timeliness of monitoring information is not yet achieved.

Commitment to monitoring and reporting would be indicated by collection, analysis and reporting of quality information in a timely manner; as well as active use of information by management and feedback of benchmarked information and conclusions to provincial and district teams. The supply-side of the monitoring system is adequate – PRF has the staff, documented systems and capacity to conduct monitoring of disbursement, progress and performance. The quality of the supply-side could be improved – for example through support from central monitoring unit staff to technical, provincial and district teams. However, the core constraint to effective performance management is on the demand side. The performance management system would be strengthened if the demand-side was more consistent – for example by PRF-II leaders requiring divisions to actively collaborate for timely collation, analysis and reporting of information to support PMT decisions.

There is an opportunity to simplify monitoring by focusing systems and resources on collection of data needed to inform management, demonstrate performance and manage risks. Safeguard monitoring needs to be strengthened – to enable PRF to demonstrate pro-active compliance. There is also an opportunity for some M&E Division staff to sit with other PRF divisions for a 3 month period to understand information needs and support data collection and analysis in practice. Short term technical assistance could be engaged during 2014 to support these re-focusing and quality enhancement opportunities so that the significant investment in monitoring adds value during the remaining life of PRF-II.

3.3 Value for money from sub-project outputs

3.3.1 PRF-II represents mixed value for money

Value for Money (VfM) was reviewed against the criteria of procurement of works, goods and services in a manner that meets identified infrastructure needs at the lowest total cost. PRF-II assesses VfM through participatory planning, procurement and construction processes used for implementation. Provision of appropriate infrastructure across all Lao PDR Provinces is context-specific. This means that achieving VfM outcomes is only possible if ethnic, cultural, community and locality factors are considered. However, the current village visioning meetings focus on a needs assessment, without an informed assessment of the whole-of-life costs and benefits of various solution options. In the absence of information about recurrent costs, availability of GoL budget if needed, and the related costs such as service provider dormitories in remote villages or recurrent equipment and supplies costs, there is a risk that communities identify and priorities a sub-project solution that they cannot afford or look after.

Competitive procurement relies on a fair market that honours payment commitments

The procurement process under PRF currently appears to provide a strong VfM foundation. Document review of the procurement process, as described in the Manual of Operations, revealed a robust, detailed and thorough local competitive bidding process based on World Bank procurement guidelines. Interviews with district staff, village implementation teams and a contractor confirmed that procurement procedures are used as planned and in a transparent way. For example, public tender openings, public disclosure of prices, no negotiations, separation of technical and procurement teams, and independent evaluations were confirmed in several interviews. There is a risk that future procurement will be undermined because of late contract payments (e.g. Cycle X implementation analysis, Annex 2) particularly with respect to GoL funded sub-projects (e.g. at mid-term no payments have been made to contractors for 76 completed outputs covering 9 Provinces under Cycle X). The contracting industry is increasingly cautious of the risks implied by this experience in PRF-II – for example, recent invitations to tender for PRF-II Cycle XI opportunities in Houaphan Province received no respondents.

Contracting versus community force account execution

Although portrayed as a community driven delivery model, PRF-II mostly uses a traditional contracting model for its infrastructure delivery. In some instances this is unavoidable (e.g. installing power transmission lines or new road construction requires specialist equipment, skills and contractors). The alternative community construction model is seen to be efficient when comparing overall unit costs (e.g. historical VfM comparisons made between actual school infrastructure construction for selected Indonesian and PNG programs – Annex 2). The PRF narrative implies strong community involvement during the construction process, including in-kind and cash contributions to the construction cost in the order of 8%, however, community involvement is assessed as relatively low (Annex 2).

Costs of construction – some VfM concerns

There are indications that PRF-II construction costs are higher under the contracting model. Benchmarking against PRF-I school buildings constructed by NGOs to higher standards than MoE, as well as pricing norms for MoE classroom construction (Box 5) all indicated a more expensive delivery mechanism under PRF-II. Overall, average costs of PRF-II sub-projects have approximately doubled from the same costs for PRF-I (Chart 12). Contributing factors such as revised and increased specification standards for school and dispensary buildings explain part of the increase but not all. Data collected and reported in the MIS does not have the data needed to support analysis, in particular value-engineering assessments. However, it appears that VfM may have diminished between Cycles I-VIII and Cycles IX and X.

Box 5 : PRF-II school buildings are relatively expensive

Comparisons show that PRF-II school buildings (e.g. USD250/m²) are more expensive than equivalent MOE school buildings (e.g. USD144/m²) in similar locations. Both use similar standard building designs approved by the Ministry of Works. Comprehensive PRF-II MIS data is not available to benchmark this across the program. Examination of school building costs for a 3 classroom + 1 teachers-room school constructed by PRF-II in Sannoi Village, in Saravanh Province, showed that the reinforced concrete and roof components comprised 41.5% of the construction cost. Similar elements in equivalent amenity school buildings with light weight roof frames comprise less than 30% of the construction cost. Although PRF-II sub-projects include additional costs and overheads such as a community supervisor and training, this example shows that a value engineering approach is required for some PRF infrastructure.

Chart 12: Simple average cost per sub-project (PRF Cycle I – Cycle X)

	Average Cost per sub-project		
	Cycles I-VIII	Cycle IX	Cycle X
Education	15,106	43,911	31,760
Public Work & Transportation	20,018	27,846	22,426
Health (dispensaries etc.)	10,885	34,684	13,151
Water & Sanitation	9,850	21,866	17,656
Agricultural Infrastructure	9,798	20,097	16,299

Source: World Bank (2013) *ISM Aide Memoire May 17 – June 4*. Table 6: PRF Sub-Project Expenditures by Sector (USD)

Quality of built infrastructure

The cost of village infrastructure is comparatively high – however intrinsic quality varies from 'unacceptable' to 'good'. At mid-term, an assessment for Cycle IX and Cycle X infrastructure identified 30% of sub-projects activities to be of high technical quality; 78% of sub-project outputs are being maintained two years after sub-project completion; and 98.5% of sub-project outputs are operational two years after sub-project completion. The reason for the low score for high technical quality is because of the schools with no latrines.

Allocated sub-project budget is typically less than design conformance or user needs for civil road construction. For example, site inspection of a road construction sub-project at Tabhaise in Phin District of Savannakhet Province had very little engineering input into the road construction. The road as constructed does not relate to the drawings in the contract documents, minimal drainage structures were provided, and there were no quality checklists. The budget made available for the road was USD4,250/km, which is too low to construct a quality, gravel road. The road will likely be damaged by rains and use in the next wet season.

3.3.2 Inconsistent monitoring and quality assurance records

Cross-checking MIS data and field inspections of sub-project outputs during this review revealed that assessment of 'completed' infrastructure is inconsistent – with some projects being listed as complete to enable payment of the second 50% tranche, when some structures are incomplete (*e.g.* no ceiling installed at a dispensary in Sano Village, Saravanh Province, and no connection to water supply at a dispensary in Latkamoune Village in Oudomxai Province). These examples represent reduced VfM and a threat to sustainable outcomes (Annex 2). These findings are confounded by inconsistent use of quality assurance procedures, which although well documented, are not systematically used in practice. In fact, quality assurance is mostly left to the contractors.

Value engineering to improve VfM, quality of outputs and delivery of services

There is an opportunity for PRF-II to adopt value engineering of standard designs to improve VfM. This would reduce sub-project costs without compromising technical rigor or sustainability. For example, value engineering of the roof structure of the current school building designs (MOE standard uses a timber framed option where-as the PRF uses a reinforced concrete frame). The MOE school-building cost advantage can be largely attributed to the more costly PRF roof structure. Value engineering requires a systematically maintained unit cost database. This is not yet available to PRF-II as the historical unit costs of PRF-I and PRF-II have not been systematically compiled, validated and analysed. Some required data is captured by the MIS but technical details are mostly entered in free format.

3.4 Utility of the Community Driven Development Approach

3.4.1 Reasons for using Community Driven Development

There are important reasons for using Community Driven Development (CDD) in PRF-II. The first is to demonstrate a cost-effective, viable alternative to top-down planning. The second is to promote an approach to poverty reduction where infrastructure and services are

*strengthened in situ*³³; contrasting with the GoL prevailing strategy for rural development and poverty eradication that includes resettlement and consolidation of villages (administrative, but also physical). Evidence is not yet available on the poverty alleviating effect of the GoL policies, however the ‘strong, negative impacts’ such as an increase in mortality, food insecurity and hunger, and impoverishment have been documented by small-scale studies³⁴. In the Lao PDR political context CDD allows PRF-II to be different from GoL poverty reduction programs. One commentator noted that government officials at various levels have limited understanding of the multi-dimensional causes of poverty – poverty is perceived to be synonymous with a lack infrastructure, services and all-season road access at the aggregate village or district level – in accordance with poverty criteria established by the Prime Ministerial Decree 201 of 2012. However, there is limited analysis to explain why certain households are poorer than others, particularly those from ethnic minority groups, and on structural factors such as relocation to marginal land and chronic discrimination. There is a risk that PRF-II is seen to perpetuate or endorse this simple view of poverty by associating infrastructure with automatic alleviation of (multi-dimensional) poverty³⁵. CDD is an important point of distinction for PRF-II and particularly gives women a voice (Box 6). CDD is not just a project methodology – it presents the potential to create social capital; enable program staff to engage with and provide information to less-educated ethnic minority populations; its deliberate inclusion of women, people with disabilities and ethnic minorities; and its potential to enable poorer or disadvantaged people to express their preferences.

Box 6 : Women benefit from community engagement processes

Despite the ‘light touch’ community engagement used, the PRF-II consultative approach and the single-sex discussions are positively received by women. For example, in Nammang village in Viengphouka District, Luang Namtha Province a group of women said that the PRF village visioning meeting was the first time they have ever had a say on community decisions. One women asked that PRF-II return to provide more training and encouragement to build on this base. In a country such as Laos, where women account for only 2% of village chiefs and only 5% of the estimated 25,900 decision making positions in institutions throughout the country – this is a small step with a large wake – emphasising the benefits of PRF-II as a space for GoL to try new approaches to rural development.

3.4.2 The integrity of the CDD approach used by PRF-II

The centrepiece of PRF’s engagement with villages is through the ‘village visioning meeting’. The PRF’s Manual of Operations recommends that this meeting takes place over 1-3 days. It is meant to use Appreciative Enquiry, canvassing questions such as what men and women want their village and *kum ban* to be like in 5 years; what resources already exist locally; and the identification and priority ranking of sub-projects for PRF-II support. While the steps envisaged in this process are sound, the brevity and mode of facilitation limits the effectiveness of the approach. In 2013, this time constraint was compounded as PRF-II directed efforts towards correcting the delay in delivering outstanding sub-project outputs.

The CD division is aware of the shortcomings and is actively working with the available resources to improve the quality of participation and the building of social capital. Because of the timing of the mission and phasing of cycle planning and implementation, the field work did not include any CDD activities. However, recent analysis of CDD processes in the field identified that³⁶: (1) facilitation of village visioning meetings and the determination of priorities are led by district level staff in PRF, with the local *kum ban* facilitator in a passive, supporting role, largely assisting logistics; (2) facilitation may be done by any member of the

³³ AusAID (2011) *AusAID Support to Poverty Reduction Fund Phase II, Lao PRD: Design Summary and Implementation Document*.

³⁴ Baird, I.G. and Shoemaker, B. (2007). *Unsettling Experiences: Internal Resettlement and International Aid Agencies in Laos. Development and Change*. 38(5): 865-888; Alton, C. and Rattanavong, H. (2004). *Service Delivery and Resettlement: Options for Development Planning. Final Report. Livelihoods Study*. Lao/03/A01. Vientiane” UNDP/ECHO.

³⁵ Gebert, R. (2009). *Poverty, Gender and Ethnicity Issues in the Northern Uplands. Report for the Design and Feasibility Study on the Core Coherent Program of the Northern Uplands Sustainable Development Program*. Vientiane, Lao PDR.

³⁶ McCarthy, P. (2013) CDD Assessment Mission Report September 30-October 10, 2013. PRF-II, Vientiane, Lao PDR.

district PRF team, including the engineer, CD officer, finance officer, or M&E officer; (3) each CD officer receives 5 days of induction training on PRF, including facilitation skills while other divisional staff do not receive any training on facilitation techniques, and so this places an unreasonable expectation on them to be able to lead CDD consultations. In Lao PDR literacy is positively correlated with socio-economic status and Lao-Tai ethnicity - with 29% of women and 49% of men from the poorest quintile being literate³⁷. PRF-II staff acknowledge the need to improve information and training materials so that they can be used by non-Lao-Tai language groups and non-literate community members. Some minorities do not have a written script, so visual aids are needed. Films in Lao-Tai language explaining PRF-II are well received and are currently being translated into other languages. At present, 34 PRF-II staff (12%) are of ethnic minority origin. This limits community members from expressing themselves in their first language. It may also encourage conformism in choices owing to limited understanding of options available.

Groups are sex-segregated for the initial identification of sub-project priorities. However, time constraints mean that groups typically exceed 25 persons. Apart from the challenges that this poses for even the most experienced facilitator, it is likely to discourage community-members who have less education or information from speaking up, particularly in the presence of village authorities and mass organisation members.

Feedback and accountability are integral to good practice CDD. The feedback and resolution mechanism (FSM) used by PRF-II attempts to do this, using three methods (hotline 161, village feedback box, and email). The 10,670 pieces of feedback received in the 12 months to October 2013 demonstrate that PRF-II has a profile. Most “feedback” is in fact requests for support (*e.g.* 78% of village box notes) or irrelevant to PRF (*e.g.* 99% of total hotline calls). The FSM process is relatively expensive: 1 FTE monitoring hotline calls (even though monitoring data shows only Vientiane stakeholders use it) and district staff installing and checking boxes for less than 2 pieces of feedback on average per district per week. FSM is not yet used for quality assurance, management of safeguards or other participatory processes.

3.4.3 The utility of CDD in PRF-II

The CDD process used by PRF-II is relatively expensive in time, staffing and maintenance. For example, CDD processes and staff account for around 18% of the total program budget and more than 40% of the operational (*i.e.* non-capital) expenditure³⁸. PRF-II would be more efficient in simple, quantitative terms if a menu of options was explored with targeted villages and selected infrastructure was procured and delivered by PRF-II staff. Efficiency would also be enhanced if PRF-II used a higher proportion of community executed sub-projects. However, CDD approaches have the potential to deliver additional outputs and outcomes in the form of social capital and community voice.

The importance of people having a voice

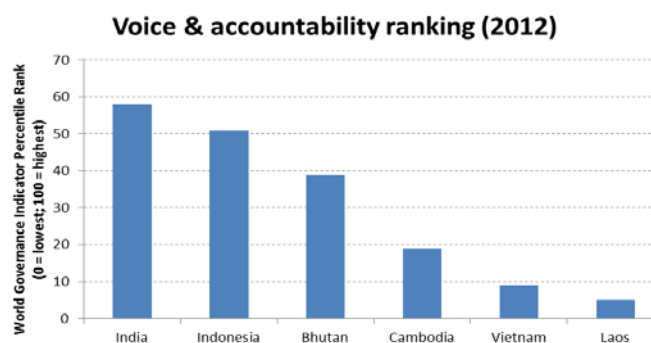
If applied thoroughly, with systematic use through the planning, implementation, operation and maintenance functions of each activity, CDD builds social capital that can be used by other interventions, especially those targeting livelihoods, health and education. This section explores: (1) the importance of people having a voice; (2) opportunities to strengthen community engagement processes used by PRF-II; and (3) opportunities to increase the returns from CDD by leveraging other programs through their use of social capacity developed with PRF-II support.

³⁷ LSB (2012) *Lao Social Indicators Survey 2011-12*. Ministry of Health and Lao Statistics Bureau, Vientiane, Lao PDR. [p215]

³⁸ Estimated from the October-December 2013 PRF-II Quarterly Work Plan and budget.

Laos has a relatively low voice and accountability ranking in the World Governance Indicators (Chart 13)³⁹. PRF-II provides a space where GoL can take risks, pilot new approaches to rural development and identify practices for refinement before institutionalisation. This incremental approach towards sustainability sometimes conflicts with step-function change (e.g. graduating from LDC status as set out in the 7th SEDP)⁴⁰.

Chart 13: Community voice is relatively weak



3.4.1 Opportunities to strengthen PRF-II community engagement processes

The participatory processes currently engaged by PRF-II sit between community-based development and community-driven development. In the Lao political (e.g. centrally planned government) and socio-economic (e.g. diverse language and value systems) this represents adequate progress at mid-term. Monitoring and reporting by PRF-II tends to conflate attendance with participation, access with use and benefit. So there is a question about whether to invest further in strengthening participatory processes to deliver more community driven development, or whether the current blend of community engagement and participation is sufficient. The net benefit of CDD needs to be tested in PRF-II:

- **CDD may not be relevant in the PRF context & scale** – there is an inherent tension between truly community driven development and the need to plan, disburse and deliver outputs at the scale designed for PRF-II. This can work in an environment that is reasonably homogeneous and used to democratic processes. It may be more difficult in a context with diverse language and value systems and a centralist political economy.
- **CDD may be too resource intensive to be institutionalised** – given the budget constraints and development priorities facing GoL, and the time constraints facing villagers, the resources needed to sustain effective CDD may not be available.
- **CDD processes and outputs are not yet aligned with GoL systems** – *kum ban* plans are not yet sufficiently credible or useful to district and provincial agencies.
- **CDD does not yet identify all activities needed to deliver public goods such as schools** – the current processes focus on needs and priority activities in the absence of full knowledge and costs of potential solutions.

As detailed in Section 3.2.3 (p14) the Capacity Development Assessment identified that village participants do not consistently have ownership of *kum ban* plans and have limited technical knowledge or capacity to meaningfully contribute to sub-project implementation or later operation and maintenance of infrastructure. From this analysis, at mid-term, PRF-II donors have two strategic choices available for the remaining years of PRF-II:

- **Continue as a space to demonstrate novel approaches** – this is the *status quo* and allows PRF-II to continue to completion with refinement and strengthening but not strategic redirection. With this choice, PRF-II could strengthen community engagement processes by aligning with GoL processes; refining the allocation of staff between provinces and districts; and more systematic coordination with sector agencies and other programs working in the same districts and *kum ban*.
- **Actively work towards scale, institutionalisation and sustainability** – this choice requires a different trajectory and uses the second half of PRF-II to position for a future investment. With this choice PRF-II would need strengthened relationships with central

³⁹ Source: www.govindicators.org Accessed January 10, 2014.

⁴⁰ Bartlett, A. (2013) *Capacity-building and alternative realities*: Some observations on the political context of technical assistance in Lao PDR. Report for the Laos Extension for Agriculture Project (LEAP), Vientiane, Lao PDR. [pp6-7]

agencies such as MPI and MOHA as well as with provincial and district DPI. Central leadership and resourcing for systematic engagement and policy dialogue would be required in addition to the tactical and operational improvements identified for the *status quo* option.

Under either strategic direction, if participatory processes are to add value and be well coordinated with sector agencies at district level, it would make sense to re-align staffing levels to have more staff at district level (*e.g.* one more per district responsible for strengthened community engagement and sector coordination) and less at provincial level (*e.g.* 3-4 less per province). Currently around half the PRF-II staff are at District level, but they deliver outputs using at least 75% of the budget. The opportunity to re-align staffing is especially the case if PRF-II transitions to more use of community force accounts for implementation rather than contractors.

3.4.2 Opportunities to increase the efficiency of PRF-II CDD approaches

The on-going investment in participatory approaches would be more easily justified if PRF-II proactively engaged and coordinated with government, donor and civil society programs to make use of the resulting outputs (*e.g.* *kum ban* plans) and outcomes (*e.g.* social capital in the form of organised village groups able to practice participatory planning, implementation and management). There is especially an opportunity to engage with livelihood programs to use the social capital developed by PRF-II and complement the improved access to and use of services which is the appropriate focus for PRF-II.

The efficiency of PRF-II participatory processes would also be enhanced if the program used more community contracting and aligned with GoL planning/budget processes. This would:

- increase the credibility and usefulness of *kum ban* plans to GoL agencies
- increase the likelihood of GoL agencies allocating and sustaining wage and non-wage recurrent budget to secure service delivery functions from public infrastructure
- create an incentive for GoL to disburse its share of the PRF-II financing in a timely way
- enhance community participation while reducing the costs of infrastructure delivery
- provide a foundation from which to explore future investments to scale-up and institutionalise PRF processes.

3.5 Benefits and costs of working in partnership

Australia supports PRF-II in partnership with the World Bank, SDC, GoL and the women and men of participating villages. The Australian Government contribution to PRF-II (A\$20 million) is directed through a multi-donor trust fund (MDTF) administered by the World Bank. This is complemented by investment from SDC, a like-minded and active partner. This section explores (1) the efficiency of this partnership; (2) the effectiveness of working in partnership; (3) good practice management of safeguards; and (4) future opportunities.

3.5.1 The efficiency of this partnership

The administrative cost recovery and program management charges paid by Australia to the World Bank to administer and operate the MDTF (up to 2.34%) are modest and represent value for money. For an investment of A\$20million including a 2.34% “management fee” DFAT has access to GoL relationships in MPI, MOF and NCRDPE as well as relationships in 10 Provinces and 42 Districts. In addition, Australian Aid is seen to be contributing to delivery of 657 tangible outputs in the past 2 years – each one consistently and clearly signed with the Australian Aid logo – used by more than 120,000 women and men. In simplistic terms, this represents a once-off investment of around A\$80 per beneficiary for assets that have long-term service delivery and other benefits. When compared with other options available for rural development (*e.g.* using a managing contractor with a management fee of 15-20%) the leveraged relationships and outputs attributable to Australia represent

exceptional value for money. At mid-term, it is clear that management of PRF-II can be strengthened to increase the reach and coverage of outputs for the same resources, which will further enhance value for money.

3.5.2 The effectiveness of working in partnership

In addition to the immediate relationships and outputs Australia accesses through the PRF-II partnership, the program provides DFAT staff with access to a group of professional peers who provide entry points to GoL for policy dialogue as well as access to and influence over research to inform policy dialogue.

For example, on social safeguards the Bank has staff in Vientiane and Washington that work as peers with DFAT staff in the Mekong Hub. Those staff worked with GoL to negotiate a practical operational response to social safeguards (the “4+4 policy”) that is applied by PRF-II (see Section 3.5.3 and Annex 3). The World Bank Task Team Leader (TTL) has sound working and policy dialogue relationships with MPI, MOF and NCRDPE that underpin implementation of PRF-II and provide policy dialogue entry points for Australia. The TTL and his team overseeing implementation of PRF-II openly collaborate with DFAT and SDC, have detailed financial and procurement controls, and manage the routine supervision and monitoring visits. This reduces the DFAT burden for management of the A\$20m investment.

Similarly, for analytical work the World Bank conducted a rigorous baseline survey in 2013 and commissioned and managed delivery of evaluative work to inform implementation of PRF-II – for example a review of participatory processes, an assessment of gender and social inclusion and a study of the status and relationship of PRF and NRDPEP. GIS mapping and analysis, commissioned by SDC as part of the PRF-II partnership, will yield information available to Australia on large scale infrastructure projects and FDI in Lao PDR. The quality of these studies is generally good and the information is relevant to other Australian interests in Lao PDR and the region – for example PRF-II information is directly relevant to Lao Australia Rural Livelihoods Program, which shares a number of provincial and district relationships with PRF-II. Australia influences the scope and framing of this research and has access to the resulting information for very low incremental costs.

The review did identify opportunities for changes in World Bank positions to enhance the efficiency and effectiveness of PRF-II. This particularly relates to the ceiling amounts allowed for each sub-project – which is leading to perverse outcomes. For example:

- some access roads are built in several tranches over a number of years to ensure each tranche fits within the budget ceiling – reducing efficiency and delaying effectiveness (*e.g.* Nonghaet district in Xiengkhouang)
- some facilities are not completed to a standard that allows provision of fit-for-purpose service delivery because of budget constraints (*e.g.* a dispensary in Latkamoune Village in Nga District of Oudomxai Province that has three sinks and taps but is not connected to a water supply; and a dispensary in Sano Village of Toumlan District in Saravanh that has no ceiling panels installed)
- delayed payment of contractors (*e.g.* civil contractor in Savavanh province received the 50% tranche payment 12 months after completion of the road works at Vanglee village in Toumlam district).

In addition, the Bank could work with the PMT to strengthen practical use of cross-cutting processes in practice. Processes such as QA/QC, environmental safeguards, operation and maintenance planning, and monitoring are well documented in the Manual of Operations but are not systematically used.

3.5.3 Good practice management of NRDPEP-related safeguards

The strength of the PRF-II partnership, with its complementary development perspectives and technical expertise, is evident in the inventive and pragmatic approach to managing involuntary resettlement and village consolidation risks. The 2012 Implementation Support Mission, in which all three partners participated, agreed on a '4+4 policy'. This policy upholds that PRF-II will not implement sub-projects in villages that have received resettled populations within the last four years, or that are planned to be resettled in the next four years.

In practice, the policy is intelligible for district staff and feasible for them to implement (subject to information disclosure by the GoL and villagers). Its appeal is that it has eliminated the complex task of making a determination about whether observed or planned resettlement is involuntary or not (Annex 3). It has also managed the conflict of interest that exists for the NCRDPE, which is responsible for implementing both PRF safeguards and the RDPEP with its calls for village consolidation and physical relocation of communities. The World Bank has incorporated the 4+4 policy into other programs in Lao PDR.

As detailed in Annex 3, there are four World Bank operational safeguards that formally apply to PRF – Environmental Assessment (OP 4.01), Pest Management (OP 4.09), Indigenous Populations (OP 4.10) and Involuntary Resettlement (OP 4.12). PRF-II developed frameworks to implement and manage these obligations at inception and included them in the Manual of Operations. Prompts to screen for these risks are incorporated into the Infrastructure Subproject Proposal Form and into standard designs. However, implementation, monitoring and reporting on these procedures is not systematic. At mid-term, improvements are being made to the MIS to capture data on social safeguards, but these will only be effective from Cycle XI (2014) onwards.

One rationale for Australia to co-finance PRF in Phase II was to position itself and partners for policy dialogue on rural development with GoL. DFAT specifically sought an open exchange with GoL on viable alternatives to moving poor, ethnic minority villagers from remote locations to lowland areas, closer to services⁴¹. Following events in late 2012, the broader political environment was not deemed to be conducive for policy dialogue on village consolidation issues between PRF-II donors and NRDPEP. However, during the review that informed this report, both the World Bank and SDC noted thawing of relations on this topic, and so space is potentially opening for this policy aim to be realised. The NCRDPE meeting on settlement stabilisation with donors on January 30, 2014 provides one example. Involuntary resettlement, irregular land clearing and allocation of concessions as well as village consolidation affects the entire DFAT portfolio. The PRF partnership provides a mechanism for shared evidence gathering and policy dialogue on this for DFAT.

3.5.4 Opportunities for future partnership

PRF-II works in a space that is complex with diverse geographies, value systems and languages. There are a number of myths surrounding this space for example the causes of poverty and vulnerability, the drivers of change and the contribution of capital investment to service delivery. These myths are compounded by GoL policies such as those for decentralised development and modernisation. Policy dialogue is most effective when it is informed by a shared body of evidence⁴². There is an opportunity for DFAT to work with other partners and GoL to plan, implement and use research to inform policy dialogue for better rural development and poverty eradication in Lao PDR.

There is an opportunity for the donor partnership supporting PRF-II to take the lead on evaluative and analytical work needed to inform management and strategic decisions relating

⁴¹ AusAID (2011) *AusAID Support to Poverty Reduction Fund Phase II, Lao PRD: Design Summary and Implementation Document*.

⁴² DFAT (2014) *Lessons from Australian Aid: 2013 report on independent evaluation and quality assurance*. Office of Development Effectiveness, Canberra, Australia. [pp5-10]

to the program. PRF-II commissioned evaluative studies in 2013 but the quality of these PRF-commissioned studies is generally poor. Given the needs and capacity of the PRF M&E Division, it may be better to have them focus on monitoring, with the World Bank and its partners taking the lead on evaluative work. The DFAT contribution to this research could be provided through the newly established Learning Facility in Vientiane. Future evaluative work would be strengthened if the DFAT M&E Standards⁴³ 4 (TOR), 5 (Evaluation Plans) and 6 (Evaluation Reports) were used to prepare for and assess quality.

Research opportunities to form a shared body of evidence to support policy dialogue about rural development and poverty eradication between donors and GoL include:

- Build on SIDA (2006) and other analyses of the LECS3 and LECS4 data to analyse socio-economic and spatial trends in social indicators and expenditure/consumption patterns between 2002 and 2012 – using LECS3 (2002); LECS4 (2007) and LECS5 (2012 – expected mid-2014). This could be used as an empirical foundation for drivers of change analysis relating to rural development and poverty eradication in Lao PDR.
- Work with NCRDPE to plan, implement and report a robust evaluation of benefits and costs of resettlement programs in rural areas, including *sam sang* pilots.
- Use LECS4 data to evaluate PRF-II poverty-targeting decisions to *kum ban* level, and identify opportunities for refined targeting of the poorest *kum ban* for Cycle XIII and Cycle XIV in those Provinces already participating in PRF-II.
- Test the theory of change that infrastructure improves access to services.
- Develop an understanding of the GoL planning and budgeting process as well as the associated political economy to better align participatory planning processes. This could lead to changes in the way donors engage with planning institutions (*e.g.* MPI, MoHA and DPI) to ensure that outputs from participatory planning processes are credible and useful for GoL institutions, especially at District level.

4 Conclusions and recommendations

4.1 Conclusions

Based on a detailed document review, field inspections and semi-structured interviews with 56 women and 142 men in Vientiane Capital, 5 Provinces and 8 Districts of Lao PDR, the Australian independent evaluation team has reached 10 conclusions:

1. PRF-II is worthy of continued investment

Whilst PRF-II is not yet perfect it demonstrates effective delivery of infrastructure to remote communities with a reach and coverage that no other alternative offers. Most outputs measurably improve access to services and some benefits are very quick to be realised (*e.g.* use of access roads or water systems). Other outputs are dependent on GoL systems and recurrent budget or citizen demand before services can be delivered and used. In the Lao PDR context, and compared with alternative modalities, PRF-II is worthy of continued investment. The program has the people, the systems and procedures, the resources and the willingness to maintain quantitative delivery and improve delivery of qualitative results.

2. PRF-II PMT demonstrates a willingness and capacity to engage, change and improve

PRF-II provides an effective entry point for donors to engage with GoL on rural development and poverty eradication issues. The rapid return to planned delivery of quantitative results, and the strengthening of the social safeguards to 4+4 demonstrate that NCRDPE and PRF-II are willing to engage with donors, to change and to improve. At mid-term the same determination needs to be applied to improving delivery of qualitative results. This requires

⁴³ See: <http://aid.dfat.gov.au/Publications/Pages/monitoring-evaluation-standards.aspx>

PRF-II to become an outward-looking organisation that, for example, actively engages with line agencies responsible for delivery of health and education services. If the partnership between NCRDPE and donors can achieve that, the end-of-program objective of improved access to and use of infrastructure and services will be delivered.

3. PRF-II provides GoL with space to take risks and try new things

Lao PDR is a complex context and PRF-II contributes to a technically and socially complicated change processes in remote, rural areas. The dynamic between donors and the political economy compound this – donors and government agencies deliver incremental change in a political environment that seeks step-function change (in the case of Lao PDR to achieve middle-income country status by 2020). As a donor-supported program, PRF-II provides a space where GoL can take risks and try new things. In the Lao PDR context, that is a useful contribution that complements the aligned or narrow sectoral approaches adopted by other rural development programs.

4. Participatory planning at scale differentiates PRF-II

The investment in participatory planning and implementation processes differentiates PRF-II from other RDPE programs. In a country with relatively low ratings for voice using international governance indicators, giving village women and men a say in a government program is novel and beneficial. As currently applied, the PRF-II processes are not yet CDD – and the partnership needs to make a strategic choice: either (1) maintain the *status quo* for to demonstrate first steps towards community voice; or (2) strengthen the approach to evolve towards more robust CDD and associated social capital that can be used by other development activities at local and district levels. The current approach is relatively expensive unless it results in social capital that can be leveraged for wider benefits.

5. At mid-term PRF-II is quantitatively successful

In early 2013 PRF-II was significantly behind planned delivery of outputs. Following an implementation support mission in mid-2013 the program returned to plan by mid-term. This is a significant achievement in quantitative terms, especially for the completion of 316 Cycle X sub-projects (81% of plan) and final delivery of outputs from 249 Cycle IX sub-projects (95% of plan).

6. At mid-term PRF-II is yet to deliver adequate qualitative progress

At mid-term, PRF-II demonstrates less-than-adequate progress towards qualitative results such as immediate outcomes (*e.g.* sub-project activities are of generally acceptable quality) and intermediate outcomes (*e.g.* PRF *kum ban* plans are used by government or other development institutions; or households have increased access to and use of services). The reasons for inadequate progress towards qualitative results include: (1) the recent focus on returning delivery of quantitative outputs to plan; (2) high staff turnover in provincial and district staff in 2013; (3) an organisational culture that does not yet demand, or motivate for, systematic use of operational procedures in practice; (4) an organisational culture that focuses on quantitative targets rather than qualitative results; and (5) operational processes that are parallel to and not sufficiently aligned with GoL systems.

7. Access to some services depends on GoL capital and recurrent budgets

The extent of progress towards improved access to services depends on the nature of the sub-project. Infrastructure that provides facilities for government agencies to deliver services (*e.g.* schools and dispensaries, electricity) relies on non-wage recurrent budget for equipment and supplies as well as wages for service providers. Unless PRF-II planning processes are aligned with GoL district planning and budget cycles, there is a risk of recurrent budget allocations being insufficient to enable delivery of services.

8. Value for money is not yet achieved

More than 70% of the PRF-II budget is allocated to community development grants. Detailed analysis of sub-projects, as well as site inspection of more than 25 outputs highlights that more could be done to deliver value for money. Some PRF-II construction costs appear to be higher than national and regional benchmarks for similar infrastructure, particularly schools which account for about one third of PRF-II investment. Simple average costs of PRF-II sub-projects have approximately doubled from the same costs for PRF-I. Contributing factors such as revised specifications and standards for vertical infrastructure such as school buildings explain part of the increase but not all. Value engineering, community contracting and better monitoring of unit and sub-project costs would improve value for money.

9. Management decisions are not supported by timely, quality information

PRF-II has a documented monitoring system and an MIS that is commissioned but not yet fully functional. The geographic information system (GIS) is operational and currently used to present data. The timeliness of performance and progress reporting is improving – compliance is improving. However, quality and timeliness of monitoring information is not yet achieved. Although the supply-side of the monitoring system is adequate the system would be strengthened if the demand-side was more consistent – for example by PRF-II leaders requiring divisions to actively collaborate for timely collation, analysis and reporting of quality information to support PMT decisions. Commitment to quality monitoring would be indicated by active use of information by management and feedback of benchmarked information and conclusions to provincial and district teams.

10. Shared evaluative research enables effective policy dialogue

There are a number of myths surrounding rural development and poverty eradication in Lao PDR. Policy dialogue is most effective when it is informed by a shared body of evidence. There is an opportunity for DFAT to work with other partners and GoL to plan, implement and use research to inform policy dialogue for better rural development and poverty eradication in Lao PDR.

4.2 Recommendations

Based on the analysis and conclusions presented in this report, the Australian mid-term review team recommends that:

- Australia supports PRF-II towards scale, institutionalisation and sustainability
- PRF-II PMT adjusts its focus and resource allocation to emphasise service delivery
- Donors support PRF-II to create social capital with strengthened participatory processes
- Donors support the PMT to strengthen management of PRF-II performance
- Australia supports research to improve the quality of PRF-II results.

1. Australia supports PRF-II towards scale, institutionalisation and sustainability

Australia has three strategic choices available for the remaining years of PRF-II:

- **Continue supporting PRF-II as a space to demonstrate novel approaches** – this is the *status quo* and allows PRF-II to continue to completion with refinement and strengthening but not strategic redirection. With this choice, Australia would pay its final tranche to the MDTF and support PRF-II to strengthen community engagement by aligning with GoL planning and budget processes; refining the allocation of staff between provinces and districts; and more systematic coordination with sector agencies and other programs working in the same districts and *kum ban*.
- **Actively work towards scale, institutionalisation and sustainability** – this choice requires a different trajectory and uses the second half of PRF-II to position for a future investment. With this choice, Australia would pay its final tranche and allocate some of the technical hub resources to supporting PRF-II to improve delivery of qualitative results

(e.g. by engaging NCRDPE on safeguards; by creating PRF-II capacity to build demand for use of services by women and ethnic minorities; or by strengthening participatory processes to create social capital).

- **Withdraw from PRF-II** – with only one A\$5million tranche left under the current commitment, withdrawal would result in reputational and other costs. Given the sunk investment, the incremental benefits and leverage of the remaining tranche are significant.

The review team recommends that Australia use existing resources at Post and in the regional hub to support PRF-II to actively work towards scale, institutionalisation and sustainability. This allows Australia to influence the design of future RDPE investments (whether or not it chooses to invest in arising opportunities) and to remain engaged in policy dialogue about rural development and poverty eradication.

2. PRF-II PMT adjusts its focus and resource allocation to emphasise service delivery

The review team recommends that Australia and its donor partners support PRF-II to use the organisational confidence and capability demonstrated by the return to planned quantitative outputs to drive a transition to an organisation focused on delivery of qualitative results. To achieve this requires: (1) clear communication of expected behaviours and results by donors (e.g. revision of results framework and agreement of 6-monthly performance targets); (2) mentoring and support to strengthen the PMT; (3) alignment of PRF-II processes to align with GoL district planning and budget cycles; (4) effective collection, analysis, reporting, use and feedback of monitoring data to support management decisions; and (5) reallocation of existing resources, particularly those at province and district levels to the areas of greatest activity and need. If needed, the transition to a service delivery focus could target those provinces and districts that will participate in Cycles XII and XIII.

3. Donors support PRF-II to create social capital with strengthened participatory processes

Thorough participatory processes have the potential to deliver additional outputs and outcomes in the form of social capital and community voice. If applied thoroughly, with systematic use through the planning, implementation, operation and maintenance functions of each activity, participatory processes build social capital that can be used by other interventions, especially those targeting livelihoods, health and education. Australia should use existing resources to engage with partner donors to support PMT actions that lead to measureable social capital in participating villages that is leveraged across other development investments. Implementing this recommendation could include, for example: (1) re-aligning resource allocation to have more staff at district level (e.g. one more per district responsible for strengthened community engagement and sector coordination) and less at provincial level (e.g. 3-4 less per province); (2) increased use of community implementation of sub-projects; (3) proactive engagement and coordination with government, donor and civil society programs to make use of the resulting outputs (e.g. *kum ban* plans) and outcomes (e.g. social capital), secure GoL recurrent and capital budgets needed for beneficiaries to have sustained access to and use of services, and link with livelihoods programs.

4. Donors support PMT to strengthen management of PRF-II performance

Output-focussed targets, which currently drive PRF-II management, discourage systematic approaches to delivery of qualitative results. The review team recommends that Australia and its donor partners support the PRF-II leadership to adopt an outward-looking culture based on service delivery outcomes rather than output targets; and commit to active use of information to support management decisions and provide feedback of benchmarked information and conclusions to provincial and district teams. This recommendation could include, for example: (1) systematically engaging with sector agencies at provincial and district levels to implement existing MoUs; (2) re-focusing capacity development for all stakeholders on use of infrastructure for service delivery to increase access to and use of services; (3) transitioning

PRF-II planning systems to align with GoL annual planning/budget cycles; (4) systematically using the MIS and GIS for data collation, analysis and reporting to inform management decisions. As part of this, it is recommended that Australia allocate some of the existing technical hub resources to support PRF-II to strengthening the quality of PRF-II monitoring, analysis and reporting.

5. Australia supports research to improve the quality of PRF-II results

Given the experience at mid-term with PRF-II evaluations and research, and the need for the PMT for focus on management of delivery, the review team recommend that the donor partnership supporting PRF-II execute evaluative and analytical work needed to inform management and strategic decisions relating to the program. Such analysis may benefit other Australian Aid Program rural development and education investments in Lao PDR, and inform ongoing policy dialogue. The Australian contribution to this research should be provided through the Learning Facility in Vientiane and informed by DFAT M&E Standards.

5 Communication of lessons learned

Communication of lessons learned supports organisational learning, which is essential for an aid program to achieve maximum impact and value for money⁴⁴. Learning can be taken to mean the extent to which DFAT uses information and experience to influence its decisions. Organisational learning is most likely to be successful when it is based on an understanding of how the whole organisational system is connected, rather than a focus on individual parts⁴⁵.

Communicating lessons learned and recommendations from this Critical Issues and Recommendations report to DFAT, other donor partners, NCRDPE and PRF-II staff is an important part of the on-going implementation of PRF-II. There is an opportunity for DFAT and its donor partners to use the Critical Issues and Recommendations report as a means to present lessons learned and recommendations to the PMT, and to then develop the management response with the World Bank and SDC. The DFAT First Secretary Rural Development, DFAT senior managers in Vientiane and Canberra should facilitate this, using outputs from this Critical Issues and Recommendations report and the management response negotiated with GoL and the World Bank as a basis for improved program implementation.

The DFAT Counsellor Aid and DFAT First Secretary Rural Development should also communicate lessons learned and opportunities from PRF-II investment to other DFAT colleagues in Vientiane and Canberra through the DFAT Cable system.

⁴⁴ ICIA (2014) *How DFID Learns*. Independent Commission for Aid Impact, Report 34. ICIA, London, UK.

⁴⁵ Senge, P. (1994) *The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organisation*. Random House, London UK.

Annex 1

SWOT Analysis

Annex 1: SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • PRF is a significant contribution to development of poorer districts – up to 50% of capital expenditure • PRF-II is focused on services and poverty • PRF-II aligns with GoL narrative on modernisation (18 characteristics of a model village) • PRF-II is quantitatively successful • PRF-II provides a space where GoL can take risks, pilot new approaches to rural development and identify practices for institutionalisation • Lessons learned from PRF-I built into PRF-II design • Multi-dimensional assessment of poverty used • Practical application of 4+4 policy to reduce risk of supporting involuntary resettlement • Planning process starting to build social capital that can be used by other programs and policies • Transition from CBD to CCD towards CDD • Districts and PRF are adopting coordinated approach • Documented processes for Steps 1-4 of cycle • Strong controls and audit processes documented • Procurement process works well • Some QA/QC in practice • Outputs are regarded by users to be of good quality • Many outputs are effective – benefiting users • Proper baseline evaluation constructed • Partnering with World Bank provides peer support, entry points for influence and low overhead costs • Feedback and resolution mechanisms (FSM) • Women have materially benefited from GFWS, roads • First time some women have ever been consulted on community decisions 	<ul style="list-style-type: none"> • Selection of targeted districts and provinces is centralised, not transparent and is based on old data • “Community” may not be relevant unit of engagement in some locations because of ethnic diversity • PRF-II narrative is inconsistent with performance • Tensions between PRF and political economy • Model village criteria influencing choices and priorities identified by communities • Cost:Benefit of CDD needs to be tested • PRF/GoL planning & budget cycles are not aligned • There is not always systematic change in recurrent budget allocations to allow agencies to deliver service from buildings • Cross-cutting processes are well documented but not systematically used – QA/QC; safeguards; O&M; monitoring • Weak management and monitoring of environmental and child protection and human trafficking risks • Community does not consistently have ownership or role in the construction process • Communities have little technical knowledge/capacity to contribute to SP or later O&M • Confusion between in-kind community contribution and paid local labour – needs documented solution • QA/QC is weak – mostly left to the contractor • Some infrastructure is completed up to 12 months before recurrent budget is allocated for service providers • Some road projects likely to be unsustainable • Delays in payment of contractors • High staff turnover (>25%) – especially in regions • Inconsistent approach to compensation for land use (e.g. some roads) • GoL capital budget is out of balance with its recurrent budget • Financial ceiling/limit (circa 2010) applied universally • Communities not informed of future O&M financial commitment at SP planning/approval/prioritisation stage • Future cost of certain infrastructure unsustainable for communities • District supervision HR inadequate • Capital cost of certain PRF infrastructure excessive/unaffordable • Limited uptake of participatory processes by villages after the subproject • Village participants have limited understanding of PRF and of broader development agenda for locality • Male, Lao-Tai-dominated professional staff and KBF cadre do most of the facilitation and engagement • Conflict of interest for NCRDPEP to promote 4+4 • Dominance of village elite, mass organisation members • Lack of data on 4+4 policy breaches seen as no incidence • Insufficient catering to illiterate, non Lao-Tai villagers • Barriers and enablers to service utilisation not considered • Attendance conflated with participation, access with use and benefit • Some challenges learned in Phase 1 or foreseeable were not proactively managed • Quality of life improvements, but not livelihood improvements

Opportunities	Threats
<ul style="list-style-type: none"> • Change planning process to better align with GoL budgeting and planning processes • Use DFAT Learning Facility to conduct research • Focus capacity development on use of infrastructure for service delivery to increase access to services • Scholarships for rural students to be trained as service delivery agents (teachers, nurses <i>etc.</i>) • Strengthen CDD process to explore both needs and solutions (including costs and benefits) • Start cost sharing early so that at completion of infrastructure O&M contribution is normalised • Develop photo-standards and pictograms to support community monitoring of construction • Strengthen systematic use of cross-cutting management functions: safeguards, monitoring, QA-QC, O&M • Explore use of cell phones and smart phone cameras in sub-project monitoring • Explore use of clustered procurement to have contract size that attracts competitive local bids • Strengthen O&M capacity in beneficiary villages as part of implementation/construction phase [Step 4] • Engage with livelihoods and other programs to use social capital developed through CDD/PRF-II • Strengthen PRF-II PMT operational management • Change PRF approach to "outside-in" – with community + GoL at the centre and PRF as support to them, rather than PRF at the centre • Amend PPM (Village) to include indicative future O&M financial commitments (3 - 10 year O&M cost estimates for all infra. types) enabling informed community decision on priority infrastructure • SP 'Community Professional' (leveraged) training for community monitoring capacity and village based technical knowledge transfer • Investigate designs and specifications of certain PRF infrastructure to reduce capital cost without reducing utility/life/sustainability • Explore co-funding options to reduce community O&M burden & increase sustainability • Explore lateral options to increase engineer HR or adjust district plan to ensure adequate SP infrastructure supervision • Analyse SP financial limit realistically appropriate for clustered or individual provinces • Investigate current PRF financial limit - confirm if adequate or appropriate for current suite of infrastructure options • Map impact assessment indicators against 18 criteria for model village to demonstrate impact of PRF model to GoL • Universal design standards (disability accessible) integrated into pro forma • GIS mapping of PRF and NRDPEP-policy sites • Strengthen narrative on PRF and LDC graduation • Facilitate district cross-visits for women to learn from other villages • Explore longer program cycles • Work in teams or train at district level so that more un/married women can be CD Officers / KBF • Production of audio visual materials in ethnic languages for KBF and village access to information 	<ul style="list-style-type: none"> • Tensions between NCRDPE and sector agencies reduces integration and support in some locations • GoL recurrent budget constraints • Delayed disbursement of GoL counterpart funding • Constraints to GoL budget allocations for teachers, nurses and operational costs of schools and dispensaries built by PRF-II • Developing reputation for non or slow payments to contractors undermining private industry participation • SP financial ceiling/limit (circa 2010) results in compromised engineering solutions leading to unsustainable infrastructure • Plethora of study recommendations not synthesised and actioned • Unpredictable government position on 4+4 policy

Annex 2

Infrastructure – findings, lessons and conclusions

Annex 2 – Infrastructure – findings, lessons and conclusions

This synthesis of PRF-II performance on infrastructure is prepared by Russ Streader.

1. Findings Relating to PRF-II Infrastructure

The following summary of findings specifically relate to PRF-II infrastructure. Please refer to the PRF-II Infrastructure commentary for further detail:

- PRF infrastructure demonstrably reaches remote and isolated communities. Scope and budget allocation of PRF II infrastructure overwhelmingly targets the poorest communities (over 85% of Sub Projects (SP) to 'very' and medium' poor communities)
- There is demonstrated evidence that infrastructure objectives are on track to being achieved. Infrastructure progress as at 21 February 2014:
 - 95% and 90% completed sub projects for Cycles IX and X respectively
 - Work in progress is 99% and 96% for Cycles IX and X respectively
- Overall, community beneficiaries are very satisfied with the type and quality of infrastructure provided under PRF-II
- The quality of PRF II infrastructure is comparatively very high with respect to local and community infrastructure standards (beneficiaries regard 85% PRF SP as being of high quality)
- When assessed based on international development criteria, quality of PRF II infrastructure varies from unacceptable to high, a range supported by field observations
- PRF has made effective use of time and resources in achieving infrastructure outcomes
- PRF actions required for increased sustainability include more community involvement in planning and construction activities, improved community instruction and training for O&M, appropriate specification of fittings, ensuring field application of QA/QC, and a focused M&E via continued improvements of the MIS
- PRF II's contribution to building priority rural infrastructure is significant, however, its contribution to capacity strengthening in respect to construction and maintenance planning and skills appears to have diminished over PRF II as compared to PRF-I
- Value for Money of PRF-II infrastructure is not yet optimal
- Potential efficiency improvements are possible from value engineering and increased synergy with NGOs
- Many SP are assessed by PRF as 100% complete although 'completed' infrastructure does not include contracted scope inclusions
- Completed SP infrastructure may not achieve best fit-for-purpose, with reduced functionality and sustainability, because essential design elements were excluded or compromised due to budget limits
- The Manual of Operation, Quality Management System, Engineering and Technical Guidelines, Sub-Project Quality Plan and (current) Quality Checklists are considered thorough and rigorous and appropriate to support quality PRF implementation under the current contracting modality
- Application of QC/QA tools in the field is not yet adequate nor sufficient to assure quality overall PRF infrastructure implementation
- Quality controls need to be strengthened to ensure that asbestos containing materials will not be used for SP infrastructure
- Engineering design is appropriate and conforming to GoL standards - however there is a need to value engineer certain infrastructure design to improve value for money (VfM)
- Standard SP infrastructure designs are independently checked for GoL design code compliance
- Materials used in PRF-II infrastructure are generally considered appropriate, however, the lack of specification of certain fixtures and fittings undermines fit-for-purpose and sustainability
- The CDD approach in respect to implementation of PRF-II infrastructure is still evolving
- The PRF head office engineering division is pro-active in identifying systemic weaknesses, implementing corrective actions and achieving incremental improvements
- Quality and development outcomes relating to infrastructure will be enhanced by additional and appropriate district technical staffing resources
- At this time, it appears that beneficiaries and the Lao Government may not have sufficient resources or capacity for sustaining certain infrastructure (e.g. roads) over the long term
- Almost all sub-projects remain operational after 2 years (99%)
- Equipment and staff for PRF SP are provided by GoL, albeit with some delay
- Reactive maintenance for PRF-supported infrastructures is occurring (e.g. beneficiaries report 64% and engineers report that 78% of SP are being maintained)
- Most communities collect monies for future O&M - without knowledge of future O&M demand/costs
- Medium to long term maintenance on the larger PRF public utility infrastructure (e.g. roads) has a low - to very low likelihood of occurring

- The commercial contracting model predominately used under PRF II limits communities' involvement in PRF infrastructure works - reducing community financial benefits and capacity building outcomes
- PRF's Manual of Operations and associated documents adequately describe environmental policies and systems - the process for management of environmental impact is clearly articulated - however the monitoring and evaluation of environmental impact from PRF II infrastructure is almost non-existent
- MIS data being collected is quite substantial but is not focused on providing information to enhance VfM infrastructure outcomes (through value engineering and benchmarking infrastructure analysis) or enhanced PRF resource management - particularly with respect to field technical human resources
- Disability inclusion within infrastructure design and construction has very low priority and is only demonstrated as non-conforming ramps at Dispensaries.

2. PRF-II Infrastructure Commentary

'The PRF is designed around six principles, Simplicity, Community Participation and Sustainability, Transparency and Accountability, Wise Investment, Social Inclusion and Gender Equality and Siding with the poorest'⁴⁶

2.1 Progress of PRF-II Infrastructure

Construction of infrastructure for PRF-II Cycles IX and X is mostly complete. Cycle XI is in the planning and procurement stage. Various data⁴⁷ provided by PRF were analysed to assess infrastructure quantum, progress and outcomes – refer to the charts at the end of this annex for more detail. The salient observations⁴⁸ on progress are shown in Chart 2-1 and Chart 2-2.

Chart 2-1 – Infrastructure Progress

	Number of Sub Projects	100% Completed Sub Projects	Total Budget	Expensed to Date
	No.	No.	USD	USD
Cycle IX	262	249	\$ 7,659,542	\$ 7,039,264
Cycle X	390	352	\$ 9,809,313	\$ 8,427,508
Total	652	601	\$ 17,468,855	\$ 15,466,772

Chart 2-2 – Infrastructure Results Framework

	Community	Engineers	Result Framework Target
	%	%	%
Sub Projects considered to be 'high quality'	85	30 ⁴⁹	70
Sub Projects Operational (after two years)	99	99	100
Sub Projects Maintained (after two years)	64	78	80

2.2 PRF Infrastructure Selection

Although the PRF-II Planning process is seen as thorough and inclusive, VfM and sustainability of PRF infrastructure is undermined by insufficient information for communities to make an informed decision on appropriate sub project choice *i.e.* without an informed assessment of realistic scope inclusion, whole-of-life costs and socio-benefits/costs of various solution options. There is an unrecognised risk that communities select and implement a sub-project that they, or the GoL, cannot afford or sustain. Selection and choice of infrastructure is demonstrated as belonging to the community – community needs are inclusive within the PRF planning process, however, provision of appropriate infrastructure across all Lao PDR Provinces is contextual - achieving VfM outcomes will only be possible if ethnic, cultural, community and locality factors are also

⁴⁶ Draft PRF Quality Management System, (QMS), 31 May, p4

⁴⁷ Several iterations of implementation spreadsheets were issued and examined - the data herein is based upon the implementation spreadsheets issued 21 February 2014. Refer to Annexes 2-2 and 2-3.

⁴⁸ Confidence in data from the MIS has room for improvement. Team analysis of MIS spreadsheets *Implementation progress of the Cycle IX - 21 Feb 2014*, and, *Implementation progress of the Cycle X - 21 Feb 2014* differed from earlier versions and data seen within *Annual Progress Report (September 2012 – October 2013)* and the World Bank (2013) *Aide memoire of independent support mission*.

⁴⁹ This low rating is because latrines were not built in many schools

considered. Expectations of the beneficiaries needs to clear and managed, for example, it may be quite acceptable to a community to choose a PRF school in the knowledge that they need to fund and construct toilets.

Initially, following the need identification, prioritising and scoping activities, each development partner must be fully aware of costs and future commitments. Prior to the commencement of any detailed design or works, the beneficiary needs to establish that it can afford the ongoing commitment as a going concern. PRF must ensure that a whole-of-life costing analysis is completed and presented to the communities, prior to the beneficiaries formally confirming that an ongoing commitment concerning the new infrastructure is both financially and operationally acceptable.

Realistic scope inclusions and whole of life costing analysis of PRF main infrastructure options should be presented to the community at the planning stage and prior to any commitment/decision on type of sub-project

2.3 Community Involvement in Built Infrastructure

The PRF narrative implies strong community involvement in the [construction] process. The PRF Quality Management System 'covers central, provincial, district and village level systems for the construction of rural infrastructure by communities using the local development process'⁵⁰. But, community and contractor informants confirmed that community involvement in sub-project construction is generally low⁵¹. All community stakeholders encouraged increased community involvement⁵² - community contribution for sub-projects is currently quantified as 'about 8%' - which includes material purchases, in-kind contribution and logistics.

*With regard to the procurement system, out of five different sectors, **only the water supply projects are done by the community**, and this with the technical assistance of the district PRF engineer with an aim to lay down the foundation for the community skills and knowledge for their longer term O&M responsibility, while [the other four sector SP] are done by the local contractor, i.e. **not much impact on local capacity building***⁵³

Community involvement in infrastructure activities is seen to be typically 'unskilled' labour, or via the provision of local natural materials - both contractor and PRF technical staff confirm that community labour was often involved primarily as a 'cost saving' mechanism to meet the [low] budget (e.g. civil road works)⁵⁴. For example, road construction, electrical transmission infrastructure requires specialist equipment and skills - thus allowing only limited opportunity for community involvement in construction activities.

The Manual of Operations – specifically the Community Procurement Manual – is almost exclusively geared toward procurement under the traditional commercial contracting modality. Hence, community participation in PRF infrastructure work is limited by program design⁵⁵. Apart from the less technical projects (such as water supply), education, health and civil works make up the bulk of sub-projects infrastructure expenditure and these sub-project are typically procured under the traditional contractor modality⁵⁶. The level of community involvement (in physical construction activities) is thus contextual and dependent upon project type - and hence controlled by modality.

2.4 Infrastructure Contracting Modality

Regional experience and development literature confirms the need to minimise commercial contractor involvement and maximise community involvement to achieve development objectives in rural – particularly remote rural - locations. 'Appropriate rural' infrastructure usually dominates outsourcing/procurement considerations and improved VfM infrastructure. Support of the 'complete' community construction approach, i.e. community project management, community labour and materials is justifiably strong as there are many development advantages including high delivery number potential, community ownership and associated sustainability, maximising direct community financial benefit, or lower capital cost.

⁵⁰ QMS, *Op Cit.*, p7

⁵¹ Field interview with road civil contractor/company director, Saravanh province, 7 February 2014

⁵² Universally, village community informants expressed desire for increased involvement and opportunity - Field Trip, 4 - 8 February 2014 and WB meeting summarising findings of the field trips, 10 February 2014

⁵³ Lao-ASIE Consultants Group (2014), Technical and Cost Effectiveness Study - Final Report, 25 January 2014, p61

⁵⁴ Field interviews with PRF and contractor informants, 4- 7 February 2014

⁵⁵ Other limitations not related to modality obviously exist - such as the timely availability of suitable human resources

⁵⁶ See Manual of Operations (MoO), 'Annex 12: Community procurement manual', also Community Procurement Manual Sub-Project Grant - Procurement Carried out By the Community, 24 September 2013. also within the Quality Management System Draft (Version 0.1), 31 May 2013, the requirement for all buildings to be painting by 'professional painters' p19

However, risks and associated issues may undermine value for money outcomes - particularly in assuring quality. A 'complete' community build model may not be appropriate for a number of reasons such as: ecological/environmental risks associated with the provenance of local materials, local material quality - particularly sustainability considerations (material lifespan – specifically termite resistance), non-compliance with national legal standards/laws, overall built quality issues such as providing disaster resistant buildings, and, the ability and availability of the community to contribute or assist. It was observed in the field that appropriate, skilled community resources were not common, or sometimes not available⁵⁷.

Having noted the 'low' PRF II utilisation of the community construction model - it is also recognised that a single approach based upon exclusive community resources for infrastructure may not be possible nor viable. Informants' universal requests for income generating opportunities supports the option of increased community involvement in executing the work (*in-lieu* of an imported commercial contractor), leading to increased village community benefits including cash flow, infrastructure knowledge, operations and maintenance capacity/skills.

More community perspective and exploration of SP and contracting options is required during the planning stage with the objective of increasing opportunities for community involvement in PRF infrastructure construction - an assessment of village community construction skills and capacity being the key element. PRF II to re-focus on the implementation of flexible community infrastructure delivery models to improve VfM and address beneficiaries' concerns.

2.5 Procurement of PRF II Infrastructure

*'...procurement is required to be the most appropriate for the procurement activity, given the scale, scope and risk.'*⁵⁸

Procurement procedures for PRF-II infrastructure are detailed in the 'Community Procurement Manual'⁵⁹. Under the PRF contracting model, the procurement process is assessed as robust, detailed, thorough and based on World Bank (WB) procurement guidelines. Compliance in the field was demonstrated⁶⁰ and transparency⁶¹ apparent. Notwithstanding the issue of variations (see below), the procurement process under PRF currently appears to provide a strong VfM foundation under the modality (refer also to comments under VfM and sustainability), however, it is seen that future procurement activities are at risk of being undermined:- in particular, late contract payments, (specifically in respect to GoL funded sub-projects where, for Cycle X infrastructure, no payments have been made to date to contractors for 76 sub-projects over 9 Provinces), and the commercially small contract scopes in remote localities are two key observed detrimental impacts resulting in increased industry caution, increased assessment (and cost) of risk and reduced value for money.⁶²

The WB procurement approach, particularly the public tender contractor model, offers increased outputs (via a large pool of skilled resources) at the expense of lower efficiencies, reduced skills transfer and lower community benefit as compared to the community construction model⁶³. Lack of flexibility in contract (cost) variations leads to strong financial outcomes but weakens fit-for-purpose and sustainable outcomes⁶⁴. Leakage due to corruption in the construction process is also considered to be higher with the commercial contractor model - the intangible benefits of 'ownership', 'responsibility', 'reputation' and 'pride' of community stakeholders lessen the incentive for corrupt practices at the community level⁶⁵. Further, the community construction model is seen to be efficient when comparing overall costs (building cost per m²) for basic rural development infrastructure, and is significantly cheaper⁶⁶ than equivalent construction under a contract based model.

⁵⁷ Refer WB meeting summarising findings of the field trips, 10 February 2014

⁵⁸ Refer Commonwealth Procurement Rules, pp14-16.

⁵⁹ Quality Management System Draft (Version 0.1), 31 May 2013 (the 'QMS') p14 - note that this document was not available in English

⁶⁰ interview with PRF civil contractor 7 Feb. 2014 (who had completed 4 PRF road projects), discussions with PRF District office procurement officers - Team C, southern provinces, 4-7 February, 2014

⁶¹ For example, demonstrated public tender openings, public disclosure of prices, no negotiation allowed, separate technical and procurement teams and assessments - apparent strong compliance with the WB procurement process

⁶² recent PRF invitations to tender received nil respondents (get details)

⁶³ Comparisons of regional infrastructure construction costs within several GoA funded infrastructure projects including AIBEP and the Aceh Rehabilitation Program Infrastructure Component

⁶⁴ See the commentary under Budget and Cost, and Value for Money

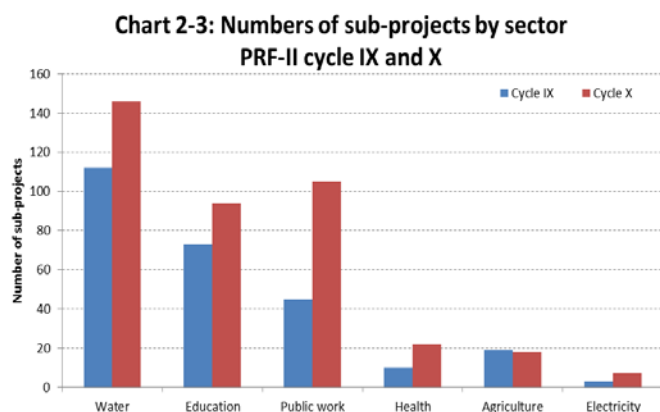
⁶⁵ See the studies prepared in 2004 examining the costs and quality of community based construction West Java Basic Education Project Completion Report, World Bank 2005. "A Study of School Construction Advisory Services", Warta CIMU. April 2004

⁶⁶ As evidenced in historical VfM comparisons made between actual school infrastructure construction within AIBEP, ARPIC (both in Indonesia), PNG Education Infrastructure programs and, anecdotally supported by the comparison of the GoL DoE community constructed classrooms to PRF classrooms made herein.

The associated key challenge for the PRF is the balance of integrating increased community construction with subsequent increased need for adequate skill transfer (training), skilled engineering supervision and potentially more rigorous (and hence costly) monitoring.

2.6 Infrastructure Budget and Cost

Under PRF-II, the scope of Cycle X infrastructure is 49% greater than the scope for Cycle IX (numbers of discrete SP increased from 262 to 390) (Chart 2-3). Infrastructure construction costs/budget for Cycle X increased by 28% (approx. USD 7.7M to USD 9.8M). Average cost of individual SP decreased by 14% (approx. USD 29K to USD 25K).



Average SP expenditure per POOR House Hold is double average SP expenditure per (overall) house hold (HH) (Cycle IX - 106%; Cycle X - 93%). Comparing SP expenditure per HH between Cycles IX and X shows that average expenditure per house hold dropped by 20% (USD 386 to USD 308) - similarly average expenditure per poor household dropped by 25% (USD 795 to USD 595). However, most of the difference is seen in the less poor communities (e.g. relatively poor dropped from USD 1027 to USD 639).

Please refer to the Sub Project Implementation Analysis at the end of this annex.

Sources: Implementation_progress_of_the_Cycle_IX - 21 Feb 2014
Implementation_progress_of_the_Cycle_X - 21 Feb 2014

The budget for certain sub-project infrastructure is unrealistic. Infrastructure such as roads, schools and dispensaries are seen to have been PRF certified complete yet certain scope items are excluded or do not meet specification – for example, roads without drains, schools without toilets, dispensaries without ceilings or running water⁶⁷. This common reality does not appear to be picked up in the MIS, *i.e.* data depicting realistic costs for 100% completion to contracted/design requirement is not identified, hence, comparison of necessary budget verse design scope cannot be made. This is due to a number of factors, including: meeting the imposed sub-project budget limit, no allowance for added price variations, operational culture of allowing scope variations without real price adjustment, inflation (increased constructions costs), heavy reliance upon commercial contracting, decreased competition (particularly in remote locations), or insufficient technical supervision.

Low unit costs for sub-project implementation directly impacts output quality and sustainability of certain sub-projects. Notably, the budget impact with respect to the PRF's assessment of 'completed' infrastructure (*i.e.* 100%) needs to be examined further. Refer to the road example (below), and others where it was observed that PRF's assessment of 'completed' infrastructure scope is inconsistent - most obvious being latrines not being constructed in many SP, ceilings NOT installed in dispensaries (*e.g.* Sano Village, Saravanh Province), and, no connection to water reticulation within buildings (*e.g.* dispensary in Latkamoune Village in Oudomxai Province).

'Are there contingency costs for project over run? ... of the 70 sub-projects ... only 2 have included contingency cost for the project'⁶⁸.

Although it is very clear as what physical adjustments are made to the SP contract outcomes to meet budget, issues concerning contract management are not clear. For example in the Ban Tadhai-se road example (see below under '*Quality ...*'), the contract documents specified a 150mm road base. The road was constructed without any base material. It must be assumed that the specified base was included in the original accepted tender; however no price adjustment appears to reflect the complete absence of this critical element. The MIS data reflects a road project 100% complete - implying meeting approved contract specifications, terms and conditions. Field inspections showed that this may not be the case. It is understood that agreement is reached on site between the PRF-II technical personnel and the contractor taking into account increased costs and other factors beyond both parties 'control'. In effect this appears to be a scope variation without any price

⁶⁷ As described in detail in the sections on quality and value for money herein.

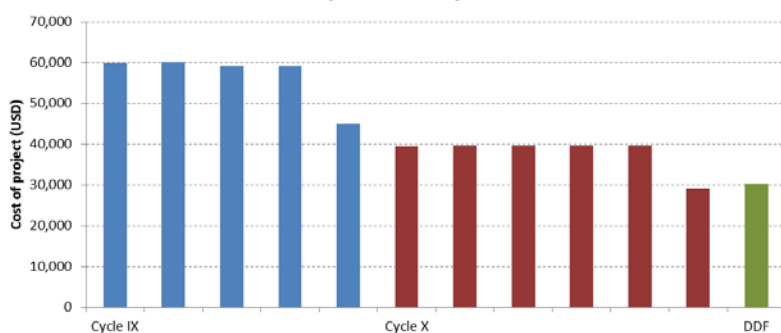
⁶⁸ Lao-ASIE Consultants Group (2014), Technical and Cost Effectiveness Study - Final Report, 25 January 2014, p 40.

adjustment⁶⁹. At the very least this appears to be a process weakness in contract management that requires further exploration by PRF-II management such that issues relating to potential 'leakage' and transparency are seen to be addressed.

The Technical and Cost Effectiveness Study⁷⁰ assessed that for education infrastructure, latrines were not built for approximately half the school construction subprojects surveyed. Field discussions and WB meetings confirmed this reality, and that:

*'the technical teams ... adjust sub-project outputs to fit the available financial resources of the Kum Ban's. In some instances the items cut from sub-projects compromised the overall quality, functionality and sustainability of the outputs. It is important to give guidance to Communities and PRF technical teams on key design elements and critical works that should not be compromised for the full functionality and sustainability of infrastructure'*⁷¹

Chart 2-4: Benchmarking dispensary construction costs (2011-2012)



In response to the upward trending of SP cost (see Chart 2-5), the design of the standard clinic was amended during Cycle IX. Chart 2-4 clearly shows the impact resulting from design amendment that deleted latrines and dormitories (two buildings removed from the scope) from the Cycle X sub-projects apparently⁷² due to insufficient budget. This example appears to clearly illustrate an undermining of fit for purpose and sustainability outcomes in order to meet budget ceiling limits.

Source: PRF-II Progress Report Annexes (2012-2013) and DDF Data (Rec'd February 18, 2014).

*Some projects were built with limited funds which made that the design had to be adapted to the available budget. For this reason, many school projects have no toilets, ... Of the five sectors, the public works sector has more technical issues than others ... no proper advice regarding O&M for local people;...*⁷³

Chart 2-5: Average Cost per sub-project (2003 - 20013)

	Cycles I-VIII	Cycle IX	Cycle X
Education	15,106	43,911	31,760
Public Work & Transportation	20,018	27,846	22,426
Health (dispensaries etc.)	10,885	34,684	13,151
Water & Sanitation	9,850	21,866	17,656
Agricultural Infrastructure	9,798	20,097	16,299

Source: Analysis of PRF progress reports by DFAT Review Team, March 2014.

Chart 2-5 suggests that, overall, the cost of the average PRF Education, WatSan and Agriculture SP has approximately doubled over the life of the program. Contributing factors include revised and increased specification standards of vertical infrastructure such as school and dispensary (up to Cycle IX) buildings. These explain part of the increase but not all - refer comments above. Although demonstrated improvement is seen, currently the MIS system does not have sufficient technical (historical unit cost) data to support detailed analysis.

Despite this, average individual SP cost under Cycle X dropped by 14% to approximately USD 25,000 when compared to Cycle IX. Trends indicate fewer, larger sized PRF II projects – and many more, smaller sized PRF-II projects – suggesting improved benefit to more people. Please refer to the Sub Project Financial Analysis at the end of this annex.

⁶⁹ It is noted that these comments are made without the benefit, or opportunity, of examination of complete contract records translated to English - these comments are largely anecdotal based upon Informant feedback and the absence of documentation presented rebutting these voiced conclusions

⁷⁰ Lao-ASIE Consultants Group (2014), Technical and Cost Effectiveness Study - Final Report, 25 January 2014 Annex 2

⁷¹ DRAFT Aide-Memoire of Mid-Term Review Mission, January 27 – February 14, 2014, pp 10-13.

⁷² Analysis of this issue requires historical PRF per square metre cost rates which are understood do not exist within the current MIS

⁷³ Lao-ASIE Consultants Group (2014) *op cit.*, p 61.

The PRF's acceptance of '100%' complete sub-projects must be in accordance to the procurement contract terms and conditions.

PRF II must re-assess fit-for-purpose scope verses realistic budget of SP infrastructure options available to communities – and, if necessary, adjust budget or use alternative procurement modalities to support the provision of effective and efficient infrastructure.

2.7 Quality Assurance and Control Systems of PRF-II Infrastructure Activities

According to survey results⁷⁴ of 70 sub-projects implemented under community, contractor and joint implementation modalities, 30% of sub-projects activities under PRF II are assessed as being of 'high technical quality'. Refer Table 2. High technical quality is defined as meeting the technical standards or the line ministries and/or PRF. The survey results indicated that 84.9% of beneficiaries believe that the PRF sub-projects were of high technical quality⁷⁵.

Overall, it appears that community beneficiaries are very satisfied with the type and quality of PRF projects provided. From the very limited field assessments (25 sites in total) undertaken by the Team, infrastructure quality as assessed against local (village) infrastructure is comparatively high to very high (reflected in the community quality perception above) - however intrinsic quality of infrastructure observed (by the Team) is variable - from 'unacceptable' to 'good'. For example, lack of ceilings (allowing vermin and bird ingress) in health buildings is unacceptable, critical fixtures and fittings (taps, locks, doors *etc.*) seen were assessed as non-conforming in both aspects of 'supply and install' quality at several sites⁷⁶ - implying QC/QA weaknesses and likely reduction in VfM with respect to sustainable infrastructure outcomes.

Likewise, the quality of horizontal infrastructure quality is variable. Of note is civil road construction wherein it is recognised that allocated budget appears to be typically less than design conformance/needs. For example, the road construction SPs visited at Ban Tadhai-se and Phin District, Savannakhet, had negligible construction evidence of engineering design or control⁷⁷. The as-built road was observed as not conforming (not even closely) to the design drawings in the contract documents (which were viewed and confirmed on site). There were few, if any, quality checklists. It was estimated that the cost of the road was approximately \$4,250/Km, which is too low to construct a quality rural road⁷⁸. The road will be very susceptible to degradation from rains and use during 2014 due to inadequate drainage and no controlled road base. As a minimum all PRF road constructions should be surfaced with suitable fill, have side drains and drainage structures.

Field observations and interviews highlighted systematic inconsistencies between Manual of Operations procedures and practice. The issue is that, currently, QC and QA is only partially demonstrated in the field. QA is not routinely used on SP site infrastructure - '*quality assurance is left to the contractors*'.⁷⁹ Anecdotally, what is not demonstrated is that the Quality Policy is '*understood by all staff and implemented at National, Provincial, District and Village level, and will review and update it every six months*'

*Adequate supervision and quality assurance of subproject implementation is challenging due to limited availability of human resources at the district or Kum Bang level, distance between district centres and villages, difficulties of transportation especially during the rainy season, and simultaneous implementation of subprojects with poor coordination between them*⁸⁰.

There is, however, a demonstrated recognition by the PRF of systemic weaknesses and actions undertaken in response. Within the PRF Engineering Division of PRF H/O a culture of continuous improvement was observed as well as quality enhancement opportunities through short term technical assistance introduced in mid-2013. It was observed that simplified and easy-to-implement QC/ QA mechanisms have recently been developed and the Team advised that the district engineers are receiving related training.

⁷⁴ Lao-ASIE Consultants Group (2014), Technical and Cost Effectiveness Study - Final Report, 25 January 2014

⁷⁵ *Ibid.*, Annex 2. This Study examined PRF SP wherein the sample distribution was approximately: equal for Cycle IX (2011-2012) and Cycle X (2012-2013); equal within Northern Laos and Southern Laos and approximately equally distributed within remote and non-remote areas.

⁷⁶ Examples include water supply reticulation, door hardware, taps and fittings

⁷⁷ Field Trip, 3 February 2014

⁷⁸ Lao-ASIE Consultants Group (2014) *op. cit.*, '*The PRF road constructions averaged 65,250,000 KIP per Km and are considerably cheaper than the standard costs of roads as reported by Public Works of 80,000,000 to 150,000,000 KIP per Km. One possible reason for the difference is that PRF roads inspected lacked proper side drainage and were constructed to a different standard of finish*', p59

⁷⁹ Confirmed in observations and discussion with PRF field staff

⁸⁰ DRAFT Aide-Memoire of Mid-Term Review Mission, January 27 – February 14, 2014, pp 10-13

PRF infrastructure processes are very well documented⁸¹. The 'quality' and scope of the PRF II operational, QC and QA systems and associated tools is high. Key control documents includes 'The Quality Management System Draft' (Version 0.1), 31 May 2013 (the 'QMS') - developed specifically for the PRF Engineering Division. It is noted that Cycle IX and X projects have 40 number quality control/quality assurance (QC/QA) pro forma checklists/forms contained within the first edition of the 'Standard Form of Sub Project' distributed to all provincial and district offices. The second edition (due for completion March 2014) contains an additional 22 QA forms created by the QA Advisor⁸². Quality Assurance systems include audit trail verified inspection approvals at critical stages prior to proceeding – i.e. the incorporation of 'Inspection – Test – Plans' (ITP) e.g. structural reinforcing steel, inspections whilst concrete pour etc. Implementation of the ITPs and other QA checklists and the like is improving - and should significantly improve under Cycle XI.

PRF II systems and HO technical corporate culture supports excellent quality outcomes - however technical field conformance and feedback mechanisms require improvement.

PRF to consider additional technical engineering and community resources to enhance field supervision and quality feedback.

PRF needs to realistically assess and audit the 'completeness' of 100% completed projects.

2.8 Sub Project Infrastructure Assessment of Value for Money

Value for Money (VfM) is assessed through the phases of the provision of SP infrastructure: Planning, Procurement, Construction, Implementation (Operations & Maintenance).

Value for money ... requires a comparative analysis of all relevant costs and benefits of each proposal throughout the whole procurement cycle (whole-of-life costing)⁸³

The Technical and Cost Effectiveness Study observed that VfM was '*generally consistent across districts*'⁸⁴, and that, *most of the cost calculations of all sampled projects are reasonable when comparing them with comparable constructions in the area and the unit price of material and manpower at national and local levels*⁸⁵. This statement contradicts observations cited by other NGOs providing infrastructure in remote rural Laos - e.g. ChildFund (school buildings) and World Vision (water well construction)⁸⁶.

Only limited analysis (by the Team) was possible on unit costs of school construction based upon work done within the Technical and Cost Efficiency Study. The Study assessed the cost effectiveness of PRF subprojects by assessing the crude unit costs of subprojects per infrastructure type and compared unit costs of similar government infrastructure projects. The pricing of MOE (classrooms) all indicated a more expensive delivery mechanism under PRF II. It is demonstrated that certain PRF II SP infrastructure is more costly under the contracting model.

*The major reason for the cost differences is in the design and specification of the Schools. The MOE School has a light weight metal roof with timber trusses; the PRF design uses a concrete roof structure with a metal roof, while the JICA design uses a concrete roof structure with a concrete tiled roof. The quantity of concrete in the PRF school accounts for the largest difference in cost compared with the MOE design. A second reason for the cost difference is the implementation modality. The MOE Schools are constructed using fixed price community contracting which is efficient in delivering decentralised rural infrastructure, while the PRF schools were procured using competitive bidding and constructed using contractors. In rural Lao there are a limited number of contractors interested in and capable of bidding for PRF contracts, so the competitiveness of the bids is reduced*⁸⁷.

The PRF MIS does not yet provide adequate support for informed management decisions. At this time there is no technically sound basis to accurately determine the detailed unit cost of PRF subprojects in order to undertake benchmarking against other providers or and assess cost effectiveness (or confirm appropriate budget as discussed above). Some unit costing exists within the PRF MIS but further disaggregation is necessary to distinguish underlying determinants of costs such as site conditions, varying logistic cost. Although all standard designs used by the PRF are approved by GoL, certain comparable government infrastructure including schools

81 QA/QC documentation including design drawings and specifications were examined in the PRF Engineering Division (PRF ED) offices 11-12 February 2014 - note however that a number of key documents (e.g. Specifications) were unavailable in English and comments are based upon verbal translation and responses of the PRF engineering team.

82 introduced to the PRF ED mid 2013

83 CPRs, p4

84 Lao-ASIE Consultants Group (2014) *op. cit.*, see Table 37, & Annex 5

85 *Ibid.*, page 6 & Table 36, p. 51

86 NGO - Team meeting, DFAT, 18 Feb 2014

87 Lao-ASIE Consultants Group (2014) *op. cit.*, page 58

and dispensaries use different plans and technical standards which influence costs, so, the cost effectiveness of PRF design standards *vis-a-vis* government standards cannot be confidently assessed.

Anecdotally, however, it appears that VfM of PRF infrastructure may have diminished over the past decade. Observation suggests certain PRF SP infrastructure budgets are underestimated - a conclusion supported by: instances of observed scope amendments to meet budget; routine assessment of incomplete SPs as being 100% complete; as well as analysis of Phase I and Phase II design adjustments - as discussed above. VfM may also be at risk at the District SP management and supervision level where there is risk of PRF staff performance being undermined by comparatively low remuneration⁸⁸ and benefits – compounded by a lack of performance incentives in isolated, remote locations⁸⁹.

The Team observed that PRF coordination/inclusion of NGO's providing infrastructure & operating in Provinces is low. Where it can be demonstrated, potential for specialist NGO's - offering better value for money and response times, option for infrastructure service delivery (*e.g.* WatSan) or benchmarking and leveraging of processes and systems should be investigated.

The preceding discussions clearly indicate that PRF needs to undertake value engineering (VE) of standard PRF designs to improve VfM i.e. to reduce SP costs without compromising technical rigor or sustainability⁹⁰. However, it is also recognised that VE is limited in that historical unit costs of PRF SP has not been systematically compiled, validated and analysed.

PRF II MIS to collate as-built data as a basis for informed VfM management decisions.
PRF II to systematically compile and analyse data on historical unit costs of PRF sub-projects.
This data used for benchmarking and assessment of the appropriateness of SP budgets.
PRF to undertake value engineering exercise on key larger infrastructure to improve VfM.
Considering all the above, if appropriate, consider appropriating certain infrastructure to other GOL or NGO providers where it is proven to provide better VfM.

2.9 PRF-II Infrastructure - Engineering Design and Materials

Field observations and the (limited) review of design drawings and specifications by the Team support the conclusion that the designs and materials incorporated within PRF are generally appropriate. Perhaps the key quality issue is the informal variation of SP project scope and inappropriate acceptance of 100% even though some critical items such as latrines are not built or contracted community contributions were not complete. Non-conforming product reflects poorly on engineering design and materials however it is generally the (incomplete) implementation that is problematic - as is discussed in detail previously.

'Line Ministries check and approve all designs and specifications for compliance with National Standards including relevant Codes of Practice'⁹¹

The PRF utilises 'standard' infrastructure designs - which is important as design quality is compliant and consistent and the need for ongoing architectural input is negated. Supervision needs are somewhat mitigated however the 'standard' engineered elements of a project still require an experienced engineer's assessment on a site-by-site basis as well as the support of a robust quality control system - see also the dialogue on 'safe' building.

Clearly, there is a recognised need to increase skills and knowledge transference to the community. The PRF Engineering Division has been developing simple technical guidance - based on pictorial presentation. The objective is to increase the community's monitoring ability and knowledge of the standard PRF suite of infrastructure SP options, and, to better inform communities about critical infrastructure elements and help implement subprojects. Although not sighted, it is also understood that video media is also being done as community aids.

88 PRF II HR Presentation, WB, 17 Feb 2014

89 This issue was raised at several PRF District office visited 4-7 February 2014

90 For example, value engineering of the roof structure of the current school building designs noting that the MoE uses a timber framed option where-as the PRF uses a reinforced concrete frame. The MoE's school building cost advantage can be largely attributed to the more costly PRF roof structure

91 QMS, *Op Cit.*, p9

A number of design issues were identified:

- Provisions for persons with disabilities are barely considered - it is recommended that the PRF re-assesses the appropriate level of PWD design inclusion
- Apart from WATSAN, windows and doors will be the most demanding maintenance item. It was observed that the quality of the materials, fixtures and fittings for WATSAN, windows and doors within schools and dispensaries is inconsistent - these items must be properly specified.
- Lack of roof (and wall) insulation – the standard PRF building designs do not appear to take into account energy efficiency. Radiant heat from the external (metal) roof cladding was uncomfortably high in classrooms and dispensaries visited in the field trips. Incorporation of insulation and/or ceiling insulation⁹² should be considered⁹³ (although it is noted that the lack of ceiling lining added to increased temperatures).

PRF engineering division to continue to develop simple, appropriate infrastructure aids for community skills transfer and potential increased monitoring activities.

Critical high maintenance elements need to be specified and as-built conformance needs to be confirmed
Value Engineering outcomes to be incorporated into standard designs

2.10 PRF-II Implementation of Safe Infrastructure

Standard sub-project designs are durable and robust, designed for minimum maintenance requirements and have been approved by the line ministries. Disaster Risk Reduction (DRR) elements are built into these design so that they are resilient to flooding, wind and earthquakes. It will sometimes be necessary for PRF Engineers to modify these designs to suit sub-project requirements but this must be done without compromising the DRR design elements⁹⁴.

Public sector infrastructure is required under law to be designed in accordance to applicable building standards, provide basic amenity and be maintained in a safe manner for occupants and users. PRF infrastructure including the site location selected to receive new infrastructure is the responsibility of either/or the GoL, provincial or district authorities, the applicable Kum Ban or village. Given this fact, the PRF needs to be cognisant that the disaster exposure/risk for any of its infrastructure outcomes will assume a ‘worst’ case scenario.

... no proper side drains increasing risks of over-flooding with permanent damage, etc.). However, the incidents were explained by the PRF that this type of project is more exposed to the risk of natural disasters than the other four sectors. This would point to the need to improve mitigation and disaster readiness by higher resilience investments.⁹⁵

Assuring Quality is the predominate issue of the World Bank’s seven principles when considering safe infrastructure⁹⁶. This means building design compliance to the building codes and regulations, control over the materials specified, supplied and installed, construction quality and on-site compliance allowing final certificate issue assuring a ‘quality’ product. This implies the engagement of engineers during the design and implementation process - design phase including certification of designs and preferably the use of suitable qualified and experienced engineers to inspect and assure construction outcomes, or at the least, oversight of the QA/QC (M&E) of the infrastructure. The PRF should ensure field engineers are trained in the range of options that are safe and acceptable.

‘When buildings that have been designed to meet hazard resistant standards fail, the most common cause of the failure is a poor quality of implementation or deterioration due to inadequate maintenance. Reasons for low quality implementation are poor, non-transparent management, insufficient supervision and inspection, and inadequate building skills ... However simple the design may be, regular supervision of the work by a qualified engineer must be incorporated into the work plan ... Effective inspection requires ... engineers possessing a detailed understanding of the design, the building code, and the performance objectives. It is advisable that inspectors are engaged independently of the procurement process ... Experience suggests that third party monitoring systems add great value to an inspection’.⁹⁷

⁹² Ensuring that any insulation has no aluminium or other foil membrane and that an electrical test approval certificate has been obtained

⁹³ This is mandatory in Australian construction (as dictated by national building regulations), and as part of green house reduction initiatives

⁹⁴ DRAFT Aide-Memoire of Mid-Term Review Mission, January 27 – February 14, 2014, pp 10-13

⁹⁵ Lao-ASIE Consultants Group (2014), Technical and Cost Effectiveness Study - Final Report, 25 January 2014, p 61

⁹⁶ DRAFT Aide-Memoire of Mid-Term Review Mission, January 27 – February 14, 2014, pp 10-13

⁹⁷ ‘Guide to Safer School Construction’, World Bank, 2009, which was developed from the earlier ‘INEE Minimum Standards for Education in Emergencies, Chronic Crises and Early Reconstruction (2004)’

PRF needs to ensure that it has sufficient, appropriately trained field engineers responsible for field QC and QA.

2.11 Sustainability and Maintenance

The Lao-ASIE Consultants survey concluded:

- 78% of sub-projects activities are being maintained two years after sub-project completion
- 98.5% of sub-projects activities are operational two years after sub-project completion
- Sub-project activities are 28% more cost effective compared to other means of delivering services (when compared to other projects of similar technical standards) 98. The reason given for the low score for high technical quality is because of the schools with no latrines.

Field observations, informant interviews and literature referenced indicate that formally planned maintenance for PRF infrastructure is non-existent. All maintenance (if undertaken) is reactive. The earliest PRF example observed was the school construction at Ban Luidong Kb Pasom Cycle 8 - built 2007 - which showed significant deterioration, and in particular, white ant damage. This SP the building is still in use and is assessed as having a high and urgent maintenance need requiring replacement of several structural members⁹⁹.

At best, communities undertake 'informal maintenance' planning via scheduled meetings conducted at the 'start' of the (e.g. school) year to discuss upcoming 'maintenance' needs - including infrastructure repairs. Most communities visited had a stipend arrangement with all the beneficiary households - the collected money was held (usually by women) in trust for future O&M purposes. Laos Consultants concluded that; *only a few communities, 7 out of 24, are still collecting user fees and doing maintenance for last year's sub-projects in the Education sector*¹⁰⁰ - a much lower percentage than was observed in field visits where virtually all sites visited had an established maintenance fund.

Reactive/unplanned/'urgent' maintenance, or repairs, is required to address asset component failure or damage e.g. break-in results in inoperative door lock. Unfortunately, this is often the most common 'type' of maintenance evident. It is well documented¹⁰¹ that inadequate routine or preventative maintenance leads to increased need for 'urgent' maintenance/repairs and overall much higher whole of life asset expense/cost.

*'Practically, villagers are not so actively involved in the O&M of the completed projects, the reason is due partly to the fact that the project is just completed and that there is nothing much yet to be maintained. Another reason is that the villagers are not properly trained on O&M by the PRF. This can be proved by some complaints of villagers. They said that according to the PRF advice, the O&M training will be done after the construction is completed but in reality there are not formally trained, just some brief advice of O&M during the hand-over ceremony of the project which is considered as a training. Furthermore, there are often misunderstandings by the villagers and also even by the district PRF staff between the term "information" and "training". As a result, to sustain all five sectors, it is recommended that the PRF, in cooperation with local authorities at all levels particular the village construction committee, should discuss and pay more attention to the projects' O&M skills. In particular, with regard to the projects' sustainability, all initial O&M funds (incl. „retention funds“) should be considered by PRF and donors for both completed and future projects in order to help the project beneficiaries to become familiar with the skills needed for O&M activities regarding the new infrastructures built in their communities'*¹⁰².

The Team notes that the field survey confirmed that the majority of rural and remote rural infrastructure typically does not meet current Australian standards in respect to aspects of safety, PWD and energy ratings. Anecdotally this would apply to most rural Lao infrastructure – therefore relevance is somewhat questionable in the context of GoL funded infrastructure within the Laos PR regulatory environment – in contrast to 'Australian' funded PRF infrastructure. The scenarios can be very complex – however, the policies adopted by AusAID such as its PWD Policy confirm that meeting these (Australian) standards is an important and necessary outcome. It was observed that compliance is at best 'deemed to comply' with the local environmental context.

User fees do not reflect cost of the resources providing those services. Apart from reticulated electricity supply by Electricité du Laos (EDL), invariably the 'cost' of the associated infrastructure is not included in any service cost calculations – there is no demonstrated evidence of services structured or inclusive of the maintenance costs of supporting infrastructure – in and of itself, service provision is, therefore, not sustainable¹⁰³. For example, all

⁹⁸ *Ibid.*, Annex 2.

⁹⁹ note the phase II school redesign has masonry wall structure

¹⁰⁰ Lao-ASIE Consultants Group (2014), *Op Cit.*, pp39

¹⁰¹ See 'DeSitter1984', 'Westerly and Poftak 2007' and 'Burningham and Stankevick 2005' - all cited references within 'Infrastructure Maintenance in the Pacific, Challenging the 'Build-Neglect-Rebuild Paradigm – Summary Paper, PIAC, 2013'

¹⁰² Lao-ASIE Consultants Group (2014), *Op Cit.*, p39

¹⁰³ The reality is that the 'cost' of service provision does not reflect overhead contributing to the provision of the particular service

water supplies inspected all had established 'maintenance' funds - but there is no evidence of rational budgeting. Further, the GoL's national budget has insufficient non-wage recurrent budget allocation to meet the needs of sustainable public service delivery¹⁰⁴.

Maintenance for regional infrastructure may be as much as 6% of GDP¹⁰⁵. In fact, estimates of maintenance cost as a percentage of the regional infrastructure capital cost varies quite considerably and is influenced by factors such as asset type, use, life, location/environment etc. True cost of maintenance - or more accurately - the lack of maintenance, is a complex mix of socio-economic cost/benefit – and this remains an unknown quantity. Thus, when considering additional infrastructure, serious emphasis on minimising future budget demand, *i.e.* minimising future maintenance need – maximising in-built sustainability ('capitalising maintenance') is necessary. Field examples of 'cheap' fixtures and fittings (*e.g.* taps, door and window hardware) seen at several sites demonstrate that this aspect needs strengthening. PRF-II needs to address this issue at contract documentation and as-built QA - as well as ensuring adequate budget.

Maintenance and sustainability outcomes will be enhanced by increased community engagement
PRF to provide assistance with WoL maintenance costs and plans and additional training
For certain elements of PRF infrastructure provide increased 'capitalising of maintenance'.
Specify critical infrastructure components as high quality and follow up with QC/QA to assure conformance

¹⁰⁴ World Bank (2013) Lao Economic Monitor. <http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-monitor-june-2013-sustaining-growth-maintaining-macroeconomic-stability> Accessed February 10, 2014.

¹⁰⁵ Infrastructure Maintenance in the Pacific, Challenging the 'Build-Neglect-Rebuild Paradigm – Summary Paper, PIAC, 2013. This figure is assumed to include periodic maintenance. The World Bank estimates that annual maintenance costs for built infrastructure in the Pacific is 5% (of capital replacement cost).

Observations (as at 21 February 2014):	
Scope	The scope of Cycle X infrastructure is 49% greater than the scope for Cycle IX (numbers of discrete SP increased from 262 to 390). Infrastructure construction costs/budget for Cycle X increased by 28% (approx. USD 7.7M to USD 9.8M). Average cost of individual SP decreased by 14% (approx. USD 29K to USD 25K).
Population 'impact'	PRF II Cycle X reached 66% more people than Cycle IX (192,696 to 115,86). Of this, the Very Poor and Medium Poor population made up 88% and 84% - 102,375 and 161,992 (58% increase in number) respectively - 'less' poor population (i.e. 'very' plus 'medium' poor) impacted under Cycle X doubled (13,481 to 30,694). Crude analysis shows that for an increased SP budget of USD 2.15M and additional 59 K people were impacted - i.e. an additional cost of roughly USD 36 per person (excluding overhead impacts) - suggesting increased V/M
Completed SP	Cycle IX - 95% (249 out of 262) SP are complete (i.e. have reached 100%). Overall WIP complete to date is 99% . Lower completion rates are seen in the less poor communities (86% for Relatively Poor). Note that the Total includes 2 cancelled SP
	Cycle X - 90% (352 out of 390) SP are complete (i.e. have reached 100%). Overall WIP complete to date is 96% . Lower completion rates are seen in the poorer communities (85% for VP). Note that the Total excludes 3 SP of unknown status (total value USD 84,553)
Distribution of SP	Cycle IX - 92% numbers and 91% of expenditure of SP are allocated to the 'very' and 'medium' poor communities. For Cycle X - 87% of both number and expenditure of SP are allocated to the 'very' and 'medium' poor communities - approx 5% lower than Cycle IX
SP Expenditure on the Poorest	Average SP expenditure per POOR House Hold is double average SP expenditure per house hold (IX - 106% ; X - 93%). Comparing SP expenditure per HH between Cycles IX and X shows that average expenditure per house hold dropped by 20% (USD 386 to USD 308) - similarly average expenditure per POOR house hold dropped by 25% (USD 795 to USD 595). However, most of the difference is seen in the less poor communities (e.g. Relatively poor dropped from USD 1027 to USD 639). It is seen (below) that under Cycle X the two classifications of 'poverty' are much closer aligned - distribution of PRF SP funding between classifications of PRF Poverty Status in Cycle X is more balanced than in Cycle IX.
Correlation of GOL 285 verses PRF	In Cycle IX, low positive correlation is seen between the 285 classified Very Poor - and the PRF Very Poor (0.27) - however there is a significant improvement in Cycle X (0.56). Overall it is observed that there is a moderate positive correlation between the GOL 285 rating and the PRF Poverty Status classification - i.e. there is only a moderate 'matching' of criteria between the two classifications. Does this undermine the applicability/appropriateness of the PRF criteria? An in-appropriateness of using data (circa 2005)?
Defects Liability Period	A 6 month DLP appears to have been generally adopted despite contracts in Operational/Procurement Manual stipulating 12 months
Conclusions:	General impression gained from the above analysis is that PRF II Cycle X moved toward a more balanced approach - PRF targeted poor more closely matched the GOL classified poor. Quantitative progress is very good - in particular 90% of Cycle X SP fully completed by late February 2014. Scope increase is significant - the SP budget increase of 28% translated to 128 additional SP (49%), which impacted on 59,627 (66%) more people - including an additional 6,153 (56%) poor house holds. Adequate data is not available to undertake a full analysis on efficiency and effectiveness but the results above suggest significant improvement - particularly cost efficiency - assuming relatively moderate increases in PRF II overheads over this period.

Sub Project Financial Analysis

Implementation of Cycle IX - Financial Data Analysis

Overview: 262 Sub Projects (SP) in total (including 2 SP with cancelled or unknown start/completion status)
122 SP (47%) in 'Very Poor' villages, 119 SP (44%) in 'Medium Poor' villages and 21 SP (9%) in 'Relative[ly] Poor' villages

	Cycle IX Sub Project Overview:				Financial Data								
	# *	%	USD *	%	SP payment in arrears			SP payment in advance			SP over budget payments		
	#	%	USD	%	#	USD	%	#	USD	%	#	USD	%
Very Poor	122	46%	\$ 3,672,309	47%	6	\$ 82,881	57%	6	\$ 97,224	71%	0	\$ -	0%
Medium Poor	119	46%	\$ 3,312,570	44%	3	\$ 18,141	13%	2	\$ 31,510	23%	0	\$ -	0%
Relatively Poor	21	8%	\$ 674,663	9%	2	\$ 43,272	30%	1	\$ 7,990	6%	0	\$ -	0%
Totals/Averages	262		\$ 7,659,542		11	\$ 144,294		9	\$ 136,724		0	\$ -	0%
WIP to Date:			\$ 7,558,304	7%									
Payments to Date:			\$ 7,039,264										
					GOL	0	\$ -		0	\$ -		0	\$ -
					SDC	5	\$ 56,929	0.7%	2	\$ 50,852	0.7%	0	\$ -
					IDA	6	\$ 87,365	1.1%	7	\$ 86,142	1.1%	0	\$ -

Implementation of Cycle X - Financial Data Analysis

Overview: 390 Sub Projects (SP) in total (excluding 3 SP with unknown start/completion status)
161 SP (41%) in 'Very Poor' villages, 180 SP (46%) in 'Medium Poor' villages and 49 SP (13%) in 'Relative[ly] Poor' villages

	Cycle X Sub Project Overview:				Financial Data									
	# *	%	USD *	%	SP payment in arrears			SP payment in advance			SP over budget payments			
	#	%	USD	%	#	USD	%	#	USD	%	#	USD	%	
Very Poor	161	41%	\$ 4,234,035	100%	42	\$ 931,461	22.0%	TBC - approximately USD 230K over 14 SP	0	\$ -	0.0%	0	\$ -	0%
Medium Poor	180	46%	\$ 4,343,086	103%	64	\$1,313,569	30.2%		0	\$ -	0%	0	\$ -	0%
Relatively Poor	49	13%	\$ 1,232,192	29%	13	\$ 268,194	21.8%		0	\$ -	0%	0	\$ -	0%
Totals/Averages	390		\$ 9,809,313		119	\$2,513,224	25.6%	0	\$ -	0.0%	0	\$ -	0%	
WIP to Date:			\$ 9,445,655	29%										
Payments to Date:			\$ 7,296,089											
					GOL	85	\$1,928,482	19.7%	TBC	0	\$ -		0	\$ -
					SDC	4	\$ 55,986	0.7%		0	\$ -		0	\$ -
					IDA	30	\$ 528,756	5.4%		0	\$ -		0	\$ -

Sources: 'Implementation_progress_of_the_Cycle_IX', PRF MIS spreadsheet, 21 February 2014', and, 'Implementation_progress_of_the_Cycle_X', PRF MIS spreadsheet, 21 February 2014'

Observations (as at 21 February 2014):	
Scope	The scope of Cycle X infrastructure is 49% greater than the scope for Cycle IX (numbers of discrete SP increased from 262 to 390). Infrastructure construction costs/budget for Cycle X increased by 28% (approx. USD 7.7M to USD 9.8M). Average cost of individual SP decreased by 14% (approx. USD 29K to USD 25K).
WIP	WIP is ahead of payments in both Cycles. Cycle X is very distorted due to the complete lack of any GOL SP payments.
Payments	Advance payments are not significant but require explanation. Payments made prior to progress milestones (e.g. 100% payment prior to completion of work - e.g. see Cycle IX project number 261, Cycle X project numbers 63, 98 & 194) and payments for cancelled projects (e.g. see Cycle IX project numbers 230, 234 & 262) need to be explained within exception reporting (not sighted by the Team). Arrears calculations excludes SP currently in defects liability period (DLP) - but there is low confidence in this due to the difficulty of identifying overdue payments rather than delayed within the DLP - note: 6 month DLP appears to have been adopted despite contracts in Operational/Procurement Manual being 12 months. It was advised that a number of contractor payments (non GOL SP) have been delayed due to the contractor's non payment of VAT - actual number unconfirmed
GOL Payments	USD 1,928,482 GOL payments are in arrears - in breach of PRF II contract terms and conditions. The GOL is funding 86 number SP under Cycle X. Ignoring the 1 SP not yet due for its first tranche payment - all remaining SP (85 number) have not received any payment. 83 of the GOL funded SP are 100% complete - 3 remaining projects are 80%, 75% and 13% WIP. GOL funded SP locations and numbers of as follows: Attapue - 6, Huaphan - 21, Luang Namtha - 18, Saravanh - 6, Savannakhet - 17, Sekong - 6, Xiengkhouang - 12
Conclusions:	USD 1.93M overdue payments to local contractors is the major concern - this will adversely impact the reputation of PRF II. Local industry reticence and increased financing costs will result and, combined with an average SP contract value of approximately USD 25K located in difficult, remote sites, is likely to result in lower competition and therefore reduced VfM. The issue of DLP needs to be investigated further - some projects warrant only 6 months DLP - others need 12 months (e.g. to go through a full cycle of weather seasons). Again ignoring GOL SP, WIP and payments appear well balanced in terms of financial risk mitigation. However, tranche payments appear to be very in-consistent - retention values appear to be 0%, 5%, 10% or 60%, other single tranche payments vary from 40% to 100% - it cannot be reliably stated that the three tranche payments are 40%, 50% and 10% - as per the procurement guidelines. But, it is also recognised that many SP are of very short duration - and so a pragmatic approach appears to have been adopted. This is generally supported but the Operations and Procurement Manuals need to confirm/allow these deviations.

Annex 3
**Safeguards – findings,
lessons and
conclusions**

Annex 3: Safeguards – findings, lessons and conclusions

This synthesis of PRF-II performance on social and environmental safeguards is prepared by Mia Urbano.

1. Safeguards in the context of Laos

A discussion of the PRF’s performance on social and environmental safeguards, and its stance of non-support for NRDPEP-related relocation, needs to reference defining features of the Laos context.

Resettlement and village relocation has deep traditions in Laos, as far back as the 1960s. Baird and Shoemaker point to five main justifications for internal resettlement by the GoL: eradicating opium cultivation; security concerns; centralised, cost-effective provision of basic services; cultural integration; and eliminating swidden agriculture (with a number of these practices peculiar to the upland ethnic minority populations)¹⁰⁶.

Despite this history, there has been very little verification of the effects of relocation for communities. Some positive benefits have been suggested, such as improved access to schooling, health services and improved shelter. However, one small scale study identified a spike in mortality that arises in the first year after relocation, mostly as a result of malaria¹⁰⁷; others also highlight the declines in rice production and increased indebtedness¹⁰⁸. This is ascribed to the changes from upland to lowland agricultural practices, removal from traditional locations for subsistence, and the scarcity of low lying land in Laos that means resettled populations don’t have access to farmland to meet their food needs in their new villages¹⁰⁹.

Reiterating points made in the body of this report, rural development is a highly politicised portfolio. Oversight by the NCRDPE, rather than a line ministry, means that it is strongly aligned with Party policy. This renders dialogue and assessment of safeguard and relocation practices delicate and difficult.

A recent presentation by the NCRDPE sought to dispel donor ‘myths’ about internal resettlement (Chart 3-1). If one argues that actions speak louder than words, donors are in a bind since verification of the action is not welcome at this stage.

Chart 3-1: Extract from presentation by NCRDPE on GoL village consolidation policy¹¹⁰

Misunderstanding	Reality
<ul style="list-style-type: none"> Forced migration Subjectivity, lack of legal supports For administrative and security purpose only Confusion with resettlement due to concession 	<ul style="list-style-type: none"> Government under increasing pressure from people Objectivity, legal supports For poverty eradication purpose, MDGs Deal with the historical/colonial legacy

The GoL policies and NRDPEP result in population movement in Laos (Box 3-1, Chart 3-2) that leads to deep tensions for donors:

- Refusing to work in recently / imminently resettled areas means withholding assistance to populations who are likely to be the most poor, dispossessed and with least access to land for subsistence.
- Uncritical or conditional support to the NRDPEP-precipitated relocation risks complicity in irregular resettlement and inducement practices.
- Involuntary relocation is a violation of human rights, particularly in relation to freedom of movement, and the right to a standard of living adequate for health and well-being.
- There is a ‘vast territory between voluntariness and coercion’¹¹¹ and no easy dichotomies. With the present opaqueness surrounding relocation practices, it is virtually impossible to distinguish involuntary from free-willed relocation.

¹⁰⁶ Baird, I.G. and Shoemaker, B. (2007) Unsettling Experiences: Internal Resettlement and International Aid Agencies in Laos. *Development and Change*, 38(5): 865-88.

¹⁰⁷ Goudineau, Y. (1997) Resettlement and Social Characteristics of New Villages. Basic Needs for Resettled Communities in the Lao PDR. An OSTOM Survey, Vol 1 and 2. Vientiane: UNESCO/UNDP.

¹⁰⁸ Ducourtieux, O. et al. (2004) Shifting Cultivation and Poverty Eradication: A Complex Issue’. Conference paper. Conference on Poverty Reduction and Shifting Cultivation Stabilisation in the Uplands of Lao PDR., Luang Prabang. 27-30 January.

¹⁰⁹ UNDP Lao PDR. (April 5, 2004) Relocation policy in Laos may be causing poverty: UN. Press Release on the study. <http://www.akha.org/content/akhainlaos/docs/resettlementandpovertyinlaoundp.pdf> Accessed February 19, 2014.

¹¹⁰ *Phase-out the nomadic and unmanaged migration: settlement stabilisation experiences of the Lao PDR*. Presentation delivered by Director General of Planning and Cooperation in the National Committee for Rural Development and Poverty Eradication (NCRDPE). Meeting of PRF-II partners. 30 January 2014.

¹¹¹ Holly, H. et al. (2010) Internal Resettlement in Laos. *Critical Asian Studies*. 41(4): 605-20.

A lack of data notwithstanding, donors can ill-afford the reputational risk of being associated with relocation projects that do not apply internationally accepted safeguard standards for resettlement – despite the consequences for resettled communities. This is a confronting choice for a poverty reduction program.

Box 3-1: Forms of government-precipitated population movement in Lao PDR

There are three main forms of government-precipitated population movement in the Laos landscape:

1. Development-induced displacement through public or private infrastructure projects

This refers to the partial or complete loss of residential land and shelter, and of access to assets and source of livelihood. This form of resettlement is governed by Decree 192 on the Compensation and Resettlement of the Development Project /PM (2009), Regulation No. 669/PMO WREA, and the related Technical Guidelines on Compensation and Resettlement (WREA 2010).

2. Policy-related relocation projects sanctioned under the National Rural Development and Poverty Eradication Plan (NRDPEP) 2011 – 15

i. Project type 1: Stabilisation of settlements and livelihoods:

The 'stabilisation' strategy represents the phasing out of 'nomadic, unmanaged migration' and circular swidden agricultural practices in favour of 'sedentary occupations' (i.e. paddy cultivation). It derives from Instruction No. 36/PM and article 27 of the Lao PDR Constitution. The GoL envisages 167 focal areas for development or 'stable settlements'.

ii. Project type 2: Village consolidation

This strategy entails the amalgamation of small villages, hamlets and settlements to form developed villages where services can be provided cost-effectively.

iii. Project type 3: Establishment of small rural townships

The GoL seeks to form two tiers of rural townships with minimum populations: upland townships of 1,000 people and lowland townships of 3,000 people. This derives from Party Central Committee No. 3 (2011).

The NRDPEP proposed 1,688 'projects' for village consolidation and the stabilisation of settlements and livelihoods. However, in the current fiscal crisis, 64 'prioritised breakthrough areas' have been selected pursuant to the Decree on Poverty and Development Criteria No. 285/PM (2009). There is an overlap between project types 2 and 3 which both endorse the concept of a focal area for development whereby services are concentrated in a central location such as *kum ban*. These two types can involve administrative consolidation (the redrawing of boundaries only) or physical consolidation (whereby populations are relocated).

3. *Sam Sang* – the 'three builds'

Launched in 2012 under the newly formed Ministry of Home Affairs, *Sam Sang* is a strategy to decentralise strategy and planning to provincial levels and to pilot a new targeted approach to poverty reduction. It also includes the implementation of 'projects' under the NRDPEP, such as the formation of 'focal areas for development'.

There are many instances when population movement is voluntary and beneficial. It is by no means inherently adverse. Theoretically, if the above projects were to be implemented in line with GoL standards under PM Decree No. 192 – calling for free, informed and prior consent, compensation and livelihood restoration - and without causing impoverishment and eroding culture, these projects may be defensible and positive. However, the few published studies available have concluded that there has been no evidence of the application of international standards of compensation, and they overwhelmingly affect ethnic minority populations. Studies also cite the case of utilities such as electricity being cut off to villages slated for relocation to induce movement.

The overlap and resemblance between project types compounds the confusion on terminology, and the identification in practice.

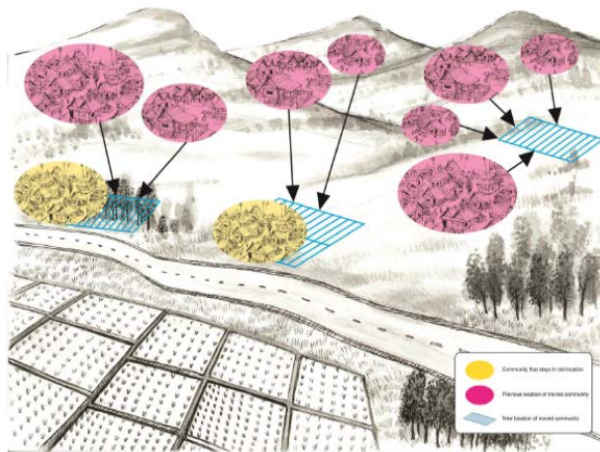
Sources: PRF. (2013). *Study on Status and Relationship: PRF & NRDPEP*; European Commission. (2011). *Resettlement in Laos: Final Report*. Also see Chart 3-2.

Structure of findings

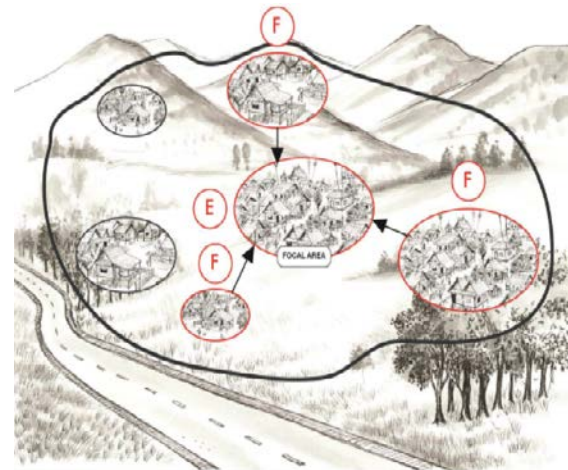
PRF's performance on operational safeguards and emerging risks is treated in two sections below: (1) PRF performance on operational safeguard policies; and (2) PRF responsiveness to GoL project and NRDPEP-precipitated relocation.

The distinction is to aid clarity on this multi-dimensional, polarising issue with serious consequences for the poorest Laotians. However, in reality, there is a convergence of risks and responsibilities.

Chart 3-2: Schematics of stabilisation and focal area development in practice¹¹²



Settlement stabilisation
(Pink circles are relocated upland settlements of swidden cultivators, and yellow circles are the existing lowland settlements that they will join).



Focal area for development
(Red circles represent villages that will be physically relocated to the centre)

2. PRF performance on operational safeguards - findings

2.1 Proactive documentation, inconsistent implementation

PRF II triggered four operational safeguard policies of the World Bank, and the PMT developed the following safeguards instruments to be in place by 2011 (Chart 3-3).

Chart 3-3: List of relevant World Bank safeguard policies and corresponding PRF frameworks

World Bank Operational Safeguards relevant to PRF	PRF Framework and Plans
Environmental Assessment OP 4.01	Environmental and Social Management Framework, including Environment Code of Practice (2011)
Pest Management OP 4.09	Simplified Pest Management Plan (2011)
Indigenous Populations OP 4.10	Ethnic Group Policy Framework (2011)
Involuntary resettlement OP 4.12	Compensation and Resettlement Policy Framework (2011)

The PRF frameworks are comprehensive and clearly articulate the management protocols and responsible persons. They were translated into English and Lao, and made available at the central and provincial offices. Commendably, the features of these frameworks are also reiterated for staff in an accessible ‘negative list’ within each safeguard framework and the PRF Manual of Operations. The negative list is an inventory of activities that are excluded from PRF funding, owing to their adverse social and environmental impacts (e.g. involving acquisition of land and involuntary resettlement, expansion of existing settlements in critical habitats, adverse impacts on ethnic groups)¹¹³. Environmental safeguard standards and disaster guidelines are also integrated into the standard design for sub-project infrastructure. Prompts to screen for these risks have been incorporated into the *Infrastructure Subproject Proposal Form* and into the standard designs. On paper, the suite of instruments provides adequate safeguard coverage for partners.

However, systematic implementation of these management and reporting obligations has not been demonstrated. Two successive Implementation Support Missions (ISM) (2012, 2013) highlighted the need for thorough staff induction on these safeguards, and for frameworks to be updated in light of implementation experience. Training was conducted at the beginning of the project for PMT and local PRF teams on the application of respective safeguard instruments. The high staff turnover in 2013 has likely eroded the knowledge base on staff. Safeguard instruments have not been updated since endorsement in 2011 although staff guidance on the project stance against village consolidation and activities unacceptable to ethnic minority communities has been added to the Manual of Operations. Each framework contains checklists and threshold questions to guide staff in identifying safeguard risk scenarios. However, without training and supervision, it is foreseeably beyond the remit and capacity of district staff to carry this level of technical responsibility.

¹¹² DFAT (2013) *Physical community movement across the Lao landscape* – draft report. Department of Foreign Affairs, Canberra, Australia.

¹¹³ PRF-II (November 2013) *Poverty Reduction Fund: Phase II. Manual of Operations*.

2.2 'Minimal impact' or minimal data?

The consensus among staff is that the PRF focus on small-scale infrastructure (such as spot repairs to roads, rather than road construction) has meant minimal environmental and social incursion. Civil works have not resulted in any physical resettlement or land acquisition under PRF-II. However, some minor environmental impacts were observed, including the clearing of trees in a school area without replantation, and the absence of watershed protection plan for water supply systems. Mitigation measures for these two instances are straightforward, by applying the Environment Code of Practice (ECOP) in the construction works and if planting new trees in a suitable location, if the felling of trees can't be avoided. This can neither be challenged nor substantiated on the basis of the current data available. Data collection tools such as the *Infrastructure Subproject Proposal Form* include provision for the screening of environmental impact, land acquisition and resettlement, and, additionally, impact on physical cultural resources.¹¹⁴ However, reporting and analysis of this data is not yet routine.

The 2012 Annual Progress Report made reference to the cancellation of some sub-projects due to their location in national conservation areas. It did not specify location, number or whether they had passed the initial screening.¹¹⁵ The only mention of safeguards in the 2013 Annual Progress Report was the printing of 4,000 IEC brochures on the safeguard frameworks (intended distribution not described). Only one (1) land acquisition and resettlement-related report was submitted under PRF-I. The MTR requested data on the number of safeguards reports lodged under PRF-II, however this was not able to be extracted from the MIS. At the time of the MTR, improvements were being made to monitoring instruments and the MIS on safeguards, which will become effective from Cycle XI onwards. This is vital to be categorical that PRF is compliant with its safeguard standards.

2.3 Tipping point for performance in Cycle XI

It is imperative for the PRF to action the outstanding recommendations arising from ISM2 & 3. The PRF needs to ensure that systematic monitoring and compliance reporting occurs against the four operational safeguard areas, and the 4+4 policy (described below), and that staff are given adequate training. As identified by ISM2 in 2012, the need still exists for PRF partners to engage technical expertise on resettlement, particularly so that TA inputs can work in conjunction with the monitoring and GIS mapping TA that is planned for the next 12 months.

3. PRF responsiveness to GoL project and policy-induced population movement

3.1 Overview of the forms of GoL-executed physical movement

The centrepiece of the NRDPEP 2011 – 15 is the creation of developed villages, achieved through the physical relocation of populations and the redrawing of administrative boundaries. The strategy is to concentrate populations around a service hub, for reasons of cost-effectiveness and ease. This strategy is regarded as a vehicle for poverty alleviation and graduation from Least Developed Country status. The GoL also points to the need for balancing demographic growth with the available land and supporting regional socio-economic development.

3.2 Pragmatic, inventive 4+4 policy

From the outset, the World Bank was unequivocal that PRF would not be implemented in areas where the government has implemented village consolidation or involuntary resettlement programs.¹¹⁶ In addition, the Grant Agreement between Australia and the World Bank, establishing the Multi-Donor Trust Fund that provides Australian support to PRF-II, specifically included a clause (number 6) relating to resettlement. One breakthrough of the partnership between World Bank, SDC and DFAT in managing PRF-II is the inventive, pragmatic approach to managing involuntary resettlement and village consolidation risks. The 2012 Implementation Support Mission, in which all three partners participated, agreed on a '4+4 policy'¹¹⁷. This policy upholds that the PRF will not implement subprojects in villages that have received resettled populations within the last four years, or that have plans for populations to be resettled in the next four years.

In practice, the policy is intelligible for staff at the district level. It eliminates the nigh impossible task of making a determination about whether population movement is involuntary or not, by focusing simply on whether movement has community relocation has occurred. It also helps navigate the conflict of interest that exists for the NCRDPE which is responsible for implementing both PRF safeguards, as well as the RDPEP which calls for village consolidation and the physical relocation of communities. Every PRF staff member questioned on the rationale for the 4+4 in the MTR identified that it avoided PRF infrastructure and services being used to

¹¹⁴ It does not currently include screening for impacts on ethnic minority communities, or pest management.

¹¹⁵ PRF. (October 2011-September 2012). *Annual Report*

¹¹⁶ World Bank. (3 June 2002). *Project Appraisal Document on a Proposed Credit in the amount of SDR 15.3 million to the Lao People's Democratic Republic for a Poverty Reduction Fund*. Report No: 23995-LA

¹¹⁷ Note that PRF-II commenced with a 2+2 policy but this was expanded to four years under ISM3 (2013) on account of the numerous communities that had been relocated 3 years prior.

incentivise GoL-sponsored relocation and to co-fund the budget shortfalls in the NRDPEP, and being abandoned in the event of a village moving out. The World Bank has incorporated the 4+4 policy into another two programs in Laos, further attesting to the World Bank's assessment of its usefulness as a standard.

Efforts to implement the policy have not been systematic to date – partly owing to the sensitivity of provincial and district level staff broaching the issue with government. PRF has asked the NCRDPE at central, provincial and district levels to provide a list of villages to be 'consolidated', or to be moved owing to infrastructure projects. These lists are variable in their completeness and currency. The PRF also contends with the fact that plans may exist to move or consolidate a village, but that there are no funds to execute a plan. The task of identifying and confirming the status of plans for a village often falls to PRF staff below Executive Director and manager level. In August 2013, the PRF introduced an open-ended prompt in the *Village Visioning Form* to discuss the village's migration history. It also has a tick box section on whether the village has plans to be consolidated. However, this data gathering is reliant on the skill of the facilitator, and on the villagers having knowledge of GoL plans.

3.3 Monitoring visits most effective tool, triangulation crucial

The PRF PMT is of the view that the village level screening is the most effective (and non-confrontational) tool for information gathering on village consolidation. To date, where village consolidation and infrastructure-related resettlement has been identified, it has been primarily through monitoring visits by the PMT or technical missions. Chart 3-4 synthesises the occasions where an overlap between PRF and NRDPEP has been noted in reports and field notes. It is important to emphasise the anecdotal weight of the information provided on recent arrivals to PRF villages. This has not been cross-checked, and PRF has taken corrective action in a number of instances (Box 3-2).

Chart 3-4: Discoveries of possible overlap between PRF and NRDPEP

PRF sites affected by GoL project or NRDPEP-precipitated relocation	Scenario	Mode of identification
24 villages in Na Lae District, Luang Namtha	Nam Tha 1 dam construction meant that PRF stopped implementation and found replacement kumbans in Oudomxay	District team observation reported in PRF 2012-13 Annual Progress Report ¹¹⁸
Four kum ban in Xay District of Oudomxay		One meeting during ISM2, 2012
Palan kumban, Phongsaly	This kumban passed the screening test, but PRF suspended a subproject when the District Rural Development Office approached PRF to support it as a focal area for development. GoL then sent a letter to say they would not proceed with the plan, and so PRF resumed work.	District level staff
Kom Kengmen hamlet in Kumban Nakorn, Nam Bak District, Luang Prabang	PRF was building a school in Kum Kengmen. A Hmong community joined Kum Kengmen in 2011.	One meeting during the ISM3, 2013
Nam Bor area, Phonxay District, Luang Prabang	Reports that a village where a PRF road was constructed is about to be relocated.	One meeting during field visit by CDD consultant, 2013 ¹¹⁹
Mok Wieng village, Beng District, Oudomxay	PRF constructed a school in Mok Wieng. Beng District Officials noted they had village consolidation plans for the area.	One meeting during Gender and Social Inclusion Assessment, 2013.
Na Phone village, Viengthong District, Huoaphan	This village had received 3 waves of relocated villagers, with a Khmu population arriving in 1998, Mien population in 2006. However, a Hmong community had arrived in 2011.	One meeting in the Mid Term Review, 2014

¹¹⁸ According to the PRF 2012-13 Annual Progress Report, these included 24 villages in Nalae District (Luang Namtha Province) covered by PRF that were impacted by the Namtha 1 hydro power construction; 4 kumban in Luang Prabang were affected by administrative consolidation. Phongsaly and Sekong were also noted as having affected subprojects, but this was not quantified.

¹¹⁹ Cited in Gebert, R. (2013). *Gender and Social Inclusion in the Work of the Poverty Reduction Fund, Phase II: An Assessment*.

During the MTR, Provincial and District level officials demonstrated familiarity with the PRF's 4+4 stance, noting that focal areas for development and one *Sam Sang* pilot were in different locations to the PRF sub-projects. PRF relies on a number of measures to triangulate information on village consolidation and focal areas, namely:

- Village visioning form screening
- Approaches to central, provincial and district level rural development officials for lists and updates on planned relocations (whether under *Sam Sang*, village consolidation, infrastructure projects and land concessions for plantation agriculture) and list of focal point *kum ban* for 2012-15
- Routine and technical monitoring visits
- Summary of resettlement plans in the provinces where PRF works (from cycle XI).

Box 3-2: The difficulties of determination: the case of Palan *kum ban*

The PRF-II experience of suspending subprojects in Palan *kum ban* in Phongsaly Province illustrates the challenges in making determinations about an overlap between PRF-II and NRDPEP activity. The government was aware of the then 2+2 policy but approached PRF-II due to budget shortages for its focal area plan. When the MTR asked senior officials about the potential overlap between PRF-II sites and the 167 prioritised focal sites, the concern was brushed off with the comment that the GoL did not have the budget to implement it, and so it wouldn't affect the PRF 4+4 policy. Staff noted other examples where district level staff would encounter dam and mining surveyors in PRF-II *kum ban*, but were not able to confirm whether the infrastructure project would proceed, and if so when.

Given the limitations and sensitivity of each method used to identify village consolidation and relocation, triangulation and close, regular monitoring is needed. Front line staff are well placed to screen using the village visioning form, but it needs to be part of a more systematic, ongoing effort, including with the leadership of senior staff from the central level. Senior staff backing is needed to offset the risk faced by district and provincial level staff of jeopardising their job or place in the community when they divert PRF funds from a particular district on account of identifying village consolidation.

As noted in ISM3, regular follow up also needs to be undertaken with the Ministry of Natural Resources and the Environment (MONRE), the Ministry of Energy and Mines (MEM) and the Ministry of Agriculture and Forestry (MAF) on land concession plans for investment projects.

3.5 PRF contribution to knowledge base on NRDPEP-precipitated relocation

In spite of shortcomings with monitoring, PRF has in fact generated important data on GoL policy-precipitated population movement. The joint donor *Study on Status & Relationship: PRF & NRDPEP* in September 2012 is a critical, in-depth synthesis of GoL policies and plans for relocation and consolidation. It was noted in the MTR consultation with NGOs that they had less access to information on the distinctions and convergences between NRDPEP 'project types'. The illustrated manual subsequently created by DFAT to depict the different relocation dynamics is also a very useful tool. PRF's proximity to NCRDPE is perhaps underrated, at present, in terms of its data gathering value.

3.6 Stalled but renewed policy overtures

One rationale for Australian support to PRF-II was to position DFAT and partners for policy dialogue on rural development with GoL, specifically on viable alternatives to moving poor, ethnic minority villagers from remote locations to lowland areas, closer to services.¹²⁰ Over 2012-13, the NCRDPE declined a number of invitations to discuss the findings of the study and relationship between PRF and NRDPEP on village consolidation, and events (including the disappearance and expulsion of noted activists) were not a conducive environment for policy dialogue. However, during the MTR, both the World Bank and SDC noted that there had been a recent, definite thawing of relations on this topic, and so space is potentially opening for this policy aim to be revisited. Involuntary resettlement, irregular land clearing and village consolidation affects the entire portfolio for partners. The PRF partnership provides a mechanism for collective evidence gathering and policy positions.

4. Additional safeguard policies and standards – Child Protection

With 39% of the population in Laos under 15 years of age¹²¹, quickly evident from the villages visited under the MTR, PRF unavoidably comes into contact with children. It also facilitates the access of non-residents, such as PRF staff and contractors and government officials into these children's villages. The construction of schools, dispensaries and roads are also a direct channel for contact by the service providers and drivers.

¹²⁰ AusAID (2011) *AusAID Support to Poverty Reduction Fund Phase II, Lao PRD: Design Summary and Implementation Document (DSID)*. Australian Agency for International Development, Canberra, Australia.

¹²¹ ILO (2010) *Labour Force and Using Child Labour Survey*, Vientiane: Department of Labour Management Ministry of Labour Social Welfare and Laos Statistics Bureau Ministry of Planning and Investment.

One corollary of PRF choosing to work in the poorest villages of Laos is that the education, information and power differential between villagers and PRF visitors is great. This is compounded by festive traditions involving drinking rounds and children's performances to please or praise the visitors. The risks of exploitation and abuse of children must be addressed, through immediate and longer term measures.

PRF does not currently have a child protection policy or code of conduct. The following statement on PRF's responsibilities to children features in the section on PRF principles in the Manual of Operations:

Children's interests and expectations shall be recognized during planning, design and implementation of sub-projects. The project promotes shared responsibilities for child protection to manage and reduce risks to child abuse associated with delivering PRF activities and requires the active support and cooperation of contractors and stakeholders implementing project activities. Contractors must meet the terms of the child protection policy and will be held accountable, through contracts and audits, for complying with it.

This statement is sound, however protocols for child protection are needed. A number of measures are urgently needed to improve the safety of PRF's operations for children and for PRF to fulfil its duty to do no harm:

- Child protection awareness training and code of conduct guidance for all staff.
- Inclusion of clause articulating child protection standards in all contracts (staff, GoL and contractors).
- Involvement of HR officer in the communication of the child protection standard and code of conduct in recruitment and induction processes.

Child protection policies and guidance has been an area of concerted investment by DFAT. DFAT could lend its resources to quickly elevate the awareness of child protection on staff. This is an issue where engagement with the LWU could also be useful.

5. Conclusion

Has progress been adequate?

The MTR has found that PRF has demonstrated commendable effort to devise and document a policy stance and supporting instruments to strive to maintain its non-collaboration with physical relocation under the NRDPEP. However, concerted effort is needed for the next two years in induction and training for staff, and in the methodical collection and analysis of data sources on this issue (documentary and in person). 'Progress' and forward momentum on the issue of safeguards can be deemed satisfactory at this point in time, if PRF commits to instituting the measures identified in this Annex in the next 12 months. PRF should be commended on its willingness to evolve its systems, be open about the political complexities of these seemingly mechanical tasks, and endorse a policy stance on resettlement that can be regarded as good practice for Laos.

Annex 4

Gender equality and social inclusion

Annex 4: Gender equality and social inclusion

In charting PRF's progress against its stated principle of gender equity and social inclusion, the program's performance and the organisation need to be examined separately. This Annex is prepared by Mia Urbano.

1. Findings - Program Performance

1.1 Narrow measures of equity and inclusion

To determine whether progress has been adequate on gender equity and social inclusion, the performance target from the Results Framework is that 'decision making on the allocation of PRF resources involves at least 40% women'. In practice, this is construed narrowly to mean women's attendance at meetings, which is problematic. This doesn't provide insight into the extent of women's agency or ultimate influence, and attendance is also an unreliable measure if households are told meetings are compulsory. Additionally, the Results Framework measures the proportion of women who are beneficiaries of the sub-project. This is based on the number of women in a given village, and it presumes that all women access, use and engage with the sub-project without distinction, which is unlikely to be the case.

The Impact Evaluation Baseline Report (2014) captures more nuanced measures of women's participation (such as the percentage of women who spoke at meetings and of those with a demonstrated awareness of development plans). Follow-up qualitative assessment and illustrative case studies are needed to meaningfully qualify and gauge women's participation and the usefulness of the PRF sub-project for their lives, as a result of the PRF.

1.2 PRF is meeting practical gender interests

Caroline Moser's landmark gender analysis framework scrutinised policies, programs and projects to determine whether they met women's *practical* or *strategic* gender needs. In other words, did interventions reinforce their socially acceptable gender roles such as water and firewood collection, family care and child rearing, or did they provide backing to women to alter or transform gender relations such as the division of labour, resources, voice and influence¹²².

There were many instances described where PRF is meeting the *practical* needs of women. However, it is having limited penetration in meeting their *strategic* gender interests. For example, a women's group in Nammang village (Luang Namtha) described how a PRF-resurfaced road and newly access *tok tok* tractor saved 3.5 hours from their daily travel time to the paddy fields, eliminated the leg and back pain they had endured, and allowed them to cook, eat and rest earlier. This same group of women sat behind men when together as a whole village (Chart 4-1) and they deferred to men who insisted on observing part of the focus group discussion. This example doesn't detract from the immediate material and physical benefits of the road, or underestimate the challenges involved in reorient roles and relations. It simply clarifies that interventions have different affect, and that PRF's impact for these women is tangible.



Chart 4-1: Men sitting in front of women to discuss the effect of the PRF road improvement. Nammang Village, Viengphouka District, Luang Namtha

1.3 Improvement to women's quality of life, but not necessarily livelihoods

An equivalent women's group in TandKoune village (Oudomxai) recounted how a PRF-supported Gravity Fed Water System had reduced the need for the 5 daily trips to the river source for various bathing, cleaning and drinking purposes, amounting to 4 hours saved. In this latter group, the time saved was spent on household chores and vegetable gardening for home consumption. When asked if they produced any for sale within the village or outside, they highlighted the lack of access to a market. This was a village based along a main, sealed road not far from the Provincial capital. The potential existed for PRF to support or link with other groups to evolve community planning on how they could maximise the benefit of the infrastructure. Reiterating the observations of the CDD and Gender Toolkit developed for the PRF¹²³, it is clear that there would be rich and meaningful data to be collected on time savings, income effects, opportunity for education and community decision making, food security and the economic and livelihood benefits of PRF support for women.

¹²² See Moser Gender Framework and Audit Tool. World Bank Poverty and Social Analysis site:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTTOPPSISOU/0,,contentMDK:20590734~menuPK:1442609~pagePK:64168445~piPK:64168309~theSitePK:1424003.00.html> Accessed February 17, 2014.

¹²³ Poverty Reduction Fund. (2011). *Measuring the Impact of Community-Driven Development Projects on Gender. A Toolkit for the Poverty Reduction Fund, Lao PDR*. Vientiane: World Bank.

Despite the limitations of the brief community engagement allowed for this review, the consultative approach and single-sex discussions used by PRF-II were positively received by some women. In Nammang village in Viengphouka District, Luang Namtha Province a group of Khmu women said that the PRF village visioning meeting was the first time they have ever had a say on community decisions. The experience was described as making women feel 'very happy' to be learning, from PRF but also from each other. The same women asked that PRF could return, and take more time with this process.

1.4 Need to acknowledge the influence of elites

Another dimension of women's participation that emerged through the field visit was the extent to which women's expression of preferences reflects those advanced by the resident Laos Women's Union (LWU) leaders. The LWU leaders were assertive and vocal in meetings with the MTR team, and can obviously serve as role models as confident articulate women. Their views and prerogatives may not necessarily be shared by all women in the community, across age and ethnicity. It may be worth the PRF exploring the option of grouping senior village women and other women separately (as recommended by the Gender and Social Inclusion Assessment, 2013), and of taking measures to support women to feel comfortable even speaking among their peers. Ensuring that facilitation is undertaken in a local language that is commonly spoken among women in a given village will support this aim. This Assessment highlighted the notable convergence between the sub-project priorities selected by men's group and that of the women's. The standard (and plausible) explanation by PRF staff was that this reflects the shared aspiration for pressing, basic needs among men and women. It is contended by one of the PRF advisers that this may in fact reflect the depth of leader or elite influence on community discussions.

A World Bank study¹²⁴ on CDD in Laos found that some district officials decided on village level projects before the single-sex meetings. Such influence was confirmed by the MTR. One LWU member who was interviewed in a village in Nga District, Oudomxai said that she had proposed that the women in her community vote for a dispensary. She was also the village midwife and so had a strong vision on the priority of this service for the community. The dispensary was constructed by September 2013. With the harrowing maternal mortality rate of 357 deaths per live births¹²⁵ in Laos, a functioning dispensary with adequate staffing, medicines and equipment that is trusted by women has the potential to provide early detection of complications and save some women and new-born lives. However, that may not be a factor in the underlying cause of poverty for other women in the community, including the numerous young women; nor represent their top priority for services that address their needs.

This is a factor to consider and control for, such as through the convening of LWU leader and non-LWU leader groups. This reality also needs to temper claims that PRF is empowering poor, ethnic minority women.

1.5 'Build it, and women, ethnic minorities, and the poor will come'

A final program consideration under this section is the use of PRF-supported infrastructure by all members of the community. In the imperative for sub-project completion (supply-side), less attention has been given to the demand-side and the factors affecting use for particular groups. Contextual data, mapped against the predominant form of infrastructure supported by the PRF, identifies the need for more demand-side analysis (Chart 4-2) to hone the discussion.

User fees and hidden charges will have a bearing on use, as will the language of practitioners/teachers and the cultural preferences of villagers. For instance, the construction of a dispensary will not necessarily induce women to seek care from this modern service if they have been used to home births, undertaken by a respected female traditional practitioner known to them, or birthing in the forest or in birthing houses away from the village. PRF intends to monitor access and use rates for services. This will need to be disaggregated to quickly discern barriers for specific sub-populations. Mass organisations such as the LWU and LYU may be worthwhile to engage to promote the services, and NGOs could play a role in mediating cultural or cost barriers.

¹²⁴ World Bank. (2008). *Community-Driven Approaches in Lao PDR: Moving Beyond Service Delivery*. Volume II: Main Report. Washington, DC: World Bank, Human Development Sector Unit, East Asia and Pacific Region.

¹²⁵ Government of Laos and United Nations. (2013). *The Millennium Development Goals: Progress Report for the Lao PDR*. Vientiane: Government of Laos.

Chart 4-2: More effort is needed to build demand for services

Type of PRF-II Infrastructure	Contextual data to inform efforts to build demand for services (Note that these data are aggregated, as breakdown by ethnicity was not available)
Health dispensary	<ul style="list-style-type: none"> 37.5% of births currently take place in facilities and only 41.5% of births are attended by a skilled practitioner Around half of Laos households seek care for suspected pneumonia in children under 5 (one of the leading causes of child mortality) In a small scale study under PRF (n=104 women), for 78.2% of Lao-Tai women and 91.3% of ethnic minority women, the husband made the decision for women to seek health care
School	<ul style="list-style-type: none"> 23% of children attend early childhood education 51% of fathers support their children's schooling (49% do not) Of the 84.9% of children who commence primary school, 65.3% make it to the last grade of primary
Roads	<ul style="list-style-type: none"> 32% of women and 25% of men (42% of Hmong-Mien people) believe a man is justified in hitting his wife if she goes out without telling him, indicating restrictive social norms on women's mobility.
Water systems & irrigation for agriculture	<ul style="list-style-type: none"> 44.2% of children under 5 have moderate to severe stunting attributed to micronutrient deficiencies and poorly diversified diet

2. Findings – PRF as an organisation

2.1 Males prevail in the structure

PRF's target under the Gender Action Plan is for 30% female staffing throughout the organization. Although it is arguable that the target should be 50% by the end of Phase II, 30% is reasonable given the very low levels of women in decision making roles in formal institutions in Laos (Chart 4-3). For example, women account for only 2% of village chiefs and only 5% of the estimated 25,900 decision making positions in institutions throughout the country¹²⁶. The 30% female staffing target is being met in only 7 of its 21 central, district and provincial teams (Chart 4-3)¹²⁷. This has not substantially changed since levels reported in 2006 whereby 26% percent of the 140 PRF employees were female.¹²⁸ At present, there are no female Provincial Coordinators, and female staffing levels range from 40% in Huaphan to 10% in Sekong Provinces. Seven of the ten PRF provincial teams have only one or two female staff, predominantly working in stereotyped roles as secretaries and documentation roles. 15 of the 40 district teams have no female staff at all¹²⁹. It is estimated that 46% of the female workforce is in the finance and administration division¹³⁰. This is also mirrored in *kum ban* facilitators.

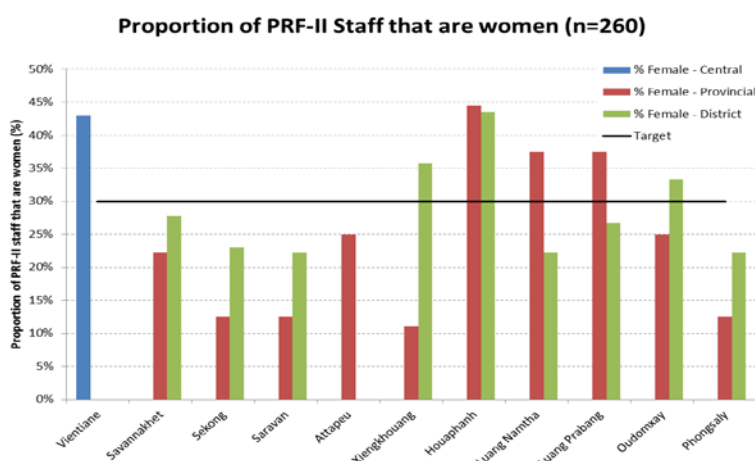


Chart 4-3: Percentage of female staff at all levels of PRF-II

(Source: Annual Progress report, October 2013)

There are 180 female *kum ban* facilitators out of a total of 618 (equivalent to 29%). The factors constraining women's participation in this role and that of CD officer were easily recited, and accepted, by PRF staff: women don't own motorbikes which the job requires; travel to remote villages is unsafe and not approved of by husbands and families for married women; and women have lower literacy and Lao language skill.

¹²⁶ Government of Laos and United Nations. (2013). *The Millennium Development Goals: Progress Report for the Lao PDR*. Vientiane: Government of Laos.

¹²⁷ These include the team in Vientiane, and a combination of provincial or district teams in Houaphanh, Luang Namtha, Luang Prabang, Xiengkhouang and Oudomxay. PRF. (2013). *Annual Progress Report*.

¹²⁸ Reported in Poverty Reduction Fund. (2011). *Measuring the Impact of Community-Driven Development Projects on Gender. A Toolkit for the Poverty Reduction Fund, Lao PDR*. Vientiane: World Bank.

¹²⁹ Gebert, R. (2013). *Gender and Social Inclusion in the Work of the Poverty Reduction Fund, Phase II: An Assessment*. Commissioned by the World Bank.

¹³⁰ PRF. (2013). *Annual Progress Report*.

A potential solution that was explored with one Provincial Coordinator was to conduct village visits in teams, including at least two women in the team for safety and sanction by their husbands. Acknowledging the challenges involved, it was not evident that teams had deliberated on solutions to this issue. Great variation exists within provinces as to the number of *kum ban* facilitators who also hold leadership positions within the community.¹³¹

2.2 Imprint of sex ratio on organisational culture

Beyond targets, the lower numbers, professional grade and responsibilities of female staff affects the organisational culture and norms. One ramification is the message that it projects about the lower capabilities and servile or administrative destinies of women, especially to village communities. This contradicts and likely undermines PRF's aspiration for women to be actively involved in participatory processes and it misses the opportunity to role model women exerting influence on decision making. It also raises the question of whether PRF is an organisational culture that is professionally supportive and respectful of women, since they are clustered in the lower grade and paid ranks.

2.3 Social inclusion needs defining and boosting

During PRF-II, understanding of diversity has evolved. With the high incidence of poverty and multi-dimensional deprivation among ethnic minority communities, PRF-II has expanded its focus from gender and vulnerable groups to gender equality and social inclusion. More than semantics, this is a more appreciative, strengths-based terminology. The current challenge for PRF is to identify who is included in this focus (e.g. women and girls, the poor, ethnic minority groups, people with disability, youth?) and the strategies it will use to involve them.

At this point, PRF Results Framework does not disaggregate by ethnicity, and it does not yield information on youth or people with disabilities. The Impact Evaluation while comprehensive doesn't track intersecting characteristics such as gender and ethnicity (these are tracked separately), and it measures change in disability prevalence rather than inclusion as a result of the program.

Representation of ethnic minority groups in project roles is very low. In an organization currently numbering 270 staff, only 12% of staff (34 people) are of ethnic minority origins. Xieng Khouang province accounts for 6 ethnic minority staff alone (all male), and at least three male provincial CD staff are non-Lao-Tai (from Hmong, Khmu and Alak groups).

There is limited demonstration of the inclusion of people living with disability in the approach and standards of the PRF. Universal design standards on accessible infrastructure is integrated into PRF standard designs. Schools and dispensaries inspected on the MTR included wheelchair accessible ramps, however doorway widths, railings and other assistive features were not consistent across the infrastructure sighted.

2.4 Window of opportunity to redress imbalances

The current ratio and distribution of female and ethnic minority staff throughout the organization will take more than an action plan to achieve. It requires senior level endorsement and directives, and political will and recognition of the value of PRF being a workplace where men and women can prosper and contribute to Laos development.

There is a window of opportunity with the recent 25% staff turnover to redress the imbalance in women, ethnic minority members and people with disability as staff. This includes in technical (e.g. community development, engineering) as well as administrative roles. However this window is fast closing for Phase II.

¹³¹ Gebert, R. (2013). *Gender and Social Inclusion in the Work of the Poverty Reduction Fund, Phase II: An Assessment*. Commissioned by the World Bank.

2.5 Efforts to be matched with senior endorsement

Promisingly, there is recognition among the PRF PMT that 'improvement' is still needed for realising its principle of gender equality and social inclusion within the project. It has undertaken a number of sound measures to address this. The PRF (through the World Bank) commissioned a Gender and Social Inclusion Assessment in 2013 which identified critical organizational and programming changes to pursue. Chief among these are: conducting training for facilitation and social inclusion skills for staff; preferential /affirmative recruitment practices to increase the number of women and ethnic minority members of staff; and tabling social inclusion issues at PMT meetings (Chart 4-4).



Chart 4-4: PRF IEC Material

The PRF has engaged an internationally-recruited Gender and Social Inclusion Specialist, appointed a Gender Equality and Social Inclusion (GESI) Officer within the CD division at the central level, conducted a series of gender sensitization trainings in 2013, and it has also identified three GESI focal points within the engineering, M&E and finance divisions. The GESI Officer is responsible for finalizing the Social Inclusion Master Plan for the PRF, with the support of the international specialist. However, concern needs to be noted that the mid-career level of the GESI Officer means that senior backing and endorsement is needed for the gender and social inclusion strategy to be taken seriously and for improvements in staff ratios and professional levels to occur.

Annex 5

Evaluation schedule and key informants

Annex 5: Evaluation schedule and key informants

PRF-II Mid Term Review Field Visit Schedule (Group A - LuangNamtha-Oudomxai)

Day	Date	Time	Activity Description
1	Monday 03/02/2014	0900-1030	Internal meeting – DFAT and Evaluation Team
		1100-1230	Internal meeting – Donors, DFAT and Evaluation Team
		1400-1730	Initial meeting with PRF-II PMT and Evaluation Team
2A	Tuesday 04/02/2014	14:30-15:30	Travel to LuangNamthaProvince. QV601 VTE-LNT (Depart 14:30)
		19:00	Meet with PRF-II Luang Namtha Provincial Team
3A	Wednesday 05/02/2014	08:30-10:00	Meet with Provincial Authorities
		10:00-11:00	Travel to Viengpuka District
		11:00-12:00	Meet Viengpuka District Authorities
		13:00-13:40	Travel to Nam Mang Village, Visit " Rural Road Construction Project "
		14:00	Travel to Pak Kan Village, Visit " School Renovation and Gravity Fed System project "
	17:00	Meetings with Pak Kan Village Authorities and VIT	
4A	Thursday 06/02/2014	07:30-10:30	Travel to Ta Long Village, Visit " Gravity Fed System Project "
		11:00-12:00	Final discussions with Luang Namtha Provincial Authorities
		12:00-14:00	Travel to Oudomxai Province
		14:00-17:00	Meet with Provincial Authorities, Governor and Local PRF-II Team
		19:00-20:00	Further discussions with PRF-II Provincial Team
5A	Friday 07/02/2014	07:30-10:00	Travel to <u>Nga District</u> (62 km)
		10:00-12:00	Meet and interview with <u>Nga District</u> Authorities and Vice Governor
		13:00-14:00	Travel to <u>TandKoune Village</u> , meet and interview with VIT, villagers
		14:30-15:00	Travel to <u>HadTher Village</u> , meet and interview with VIT, villagers
		15:00-19:00	Meet and interview with VIT, Chief of village, and villagers
6A	Saturday 08/02/2014	08:00-11:30	Travel to <u>LatKaMoune Village</u> , meet and interview with VIT, villagers
		13:00-16:30	Travel to LatHane Village, meet and interview with VIT, villagers
		16:30-18:30	Travel to Luang Prabang Province
7A	Sunday 09/02/2014		Travel back to Vientiane
8	Monday 10/02/2014	0830-1200	Bilateral technical meeting
		1400-1730	Field findings debrief at World Bank Office
9	Tuesday 11/02/2014	1000-1200	Northern Uplands Development Program & Strategy
		1200-1400	Donor meeting and strategy/aide memoire
		1400-1500	Review of ORAF
		1600-1730	Meetings with Learning Facility
10	Wednesday 12/02/2014	0830-1300	Briefing PRF-II and PMT
		1330-1500	UNCDF DDF Briefing
11	Thursday 13/02/2014	0900-1200	Mission wrap-up and presentation – PRF-II
		1330-1600	Discussion with Vice Minister MOF, Vice Minister MPI
		1600-1730	Data gathering from PRF-II PMT
12	Friday 14/02/2014	0900-1200	PRF-II data gathering
		1300-1730	Aide memoire writing, data synthesis and analysis
13/14	Saturday/Sunday 15-16/02/2014		Aide memoire writing, data synthesis and analysis; report writing
15	Monday 17/02/2014		Aide memoire writing, data synthesis and analysis; report writing
16	Tuesday 18/02/2014	0930-1200	NGO meeting
		1300-1730	Data analysis and report writing
17	Wednesday 19/02/2014		Aide memoire writing, data synthesis and analysis; report writing
18	Thursday 20/02/2014		Data synthesis and analysis; report writing; prepare presentation
19	Friday 21/02/2014	0900-1200	Present findings to DFAT, SDC and World Bank
		1300-1730	Report writing

PRF-II Mid Term Review Field Visit Schedule (Group B - Houaphanh)

Day	Date	Time	Activity Description
2B	Tuesday 04/02/2014	11:00-10:00	Travel from VTE
		16:00-19:00	Meet PRF-II Provincial Team
3B	Wednesday 05/02/201	8:30-10:00	Visit Vice Governor, PRF steering committee
		10:00-12:00	Meeting with provincial sector agencies
		13:30-15:00	Travel to Houameuang District
		15:00-16:00	Meet with District Governor
		16:00-17:00	Meeting with District sector agencies
		19:00	Meetings with PRF-II District Team
4B	Thursday 06/02/2014	8:00-10:00	Travel to Kum Ban Naleng
		10:00-12:00	Visit <u>Ban Nameuang primary school and Ban Naleng water supply</u> , Kum ban Naleng
		13:30-16:30	Meeting with Ban Nameuang communities
		18:00-20:00	Dinner with village leader and communities
5B	Friday 07/02/2014	8:00-11:00	Travel to Viengthong District
		11:00-12:00	Meeting with district Governor and relate to district agencies
		13:30-14:00	Visit <u>Ban Houysa field access road</u>
		14:00-14:30	Visit <u>Ban Phiengdon canal repaire construction</u>
		14:30-15:00	Visit <u>Ban thadhiem water suply repaire</u>
		15:00-16:30	Meeting with Ban Thadhiem communities and village leaders of Ban Houysa and Ban Phiengdon
		18:00-20:00	Discussions with PRF-II team and authorities
6B	Saturday 08/02/2014	8:00-9:00	Leave from Viengthong to Ban Sakok
		8:00-11:30	Visit <u>Ban Sakok primary school</u> and meeting with communities
		13:00-18:30	Return to VTE

PRF-II Mid Term Review Field Visit Schedule (Group C – Saravanh, Savannakhet)

Day	Date	Time	Activity Description
2C	Tuesday 04/02/2014	7:00-8:00	Flight Vientiane to Savannakhet province
		9:00-10:00	Courtesy visit PRF Board/ Provincial Vice Governor Savannakhet
		10:00-12:00	Travel to Phin district
		12:30-13:30	Travel to Ban Khanin village
		13:30-14:30	<u>Visit - School construction cycle 9 at Ban Khanin (Village Model)</u>
		14:30-15:30	Travel to village Nonglouang village
		15:00-16:00	<u>Visit - Overflow bridge cycle 10 at Ban Nonglouang</u>
		16:00-16:30	Travel back to Phin District
3C	Wednesday 05/02/2014	8:00-9:00	Travel to Ban Tadhai-se
		9:00-9:30	<u>Visit - Road repaire cycle 9 Ban Tadhai -se</u>
		9:30-11:30	Travel to Ban Kengsangkou
		12:00-12:30	<u>Visit - Dispensary cycle 9 at Ban Kengsangkou</u>
		12:30-13:30	Travel to Ban Thapi
		13:30-14:30	<u>Visit - water supply cycles 9+10 Ban Thapi</u>
		14:30-16:30	Travel to Thapangthong – meet District Authorities and PRF-II Team
4C	Thursday 06/02/2014	8:00-10:00	Travel to Saravanh Province / Toumlan district
		10:00-11:00	<u>Visit - Electricity subproject at Ban Huoyvar Cycles 9</u>
		11:00-12:00	<u>Visit - Road repair subproject at Ban Toumlan Cycles 10</u>
		13:00-14:00	Travel to Ban Sano
		14:00-15:00	<u>Visit - Dispensary & Donitory subproject at Ban Sano Cycles 9</u>
		15:00-16:00	<u>Visit - Drilled well subproject at Ban Sano Cycles 10</u>
		16:00-17:00	Travel to Taouy district - meet District Authorities and PRF-II Team
5C	Friday 07/02/2014	9:00-10:00	<u>Visit - Gravity Water System at Ban Thongkahay Cycles 9</u>
		10:00-11:00	<u>Visit - Gravity Water System at Ban Pasom Cycles 10</u>
		10:00-11:30	<u>Visit - School construction at Ban Luidong Kb Pasom Cycles 8</u>
		11:30-12:00	<u>Visit - Road repair Ban Soydam to Tapuernphou Cycle 10</u>
		13:00-14:00	Travel to Saravanh Town (Provincial Centre)
		14:00-16:00	Courtesy visit PRF Board/ Provincial Vice Governor Saravanh
		16:00-17:00	Travel to Pakse (Champasack province)
6C	Saturday 08/02/2014	12:00-14:30	Return to VTE

Annex 6

Documents reviewed

Annex 6: Documents reviewed

Australian Aid Program documents

- PRF II Design Summary Implementation Document (DSID - 2011)
- PRF II Quality at Entry Report (2011)
- PRF II Quality at Implementation Reports (2012 and 2013)
- APPR Laos-2011
- Australia Laos Development Cooperation Strategy 2009-2015
- Australia Laos Rural Development Delivery Strategy 2012-2016
- Development for All, towards a disability-inclusive Australian aid program 2009-2014
- Child Protection Policy
- Social and Environmental Safeguards 2002
- Guideline on Integrating Displacement and Resettlement Safeguards
- Promoting Opportunities for all: Gender Equality Strategy
- Universal Design Guideline for Australian Aid Program
- From Seed to Scale Up: Lessons Learned from Australia's Rural Development Assistance (2012)
- DFAT M&E Standards – Standard 5 Independent Evaluation Plan
- DFAT M&E Standards – Standard 6 Independent Evaluation Reports
- Minutes_Appraisal_peer_review_8_Apr 2011
- AusAID Technical Advisory Group (TAG) Report on Participation in the Third Implementation Support Mission (ISM3) 17 May – 4 June 2013
- 140120_Lao PRF II MTR_SMO_v4
- UDG Draft
- transport-improv-prop-summ-grant
- 2011 LANGOCA IPR
- laoscountrystategy-dec09
- laos-factsheet-feb-2013
- Extracts_Development_Cooperation_MoU
- Grant Agreement MDTF Lao PDR – AusAID-World Bank (2012)

Context References

- 2005 IFAD Attapeu Province PDD
- 2008 Poverty in Lao PDR
- 2007 LECS 4
- 2004 LECS3 (Expenditure + Consumption Survey)
- 2010 Lao Gender Profile Ag HH
- 2011 Lao Ag Census
- 2012 Lao DHS Survey
- 2010 ICR Lao Road Maintenance Program
- Laos-physical-map
- Laos political-map
- Lao Sub-national Boundaries
- WB Strategy 2012-2016
- WB Lao Context
- Warr 2007 Lao Roads and Poverty Reduction
- Lao 7th National Plan 2011-2015
- PRF Alternative Approach
- 2007 Roads and Poverty Reduction
- Northern Uplands Development Strategy
- Lao Social Indicators Survey (2012)
- 2007 IFPRI Smith + Subandoro on Food Security

World Bank PRF Reference Documents

- WB Project Appraisal Document (PAD) on PRF II
- WB Safeguards Policy
- WB Gender Policy
- Washington Group Disability Questions
- Draft PRF II Impact Evaluation Baseline Report
- PRF II. Measuring the Impact of Community-Driven Development Projects on Gender. A Toolkit for the Poverty Reduction Fund, Lao PDR. Vientiane: World Bank.
- Lao CDD and Gender Study
- 310813 WB Lao PRF II Report #3
- 221212 WB Lao PRF II Report #2
- 260411 pov-reduct-fun-appraise-doc
- Commissioned Research Reports:
 - Participatory Process Study
 - Beneficiaries study
 - Gender and Social Inclusion Assessment
 - Resettlement
 - Technical and Cost Effectiveness
 - Capacity Building Study Technology
 - Organization Review
- pov-reduct-fund-qa
- pov-reduct-fun-mae-plan
- WB Summary - PRF

GoL and PRF Documents

- PRF II Annual Progress Reports (2011, 2012, 2013)
- PRF II report on Aide-Memoire of Implementation Support Mission (May 17 – June 4, 2013)
- First Draft Org Review
- PRF II – Participatory Process Study- Mission Report (Paul McCarthy)
- Capacity Building Study Report
- Technical and Cost Effectiveness Study
- PRF II report on Aide-Memoire of Implementation Support Mission (December 4-14, 2012)
- PRF II report on Aide-Memoire of Implementation Support Mission (January 11- February 4, 2011)
- PRF II Environmental and Social Management Framework, including Environment Code of Practice (2011)
- PRF II Simplified Pest Management Plan (2011)
- Ethnic Group Policy Framework (2011)
- Compensation and Resettlement Policy Framework (2011)
- Physical Community Movement Across the Lao Rural Landscape
- NCRDPE Presentation – MDG 1
- PRF Gender Social Inclusion 25Oct
- Subproject monitoring sustainability assessment six provinces
- Technical and Cost Effectiveness – January 2014
- Stakeholders & References
- PRF II Compensation and Resettlement Policy Framework
- ESMF_final1 [Environmental and Social Management Framework]
- Executive Summary- FINAL DRAFT
- Lao PRF II Impact Evaluation Baseline Report
- PRFII TAG Mission Report June 2013
- 140114 PRF-II Portfolio
- Final PRF NRDPEP Study_17 Jan
- PRF Financing Grant Agreement
- Lines of accountability
- Organisational Structure
- PRF Where we work
- PRF Phase 1 Final Evaluation Report
- PRF II Gender Action Plan
- PRF II Manual of Operations
- Lao PDR MDG Progress Report (2013)
- Prime Minister’s Office – Decree 210 (2012)

SDC Documents

- Study on Status and Relationship: PRF & NRDPEP (2013)

Annex 7

Evaluation plan

Annex 7: Evaluation plan

Brief orientation to evaluation

Purpose of the mid-term review

The primary purpose of the mid-term review, which covers the period of October 2011 to December 2013, is program improvement. This could include, for example, refining the focus of PRF-II to ensure that it is relevant to the current development context in Lao PDR and the needs of targeted beneficiaries; revising the sub-project options and delivery mechanisms to ensure effective use of resources and value for money; and adapting the community development driven approach to ensure that development results are sustainable. The review will provide recommendations regarding any refinements required to ensure the continued relevance and performance of PRF-II.

Consistent with DFAT monitoring and evaluation standards, the review will collect, analyse and report information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients, partners and donors.

Target audience

The primary intended users of information presented in the review are staff of the World Bank, Government of Lao PDR and DFAT Head of Development Cooperation and Senior Program Manager Rural Development (Vientiane Post and Lao PDR Desk as well as Sustainable Economic Development thematic advisers) as well as other PRF-II donors including Japan and Switzerland. Australia's multilateral, bilateral donor and civil society partners with an interest in poverty reduction in Lao PDR are anticipated to be secondary users of the lessons learned from this mid-term review.

How the evaluation will be conducted

The PRF-II Mid-Term Review will be conducted as a joint, formative evaluation to enable shared learning across all partners and avoid over-burdening implementing partners and beneficiaries with multiple evaluation processes. The World Bank has the lead role and Australia will contribute four technical specialists: a Monitoring and Evaluation Specialist; an Infrastructure Specialist; a Social Development Specialist; and a Rural Development Specialist. The Australian-mobilised specialists will work closely and collaboratively with the rest of the MTR team, under the leadership of the World Bank-nominated Team Leader. The specialists will also ensure that the MTR and Aide Memoire meet international best practice and donor requirements. This is not a Joint Evaluation as defined by the Development Assistance Committee of the Organisation for Economic Cooperation and Development. With the available resources and time, a counter-factual approach will not be used for this evaluation.

The Australian-mobilised specialists will also submit to the Australian Government a technical analysis of program issues as well as recommendations for consideration and management actions by the Australian aid program.

Ethical considerations

The team will conduct the mid-term review to be consistent with the DFAT Monitoring and Evaluation Standards¹³² for Independent Evaluation Plans (Standard 5) and Independent Evaluation Reports (Standard 6) as well as the Australian aid uniform standards. In conducting the mid-term review the team will adhere to the Australasian Evaluation Society Code of Ethics (http://www.aes.asn.au/images/stories/files/About/Documents%20-%20Ongoing/code_of_ethics.pdf) and the American Evaluation Association Guiding Principles for Evaluators (<http://www.eval.org/Publications/GuidingPrinciples.asp>). The team will preserve confidentiality by not identifying in the report respondents that could be individually identified (e.g. community leaders, government agency staff, or civil society partners). Where different interpretation of the evidence exists and is material to the conclusions of the review, we will present alternative views.

Limitations or constraints of the review

The mid-term review will be conducted over a short time frame, with a small team covering a small and purposefully selected sample of PRF locations, activities and beneficiaries. It is not a scientific evaluation with a counterfactual and randomised sample of program sites or beneficiaries. Rather it is an inclusive review of a purposeful sample of activities that seeks to learn lessons from recent implementation and collaboratively identify opportunities for improved relevance, effectiveness and efficiency. The limited field work and small number of site visits presents a limitation since it is unlikely that there will be enough data to allow use of rigorous methods. Activities implemented in the first round (2011 dry season) are anticipated to be sufficiently

¹³² See: <http://aid.dfat.gov.au/Publications/Pages/monitoring-evaluation-standards.aspx>

advanced to assess effectiveness and efficiency as well as sustainability and quality of delivery. Activities implemented in the second round (2012 dry season) and being prepared for the current dry season will be used to assess beneficiary engagement, quality of planning and procurement systems and coverage and reach of outputs as well as exposure to capacity development activities. It is unlikely that there will be evidence of intermediate outcomes in many cases. Where this limitation exists, we will review relationships and other outputs and focus on efficiency measures as well as assess the adequacy of progress.

Key evaluation questions

Given recent Implementation Status and Results reports from the World Bank, key questions to address in the review include:

- How are PRF-II outputs relevant to the development context in Lao PDR and the needs of beneficiaries?
- To what extent is PRF-II likely to achieve its stated objectives and outcomes?
- To what extent do results of PRF-II sub-project investments represent value for money?
- What difference does the Community Development Driven Approach, as applied by PRF-II, make in target districts and in Laos more broadly?
- How does working 'in partnership' improve the efficiency and effectiveness of Australian Aid investments in rural development?

Information and evidence to answer these key evaluation questions will be collected by asking more detailed secondary questions (Chart 7-1) using methods (Annex 7-1) selected to fit the time and other resources available for the review. Methods to be used include:

Questions to be used in document review, semi-structured interviews and field observations are presented in Chart 7-1. Document review will synthesise themes and information in response to these questions. In interviews and meetings, participants will be asked the primary questions, where relevant. Semi-structured interviews will use selected secondary questions from Chart 7-1 to elicit additional evidence and case studies from stakeholders to support answers to review questions that will be presented in the mid-term review report. Not all secondary questions will be used, and each stakeholder will only be asked those secondary questions that help elicit additional data from them or triangulate evidence from other sources.

Methods for data collection and analysis

Given the purpose of the mid-term review, the resources allocated to it and the key evaluation questions posed, four methods will be used to collect data. The application of these methods against the questions is set out in Annex 1. The methods are:

- **Document review** – review of documents prepared by PRF-II, Government of Lao PDR (GoL), DFAT and other donor partners and others working in poverty reduction in rural communities of Laos. Core documents have undergone rapid appraisal in preparation for this plan, and will be reviewed by the team to identify evidence for use in answering review questions. This will include World Bank ISR and other progress reports for 2011 and 2012; agreements with GoL and delivery partners; as well as the appraisal document
- **Semi-structured interviews** – Government of Laos and donor stakeholders in Vientiane and purposefully selected implementation and beneficiary stakeholders in provincial, district and *kum ban* locations in Laos will be interviewed using face-to-face, semi-structured techniques methods. A diverse mix of respondents will be sought (men and women, ethnic minorities, people with disability and other vulnerable groups), and undertaken separately as appropriate. Other stakeholders will be engaged in individual telephone interviews using questions from Chart 7-1.
- **Field and site observations** – the mid-term review team will conduct field and site observations in purposefully selected provincial, district and *kum ban* locations in Laos. This will necessarily be restricted because of the limitations of access, time and budget, but where possible will be conducted with delivery partners to observe behaviour change; infrastructure quality; use, operation and maintenance of infrastructure and services as part of the triangulation to verify changes identified through document review and semi-structured interviews. We will also use field observations to learn more about the environment in which the community development driven approach operates and issues of integration and overlap with the GoL's NRDPEP. Purposeful selection of field and site observations used four criteria:
 - **Provincial location** – selection of at least 3 provinces from the north (out of Huaphan, Louangnamtha, Louangphabang, Oudômxai, Phôngsali and Xiangkhoang) and 2 from the south (out of Attapue, Salavau, Savannakhét and Xékong).
 - **PRF history** – at least one province the north and one from the south that participated in PRF-I (out of Huaphan, Louangnamtha, Salavau, Savannakhét, Xékong and Xiangkhoang).
 - **Type of activities** – selection of districts and *kum ban* that collectively demonstrate all major activity types supported by PRF-II including water-sanitation, education, public works (roads, bridges, drainage, electricity, disaster risk reduction *etc.*); social services (education); health services (clinics); agriculture (irrigation).

- **Adequacy of progress** – a balance of districts and *kum ban* that demonstrate satisfactory and unsatisfactory progress against plan and towards end-of-program outcomes.
- **Case studies** – we will use simple case studies to demonstrate examples of qualitative change in participating communities through the planning, design, procurement, implementation and commissioning processes used by PRF-II across different provinces, activities and locations. These could be at activity or household scales, depending on the change and lessons learned. In this context, by “case study” we mean a detailed example that can be presented in a text box to illustrate and emphasise a key lesson from the review. Our experience is that these cases are useful for learning as well as for use by partners in their communication materials.

Chart 7-1: Primary and secondary evaluation questions

Primary Question	Secondary Questions
How are PRF-II outputs relevant to the development context in Lao PDR and the needs of beneficiaries?	<ul style="list-style-type: none"> • What is the current rural development context in Lao PDR? • To what extent has PRF-II been affected by this context? • To what extent has the context been affected by early results from PRF-II? • How has PRF-II contributed to achieving Lao PDR MDG targets? • What is the coverage and reach of current outputs from PRF-II? • What do you perceive to be the priority needs of the poorest 40% of rural people? Consider the different needs of women and vulnerable groups • What factors contribute to access to/use of infrastructure & services for poor rural people? • Where utilisation rates are low, what are the barriers for the poorest men and women? • What complementary activities could increase the impact of PRF-II? • How do outputs from PRF-II activities meet the needs of the poorest 40% of rural people? • Are there (possibly unexpected) opportunities for implementing PRF-II better? • Are there opportunities for PRF-II to enhance its role and relevance in poverty reduction? • Does PRF II pose risks or burdens for community members within the poorest 40%? • What has PRF-II achieved so far in changing access to and use of basic infrastructure and services for the poorest 40% of rural people? • Can you give examples of recent achievements? • What priorities are identified by community participants during planning processes? • What is the quality & reach of the outputs & systems (supervision, QA/QC etc.)? • What factors may lead to a loss of infrastructure utility or quality? What is nature of loss? • Review of work plans: What is the difference between planned and actual processes for planning, design, procurement, implementation and commissioning across different provinces, activities and locations?
To what extent is PRF-II likely to achieve its stated objectives and outcomes?	<ul style="list-style-type: none"> • What difference does capacity development make to public sector, community and civil society participants? • What are the current roles of the public sector, civil society and the private sector in the implementation of PRF-II? Can you give examples of these roles in practice? • If progress is adequate, what lessons can be learned for scale-up? • If progress is not adequate then why not? What could you do to improve? • How is completed infrastructure being operated and maintained? • What on-going responses are needed to encourage the sustainable operation and maintenance of completed infrastructure? • To what extent is PRF II able to meet its policy standards? • Could the same outputs be delivered with less inputs? • Could the same inputs be managed differently to deliver more outputs?
To what extent do results of PRF-II sub-project investments represent value for money?	<ul style="list-style-type: none"> • What proportion of the PRF-II budget is allocated to fixed overheads and TA? • How do infrastructure unit construction costs compare with regional benchmarks? • How do PRF-II reporting and financial requirements compare with your experience with other donors? Do they provide sufficient information for donor decision making? • What could Australia do differently? What should Australia stop doing? • How does the CDDA meet the needs and expectations of the poorest 40% of rural people? • How does the <i>kum ban</i> facilitation process equip and engage all members of the community to participate? How could this be improved? • To what extent has PRF II met its target of 40% of participatory process involving women? • What can be learned from examples where women have genuinely engaged?
What difference does the Community Development Driven Approach (CDDA), as applied by PRF-II, make in target districts and in Laos more broadly?	<ul style="list-style-type: none"> • What are the tensions for the CDD approach as a model for poverty reduction in Laos? • What is the next best alternative approach available to the poorest 40% of rural people for improving access to and use of basic infrastructure and services and how does this compare with what is available from activities supported by PRF-II? • Who has benefited so far from the activities implemented through PRF-II? • Can you give examples of how they have benefited? • How have knowledge, attitudes and skills of participants changed since commencement? • What examples are there of people changing behaviour as a result of PRF-II activities? • Can you give an example of what has changed? [Additional questions to explore cross-cutting issues including gender and disability if needed.]

Chart 7-3: Fieldwork schedule February 2014

Activity	February 2014																				
	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
	M	T	W	Th	F	Sa	Su	M	T	W	Th	F	Sa	Su	M	T	W	Th	F	Sa	
DFAT briefing – Vientiane																					
Team briefing - Vientiane																					
Initial meetings Vientiane																					
Field work in Provinces																					
Team sense-making																					
Interviews Vientiane																					
Finalise writing tasks																					
Joint aide memoire																					
Donor meetings Vientiane																					
Report drafting																					
DFAT meetings Vientiane																					
Team return travel																					

The final report will meet DFAT Monitoring and Evaluation Standard 6. In addition, the Australian team will prepare a Critical Issues and Recommendations Report for DFAT, that meets M&E Standard 6, with a focus on analysis and conclusions relating to key evaluation questions not addressed in the Joint Aide Memoire and MTR Report; opportunities and threats to Australian engagement in PRF-II and rural development in Lao PDR; and practical and strategic recommendations for consideration by the Australian Aid Program. The proposed table of contents and approach to preparing this report will be discussed in DFAT meetings on February 21 at the end of the mid-term review mission.

Review team roles and responsibilities

The mid-term review will be led by the World Bank Task Team Leader and implemented with four other team members financed by Australia. The proposed roles, responsibilities and deliverables of team members financed by Australia are summarised in Annex 7-2. Based on sub-projects implemented in field work provinces under Cycle IX and Cycle X, the four Australian-financed team members will participate in field teams as follows:

- **(1) Huaphan** – DFAT staff accompanying PRF Executive Director [bilateral relations focus]
- **(2) Louang Namtha and Oudômxai** – Evaluation Specialist/Agricultural Scientist Social Development Specialist [Agriculture, Water-Sanitation, Education, Health]
- **(3) Attapue and Savannakhét** – Infrastructure Specialist [Education, Public Works, Electricity, Water-Sanitation] and Rural Development Specialist [Water-Sanitation].

Annex 7-1 – Application of methods to review questions

Primary Question	Secondary Questions	Document review	Semi-structured interviews	Field observation & verification	Case studies
How are PRF-II outputs relevant to the development context in Lao PDR and the needs of beneficiaries?	What is the current rural development context in Lao PDR?	✓	✓	✓	
	To what extent has PRF-II been affected by this context?	✓	✓	✓	✓
	To what extent has the context been affected by early results from PRF-II?	✓	✓	✓	✓
	How has PRF-II contributed to achieving Lao PDR MDG targets?	✓			
	What is the coverage and reach of current outputs from PRF-II?	✓	✓	✓	✓
	What do you perceive to be the priority needs of the poorest 40% of rural people over the next 5 years? Consider the different needs of women and vulnerable groups.		✓		
	What factors contribute to access to/use of infrastructure & services for poor rural people?	✓	✓	✓	
	Where utilisation rates are low, what are the barriers for the poorest men and women?		✓	✓	
	What complementary activities could increase the impact of PRF-II?	✓	✓	✓	
	How do outputs from PRF-II activities meet the needs of the poorest 40% of rural people?	✓	✓	✓	✓
	Are there (possibly unexpected) opportunities for implementing PRF-II better?	✓	✓	✓	
	Are there opportunities for PRF-II to enhance its role and relevance in poverty reduction?		✓	✓	
	Does PRF II pose risks or burdens for community members within the poorest 40%?	✓	✓	✓	
To what extent is PRF-II likely to achieve its stated objectives and outcomes?	What has PRF-II achieved so far in changing access to and use of basic infrastructure and services for the poorest 40% of rural people?	✓	✓	✓	✓
	Can you give examples of recent achievements?		✓	✓	
	What priorities are identified by community participants during planning processes?	✓	✓		
	What is the quality & reach of the outputs & systems (supervision, QA/QC etc.)?	✓		✓	
	What factors may lead to a loss of infrastructure utility or quality? What is nature of loss?	✓	✓	✓	
	Review of work plans: What is the difference between planned and actual processes for planning, design, procurement, implementation and commissioning across different provinces, activities and locations?	✓	✓	✓	
	What difference does capacity development make to public sector, community and civil society participants?	✓	✓	✓	
	What are the current roles of the public sector, civil society and the private sector in the implementation of PRF-II? Can you give examples of these roles in practice?	✓	✓	✓	
	If progress is adequate, what lessons can be learned for scale-up?	✓	✓	✓	
	If progress is not adequate then why not? What could you do to improve?	✓	✓	✓	
	How is completed infrastructure being operated and maintained (O&M)?		✓	✓	✓
	What on-going responses are needed to encourage sustainable O&M?		✓	✓	✓
	To what extent is PRF II able to meet its policy standards?	✓	✓	✓	✓

Primary Question	Secondary Questions	Document review	Semi-structured interviews	Field observation & verification	Case studies
To what extent do results of PRF-II sub-project investments represent value for money?	Could the same outputs be delivered with less inputs?	✓	✓	✓	
	Could the same inputs be managed differently to deliver more outputs?	✓	✓	✓	
	What proportion of the PRF-II budget is allocated to fixed overheads and TA?	✓	✓		
	How do infrastructure unit construction costs compare with regional benchmarks?	✓	✓		
	How do PRF-II reporting and financial requirements compare with your experience with other donors? Do they provide sufficient information for donor decision making?	✓	✓	✓	✓
	What could Australia do differently? What should Australia stop doing?	✓	✓	✓	
What difference does the Community Development Driven Approach (CDDA), as applied by PRF-II, make in target districts and in Laos more broadly?	How does the CDDA meet the needs and expectations of the poorest 40% of rural people?	✓	✓	✓	✓
	How does the <i>kum ban</i> facilitation process equip and engage all members of the community to participate? How could this be improved?		✓	✓	
	To what extent has PRF II met its target of 40% of participatory process involving women?	✓	✓		
	What can be learned from examples where women have genuinely engaged?	✓	✓	✓	✓
	What are the tensions for the CDDA as a model for poverty reduction in Laos?	✓	✓		
	What is the next best alternative approach available to the poorest 40% of rural people for improving access to and use of basic infrastructure and services and how does this compare with what is available from activities supported by PRF-II?	✓	✓		
	Who has benefited so far from the activities implemented through PRF-II?	✓	✓	✓	✓
	Can you give examples of how they have benefited?	✓	✓	✓	✓
	How have knowledge, attitudes and skills of participants changed since commencement?	✓	✓	✓	✓
	What examples are there of people changing behaviour as a result of PRF-II activities?	✓	✓	✓	✓
	Can you give an example of what has changed? [Additional questions to explore cross-cutting issues including gender and disability if needed.]		✓	✓	✓
	How do you ensure equality of opportunity for women, marginalised groups and others living with disadvantage?			✓	✓
	Does the underlying program theory provide for equality of opportunity?			✓	✓
How could social inclusion be improved?			✓	✓	
How does working 'in partnership' improve the efficiency and effectiveness of Australian Aid investments in rural development?	Are we achieving what was expected at this point in time against each PRF-II target?	✓	✓	✓	✓
	Can you give examples of recent achievements?	✓	✓	✓	✓
	What could PRF-II do differently to improve effectiveness?	✓	✓	✓	
	Is the current emphasis on CDDA efficient? Give examples of how community preferences have influenced partnership decisions.	✓	✓	✓	
	Is the underlying program theory validated by implementation?	✓	✓	✓	
	How appropriate are the current approaches and implementing partners to achieving end-of-program outcomes?	✓	✓	✓	
	How are risk management strategies used to ensure achievement of program objectives?	✓	✓	✓	
	How has engagement in PRF II enabled DFAT to dialogue with GoL?	✓	✓		✓

Annex 7-2 – Review team roles and responsibilities

The mid-term review will be led by the World Bank Task Team Leader and implemented with four other team members financed by Australia. The proposed roles, responsibilities and deliverables of team members financed by Australia are summarised below.

Evaluator/Australian Team Leader

The Monitoring and Evaluation Specialist will lead the Australian team members and support the World Bank Task Team Leader to implement the mid-term review and be responsible for:

- performing the role of team leader and effectively using the expertise of team members in meeting the Terms of Reference and requirements of the mid-term review
- drafting and submitting a Mid-Term Review Plan as required in the Terms of Reference
- overall implementation and management of the review including managing, coordinating assessment and ensuring the collaboration of team members
- leading the mission in the field, allocating tasks, ensuring team safety and efficiency of implementation;
- collecting evidence relating to relevance, efficiency, effectiveness and sustainability;
- collecting evidence relating to the efficiency of management arrangements;
- ensuring gender equality and social inclusion are integrated into questions and review findings;
- tasking, reviewing, synthesising and integrating inputs from Australian Government-mobilised team members into the Joint Aide Memoire and draft report
- leading and coordinating the preparation and finalisation of the PRFII Critical Issues and Recommendations Paper to the Australian Government
- other duties in TOR and as directed by DFAT.

Infrastructure Specialist

The Infrastructure Specialist will be responsible for:

- providing high quality inputs to the mid-term review
- assisting the Evaluator throughout planning and implementation of the review
- assessing the relevance, effectiveness and efficiency of PRF-II infrastructure outputs
- providing advice on technical issues in change processes, contributing knowledge of engineering, procurement and quality systems
- collecting evidence relating to effectiveness and efficiency of specific infrastructure and institutional strengthening activities supported by PRF-II
- describing the current capacity of selected partner organisations and identifying enabling or inhibiting factors for sustaining infrastructure and services targeted at rural poor
- assessing the quality of PRF-II outputs including designs, materials used and finished infrastructure as well as assessing the PRF-II quality assurance and control systems
- assessing the cost effectiveness of built PRF-II outputs and related planning and procurement processes and their compliance with Australian requirements
- assessing local capacity to manage construction, and operate and maintain PRF-II outputs
- provide technical inputs to the Evaluation Plan, Joint Aide Memoire, MTR Report and contribute to the drafting of the PRF-II Critical Issues and Recommendations Paper
- other duties in TOR and as directed by DFAT.

Social Development Specialist

The Social Development Specialist will be responsible for:

- providing high quality inputs to the mid-term review;
- assisting the Evaluator throughout planning and implementation of the review
- assessing the relevance, effectiveness and efficiency of PRF-II social development outputs
- working closely with the MTR team and the World Bank Social Development Specialist to discuss and review issues pertaining to social safeguard and gender equality/social inclusion implementation on the ground
- providing advice on technical issues in change processes, contributing knowledge of social development and poverty reduction
- collecting evidence relating to effectiveness and efficiency of specific social development and capacity strengthening activities supported by PRF-II
- describing the current capacity of selected communities and *kum ban* institutions and identifying enabling or inhibiting factors for sustaining social capital developed by PRF-II
- assessing the quality of PRF-II social development outputs
- assessing the cost effectiveness of the community development driven approach and related processes and their compliance with Australian requirements

- identifying and assessing issues related to social safeguards including implementation and capacity identified in the Technical Advisory Group mission report made in June 2013
- providing recommendations to ensure that social safeguards are observed in PRF-II implementation
- provide technical inputs to the Evaluation Plan, Joint Aide Memoire, MTR Report and contribute to the drafting of the PRF-II Critical Issues and Recommendations Paper
- other duties in TOR and as directed by DFAT.

Rural Development Specialist

The Rural Development Specialist will be responsible for:

- providing high quality inputs to the mid-term review
- assisting the Evaluator throughout planning and implementation of the review
- assessing the relevance, effectiveness and efficiency of PRF-II rural development outputs
- providing strategic and technical support to the overall MTR process, especially in terms of policy, program, corporate inputs and guidance
- reviewing the level of community participation, extent of local ownership and investments in demand driven sub-projects supported by PRF-II
- assessing the coverage and reach of PRF-II outputs, with a particular focus on the effectiveness of poverty targeting
- providing advice on technical issues in change processes, contributing knowledge of rural development and poverty reduction
- collecting evidence relating to effectiveness and efficiency of specific rural development, poverty targeting and capacity strengthening activities supported by PRF-II
- describing the current capacity of selected communities and *kum ban* institutions to target and engage the poorest 40% of households and identifying enabling or inhibiting factors for sustaining poverty reduction activities initiated by PRF
- assessing the cost effectiveness of the community development driven approach and related processes and their compliance with Australian requirements
- provide technical inputs to the Evaluation Plan, Joint Aide Memoire, MTR Report and contribute to the drafting of the PRF-II Critical Issues and Recommendations Paper
- other duties in TOR and as directed by DFAT.

Annex 8

Terms of reference

Annex 8: Terms of reference

Mid-Term Review: Poverty Reduction Fund - Phase II (PRF II) February 2014

Introduction and Background

The Government of Laos (GoL) estimates that 27% of Lao citizens live under the poverty line (living on less than 1 USD per day). Poverty and vulnerability are disproportionately concentrated in rural and remote areas. Other inequalities also manifest themselves: ethnic minorities in such remote areas have lower life expectancy levels, higher illiteracy rates, lower nutritional status and less involvement in local decision-making than the broader population. Limited or no access to services and markets is a major obstacle to economic growth in remote areas of Laos: poverty is higher in areas without all season road access. This lack of infrastructure is also identified as a priority issue by poverty affected communities.

The Poverty Reduction Fund (PRF) program is a community-based construction initiative which aims to address these challenges by improving the connectivity of poor remote villages to essential services. It is administered by the PRF Office, which is located in the National Committee of Rural Development and Poverty Eradication (NCRDPE), the apex coordinating body for poverty reduction in Laos. The PRF was established by Government of Laos (GoL) and initially supported by the World Bank in 2002 in the form of low-interest credit (approximately US\$ 19.5 million, 2003-2008). PRF is linked to the 2004 National Growth and Poverty Eradication Strategy (NGPES) and MDG commitment to poverty reduction by empowering communities in the poorest, most remote districts to work together and improve their access to services, infrastructure and resources to enable them to build a better life.

The first phase of the PRF (2002–2008 and extended period 2008–2011) has been acknowledged as one of the most important vehicles for delivering social infrastructure to poor communities in remote locations in Laos. Reviews and evaluations of PRF I have shown that the PRF has been effective in delivering local infrastructure to 1,984 communities, and has had a positive impact on health, education and transportation outcomes. Through this program, roads, schools, bridges, medical dispensaries, and water supply, sanitation and irrigation systems have been built. Reviews and evaluations have also identified opportunities for strengthening implementation regarding poverty targeting, alignment with local sector planning, and technical quality of infrastructure investments. These considerations have been included in the design of the successor activity, the current phase of PRF (referred to as PRF II).

The support to PRF increased from US\$ 42 million in Phase I to US\$ 68.3 million in Phase II (2011-2015) making PRF one of Laos' largest multi-sector programs focusing on rural poverty reduction. The additional funding increased PRF geographic coverage by 25% as compared to phase I. PRF II has expanded from 7 to 10 of Lao PDR's 17 provinces, and from 28 districts (including 23 of the poorest) to over 40 districts and 274 of the poorest kum bans (village clusters) during phase II of the program.

Australian Support to the PRF

As stated in the World Bank project document, the development objective of the PRF is to improve access to and utilisation of basic infrastructure and services for targeted poor communities in a sustainable manner through inclusive community and local development processes. The expected outcomes are increased access to, and use of, services (such as health, education and commerce), and increased community social capital, such as community participation and empowerment of disadvantaged groups.

Australian Government funding to PRF II (AUD 20 million, 2011-2015) is directed through a multi-donor trust fund delivered by the World Bank. The support to PRF II aligns with the rural development pillar of the Australia Laos Development Cooperation Strategy (2009-2015) and is consistent with the Australia Laos Rural Development Delivery Strategy (2012-2016). The country strategy employs rural development as a means of enhancing Laos' capacity to meet its basic food needs, build agricultural markets and diversify livelihood opportunities, particularly in the poorest areas of the country.

Under the delivery strategy, Australia reaffirmed its commitment to improving increased physical access to markets and basic services. Improved and sustained physical access to markets is seen as essential for effective rural economic development and as such, there is a huge demand for improved and well maintained basic infrastructure. Given the interest to closely align infrastructure projects to support Australia's commitments on improved rural livelihood outcomes, the primary focus of the aid program is on small scale rural infrastructures.

Rationale and Objectives of the Evaluation

The requirement for an evaluation or review is an important accountability and management mechanism in Australia's aid program. The aid program's Performance Management and Evaluation Policy states that for each monitored initiative (such as PRF II) an independent evaluation or review is required at least once over its life, at the best time for program purposes and at a scale proportional to its risk and value profile. Initiatives are assessed against all OECD Development Assistance Committee (DAC) criteria.

Australia defines an evaluation as: the systematic and objective assessment of an on-going or completed, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors.

For the PRF II Mid-Term Review (MTR), a joint or partner-led evaluation will be conducted to enable shared learning across all partners and avoid over-burdening implementing partners and beneficiaries with multiple evaluation processes. For the purposes of this Evaluation Terms of Reference (TOR), the MTR of PRF II is a partner-led evaluation where World Bank takes the lead role. To support the MTR, Australia will mobilise technical specialists to work closely with the World Bank team and contribute to discrete areas of the review. These specialists will also submit to the Australian Government its technical analysis of program issues as well as recommendations for the aid program's consideration.

With the in-country mission scheduled from 4 to 21 February 2014, the MTR is guided by the following objectives proposed by World Bank and agreed upon by all donors and implementing partners:

- assess the continued relevance and feasibility of the project's objectives, strategies, and underlying assumptions as described in the project and legal documents;
- analyse the progress the PRF II has made toward achieving the intended project development objective and individual component results in relation to key performance indicators specified in the Results Framework;
- review the appropriateness, effectiveness and efficiency of implementation arrangements, and clarity of partner responsibilities;
- review the project's operational risk assessment framework, including the PRFII's Social Safeguard Framework, for the identification of any adverse impacts and proposed remedies;
- review project time-frame and financing. The MTR would look to determine the likelihood of achieving planned results within time and financing parameters and identify options if project results were not achievable, and make recommendations to optimize project performance; and
- develop and agree on a time-bound action plan to address possible financing shortfalls, and implementation weaknesses identified during the MTR and/or restructuring with a view to improving prospects for the Development Objective to be met.

In general terms, the MTR team will review: (i) key underlying assumptions for each component to see if they remain valid, (ii) current implementation progress and degree of achievement of component outcomes/results, (iii) likelihood of achieving planned results in time frame and with funding allocated, (iv) options if component results are not deemed achievable, (v) risks, including social safeguards, and recommendation for improvement and (vi) recommendations for improved performance and any operational implications of proposed recommendations for each component.

A Joint Aide Memoire MTR will be developed by the MTR team, led by the World Bank, and will have the PRF implementing team (central and local) and the GoL (i.e. NCRDPE) as its primary audiences. The Joint Aide Memoire MTR and the PRF's management response/s will inform future donor programming approaches, priorities and capacity building support.

In addition to the Joint Aide Memoire MTR, technical specialists mobilised by Australia will prepare a PRFII Critical Issues and Recommendations Report to the Australian Government. This paper will provide an independent assessment and recommendations against the OECD DAC criteria, and will be submitted directly to the Development Cooperation Section at the Australian Embassy, Vientiane. As part of the Australian aid program's Transparency Charter, the Joint Aide Memoire MTR will be publicly available on the Department of Foreign Affairs and Trade's aid program webpage.

Scope and Key Evaluation Questions

Key questions for the Australian-mobilised specialists to consider and contribute to the overall MTR include:

1. To what extent are the PRF objectives relevant to the context of the development in Lao PDR and the needs of beneficiaries?
2. To what extent is the PRFII likely to achieve its stated objectives and outcomes?
3. What are the results of PRF II's subproject investments and comment on the extent to which the activity is worthwhile overall (*e.g.* use of resources and value for money)?
4. To what extent is it reasonable to say that the Community Development Driven Approach, as applied by the PRFII, will lead to positive sustainable impacts in target districts and in Laos more broadly?
5. To what extent is working 'in partnership' improving the efficiency and effectiveness of Australian Aid's investments in rural development the sector?

Other questions based on the OECD DAC criteria include:

Relevance

- To what extent are the PRF objectives relevant to the context of the development in Lao PDR and the needs of beneficiaries? How relevant are PRF approaches, in particular the selection of targets and beneficiaries, budget allocation and application of methodologies?
- If not, what changes need to be made to the initiatives or its objectives to ensure continued relevance?
- Does the investment on PRF reflect the Australian Government's policy priorities?
- Are there important Australian foreign, trade and security interests that are advanced through this investment?
- Does the investment align with the relevant thematic, country/regional strategy and/or delivery strategy?

Effectiveness

- Are the objectives on track to being achieved? What is the progress against project objectives?
- If not on track, what changes need to be made to objectives to ensure they can be achieved?
- What is the quality of PRFII's sub-projects (infrastructures built in PFRFII) including engineering designs, materials used and constructions and the integration of environmental and social impacts, disaster risk reduction and climate change adaptation into the designs?
- What have been the strengths of PRF in adopting a CDD approach to project implementation, particularly in rural ethnic communities? What have been the challenges or shortcomings of this approach, if any?
- How effective has the project been in targeting the intended beneficiaries, in terms of accuracy and coverage?

Efficiency

- Has the implementation of PRF made effective use of time and resources to achieve the project objectives?
 - Have management of WB and PRF been responsive to changing needs? If not, why?
 - Has the PRF suffered from delays in implementation? If so, why and what was done about it?
 - Has the project had sufficient and appropriate staffing resources?
 - Is the Trust Fund the best option for the Australian Aid Program support?
- Was a risk management approach applied to management?
- What are the risks to achievement of objectives? Have the risks been managed appropriately?
- How can efficiency be improved?
- In practice, are tools including Project Operation Manual, Quality Management Manual, Engineering and Technical Guidelines, Sub-Project Quality plan and Quality Checklists appropriate to support quality PRF implementation?

Sustainability

- Do beneficiaries and the Lao Government have sufficient ownership, capacity and resources to maintain the PRF outcomes after external funding has ceased?
- Are there any actions that can be taken now that will increase the likelihood that PRF will be sustainable? Are there any areas of PRF that are clearly not sustainable? What actions should be taken to address this?
- What is the project's contribution to capacity strengthening (*e.g.* improving development outcomes, governance, planning, financial decision making) of local authorities and communities?
- What is the level of interest and ownership of the project from local authorities and community beneficiaries?
 - How are local authorities' capacities in terms of managing and maintaining PRF projects improving?
 - How satisfied are community beneficiaries with the type and quality of PRF projects?
 - Are the PRF-supported infrastructures being maintained?
 - What are major successes and constraints for communities' contribution to PRF?

Impact

- Has PRF produced intended or unintended changes in the lives of beneficiaries and their environment, directly or indirectly?
- Have there been positive or negative impacts from external factors?
- To what extent has the project improved utilisation levels as well as access?

Gender Equality and Social Inclusion

- Does the project design have gender-specific objectives, indicators and a gender/ disability mainstreaming strategy?
- Did the design include analysis of the different opportunities and barriers faced by men, women, boys and girls to benefiting from the PRF? If not, what are the key considerations?
- How effective has PRF been mainstreaming gender and including people with disability as well as other vulnerable groups into the project implementation?
- Does PRF address specific barriers to participation that women and girls face? If so, what has been the result of this effort?
- Are there specific populations of women and girls who are least reached by the PRF?
- What elements of PRF have been successful in terms of increasing women's participation/benefiting women economically? How was this achieved?
- In what ways has PRF not been as successful in this area?

Social Safeguards

- Did the design include identification of potential social impacts of the PRF, and the applicable Laos policies?
- Do the partner contracts and the project operational manual clearly articulate the process for managing social safeguards, the social safeguards policy standards that prevail for the PRF, and the respective partner responsibilities?
- How well is PRF complying with critical World Bank and Australian Aid social safeguard policies such as on environment, child protection, displacement and resettlement?
- Are there inconsistencies in the implementation of the PRF's Social Safeguard Framework? What actions should be taken to address these inconsistencies?
- How effective is the PRF in implementing, monitoring and managing social safeguards? What can be done to strengthen this element, if needed?
- To what extent does the Design Summary Implementation Documents and Risk Matrix need modification to capture current and likely, potential risks?
- For identified risks, to what extent have mitigation strategies been effective?
- If not, what need to be done to manage the risk/s?

Monitoring and Evaluation (M&E)

- Does evidence exist to show that objectives are on track to being achieved?
- Is the M&E system collecting the right information to allow judgment to be made about meeting objectives and sustainability at the next evaluation point?
- Does the program have any requirements for the inclusion of gender and disability in the M&E or reporting of the project?
- Is data gender-disaggregated to measure the outcomes on men, women, boys and girls?
- What is the M&E data depicting in terms of the participation and benefits of men, women, boys and girls?
- What types of gender and disability-related indicators are used?
- What types of challenges, if any, have you faced in collecting data or reporting on gender?
- Is data on beneficiaries with a disability being collected and reported with reference to the Washington Group Disability Questions?

Lessons

- What lessons learned from PRF can be applied to further implementation and applying thematic practices (e.g. gender, working in partner systems, social safeguards, etc.) to the rest of the Laos Program's rural development portfolio?

Key Tasks and Timeline

Australia will mobilise four specialists (from outside the Laos Country Program) to be part of the World Bank-led MTR team. The specialists will work closely and collaboratively to contribute to the drafting and submission of the Joint Aide Memoire MTR and the preparation of an Evaluation Plan and the PRFII Critical Issues and Recommendation Report to the Australian Government. Members of the MTR team will participate in in-country meetings and discussion as well as site visits and beneficiary consultations. The Australian-mobilised MTR team members will undertake key tasks with reference to the following timeline and timeframe:

	Tasks	Dates	Timeframe
A	Prepare extensively for the MTR <ul style="list-style-type: none"> - Conduct desk review of all relevant project documentation (refer to list of references for some of the documents) - Draft and submit Evaluation Plan to the Development Cooperation Section, Australian Embassy, Vientiane 	January 2014 (after contract signed)	up to 7 days
b	Participate in the in-country mission (refer to WB-prepared program mission agenda/schedule) <ul style="list-style-type: none"> - Kick off meetings - Meetings and consultations - Field Mission - Aide Memoire presentation - In-country Briefings/Debriefings 	February 3 – 15, 2014	up to 15 days
c	Provide inputs to Joint Aide Memoire Mid Term Review (<i>will largely take place during the in-country mission</i>)	February 2014, exact dates TBC	up to 3 days
d	Prepare a PRFII Critical Issues and Recommendations Report to the Australian Government	March 2014, exact dates TBC	up to 10 days

Australia's MTR Team Members

Since the MTR is a partner-led evaluation process, the Australian-mobilised specialists will work closely and collaboratively with the rest of the MTR team, under the leadership of the World Bank-nominated Team Leader. The specialists will also ensure that the MTR and Aide Memoire meet international best practice and donor requirements.

The Australian-nominated members of the MTR team will include: Monitoring and Evaluation Specialist, Infrastructure Specialist, Social Development Specialist and Rural Development Specialist. All team members are expected to:

- Undertake a desk review of relevant project documentation especially prior to the commencement of the in-country mission;
- Consult with relevant Department of Foreign Affairs and Trade (DFAT) staff, join MTR team members and stakeholders (including staff from World Bank, SDC, PRF and relevant officials from GoL in central and local level) in meetings and site visits;
- Ensure effective team collaboration;
- Contribute to the MTR Aide Memoire; and
- Prepare an Evaluation Plan and the PRFII Critical Issues and Recommendation Report for submission to the Australian Government.

Monitoring and Evaluation Specialist and Team Leader (*international position*)

Number of input days: Up to 40 days

The Monitoring and Evaluation Specialist will undertake a team leader role amongst the Australian Government-mobilised review team members. S/he is responsible for the overall implementation and management of the review including managing, coordinating assessment and ensuring the collaboration of team members. S/he is also responsible for tasking, bringing together inputs from Australian Government-mobilised team members. Based on the evaluation questions and evaluation plan standard, s/he will be responsible for developing the Evaluation Plan including methodologies, consultation process, data collection methods, workplan, timeline and project site selection. S/he will be responsible for leading and coordinating the preparation and finalisation of the PRFII Critical Issues and Recommendations Paper to the Australian Government.

The Monitoring and Evaluation Specialist will have extensive experiences leading complex program evaluations and reviews in the rural development sector. S/he should have skills and experiences as follows:

- At least 15 years of relevant experiences in management and evaluation of international development programs;
- a post-graduate degree in program evaluation, design or another relevant area;
- extensive experience in international development program management;
- extensive experiences in leading evaluations in the rural development sector;
- experiences in monitoring and evaluation of community-based development programs;
- excellent analytical writing and communication skills.

Infrastructure Specialist (international position)

Number of input days: Up to 35 days

The Infrastructure Specialist will support the Monitoring and Evaluation Specialist/Team Leader and focus on assessing quality assurance and quality control system of PRF II sub-projects including engineering design and materials used in the infrastructures built. His/her role will confirm whether PRFII subprojects built are cost effective and comply with Australian requirements. His/her functions also include assessing local capacity on management and operation and maintenance of the infrastructure. S/he will provide inputs to the Evaluation Plan, Aide Memoire MTR and contribute to the drafting of the PRFII Critical Issues and Recommendations Paper to the Australian Government.

The Infrastructure Specialist will have extensive experiences in the design, implementation and evaluation of rural infrastructure projects in Laos and/or the region. S/he should have skills and experiences as follows:

- Up to 15 years of demonstrated and relevant experiences in rural infrastructure program design, management and evaluation;
- a post-graduate degree in civil engineering, infrastructure design or another relevant area;
- extensive experiences in evaluation of rural infrastructure systems;
- excellent analytical writing and communication skills.

Social Development Specialist (Mekong Hub)

The Social Development Specialist will work closely with the MTR team and the World Bank Social Development Specialist to discuss and review issues pertaining to social safeguard and gender equality/social inclusion implementation on the ground. She will assess and explore the issues related to social safeguards including implementation and capacity identified in the Technical Advisory Group mission report made in June 2013. She will provide appropriate recommendations to ensure that social safeguards are observed in PRF implementation. She will provide inputs to the Joint Aide Memoire and contribute to the drafting of the Evaluation Plan and the PRFII Critical Issues and Recommendations Paper to the Australian Government.

Rural Development Specialist (Mekong Hub)

The Rural Development Specialist will provide strategic and technical support to the overall MTR process, especially in terms of policy, program, corporate inputs and guidance. In particular, he will (i) review the level of community participation, extent of local ownership and investments in demand driven sub-projects and (ii) assess measures taken to ensure effective poverty targeting. He will provide inputs to the Joint Aide Memoire and contribute to the drafting of the Evaluation Plan and the PRFII Critical Issues and Recommendations Paper to the Australian Government.

Reporting Requirements

The Australian-mobilised members of the MTR team will provide inputs to reports by the date, in the format and the number of copies indicated below:

	Description of Report	Format	Quantity	Due Date
(a)	Evaluation Plan	Electronic Version via email in MS Word	1	20 January 2014
(b)	Joint Aide Memoire MTR	Electronic Version via email in MS Word	1	February 2014 – exact date TBC
(c)	Preparation of a PRF II Critical Issues and Recommendation Report	Electronic Version via email in MS Word	1	March 2014 – exact date TBC

Evaluation Plan includes but is not limited to the following:

- Introductory orientation of the overall design of the evaluation: includes one or two paragraphs that highlight purpose and/or objectives of the evaluation, describe target audience of the evaluation report, and how the evaluation will be conducted.
- Key Evaluation Questions and how they will be addressed
- Methods for data collection and how data will be processed and analysed
- Time frame
- Roles and responsibilities of each team member
- Limitations or constraints of the evaluation

Joint Aide Memoire MTR:

will follow World Bank’s template and report requirements.

PRFII Critical Issues and Recommendation Report:

No more than 25 pages (excluding annexes and tables). The Report will have the following format:

- Executive Summary of no more than 2 pages highlighting key findings and recommendations of relevance to Australian Government;
- Main report containing the following:
 - analysis responding to the critical evaluation questions on relevance, effectiveness, efficiency, impact, sustainability, gender equality and social inclusion, social safeguards, M&E, analysis and learning and lessons learned that were not raised in the Joint Aide Memoire MTR;
 - discussion on key opportunities and threats to Australia's engagement in PRF and rural development in Laos;
 - practical and strategic recommendations for the Australian Aid Program's further consideration.
- Annexes