

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Lao People's Democratic Republic	Project Title:	Governance and Capacity Development in Public Sector Management Program – Subprogram 2
Lending/Financing Modality:	Policy Based Loan	Department/ Division:	South East Asia Department Public Management, Financial Sector, and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY
Poverty targeting: General Intervention
A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy
<p>Achievement of the Millennium Development Goals (MDGs), poverty reduction, and graduation from least-developed country status by 2020 are priorities for the government of the Lao People's Democratic Republic (Lao PDR). The country's Seventh National Socio-Economic Development Plan for 2011–2015 aims to achieve annual economic growth of at least 8% during the period; decrease poverty to less than 19% by 2015; and deliver other significant improvements in the social sectors.^a However, institutional weaknesses in the Lao PDR undermine the efficiency of public management and governance systems in delivering key public services. The Asian Development Bank (ADB) Country Strategy and Program for the Lao PDR for 2007–2011^b and 2012–2016 emphasize inclusive sustainable growth, inclusive social development, and good governance as keys to poverty reduction. This approach is consistent with the government's priorities and commitments, and is in line with the identification in ADB's Strategy 2020 of good governance and capacity development as a driver of change that can improve the cost-effective delivery of public goods and services and to broaden inclusiveness.^c The proposed Governance and Capacity Development in Public Sector Management Program—Subprogram 2 will support the government's broad governance reform agenda.</p>
B. Results from the Poverty and Social Analysis
<p>1. Key poverty and social issues. Based on the international poverty line of \$1.25 per day, poverty decreased from 44.0% in 2002 to 33.9% in 2008.^d The poverty head count ratio at the national poverty line has declined from 33.5% in 2002^e to 26.0% in 2010.^f Despite these impressive gains in poverty reduction, rising inequality has dampened the positive development impact. The social and physical benefits from development have not been felt equally by people across the country's regions, and poverty trends and patterns differ widely between provinces.^g The poverty rate in rural areas of 32% in 2007–2008 was almost twice that in the urban areas. Although rural areas made up 71% of the population, they accounted for 82% of the poor. Overall, ethnicity, correlated strongly with location factors, is a major poverty determinant in the Lao PDR. In both urban and rural areas, households headed by women are generally poorer than those headed by men. Additionally, social and poverty differences based on gender are substantially higher in ethnic communities. Among the total illiterate population, women from ethnic groups account for 70 percent. These women are further isolated by the fact that only a few speak the national language.^h</p> <p>2. Beneficiaries. The program's proposed outputs will benefit all citizens, including the poor, by strengthening public finance management, civil service capacity, and investment management capacity in the public sector for private sector investments.</p> <p>3. Impact channels. In general, the program will help improve governance through more transparent and accountable management of public resources. This in turn should improve the quality and quantity of public services.</p> <p>4. Other social and poverty issues. Gender disparities have started to narrow in the Lao PDR, but the country lags behind many others in this respect. Key issues of concern include (i) a high rate of maternal mortality; (ii) limited access to reproductive health services; (iii) gender disparity at all levels of education; and (iv) limited access to training, employment, finance, and opportunities for economic advancement. Significant inequalities persist along rural–urban lines, between geographic areas (north, center, and south), and between ethnic groups. Meanwhile, the Lao PDR is off track in its progress towards the MDG education targets for goal 2 (universal primary education) and goal 3 (eliminating gender disparity in all levels of education). Gender gaps in education, starting with enrolment, are largest in poor, remote, and largely ethnic group districts. The rural–urban divides have ranked the Lao PDR as one of the lower performers in Southeast Asia in girls' education.</p> <p>5. Design features. The program supports increased resource allocation for the health and education sectors for greater access to education and health services. It also supports the capacity development of service providers in the health, education, and agriculture sectors.</p>
C. Poverty Impact Analysis for Policy-Based Lending
<p>1. Impact channels of the policy reform(s). Governance reforms and good public financial management (PFM) practices contribute to poverty reduction, by identifying poverty-reducing spending in the budget and providing commensurate resources. The national budget is the principal vehicle for efficient resource management, and with improved Public Finance Management, budget execution rates in pro-poor sectors will increase, as will the value for money of the spending of scarce resources. Strong Public Finance Management systems also make service</p>

providers more accountable to targeted beneficiaries by rationalizing expenditure policy. Successive national socioeconomic development plans have identified strong, accountable and transparent financial management practices as a strategic priority for improved service delivery in the country.

2. Impacts of policy reform(s) on vulnerable groups. Although reform measures supported by the Program will not have a direct impact on poverty reduction, it will contribute indirectly to poverty reduction by supporting crosscutting reforms in public sector management, including Public Finance Management and public administrative reforms. In view of this, no specific poverty analysis is required or appropriate for a system development investment of this type.

3. Systemic changes expected from policy reform(s). Governance reforms contribute to poverty reduction by enhancing the effectiveness of public expenditure and improving the efficiency and accountability of public spending. Good PFM practices promote pro-poor growth by directing public expenditure to the sectors most in need.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. Key stakeholders will be the staff and management of central and subnational governments dealing with planning and budgeting issues and general administration. The proposed capacity development project will help the National Commission for Advancement of Women design a robust monitoring and evaluation system with regular feedback on service delivery.

2. Civil society organizations. Due to the nature of policy-based lending operations, the program does not envisage direct engagement with the poor or civil society organizations. However, consultation with and participation of civil society remain a crosscutting priority of the government.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

Information gathering and sharing (H) Consultation Collaboration Partnership

4. Participation plan.

Yes. No.

There is no distinct participation plan due to the nature of policy-based lending operations, though extensive consultations were held with a wide range of stakeholders, including central ministries and development partners during program design and implementation phase. Advocacy, communication, and information sharing were all important elements of the program.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Effective Gender Mainstreaming

A. Key issues. The key gender issues to be impacted by the program include (i) gender gaps in education in poor, rural, remote, and ethnic group areas; (ii) the high maternal mortality rate that results from a lack of access to emergency obstetric care and skilled attendants at birth, as well as financial barriers to health service utilization; (iii) limited participation by women in provincial and district governance and decision making; (iv) a lack of capacity among male and female civil servants in gender awareness and for gender-sensitive planning and budgeting to support the delivery of services that meet the needs of the local community; and (v) lack of gender analyses in public-private partnership frameworks to maximize project benefits for both men and women.

B. Key actions. Measures included in the design to promote gender equality and women's empowerment through access to and use of relevant services, resources, assets, opportunities and participation in decision-making process.

Gender action plan Other actions or measures No action or measure

The Ministry of Agriculture and Forestry (MAF) seeks to increase participation of women staff and farmers in implementing the government agriculture strategy and in technical training to improve production and livelihoods. As a result, women participants in staff training increased from 29.0% in 2010 to 35.4% in 2013, compared with a 2015 target of 35.0%. Women farmers among the participants in production training increased from 43.3% to 48.5% in 2013, compared with the 2015 target of 45%. In allocating lands to the poor households, single-women-headed-households reached 49.5% exceeding the targeted 45%. The MAF also increased capacity building for female staff to create opportunities for women to attain management and decision-making positions and increase their role in the decision-making process. By October 2013, the percentage of women in decision-making positions nationally had risen to 17.1%, compared with a 2015 target of 15.0%. At the community level, the percentage of women who were committee members in farmer production groups was 15.9%. In addition, the program supported efforts of the National Commission for the Advancement of Women (NCAW) to promote (i) gender equality and women's empowerment through the adoption and implementation of the government's National Strategy for the Advancement of Women (2011–2015); (ii) its capacity on monitoring and reporting on targets set under National Strategy for Advancement of Women within various sectors. In addition, the Ministry of Home Affairs (MOHA) through a strategy for the promotion of gender equality in public administration is making efforts to strengthen gender analyses and gender mainstreaming in governance and public administration reforms, with a focus on provincial and district levels to build capacity of the civil servants in gender-responsive planning, resource allocation, and human resource development. Public Administration Research and Training Institute (PARTI) under MOHA is also developing gender

sensitive curriculum to develop gender mainstreaming courses and gender human resources, and to establish a team of gender trainers. Ministry of Planning and Investment (MPI) is making efforts to ensure that due diligence related to gender and social analysis is mainstreamed into the public–private partnership preparation process, including the preparation of gender action plans as deemed appropriate to maximize benefits for women and girls.

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: A B C FI

1. Key impacts. Subprogram 2 is not envisioned to require any involuntary land acquisition resulting in physical and/or economic displacement of people

2. Strategy to address the impacts. None

3. Plan or other Actions.

Resettlement plan

Combined resettlement and indigenous peoples plan

Resettlement framework

Combined resettlement framework and indigenous peoples planning framework

Environmental and social management system arrangement

Social impact matrix

No action

B. Indigenous Peoples

Safeguard Category: A B C FI

1. Key impacts. Subprogram 2 will not include any activities that would directly or indirectly affect indigenous people's communities. Is broad community support triggered? Yes No

2. Strategy to address the impacts. None

3. Plan or other actions.

Indigenous peoples plan

Combined resettlement plan and indigenous peoples plan

Indigenous peoples planning framework

Combined resettlement framework and indigenous peoples planning framework

Environmental and social management system arrangement

Social impact matrix

Indigenous peoples plan elements integrated in project with a summary

No action

V. ADDRESSING OTHER SOCIAL RISKS

A. Risks in the Labor Market

1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).

unemployment (L) underemployment (L) retrenchment (L) core labor standards (L)

2. Labor market impact. No such risk involved.

B. Affordability

No discrete issue.

C. Communicable Diseases and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):

Communicable diseases (L) Human trafficking (L)

Others (please specify) _____

2. Risks to people in project area.

No impact.

VI. MONITORING AND EVALUATION

1. Targets and indicators. Not required for this program.

2. Required human resources. Not required for this program.

3. Information in the project administration manual. Not required for this program. A capacity development project Grant to support program implementation includes a PAM that provides the monitoring of the executing agency.

4. Monitoring tools. Not required for this program. Monitoring, evaluation and assessment of the program is the responsibility of MOF as the EA of the program.

^a Seventh National Socio-Economic Development Plan for 2011–2015. *Lao People's Democratic Republic*.

^b Asian Development bank (ADB). 2006. Country Strategy and Program: Lao People's Democratic Republic, 2007–2011. Manila.

^c Asian Development bank (ADB). 2008. Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008-2020. Manila.

^d World Bank. 2014. Lao People's Democratic Republic. Washington. DC.

^e World Bank. 2014. Lao People's Democratic Republic. Washington. DC.

^f Asian Development Bank (ADB). 2014. Basic Statistics 2014. Manila

^g United Nations Development Program (UNDP). 2009. Employment and Livelihoods: Fourth National Human Development Report. Vientiane.

^h International Food and Agriculture Organization (IFAD). 2012. Enabling Poor Rural People to Overcome Poverty in the Lao People's Democratic Republic. Rome.