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The World Bank

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Report No: PAD1055

INTERNATIONAL DEVELOPMENT ASSOCIATION
PROJECT APPRAISAL DOCUMENT
ON A
GLOBAL PARTNERSHIP FOR EDUCATION GRANT
IN THE AMOUNT OF US\$16.8 MILLION
TO THE
LAO PEOPLE'S DEMOCRATIC REPUBLIC
FOR A
SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT

March 18, 2015

Global Practice Education
East Asia and Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective August 2014)

Currency Unit = LAK
LAK 8,000 = US\$1

FISCAL YEAR

October 1 – September 30

| | | | |
|---------|--|--------|---|
| ASLO | Assessment of Student Learning Outcome | GPE II | Second Global Partnership for Education |
| BEQUAL | Basic Education Quality and Access in Lao PDR | ICB | International Competitive Bidding |
| CBC | Community-Based Contracting for School Construction | IDA | International Development Association |
| CD | Coordinating Department | IFR | Interim Financial Report |
| CIED | Community Initiative for Education Development | INGO | International Non-Governmental Organization |
| CQS | Selection Based on Consultant Qualifications | ISM | Implementation Support Mission |
| DA | Designated Account | IEC | Inclusive Education Center |
| DESB | District Education and Sports Bureau | JICA | Japan International Cooperation Agency |
| DOF | Department of Finance | LCS | Least Cost Selection |
| DOI | Department of Inspection | LEG | Local Education Group |
| DOP | Department of Personnel | MDG | Millennium Development Goal |
| DP | Department of Planning | M&E | Monitoring and Evaluation |
| DPPE | Department of Pre-Primary and Primary Education | MoES | Ministry of Education and Sports |
| DTTE | Department of Teacher Training Education | MPI | Ministry of Planning and Investment |
| ECU | ESDP Coordination Unit | MOF | Ministry of Finance |
| EDP II | Second Education Development Project | MTR | Mid-Term Review |
| EFA-FTI | Education for All – Fast Track Initiative | NCB | National Competitive Bidding |
| EGRA | Early Grade Reading Assessment | NSEDP | National Socio-Economic Development Plan |
| EGDP | Ethnic Group Development Plan | OA | Operating Account |
| EMIS | Education Management Information System | PAF | Performance Assessment Framework |
| EQS | Education Quality Standards | PESS | Provincial Education and Sports Service |
| ESDP | Education Sector Development Plan | PRSO | Poverty Reduction Support Operation |
| ESITC | Education Statistics and Information Technology Center | RIES | Research Institute for Educational Science |
| ESWG | Education Sector Working Group | SBG | School Block Grant |
| EQAC | Education Quality Assurance Center | SBM | School Based Management |
| EU | European Union | SDP | School Development Plan |
| FAM | Financial and Administration Manual | SOE | Statement of Expenditures |
| FRS | Financial Reporting System | SSME | Snapshot of School Management Effectiveness |
| GDP | Gross Domestic Product | QCBS | Quality and Cost Based Selection |
| GPE | Global Partnership for Education | VEDC | Village Education Development Committee |

| | |
|----------------------------------|------------------------|
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| Country Director: | Ulrich Zachau |
| Global Practice Senior Director: | Claudia Costin |
| Practice Manager: | Harry Anthony Patrinos |
| Task Team Leader: | Pedro Cerdan-Infantes |

**LAO PEOPLE’S DEMOCRATIC REPUBLIC
SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT**

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PAD DATA SHEET*Lao People's Democratic Republic**Second Global Partnership for Education Project (P149130)***PROJECT APPRAISAL DOCUMENT***EAST ASIA AND PACIFIC**09057*

Report No.: PAD1055

| Basic Information | | | |
|--|---|--------------------------------------|---|
| Project ID P149130 | EA Category B - Partial Assessment | Team Leader Pedro Cerdan-Infantes | |
| Lending Instrument Investment Project Financing | Fragile and/or Capacity Constraints [] | | |
| | Financial Intermediaries [] | | |
| | Series of Projects [] | | |
| Project Implementation Start Date July 15, 2015 | Project Implementation End Date July 15, 2019 | | |
| Expected Effectiveness Date July 15, 2015 | Expected Closing Date July 15, 2019 | | |
| Joint IFC No | | | |
| Practice Manager Harry Patrinos | Senior Global Practice Director Claudia Costin | Country Director Ulrich Zachau | Regional Vice President Axel van Trotsenburg |
| Borrower: Lao People's Democratic Republic | | | |
| Responsible Agency: Ministry of Education and Sports | | | |
| Contact: Telephone No.: | ESDP Coordination Unit (856-21) 243-672 | Title: Email: | edpiimoe@laopdr.com |
| Project Financing Data(in USD Million) | | | |
| [] Loan | [X] Grant | [] Guarantee | |
| [] Credit | [] IDA Grant | [] Other | |
| Total Project Cost: | 16.80 | Total Financing: | 16.80 |
| Financing Gap: | 0.00 | | |

| Financing Source | | | | | | | | | | Amount |
|--|-----------------------|------|--------------------------|--------------------------|------|----------------------------|--|--|--|---------------|
| BORROWER/RECIPIENT | | | | | | | | | | 0.00 |
| Global Partnership for Education | | | | | | | | | | 16.80 |
| Total | | | | | | | | | | 16.80 |
| Expected Disbursements (in USD Million) | | | | | | | | | | |
| Fiscal Year | 2016 | 2017 | 2018 | 2019 | 2020 | | | | | |
| Annual | 2.0 | 6.0 | 6.0 | 2.8 | 0.0 | | | | | |
| Cumulative | 2.0 | 8.0 | 14.0 | 16.8 | 16.8 | | | | | |
| Proposed Development Objective(s) | | | | | | | | | | |
| The objective of the project is to support the Government of Lao PDR in improving pre-primary and primary education quality. | | | | | | | | | | |
| Components | | | | | | | | | | |
| Component Name | | | | | | Cost (USD Millions) | | | | |
| Component 1: Strengthening School-Based Management | | | | | | 12.7 | | | | |
| Component 2: Improving Reading Outcomes and Assessment Capacity | | | | | | 2.5 | | | | |
| Component 3: Project Management and Monitoring and Evaluation | | | | | | 1.6 | | | | |
| Institutional Data | | | | | | | | | | |
| Practice Area / Cross Cutting Solution | | | | | | | | | | |
| Education | | | | | | | | | | |
| Cross Cutting Areas | | | | | | | | | | |
| [] Climate Change | | | | | | | | | | |
| [] Fragile, Conflict & Violence | | | | | | | | | | |
| [X] Gender | | | | | | | | | | |
| [] Jobs | | | | | | | | | | |
| [] Public Private Partnership | | | | | | | | | | |
| Sectors / Climate Change | | | | | | | | | | |
| Sector (Maximum 5 and total % must equal 100) | | | | | | | | | | |
| Major Sector | Sector | % | Adaptation Co-benefits % | Mitigation Co-benefits % | | | | | | |
| Education | Pre-primary education | 10 | | | | | | | | |
| Education | Primary education | 90 | | | | | | | | |

| | | |
|---|--------------------------|-------------------|
| Total | 100 | |
| <input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project. | | |
| Themes | | |
| Theme (Maximum 5 and total % must equal 100) | | |
| Major theme | Theme | % |
| Human development | Education for all | 100 |
| Total | 100 | |
| Compliance | | |
| Policy | | |
| Does the project depart from the CAS in content or in other significant respects? | Yes [] No [X] | |
| Does the project require any waivers of Bank policies? | Yes [] No [X] | |
| Have these been approved by Bank management? | Yes [] No [] | |
| Is approval for any policy waiver sought from the Board? | Yes [] No [X] | |
| Does the project meet the Regional criteria for readiness for implementation? | Yes [X] No [] | |
| Safeguard Policies Triggered by the Project | Yes | No |
| Environmental Assessment OP/BP 4.01 | X | |
| Natural Habitats OP/BP 4.04 | | X |
| Forests OP/BP 4.36 | | X |
| Pest Management OP 4.09 | | X |
| Physical Cultural Resources OP/BP 4.11 | | X |
| Indigenous Peoples OP/BP 4.10 | X | |
| Involuntary Resettlement OP/BP 4.12 | | X |
| Safety of Dams OP/BP 4.37 | | X |
| Projects on International Waterways OP/BP 7.50 | | X |
| Projects in Disputed Areas OP/BP 7.60 | | X |
| Legal Covenants | | |
| Action | Responsible party | Due Date |
| Within six months of project effectiveness date recruit two accounting assistants with terms of reference and qualifications | MoES | December 15, 2015 |

| | | | |
|---|------------------|------------------|-------------------|
| acceptable to the World Bank | | | |
| Prior to financing school block grants under the Project, adopt school block grant guidelines detailing the eligibility criteria, and approval and administration arrangements for provision of grants | MoES | December 1, 2015 | |
| Name | Recurrent | Due Date | Frequency |
| Project institutional arrangements | X | | Continuous |
| Description of Covenant | | | |
| Obligation of the Recipient to maintain, at all times during the implementation of the Project, the Project steering committee, advisory council, working group, coordination unit and coordination department teams, all with functions, composition, staffing and resources satisfactory to the Bank. | | | |
| Name | Recurrent | Due Date | Frequency |
| Project Implementation Manual | X | | Continuous |
| Description of Covenant | | | |
| Obligation of the Recipient to carry out the Project in accordance with the Project Implementation Manual. | | | |
| Name | Recurrent | Due Date | Frequency |
| Environmental and Social Safeguards | X | | Continuous |
| Description of Covenant | | | |
| Obligation of the Recipient to ensure that the Project is carried out in accordance with the provisions of the Ethnic Group Development Plan and Environmental Code of Practice. | | | |
| Name | Recurrent | Due Date | Frequency |
| Environmental and Social Safeguards | X | | Continuous |
| Description of Covenant | | | |
| The recipient shall collect, compile and submit to the Bank on a six-monthly basis consolidated reports on the status of compliance with the ECOP and EGDP. | | | |
| Name | Recurrent | Due Date | Frequency |
| Annual work Plans and Budgets | X | | Annual |
| Description of Covenant | | | |
| Obligation of the Recipient to prepare and furnish the Bank no later than March 31 of each year during the implementation of the Project a consolidated Annual Work Plan and Budget containing all eligible Project activities and expenditures. | | | |

| | | |
|---|---|---------------------------|
| Conditions: | | |
| Source Of Fund | Name | Type |
| GPE Grant | Withdrawal of the Proceeds of the Grant | Condition of Disbursement |
| Description of Condition | | |
| No disbursements may be made for school block grants unless the Recipient has adopted the school block grants guidelines, in form and substance satisfactory to the Bank. | | |

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| Achariya Kohtbantau | Education Consultant | | Bangkok |
| Amanda Seel | Education Consultant | | Bangkok |

Locations

| Country | First Administrative Division | Location | Planned | Actual | Comments |
|---------|-------------------------------|----------|---------|--------|------------|
| Lao PDR | | | | | Nationwide |

I. STRATEGIC CONTEXT

A. Country Context

1. **With a Gross National Income per capita of US\$1,460 in 2013,¹ up from US\$280 in 2000, the Lao People’s Democratic Republic (Lao PDR) is undergoing a sustained economic expansion.** The country is richly endowed with natural resources—especially land, forestry, water, minerals—and is in the midst of a fast growing region. This combination of comparative advantages, along with targeted policies to utilize them, has yielded an average real Gross Domestic Product (GDP) growth rate officially estimated at close to 7.5 percent per year for the past 15 years, moving Lao PDR from lower-income to lower middle-income status. Despite these positive long-term trends in growth, the current macroeconomic situation invites some caution in the short term. Growth is projected to moderate slightly from 8.1 percent in 2013 to 7.5 percent in 2014. In Fiscal Year (FY) 2012/13, the fiscal deficit widened markedly due mainly to large increases in public sector wages and benefits. As a consequence, slower growth in public spending is expected in the medium term.

2. **Despite impressive growth, Lao PDR is still one of the poorest countries in Southeast Asia. The country remains in Least Developed Country status and reducing poverty remains a high priority.** The preliminary analysis of the most recent household survey² shows that the national poverty headcount halved from 46 percent in 1992/93 to 23 percent in 2012/13. Despite such decline, the poverty rate in rural areas, where nearly three-fourths of the country’s 6.7 million people live, is still high (28.6 percent) – almost three times the rate in urban areas (10 percent). Poverty rates have declined in most provinces over the last five years, but it has increased in others, especially in the southern region. Substantial disparities remain across ethno-linguistic groups, with the Lao-Tai group having much lower poverty rates (15 percent) than the other three groups (an average of close to 40 percent).

3. **Sustaining inclusive growth and accelerating poverty reduction hinges partly on achieving significant improvements in access and quality of education, since the low skills of the labor force are slowing down economic transformation and preventing large segments of the population from benefiting from economic growth.** There is evidence that the low level of basic skills in the adult population (starting with literacy) is constraining the move of workers from subsistence agriculture to more productive sectors and jobs,³ thus slowing down economic growth and poverty reduction. The poor are much more likely to be illiterate (30 percent of poor are illiterate versus 13 percent of non-poor), especially poor women (42 percent of them are illiterate), which prevents them from accessing the higher productivity and wage jobs that are opening up in non-agricultural sectors. This circle of poverty is unlikely to break if access to education and quality of service provision does not improve for the poor. Almost one fourth of poor primary school aged children are not enrolled in school. More importantly, their progress over the last five years has been slower than for the non-poor, thus widening the gap in

¹ Using Atlas method.

² The fifth Laos Expenditure and Consumption Survey in 2012/13. The survey has been carried out every five years. The data for the survey just became available at the time of the CPSPR preparation therefore, the analysis presented is still preliminary.

³ Lao Development Report, 2014, World Bank

educational achievement. Improving access to and quality of education for the poor and in rural areas is, thus, fundamental for reducing poverty and sharing economic prosperity more widely.

B. Sectoral and Institutional Context

4. **Lao PDR has recognized education as a fundamental priority in its medium and long-term development plan** and is taking important steps to implement a coherent sector strategy. Improving access to and quality of education are key goals of the 7th National Social and Economic Development Plan (2011–2015) which centered around achieving the Millennium Development Goals (MDGs) by 2015 and graduating from Least Developed Country status by 2020. These goals are formalized in the Education Sector Development Plan (ESDP) 2011–2015, which serves as the overarching framework for sector policies and guides both government policies and programs and development partners’ support.⁴ The Global Partnership for Education (GPE) has played a vital role in supporting the implementation of the ESDP, especially through the “Education for All – Fast Track Initiative (EFA-FTI) Catalytic Fund” program.⁵ The GPE also supported the comprehensive 2013 mid-term review (MTR) of the ESDP, which is a key input for the formulation of the next ESDP 2016-2020. The design of the proposed Second Global Partnership for Education Project (GPE II) builds on the accomplishments of the EFA-FTI program and is aligned with the main recommendations of the mid-term review as well as the recommendations from the Education Sector Working Group (ESWG).⁶

5. **The commitment to education has been accompanied by increases in resources, but there is a need to improve the efficiency of spending and to increase the share of the budget that goes to non-salary operational spending.** The Government of Lao PDR (GoL) has set a target of spending 17 percent of their total budget on education but according to the latest available budget figures, spending is falling behind its target. In the FY2013/14 budget, 15.5 percent of the total primary budget⁷ was for education (LAK 3,942 billion or approximately US\$495 million), up from 11 percent in FY2005 (albeit with large fluctuations from year to year). Spending on education as a share of the total budget is still relatively low compared to other countries in the region, so there is room for increasing the budget.⁸ However, increasing spending should not come at the expense of spending smartly such as increasing the share of the

⁴ The ESDP and its policy planning matrix consist of three pillars: (i) expanding equitable access; (ii) improving quality and relevance; and (iii) strengthening planning and management, and outlining a detailed sector plan of 19 key policies and 96 strategies with targets, costing, legislative requirements and central level responsibilities, based on a set of goals, policy directions and objectives.

⁵ Henceforth referred to as “EFA-FTI program”. It was co-financed by GPE (US\$30 million) and Australia (AUD 20.26 million). The World Bank-financed “Second Education Development Project/Additional Financing” (US\$15.5 million) was implemented in parallel and supported similar activities.

⁶ ESWG is the main instrument for coordination of policies and programs in education in Lao PDR and what GPE refers to as Local Education Group (LEG). It is led by the MoES and also comprises development partners working in the education sector.

⁷ Excluding debt repayments. If debt repayment is included, the percentage of the budget spent on education was 13.3 in 2013/14 budget.

⁸ Thailand, Malaysia and Indonesia spend around 20 percent of the budget on education. (Source: UNESCO Institute for Statistics). UNESCO’s Global Monitoring Report (2011), *Education for All by 2015. Will we make it?* establishes a benchmark of around 20 percent of the budget on education for middle income countries, but places greater importance on the need to spend those resources efficiently.

budget for non-salary recurrent expenditures, which now only accounts for nine percent of the education budget.⁹ Although the overall MOES budget has increased, the majority of this increase was necessary to cover the expanded teaching force, leaving the budget available to cover non-salary ESDP 2011-2015 expenditures largely unchanged. To estimate the ESDP financing gap with more realistic numbers, the teams used budget and expenditure projections under reasonable assumptions about the budget and about development partner contributions to calculate a non-salary operational budget gap of approximately US\$8 to US\$9 million (between LAK60 to 70 billion)¹⁰ per year (Annex 7 Table 2, and Annex 8). . The GPE II project will therefore reduce this gap by US\$16.8 million over the four year implementation period. This also highlights the importance of increasing resources for operational budget not related to salaries in the near future.

6. Lao PDR has made significant progress in increasing access to primary education, but a significant share of students still drops out before finishing primary school. The continued efforts during the last 10 years have led to notable improvement in access to primary education, with the net enrollment rate in primary school reaching 96.6 percent in 2012/13. This has set the country on track to meet some MDGs, but not others. The MDG2 target on enrollment (98 percent) and MDG3 gender parity in primary education are on track to be met by 2015. On the other hand, the MDG2 target on survival rates to grade 5 is not on-track (77 percent in 2013 compared to the target of 82 percent¹¹), in large part because of high drop-out rates in early grades (in 2013/14, 11 percent of students dropped out after grade 1).

7. For those who stay in school, learning outcomes at the end of primary education are low – a problem that starts with early grade literacy. In the 2009 results from the National Assessment of Student Learning Outcomes (ASLO) assessment, only eight percent of grade 5 students demonstrated the Lao language skills required to learn independently in grade 6 (first grade of secondary education) without remedial assistance. According to 2013 Programme for the Analysis of Education System (PASEC) assessment, only one in ten Grade 4 students is able to read a simple text. These results are consistent with the finding of the 2012 Early Grade Reading Assessment (EGRA) which identified weak literacy skills in the first grades of primary education. In the assessment, almost 30 percent of Grade 3 students were unable to read a single word of a given text and a further 30 percent of those who could read at least one word did not comprehend what they read. While the gap between home and school language goes a long way in explaining these results, many students of Lao-Tai ethnicity and other ethnic students with stronger Lao language skills also performed poorly in EGRA, suggesting the need to strengthen reading instruction.

⁹ In the most recent costing of the ESDP and associated funding gap done by the Ministry of Education and Sports and development partners, the funding gap from domestic funding sources is smaller than the expected development partner contributions. However, this is only due to the recent increases in salary spending, which have increased the overall budget above the projected cost of implementing ESDP. However, available resources to implement many of the activities under ESDP are limited by the small share of the budget not tied to salaries or capital spending.

¹⁰ The overall education budget is projected to grow more slowly over the next years based on projections under the latest International Monetary Fund Article IV.

¹¹ The original target of 95 percent for 2015 was revised after the MTR to 82 percent.

8. **Equity is also a challenge, with access and quality of education varying across regional, demographic and socioeconomic dimensions.** Children from non-Lao-Tai ethnic groups living in rural and remote areas have the lowest indicators of primary education. While 89 percent of students in Vientiane Capital who enroll in Grade 1 stay in school long enough to advance to Grade 5, less than half do¹² in the most disadvantaged provinces.¹³ These differences are even larger for girls - in the most disadvantaged district only one-fourth of girls make it to Grade 5 after enrolling in Grade 1. Educational disparities widen at the intersection of gender and ethnicity. Literacy rates for young males of Lao-Tai ethnicity are 84 percent, but only 63 percent for Mon-Khmer. The disparity increases for ethnic females, with 81 percent of ethnic Lao-Tai students being literate in Lao language compared to but only 45 percent of ethnic Mon-Khmer students.

9. **Challenges to the delivery of quality education.** In-country research and the results from the ESDP MTR suggest that the main factors constraining the delivery of quality of education are related to limited school funding and capacity/training to allocate the resources based on need, as well as effective teaching and learning at the school level. In 2011/12, the government introduced school block grants (SBGs) to increase resources at the school level and to reduce the cost barriers of education for communities. However, the grant amount is still insufficient to cover operating cost of schools. The reliance on communities to fund schools results in large inequalities in availability of resources at the school level and prevents schools in poor areas from reaching out to disadvantaged children.

10. In addition to the overall funding limitations, the use of resources at the school level is inefficient, mostly because capacity constraints and limited community participation in planning and overseeing schools. The use of school development plans as a tool to effectively identify priorities and plan for the use of funds is still in the early stages. Lessons from the implementation of related school level interventions underscore the importance of providing support to schools and communities on the identification of needs, allocation of resources based on those needs and the monitoring to improve the physical and learning environment of schools. Unclear roles and responsibilities under the decentralization policy and a weak planning cycle at all levels, also contribute to poor service delivery. Provinces and districts have limited capacity to manage the process and support schools, and this situation is more difficult in disadvantaged districts where geographical remoteness complicates sustained support.

11. On teaching and learning, the results from learning assessments point also to significant limitations in teacher effectiveness both in terms of teacher's skills, content and complexity of the curriculum, and the diversity of students and their language skills to cope with instruction in Lao language. There are four main factors related to pedagogy explaining the low level of literacy outcomes,: (i) reading instruction is taken as a byproduct in the Lao language curriculum, leaving out important dimensions of reading development and the explicit instruction of key reading skills; (ii) a significant share of students enter primary schools without strong Lao

¹² These differences in enrollment and survival are reflected in youth literacy rates in Lao language. For example, while 90 percent of 15-24 year olds in urban areas are literate, only 41 percent of those in rural villages without access to a road are literate.

¹³ Saravane, Sekong, Khammuane.

language skills or any exposure to school readiness activities which places young students in a challenging learning environment; (iii) many primary school teachers have limited knowledge of when and how to effectively teach basic reading skills in the early grades; and (iv) most instructional time is teacher-centered and textbook dependent, constraining pupil's interactions and use of language. All these contribute to new knowledge that is fragmented and poses significant challenges to the effective teaching and learning of basic reading and writing skills in the early grades of primary education.

12. To address the above constraints, this project will focus on: (i) increasing funding for non-salary operational budgets at the school district and provincial levels; (ii) enhancing the capacity of provincial and district education offices, schools and local communities for planning, budgeting and reporting, and (iii) improving teaching practices around reading in Lao language in the early grades, contributing to better reading outcomes, reducing drop-out rates in grade 1 and supporting learning across primary education.

GPE Partnership and Development Partner Coordination

13. **This project builds on the experiences of the EFA-FTI program and is designed to avoid duplication and ensure complementarity with other development partner supported activities.**¹⁴ While there were discussions during the preparation of EFA-FTI program to move towards a Sector Wide Approach, the consensus among the development partners and the Ministry of Education and Sports (MoES) was that the conditions were not yet in place. However, the ESDP is the framework used by the development partners for the implementation of donor country strategies and project designs.¹⁵ The preparation of the GPE II project has been done in close coordination with development partners, taking into consideration the development partner strategies, financing modalities and project development timeline. As a result, the project will complement support from other partners to the education sector through both financial and technical support, under the ESDP 2011-2015 and subsequent ESDP 2016-2020. Consistent with the central importance of school-based management (SBM) and the government priority of improving reading instruction, several development partners including Australia, the European Union (EU), the Japanese International Cooperation Agency (JICA), the United Nation Children's Fund (UNICEF) and International Non-Governmental Organizations (INGOs) are providing support to SBM and to reading instruction. In particular, the development partners agreed to (i) jointly develop a common approach for capacity development on SBM for all

¹⁴ The principles for the development of GPEII agreed by the ESWG (or LEG) were: (i) investment in foundational areas (issues and levels), (ii) initially targeted geographically; (iii) simple and manageable, (iv) sustainability (avoid dependency on development partner funds), (v) based on the recommendations of the MTR of ESDP, (vi) avoids duplication of efforts, and (vii) aligns with MDGs and GPE goals.

¹⁵ As mentioned before, this refers to the "EFA-FTI Catalytic Fund Program – P114609". The two main partners for the EFA-FTI program (Australia and the Bank) had different constraints in this case. The Bank had to time the preparation of the new Early Childhood Education project based on the availability of IDA funds, whereas Australia is moving to a longer term strategy (10 years). The EU, which funded a 5-year project in the northern provinces that ended in 2010 that included school construction, teacher training, community training, has moved away from traditional projects to budget support through participation in the Poverty Reduction Support Operation (PRSO), support to strengthen financial management and a stronger and more independent role for civil society, which is reflected in their current support for the education sector.

partners and government support; (ii) regular knowledge sharing sessions on lessons learned from implementation of different partners¹⁶; (iii) mapping support of different partners to avoid duplication of efforts; and (iv) integrating development partner supported activities of similar nature into the project implementation (for example, by providing grants to schools that receive capacity building from other partners).

14. **Results from the EFA-FTI program.** The completion report for the EFA-FTI program found that the operation was largely successful in meeting its objectives and targets. As a result, some activities supported by the GPEII project were chosen based on the EFA-FTI program's positive results and the fact they had already been initiated. Enrollment and survival rates in primary school in EFA-FTI supported districts increased faster than in other districts, exceeding program end targets.¹⁷ The program also had a positive impact on girls' schooling whereby many more girls went to school as a result of program interventions, also exceeding EFA-FTI program end targets. The program also provided pre-service training to about 400 teachers, in-service training to approximately 6,500 teachers, and school meals to over 32,000 students. About 5,900 children in very remote areas also benefitted from the mobile teacher program and additional 450 children benefitted from the community based school readiness program. Other EFA-FTI activities included the construction of 1,943 classrooms through the successfully implemented community-based contracting for school construction (CBC) scheme, which placed the responsibility and ownership of school construction at the community level. Other activities supported by the EFA-FTI program are not continuing under this project, but they are supported either by the government or other development partners. A good example is the National School Meals Program, which was showcased by the GPE as a success story in encouraging school attendance and better nutrition for boys and girls in rural communities. The Program will be supported by the World Bank-financed Early Childhood Education Project (US\$28 million), World Food Program and the Australian funded Basic Education Quality and Access in Lao PDR (BEQUAL) Program in its transition to being absorbed by the government budget.

15. **Development Partner Support.** In addition to the EFA-FTI program, the development partners have made considerable investments in expanding access and quality to pre-primary and primary education in the 56 most educationally disadvantaged districts in areas such as: (i) teacher and principal professional development; (ii) upgrading of knowledge of pedagogical advisors; and (iii) capacity building of Village Education Development Committee (VEDC) members and district and provincial education administrators. Earlier projects have supported capacity development for SBM to strengthen the linkage between district education planning/budgeting and school development planning for achieving Education Quality Standards (EQS). The lessons learned from the capacity building supported by Community Initiative for Education Development (CIED 1) project highlight the need to build the capacity of schools, but also of VEDCs, district and provincial government. The successful CBC model supported by the EFA-FTI program was also fundamental in understanding the importance of encouraging community involvement in education. An initial SBM training package has been developed, with participation of different MoES line departments, and utilized for EFA-FTI program

¹⁶ During project preparation, several knowledge sharing sessions took place on SBM and reading instruction.

¹⁷ Annex 6 summarizes the results from the EFA-FTI program in terms of completed schools, participation and completion and repetition.

implementation. The SBG program was one of the foundations of the 2009 ESDP and the flagship approach to SBM. The earlier rounds of the donor-supported Poverty Reduction Support Operation (PRSO)¹⁸ have been used as policy action triggers to institutionalize support for the current SBGs beginning with school year 2011/12.

Related projects financed or to be financed by the World Bank and/or other development partners

| Sector Area | Support |
|--|--|
| <i>Ongoing and recently completed</i> | |
| World Bank-supported EDP II (US\$13 million) and EDP II Additional Financing (US\$15.5 million) (P078113), with contribution from Australia (US\$2.8 million). Closed August 30, 2013 (total US\$31.3 million) | Supported increased access to primary schools with the introduction of CBC and Community Grants; multi-grade teacher training, capacity building of VEDCs and district and provincial education managers. |
| EFA-FTI program (P114609). Closed on August 31, 2014. GPE (US\$30 million), with contribution from Australia (AUD 20.26 million). | Built on success of EDPII and expanded access in the 56 disadvantaged districts for pre-primary and primary schools using CBC and Community Grants; teacher, principal and pedagogical advisor training; capacity building of VEDCs and district and provincial education managers. |
| UNICEF (pre-primary, primary and textbook provision) | Implementation of the Water, Sanitation and Hygiene (WASH) program with Australia Department of Foreign Affairs and Trade (DFAT) support; and Schools of Quality (now EQS). Printing and distribution of textbooks for all grades 1 and 2 students in the country. |
| EU | Provides technical assistance for planning and financial management capacity building at the central, provincial and district level nationwide, as well as the PRSO. |
| JICA supported CIED1 (completed) CIED2 (currently implemented in southern Lao) (US\$5.5 million) | CIED1 has supported capacity development of VEDC and primary schools for school development planning and its implementation for achieving ESDP targets in southern provinces. Building upon CIED 1 achievements, CIED 2 has taken a more holistic approach to strengthening SBM by focusing on education planning and budgeting at different levels to support school development with SBM with community participation. Particular emphasis has been placed on capacity development for district planning so that appropriate support can be provided to lower performing schools against ESDP targets. |
| PRSO (JICA) | JICA co-financed PRSO 9 with particular emphasis on education and health sectors. Nationwide dissemination of EQS /SBM training is a key policy action for education. |
| INGOs | Plan International supports basic education in Bokeo and 2 districts of Oudomsay; Save the Children International supports the school quality improvement project for primary schools; World Vision supports basic education; Room to Read supports grade 1 and 2 pilot in Vientiane on reading skills development and reading promotion by establishing libraries and professional development; Child Fund has programs that advocate for reading among the community during community events; Shanti Volunteer Association is working on reading instruction; and the Vulnerable Youth Development Association is promoting reading through non-formal education activities in primary schools. |
| World Bank supported Early | Supports pre-primary schools for children ages 3-5 in disadvantaged |

¹⁸ The PRSO is supported by the DFAT, the EU, JICA and the World Bank.

| | |
|--|--|
| Childhood Education project (P145544). Approved in March 2014. US\$28 million. | districts. Project focuses on access, teacher training, disability screening, community awareness campaigns, VEDC training; and school meals. |
| <i>Under preparation</i> | |
| Government of Australia | BEQUAL program which is a 10 year support program for 65 disadvantaged targeted districts that focuses on the primary education sector. The flexible funding envelope will support, but not be limited to, pre- and in-service teacher education, teaching and learning resources; rehabilitation and construction of classrooms, water and sanitation in schools, and school meals. |
| UNICEF (early childhood education) | Developing programs that will focus on early childhood education. |
| JICA | Under the draft 5 year cooperation framework of JICA for basic education, improving teaching and learning in math subject for primary education will be the main focus for the technical cooperation. Construction/rehabilitation of secondary schools to improve access to lower secondary education might be considered for grant aid. |
| EU | A project to build planning and financial management capacity at central, provincial and district levels nationwide. |

C. Higher Level Objectives to which the Project Contributes

16. **The project will contribute to the higher level objectives of improving the skills of the labor force in the long run by improving access to and quality of education, especially in the most disadvantaged districts.** The project targets most of the resources on the districts with the highest female drop-out rates and seeks to provide schools and communities with the tools needed to ensure that all children are in school and are reading in the early grades. In the medium term, the project will contribute to improving primary completion rates while reducing geographic and socioeconomic disparities, improving learning outcomes and increasing early grade literacy rates. In the long-run, this increase in attainment and learning outcomes will contribute to building a more skilled and productive labor force.

17. **The project is expected to contribute to the Bank's goals to promote shared prosperity and reduce extreme poverty.** Literacy rates and educational attainment are key determinants of poverty in Lao PDR.¹⁹ Illiteracy and low basic skills present a limitation for the poor to access better paid jobs outside of subsistence agriculture. In addition, enrollment rates for poor children are also lower, which risks perpetuating the circle of poverty where children of poor parents do not gain the education and skills needed to escape poverty in the future. By providing more support to schools in districts with the highest drop-out rates, the project sees to increase equality of opportunity, giving children in poor areas the opportunity to access a better quality education that increases their chance of graduating from primary education, increase their educational attainment and acquire the skills needed to access better jobs that allows them to escape poverty. The provision of more grants and more intensive capacity building, and the support to disadvantaged schools within districts, combined with improved reading instruction are expected to lift the quality of education in these areas, benefiting the poorest segments of the

¹⁹ Based on the latest Poverty Profile in Lao PDR, World Bank (report forthcoming).

population. In a context of relatively high returns to education,²⁰ the improvements in attainment and learning outcomes is expected to lead to improvements in income for beneficiaries in the long term, thus contributing to reducing poverty and increased shared prosperity.

18. **The proposed project also forms a core part of the World Bank Group's 2012-2016 Country Partnership Strategy for Lao PDR²¹**, which is closely aligned with the 7th NSEDP. Particularly, it will support the strategic objective of inclusive development as well as the expansion of access to and improvement of quality of primary education. The project also supports the Country Partnership Strategy' cross-cutting theme of strengthening country systems and processes, as well as the government's efforts to raise the capacity of decentralized education actors.

19. **The project also supports three major GPE objectives:** (i) increasing the amount of public resources for education by providing complementary SBG and promoting their effective usage (Objective 5); (ii) developing an initiative to help achieve breakthroughs in the quality of teaching of literacy in the early grades (Objective 3); and (iii) promoting gender equity in monitoring and capacity development at all levels (Objective 2). The implementation arrangements of the project are supportive of the key principles of the GPE charter, including country ownership, greater transparency, economy and efficiency in administrative arrangements and lower transaction costs.

20. **GPE partnership.** Experience in countries that have already implemented programs with GPE financing shows the importance of the GPE partnership in supporting effective donor harmonization and alignment with country systems. The development of the ESDP 2011-2015, its endorsement by the GPE partnership and the collaborative effort in the implementation of the ongoing EFA-FTI program represents a positive step towards the harmonization of aid efforts in Lao PDR. The GPE II will continue to support collaboration among development partners within the framework of the ESWG (or LEG) and the development of national education systems, including improved coordination through the use of four existing education Focal Groups.²² The GPE II financing will MoES capacity to implement a sector program, with procurement and financial management practices developed with external financing and now mainstreamed as part of the country's own modernized financial management and procurement apparatus. All

²⁰ As noted in the Lao Development Report the returns to education in Lao PDR are large, and there is evidence of returns to specific skills (literacy and basic skills) that go beyond the returns to educational attainment.

²¹ Report No. 90281-LA

²² There are four focal groups in the education sector namely, Focal Group 1: Basic Education; Focal Group 2: Post Basic Education; Focal Group 3: Education Management, Administration and Performance Assessment; and Focal Group 4: Education Research and Analysis. The project benefited from Focal Group 1 and 3 inputs. Focal Group 1 is established to strengthen planning, financing and coordination between MoES line departments, development partners, INGOs and Non-Profit Associations for improved formal and non-formal delivery of inclusive quality basic education for all learners in Lao PDR. (For the purposes of the ESWG, basic education is defined as early childhood education, primary and lower secondary). Focal Group 3 is established to: (i) improve coordination for information and statistics management, (ii) support planning processes and budget allocations which are consistent with the priorities of the ESDP, (iii) review, monitor and evaluate the implementation of the ESDP and support planning for future monitoring activities, (iv) support personnel to undertake their roles and develop capacity of the staff in the education and sports sector, and (v) support inclusive education strategies and gender mainstreaming in the implementation of the ESDP.

activities included under the GPE II project have been endorsed by the GPE II Task Force. The GPE II design was also reviewed at several workshops led by the Vice Minister of MoES that utilized Focal Groups to assess the investment proposal and put forward recommendations for improvement. Following the arrangement under the EFA-FTI program, the Government of Australia and UNICEF are the coordinating agencies and the Bank, at the request of the ESGW will be the Supervising Entity for the proposed project.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

21. The objective of the project is to support the Government of Lao PDR in improving pre-primary and primary education quality. This will be done by: (i) providing additional funding at school, district and provincial levels, as well as strengthening overall capacity to manage these resources to achieve minimum education quality standards and (ii) enhancing the teaching and learning environment in schools through improved teaching practices, instructional resources and analytical products to support early grade literacy.

B. Project Beneficiaries

22. The project's main beneficiaries include: (i) 1,000,000 pre-primary and primary students and schools in project districts who will benefit from better financed and better managed schools; (ii) 4,800 Grade 1 and 2 students who will benefit from teachers trained in improved pedagogical approach for teaching of reading and accompanying materials; (iii) 400 teachers who will benefit from training and new reading instructional materials to improve their effectiveness to teach basic reading and writing skills; (iv) 8,900 principals and heads of incomplete schools²³ who will benefit from capacity building training under the project; (v) 8,900 VEDCs who will be encouraged to increase their participation in their community schools; (vi) 1,000 Provincial Education and Sports Services (PESS), District Education and Sports Bureaus (DESBs) and MoES staff in project provinces and districts who will benefit from cross –departmental capacity building activities under the project; and (vii) 20 MoES staff who will benefit from further training in learning assessment as well as overall capacity development to deliver educational services.

C. PDO Level Results Indicators

23. The PDO level results indicators are:

- 1) Percentage of schools that meet the minimum quality of service delivery²⁴

²³ Schools that do not have the 5 grades of primary school because of lack of facilities or teachers are called “incomplete schools” and do not formally have a principal, but instead one of the teacher acts as head of the school.

²⁴ This indicator will focus on 3 dimensions of school quality that have a direct impact on the sector challenges (and that are aligned with existing education quality standards): (i) students, (ii) teaching and learning and (iii) school environment and community participation, reflecting the necessary conditions for learning to take place in a school. See Annex 2 for a detailed list of standards.

- 2) Percentage of Grade 2 students in pilot schools who cannot read a single word, disaggregated by gender
- 3) Percentage of Grades 1 and 2 teachers in pilot schools who show improvement in teaching practices (measured through objective classroom observations)²⁵

24. All PDO indicators will be measured regularly so that interim results will be available to assess the effectiveness and/or impact of the project interventions on reading and quality of service delivery (See Annex 2 for more details.) Moreover, the data collection area for the three PDO indicators will intersect so that the project can measure the impact of project interventions on school quality and reading improvement within the project implementation period.

III. PROJECT DESCRIPTION

A. Project Components

25. The project seeks to improve education quality by strengthening the capacity for SBM and improving the teaching and learning of early grade reading. This will be done through three components. Component 1 will support the strengthening of SBM, by funding complementary SBGs at the school level, operating cost at the districts and the provincial levels, and building capacity at all levels, including the VEDCs, to manage these resources effectively. The SBGs will be disbursed only after the government SBGs are disbursed, to ensure that the GPE grants are complementing and not substituting the government SBG. Very low performing districts²⁶ will receive additional support in the form of district operational support for the entire implementation period and additional capacity building. Component 2 will support the development, piloting and evaluation of a new approach to reading instruction in Lao language, with the objective of guiding a possible scale-up of the new approach. In addition, it will support analytical work to inform policy decisions on early grade reading instruction for students with weak Lao language skills. While there are clear complementarities of the two components, their scope and sequence is different. Component 1 will provide nationwide support in two phases, whereas the pilot under Component 2 will be implemented in a sample of schools, with the objective of providing rigorous evaluation results that can inform future policy changes. Component 3 will focus on strengthening project management, capacity development and monitoring and evaluation (M&E) at all levels.

26. **Phased approach.** Component 1 will be rolled out in two phases, with the most disadvantaged districts getting support first and continuing to get support throughout the project. Disadvantaged districts are selected using girl's survival to Grade 5.²⁷ Using this indicator, the

²⁵ While the exact classroom observation tool will be developed and piloted during implementation, the specific dimensions that will be assessed in these observations are specified in Annex 2, Component 2 description.

²⁶ Very low performing districts are selected by the MoES as those with the lowest numbers in at least two indicators among: (i) Proportion of students who enter primary with some ECE experience, (ii) primary NER, (iii) primary survival rate to Grade 5, and (iv) lower secondary GER. The districts selected using these criteria are Boualapha in Khammouane Province, Phin and Nong in Savannakhet Province, and Kaleum in Sekong Province.

²⁷ This indicator is also used by Australia's program BEQUAL to target their districts.

80 districts below the target for survival rate to Grade 5²⁸ will receive capacity building on SBM in the first year, followed by block grants and continued support in the following three years of the project. The remaining districts (currently there are 148 districts) will receive capacity building in the second phase (years 3 and 4) and SBG in the last year of the project. This phased approach is designed to expand the opportunities and benefits of SBM and SBG to all schools in all districts and increasing the sustainability of the intervention by providing nationwide capacity building on SBM, facilitating the transition to SBG program fully funded by the GoL.

27. **The phased approach requires a four-year implementation period rather than the usual three year for GPE projects.**²⁹ A longer implementation period is necessary to facilitate the implementation of the phased approach which will increase the equity and sustainability of the project. The phasing provides the opportunity for districts with lower educational outcomes to receive more support for a longer period as well as to strengthen capacity nationwide. During the four years, the project will: (i) develop institutional capacity at the national, provincial and district levels; (ii) ensure a level of support appropriate for existing capacity constraints in each district; (iii) identify and provide follow-up support to low performing schools to develop coherent school development plans; and (iv) establish a feedback mechanism that incorporates lessons from the early stages of capacity building. In addition, the longer time frame will allow for more robust results when evaluating the impact of the new reading methodology on a full cohort of children completing Grades 1 and 2.

Component 1: Strengthening School-Based Management (US\$12.7 million)

28. This component will support the development of a SBM framework and the strengthening of SBM nationwide based on the principles of a strong capacity development strategy that encourages improved quality, M&E, reporting and accountability. In order to achieve this, the project will support activities at the central level to standardize and streamline the current SBM materials so that the MoES has a unified approach to SBM. Provincial and district education departments will be trained on the principles of the SBM framework, on how to develop effective school development plans and on M&E and financial reporting. Districts will be responsible for training school principals and VEDCs. The project will support the implementation of the school development plans (SDP) by providing complementary SBGs. It will also support transparency and accountability by providing capacity development on financial reporting through the computerized reporting system, and by the establishment of a complaint mechanism for parents and communities to report irregularities to promote transparency and accountability. In addition, the project will support some operational costs for DESB and PESS to ensure appropriate coaching, mentoring and monitoring of schools.

29. To achieve the goals of this component the project will finance: (i) technical assistance for the development of the SBM framework, harmonization of SBM materials, training of the

²⁸ 42 out of the 56 EFA-FTI supported will be included in these 80. EFA-FTI districts that have made large increases in survival rates in grade 5 and are now above national average will be supported in phase 2.

²⁹ The four year timeframe was discussed and agreed by the GPE Secretariat.

national SBM team³⁰, monitoring quality of training of SBM team at the district level, improvements in the existing financial monitoring and reporting system at the school level, and support for the Inclusive Education Center (IEC) on gender issues related to education as well as complement their current focus on disability and inclusion; (ii) a system of monitoring and quality control of capacity development efforts; (iii) operational cost support for DESB and PESS to cover travel and subsistence expenses for appropriate coaching, mentoring and monitoring of schools during this process; and (iv) three annual payments of complementary SBGs to schools in phase 1 and one annual payment for schools in phase 2, for use in line with the SBG manual³¹ (See Annex 2 for details). In addition, JICA will provide technical assistance support in coordination with the implementation of this component for the entire project period.

30. The government is committed to providing SBG grants in the amount of at least LAK 20,000 (approximately US\$2.5) per student in primary and LAK 15,000 (approximately US\$1.88) per student in pre-primary education. The project is designed to complement the government's contribution on a matching basis (i.e., LAK 20,000 and LAK 15,000 per primary and pre-primary student respectively each year). Given that the government has an ambitious goal of providing LAK 100,000 per student per year (as included in the ESDP), the project contribution could be adjusted if the government decides to increase its contribution to the SBG and the Bank agrees.

Component 2: Improving Reading Outcomes and Assessment Capacity (US\$2.5 million)

31. This component will focus on promoting evidence-based approaches to the teaching and learning of early grade reading in Lao language. This will be done through the piloting of a reading development intervention in Lao language in Grades 1 and 2 and the production of research aimed at informing policy and programming decisions to support reading development for ethnic students and those with weak Lao language skills. The pilot and research are expected to inform ongoing and planned reforms around primary curriculum and reading development, instructional approaches in the early grades and Lao language development to ethnic students, as well as teacher training and teacher resource development that the MoES plans to undertake in 2015 with support from development partners, particularly from the Australian BEQUAL program.

Sub-component 2.1: Reading Development Intervention for Grades 1 and 2 in Lao Language

32. The project will support Research Institute for Educational Science (RIES) and relevant units in the MoES to develop and pilot a new pedagogical approach for teaching and learning of reading in Grades 1 and 2 that will be delivered as an in-service program to teachers. The

³⁰This activity will be coordinated by the Department of Pre-Primary and Primary Education (DPPE), and will include a cross-departmental team formed by relevant departments of MoES and provincial focal points.

³¹ The SBG manual is part of the Project Implementation Manual, and it establishes 4 minimum conditions to access funds: (i) submission of a credible SDP; (ii) submission of annual budget; (iii) submission of financial report; and (iv) evidence of functioning VEDC - named members, agenda and minutes of meetings. (See Annex 2 for more details.)

intervention will include: (i) the development of the pedagogical approach and accompanying instructional materials for teachers and students and simple classroom-based assessments for early grade reading; (ii) teacher training on the pedagogical approach and monitoring strategies to track changes in teaching practice; and (iii) capacity building to school principals and pedagogical advisors to promote and sustain strategies towards better teaching and learning environments in primary schools. An impact evaluation will be included to measure the overall impact of the pilot. Reading outcomes will be measured using the Lao EGRA tool; the Lao Snap School Management Effectiveness (SSME) tools will be used to measure changes in classroom and school factors supporting a more effective learning environment, along with context-relevant classroom observation tools to capture changes in teacher effectiveness associated with the pilot. The evaluation will integrate a mixed-methods approach to establish how participant's attitudes and behaviors changed as a result of the program and to grasp the state of the enabling mechanisms at the school, community and MoES to support scalability. The impact evaluation findings will be complemented by a cost-effectiveness analysis.

33. To assist the MoES efforts to improve teaching and learning, and to strengthen RIES leadership in developing and improving instructional and curriculum materials, the project will also finance RIES's capacity building in four possible major areas: (i) survey design; (ii) data analysis; (iii) student assessment; and (iv) the design of evidence-based instructional and curriculum materials. Capacity building activities will be short-term in nature.

Sub-component 2.2: Studies to Support Instructional Approaches to Ethnic Students

34. This sub-component will finance technical assistance to broaden the evidence around effective approaches to reading development in the context of ethno-linguistic diversity. The objective of these studies is to inform the MoES of policy options and programmatic decisions to address the gaps in learning outcomes among ethno-linguistic groups.

35. This sub-component will support four analytical products: (i) a review of country experiences (including Lao PDR) with significant ethno-linguistic diversity in advancing effective approaches to reading development of students with weak skills in the official language of instruction; (ii) a study on the orthographic and linguistic features of the main ethnic languages in Lao PDR; (iii) an analysis of policy options and costing to address the reading deficits among non-proficient Lao speakers; and (iv) an evaluation framework of programs for instruction in Lao language. The evaluation framework aims to equip MoES technical teams responsible for early grade reading and teacher training with the tools to assess technical elements of reading programs for possible inclusion in a program for slow readers.

Component 3: Project Management and Monitoring and Evaluation (M&E) (US\$1.6 million)

36. This component will support the delivery of project activities on planning and execution, financial management, procurement, internal audit, environmental and social safeguards management and monitoring and evaluation. A particular focus will be on strengthening financial management capacity to manage and control SBG. The project will use procurement and financial management procedures used under the EFA-FTI program and will also promote

the development of government-wide systems for financial management, including the use of school bank accounts for managing all funds from the government and the GPE. The component includes activities designed to ensure efficient project management and early identification of corrective measures to solve any implementation problems. As the ESDP Coordination Unit (ECU) takes the coordination responsibilities for the project, it would need to have an appropriate provision for logistics and operational costs. A series of workshops such as a launch workshop and annual review workshop are included in this component, together with financing for the required financial audits to support the Department of Finance (DOF).

37. This component will also support the M&E of project activities and sector wide indicators, by strengthening the existing mechanisms for monitoring and data collection, and supporting project specific data collection when needed. This component will finance technical assistance, training and the development and use of monitoring tools, to the M&E units under key relevant departments including Department of Pre-primary and Primary Education (DPPE), Department of Finance (DOF), Department of Inspection (DOI), Education Statistics and Information Technology Center (ESITC), as well as members of the M&E network in provincial and district offices. It will also support data collection on quality standards indicators for a panel of representative schools and support additional qualitative data collection when needed.

B. Project Financing

Lending Instrument

38. The lending instrument will be Investment Project Financing and will be financed by a Grant of US\$16.8 million from the GPE. It is expected to be implemented over a 4-year period. The amount allocated by project component is as follows.

Project Cost and Financing

| Project Components | Project cost (US\$M) | GPE Financing (US\$M) | % Financing |
|---|-----------------------------|------------------------------|--------------------|
| 1. Strengthening School-Based Management | 12.7 | 12.7 | 100 |
| 2. Improving Reading Outcomes and Assessment Capacity | 2.5 | 2.5 | 100 |
| 3. Project Management and Monitoring and Evaluation | 1.6 | 1.6 | 100 |
| Total Project Costs | 16.8 | 16.8 | 100 |
| Total Financing Required | 16.8 | 16.8 | 100 |

C. Lessons Learned and Reflected in the Project Design

39. Previous projects (supported by development partners and the Bank) offer a number of lessons which have been considered and reflected in the project design, including:

- *The project design should be simple, with a well-developed and clear PDO.*
- *Continuing to work with communities is crucial.* Experience supporting VEDCs and schools under the EFA-FTI program and other development partner supported projects shows their potential in promoting both education access and quality. This is clearly demonstrated in the CBC modality used under the EFA-FTI program which strengthens local accountability and ensures cost effectiveness of school construction.
- *The project design should be based on rigorous analysis and incorporate relevant international and local experience.* The basis for this project design came from research supported by the EFA-FTI program and conducted with the support of the Bank,³² which highlights that SBM can (i) lead to more parental involvement in managing schools, which is especially important in countries where corruption and/or misuse of school funds is an issue; (ii) improve learning by funneling more resources directly to schools and making better use of existing resources; (iii) promote a higher sense of "ownership" of the school among parents, principals, and teachers and thereby motivate them to improve school conditions and instruction; and (iv) enhance student enrollment, lower dropout and repetition rates, increase teacher and student attendance, and improve teacher effort. Exposure to these international lessons during project preparation occurred, among other activities, in a series of consultative workshops, which were held to discuss key design issues with lessons from international experiences and a study tour to Indonesia and Thailand to learn about the SBM and the SBG programs.
- *Addressing low capacity constraints in M&E is a priority.* There is a need to strengthen and improve the M&E system from the school to the central level as well as from the central level back to the schools. An independent assessment of the M&E system under the current EFA-FTI program shows that schools, districts and provinces still need capacity development to improve data collection and analysis along with resources to visit schools and share information.
- *Clarified responsibilities within MoES in decision making process to improve service delivery.* The Operational Risk Assessment Framework (ORAF) includes various elements for improving transparency and accountability through strengthened procurement arrangements and financial management, enhanced public disclosure, involvement of civil society, a complaints mechanism, and internal audit and inspection of the education sector. With this in place, as well as the previously adopted finance and administration manuals (FAM), and operational manuals for previous projects in the sector, the MoES has clear lines of decision making for the project.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

40. The project's institutional and implementation arrangements build on the existing arrangements for the EFA-FTI program. The MoES is the project executing agency and has final responsibility for project implementation according to agreed administrative arrangements, financial management and procurement practices and applicable safeguards policies (see Annex

³² School Based Management in Lao, PDR, World Bank 2013. This research incorporates school grant data provided under the EFA-FTI program.

3 for more details). Under the authority of the MoES, the ECU under the DPPE will coordinate project activities. The overall project implementation will be guided by a Project Steering Committee³³, and supported by a technical Project Working Group.³⁴ An inter-ministerial Project Advisory Council will provide overall oversight and will be the main avenue for inter-ministerial coordination when needed. The MoES will implement project activities as part of the work of its line departments. It will set up an SBM team, comprised of members from existing units that work on SBM related issues in the Ministry and in participating districts to coordinate SBM support activities. The role of this SBM team will be to ensure an effective coordination across units and the members will serve in the team but remain in their departments (DPPE, DOF, Department of Personnel (DP), DOI) with involvement from the Department of Teacher Education (DTE), the Education Standards Quality Assurance Center (ESQAC), the ESITC and the IEC.

B. Results Monitoring and Evaluation

41. **M&E will take place on two levels with an overall objective of supporting existing systems to monitor the project.** At the sector level, the project will continue the support provided under EFA-FTI program to develop the M&E network and the performance assessment framework (PAF), which is used to measure ESDP progress. The project will support MoES to strengthen the PAF for the basic education sector, particularly those aspects known to have a significant impact on learning in schools, such as lesson planning and homework. The project will finance technical assistance for further development the assessment framework and monitor sector indicators.

42. At the project level, data used to monitor project results will be regularly collected for the education management information system (EMIS) and the education financial reporting system (FRS). When indicators are not available in these systems, the project will support the addition of new indicators to existing systems when possible. Improvements in reading skills will be measured through an impact evaluation design that incorporates a baseline and end-line EGRA assessment in participating schools, complemented by the SSME tool to capture changes in teacher, principals, pedagogical advisors and VEDCs behavior as a result of project activities. In addition, the project will support monitoring of activities and outputs for each component. Relevant outcome indicators will be disaggregated by gender when possible.

43. At the project level, the DPPE's and DOF's M&E units will lead this effort. The reporting of project progress will be incorporated into the ESDP PAF operational cycle, including annual joint sector reviews with development partners. Furthermore, project progress will be reported at the annual education sector conference. The DOI will be responsible for collecting all the information from different sources in a timely manner according to the PAF operational cycle.

C. Sustainability

³³ Chaired by the Vice-Minister and which provides the overall policy directions.

³⁴ For technical coordination among relevant implementation units.

44. Considering the large investment in capacity building to manage the education system and SBGs effectively at all levels, the sustainability of the project interventions lies in the continuity of the SBG program after project closure. The short-term fiscal constraints that the country is facing pose a risk to the availability of funds for SBGs in the near future. Since only nine percent of the budget goes for non-salary operational spending, a significant budget cut in the MoES would likely affect SBG in the short term.

45. The GoL is committed to continuing to provide block grants and increasing the amount in the medium term. The SBG program is a small share of the budget (slightly less than two percent), so under reasonable assumptions on the budget projections, the SBG program can be accommodated into the budget.

46. The government is taking steps to manage the immediate fiscal problems.³⁵ At the same time, the MoES has reconfirmed its long-term commitment to SBM and the provision of SBG as indicated in the education law 2007.³⁶ An official letter from the Deputy Prime Minister and Minister of Education and Sports was provided³⁷ confirming the government's commitment and guarantee to a minimum of LAK 20,000 per primary student (approximately US\$2.5) and LAK 15,000 (approximately US\$1.88) per pre-primary student for the duration of the project covering FY 2016/17 – 2019/20. The implementation of the SBG will be a standing item at the Annual Education Sector Conference, and the Bank team and the ESWG will continue to dialogue regularly with both MoES and MOF officials to ensure that the government SBG is prioritized for disbursement. If the PRSO program is continued, the SBG disbursements will continue to be a policy action trigger for the education sector. In the medium-term,³⁸ if strong growth continues³⁹ there should be sufficient fiscal space to absorb the additional costs of meeting the SBGs, provided the government prioritizes the SBG program as a key component of its education policy and earmarks funds for it. In the short term, this project can play an important role in sustaining SBM by providing the necessary funding to bring the amount closer to the government target.

47. Setting the budget constraints aside, the project is operationally sustainable since it is in line with agreed sector priorities, has benefitted from extensive consultations with all relevant stakeholders and uses government systems to the extent possible. Large parts of the project are also based on current, successful programs in the education sector and the project makes use of government systems. Following the EFA-FTI program, the use of government personnel, M&E systems and procurement and financial systems is unprecedented in Lao PDR. MoES also has an impressive track record in implementing projects to meet the goals of ESDP in extending access and improving quality of education to benefit all children.

³⁵ It recently endorsed a proposal to freeze civil servants wages and withdrew the last stage of a salary compensation program in an effort to protect the non-wage recurrent budget.

³⁶ More specifically, in Article 28 of the Prime Minister's Decree 136 on the implementation of the Education Law.

³⁷ The letter was received by the World Bank and GPE coordinating agencies on August 13, 2014.

³⁸ Medium term for the purposes of the project period is up to FY2019-20.

³⁹ Control the public sector wage bill and maintaining or increasing domestic revenue collection in line with recent performance will also be key.

D. Gender and Disability

48. Gender parity in primary education has been achieved in some provinces and the country as a whole is on-track to achieve MDG3 on gender parity. Despite the nationwide progress in gender parity, many provinces are falling significantly behind in gender parity in primary, and the gender disparities in access to education remain large in post-primary education in most provinces. Thus, there is much scope to improve gender equity within project implementation. The existing education quality standards include inclusion and gender equity in all school activities, and capacity development under the project at all levels will include ways to identify and address gender and other disparities. Some strategies include: (i) stipulations to encourage the inclusion of women in SBM training in schools where they are under-represented on VEDCs or as principal/senior teachers; (ii) representation of the IEC in the SBM support team to ensure that gender and other equity issues are consistently mainstreamed; (iii) inclusion of a discussion on gender in the safeguards-related training modules; (iv) the use of gender disaggregated data; and (v) gender mainstreaming in the design and analysis of project monitoring mechanisms such as in the beneficiary assessment, school and household surveys.

49. Similarly, the project will incorporate disability and inclusion awareness in the capacity building under Component 1, including potential strategies to reach out to children living with disabilities. The objective of these activities will be to address disability and inclusion in the SDP and district plans and channeling district and school grants towards achieving greater inclusion of children living with disabilities in education.

50. In recognition of the importance of understanding and explicitly addressing gender issues across the project implementation, part time technical advisory support will be made available by means of the Gender and Inclusive Education Technical Working Group and more specifically through a technical consultant sitting within this structure.⁴⁰ With financial assistance from UNICEF, Plan and United Nations Girl's Education Initiative (UNGEI), the technical advisory position within the Gender and Inclusive Education Technical Working Group will dedicate up to 50 percent of time to support to the delivery of this project. In addition, the GPE funded program will benefit from ongoing technical support provided through the regional UNGEI.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

| Risk Category | Rating |
|---------------------------------|---------------|
| Stakeholder Risk | Moderate |
| Implementing Agency Risk | |

⁴⁰ The Gender and Inclusive Education Technical Working Group, located within the Education Sector Working Group's Focal Group 3 (Education Planning, Financing) was formed with assistance of UNGEI in 2013 and is chaired by the Inclusive Education Centre, MoES. This Technical Working Group is currently co-chaired by Plan International and serves as a convening body for Development Partners and the MoES to provide recommendations on advancing gender equity across the education sector.

| | |
|--|-------------|
| - Capacity | Substantial |
| - Governance | Moderate |
| Project Risk | |
| - Design | Moderate |
| - Social and Environmental | Moderate |
| - Project and Donor | Moderate |
| - Delivery Monitoring and Sustainability | Substantial |
| Overall Implementation Risk | Substantial |

B. Overall Risk Rating Explanation

51. Based on the ORAF, the overall implementation risk is **substantial** primarily because of the capacity risk at the provincial, district and community levels. To ensure sustainability, the implementation of the project relies on provinces and districts to implement the capacity building and monitor project outputs and outcomes. While this approach improves the chances of long term impact of the project, it also adds risks to its implementation. Some mitigating measures are explained in the ORAF. (Annex 4)

52. A substantial risk also exists that the macroeconomic situation may result in a reduction in non-salary operational budget, which may impact the disbursement of government block grants. While the SBG provided by GPE are designed to complement those from the government and the MoES has provided assurances of the continuity of the government SBG the risk remains substantial since the MoES may be adversely affected by a potential worsening of the fiscal situation. In addition to the written assurances from the government about the continuity of SBG, the project includes additional mitigation measures (such as the prioritization of SBG in Annual Sector Plans). Monitoring the planned and actual budget during project implementation will be critical to anticipate any potential issues with the disbursement of government grants.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

53. **The cost-benefit analysis of the project interventions shows significantly higher benefits than costs, even with conservative assumptions about project impact.** Because of the systematic nature of the interventions and the large number of beneficiaries, even very small increases in average attainment result in very large benefits. While existing evidence shows that SBM can improve school retention and, under the right conditions, learning outcomes, there are large differences in the impact of SBM programs.⁴¹ Taking into account the uncertainty about the magnitude of the impact of the project interventions on attainment and the impact of learning outcomes on income, the analysis was done under three scenarios – high impact (gaining the

⁴¹ McEwan, Patrick J. (2013) "Improving learning in primary schools of developing countries: A meta-analysis of randomized experiments." *Wellesley, United States: Wellesley College.*

equivalent of one full year of additional education), medium impact (half a year) and low impact (two months). While ambitious, the high impact scenario is by no means unattainable: since between 15 and 20 percent of children in the most disadvantaged districts drop-out in the first two grades, halving drop-out rates for these children while maintaining the average attainment for the rest of the population would result in the equivalent of one full additional year on average. Under the three scenarios, using current returns to education of 10 percent per year completed, the net present value of the benefits under the three scenarios would be almost 20 times, 10 times and two times larger, respectively, than the cost. For the benefit to be lower than the cost, the impact on attainment would have to be less than one month on average. This analysis, which does not include many other benefits that this project will bring about (increased efficiency in the education system, externalities arising from a more educated workforce), shows a strong economic justification for the project.

54. **Rationale for public intervention.** The rationale for public intervention in improving access and quality of education is strong, since there is a range of market failures that lead to underinvestment in education by households in the absence of government interventions. For example, access to capital constraints may prevent households from borrowing to pay the cost of education despite positive long term private benefits from the investment. Inadequate information about the returns to education may also lead households to underinvest in education.⁴² Investments in education have also shown to have large externalities, from improvements in health outcomes to improvements in active citizenship (voter participation). For all these reasons, public investment in education (especially basic education) is one of the most clearly justified public investments.

55. **Value-added of World Bank involvement.** The Bank has been active in supporting the education sector in Lao PDR; including acting as the supervising entity for the previous EFA-FTI program, which spearheaded some of the reforms supported by this GPE II project. Current on-going project also includes the Early Childhood Development project which was launched in 2014. While the funds come from the GPE, the ESWG has asked the World Bank to be the supervising entity for this project. The World Bank support for some of the initial activities that led to this project (for example, SBGs included in EDP II project, the EGRA survey and the recent Lao SBM report), its long term engagement in the sector and its active participation in the local development partner group are strong reasons for the World Bank to act as supervising entity for this project.

B. Technical

56. The project draws on the lessons learned from successful previous education projects funded by donors in Lao PDR and other countries. The project components are embedded within the ESDP 2011-2015 and also in the new ESDP 2016-2020. The project was prepared through a lengthy consultative process with the MoES, development partners and the GPE. Furthermore, findings and research from other countries have been presented to MoES' staff in a series of meeting and workshops during project preparation. Lessons learned from study visits to

⁴² See for example Jensen (2010)

Indonesia and Thailand about the SBM and the SBG programs and experiences of development partners have been incorporated into the project design.

C. Financial Management

57. The financial management arrangements under this project are built on the success of the financial management implementation under the EFA-FTI program. This financial management capacity assessment is based on the assessment of the same implementing agency (ECU and DOF of the MoES) carried out in 2013 for the Early Childhood Education Project and updated for activities and arrangements specific to the proposed project.

58. The overall financial management risk is assessed to be substantial, given the nature of the project activities that involve extensive school/community-level support and participation. The project is also benefiting districts throughout the country. The main risks identified include: (i) low capacity at the school/community, district and provincial levels, which could increase the risk of funds not being used for intended purposes; (ii) low capacity at the school/community level, which could increase the risk of funds not used for intended purposes; (iii) capacity of implementing agency staff to ensure acceptable financial management arrangements; (iv) inability to liquidate advances in a timely manner and to monitor and provide timely information on commitments; and (v) delays in the transfer and shortage of funds. These risks will be mitigated by: (i) have in place acceptable operational manuals for SBG, including associated school/community guide, and district grants; increase transparency in the use of funds by periodically disclosing at meetings or display on school notice board; (ii) revised and acceptable finance and administration manual (FAM) and systems to improve timely liquidation of advances and enable recording of commitment; (iii) increasing the number of skilled staff at the central level and strengthening financial management skills of provincial and district level finance staff through capacity building; (iv) improving the system for and production of six-month expenditure projection per semester; and (v) training of school/community beneficiaries and MoES finance staff at all levels.

59. The financial management arrangements will be deemed acceptable and meet the requirements of OP/BP 10.00 when the proposed mitigation measures have been implemented.

D. Procurement

60. Procurement under the project is expected to be limited. Procurement of goods and works under the project and financed in whole or in part by GPE fund will be carried out in accordance with IDA's "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by world Bank Borrowers" dated January 2011 and revised in July 2014, and the provisions in the legal agreement and the agreed procurement plan. The procurement of consultant services financed in whole or in part by GPE funds will be carried out in accordance with IDA's "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014, the provisions stipulated in the legal agreement and the approved procurement plan. The ECU has prepared a detailed procurement plan for the 4 year project period, which has provided the basis for the selected procurement procedures. This plan was discussed and agreed with the World Bank on March 11, 2015. The plan will be updated with the

Bank's prior concurrence, annually or as required, to reflect changes in implementation needs and improvements in institutional capacity. The procurement risks of the project will be managed and mitigated through an action plan that has been incorporated into the project design and the project financing agreement. The details about procurement are provided in Annex 3.

E. Social (including Safeguards)

61. The project's focus on children in disadvantaged districts and those from poor families is expected to contribute to social inclusion and greater equality of opportunity. Given the project's coverage of areas resided by ethnic groups, the World Bank's Indigenous Peoples (IPs) policy OP 4.10 is triggered.

62. The Ethnic Group Development Plan (EGDP) developed for the recently-closed EFA-FTI program has been updated for use under this project based on experience from the EFA-FTI program implementation as well as the participatory Social Assessment (SA) during the preparation of this project, given the very similar scope of activities supported under, and the expected impacts resulting from, the project. The SA conducted during the preparation of this project included free, prior and informed consultations with ethnic groups likely to be affected under the project in all three main regions of Lao PDR: north, central and south. The social assessment is part of the process by which the MoES informs the ethnic communities and local authorities at village, district and provincial levels about the project. The consultation and assessment ensures social engagement and inclusiveness and that ethnic groups' issues are incorporated into the project planning, design, implementation and monitoring. It also ensures that the project benefits are mutually distributed in a culturally appropriate manner as well as to avoid negative impacts.

63. The findings of the social assessment are included in the EGDP. The results of the assessment revealed that the EDGP prepared under the EFA-FTI program is still valid, and that this GPE II project is not associated with any negative impacts as the project does not involve any construction, land acquisition, physical relocation or any other form of removal or non-removal of assets. It does not involve or interfere with their way of using land and natural resources and knowledge. All of the consulted villagers, including village authorities, teachers and students/children were unanimous in their support of the GPE II. They also understand the importance of improving the quality of education, especially the management of school infrastructure, having teachers with the skills to teach children from ethnic groups, and especially to create conditions that assist younger and primary school children to learn effectively. The updated EGDP⁴³ was disclosed at the InfoShop on August 20, 2014 and in-country on MOES' website in both Lao and English on August 22, 2014.

F. Environment (including Safeguards)

64. Minor civil works for school buildings maintenance and repair will be financed by the project on existing school premises, and the potential environmental impact is expected to be minimal. The activities supported by the project, including SBGs to finance operational costs of

⁴³ Report number: IPP 741.

schools, improving reading outcomes and assessment capacity and costs associated with training MoES officials will have no environmental impact. However, the World Bank's Environmental Assessment policy OP 4.01 is triggered due to the need to address the environmental, health and safety requirements for carrying out the minor school maintenance and repair works, and to assess and take into account the social aspects of the project particularly any impacts on Indigenous Peoples communities. An Environmental Code of Practice (ECOP)⁴⁴ was prepared as a guide for the schools and communities to put in place mitigating measures in carrying out minor works in line with their regular building maintenance practices, and was disclosed on August 20, 2014 at the InfoShop and in-country on MOES' website in both Lao and English on August 22, 2014.

65. The project is classified as Environmental Assessment Category "B". The SBG program does not allow new construction, extension or major rehabilitation of facilities. There are no major environmental and social safeguards issues anticipated in the project, and no land acquisition, loss of lands and/or resettlement concerns are expected.

⁴⁴ Report number: E4624.

Annex 1: Results Framework and Monitoring

LAO PDR: SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT

Project Development Objectives

PDO Statement:

The objective of the project is **to support the Government of Lao PDR in improving pre-primary and primary education quality.**

This will be done by: (i) providing additional funding at school, district and provincial levels, as well as strengthening overall capacity to manage these resources to achieve minimum education quality standards; and (ii) enhancing the teaching and learning environment in schools through improved teaching practices, instructional resources and analytical products to support early grade literacy.

Project Development Objective Indicators

| Indicator Name | Core | Unit of Measure | Baseline (2014/15) | Cumulative Target Values | | | | | Frequency | Data Source/ Methodology | Responsibility for Data Collection |
|---|------|-----------------|--------------------|--------------------------|-----|-----|-----|------------|-----------|--------------------------|------------------------------------|
| | | | | YR1 | YR2 | YR3 | YR4 | End Target | | | |
| Percentage of schools that meet the minimum quality of service delivery ⁴⁵ | | Percentage | TBD | | 30 | 50 | 80 | 80 | Yearly | EMIS, FRS, DOI | DESB and reported to ECU |

⁴⁵ The minimum quality of service delivery is defined as meeting a set of minimum education quality standards. For a full list of these standards, see Annex 2.

| | | | | | | | | | | | | |
|--|--|------------|-------------------|---|---|---|----|----|----|-------------------------------|------|------|
| Percentage of Grade 2 students in pilot schools who cannot read a single word (male) | | Percentage | TBD ⁴⁶ | | | | | | 15 | Baseline (YR1), end-line YR4) | RIES | RIES |
| Percentage of Grade 2 students in pilot schools that cannot read a single word (female) | | Percentage | TBD | | | | | | 15 | Baseline (YR1), end-line YR4) | RIES | RIES |
| Percentage of Grade 1 and 2 teachers in pilot schools who show improvement in teaching practices ⁴⁷ (measured through objective classroom observations) | | Percentage | 0 | 0 | 0 | 0 | 80 | 80 | | Baseline (YR1), end-line YR4) | RIES | RIES |

Intermediate Results Indicators

| Indicator Name | Core | Unit of Measure | Baseline | Cumulative Target Values | | | | | Frequency | Data Source/ Methodology | Responsibility for Data Collection |
|----------------|------|-----------------|----------|--------------------------|-----|-----|-----|------------|-----------|--------------------------|------------------------------------|
| | | | | YR1 | YR2 | YR3 | YR4 | End Target | | | |
| | | | | | | | | | | | |

⁴⁶ This figure is based on the EGRA in 2012, which includes a different sample of schools.

⁴⁷ See Annex 2 for a list of dimensions that will be evaluated in classroom observations.

| | | | | | | | | | | | |
|---|---|--------|---|--|--|--|--|-------------------------|--|-----------|-----|
| Direct project beneficiaries (number) of which female (%) | X | Number | 0 | | | | | 1,200,000 ⁴⁸ | | EMIS, DOI | ECU |
|---|---|--------|---|--|--|--|--|-------------------------|--|-----------|-----|

⁴⁸ Including new students coming into the system during the project implementation.

Component 1

| | | | | | | | | | | | |
|--|--|------------|-----|--|--|--|--|--------|--------|------------------------|-----------------|
| Percentage of schools in 80 districts with SDPs meeting minimum quality ⁴⁹ | | Percentage | N/A | | | | | 80 | Yearly | DESB, DPPE, ECU | DESB |
| Percentage of schools receiving grants with budget information publicly available to communities | | Percentage | N/A | | | | | 80 | Yearly | DESB, DPPE, ECU | DESB |
| Percentage of supported VEDCs meeting at least twice per school year | | Percentage | N/A | | | | | 100 | Yearly | DESB, DPPE, ECU | DESB |
| Number of VEDCs members receiving capacity building on SBM ⁵⁰ disaggregated by gender | | Number | 0 | | | | | 17,900 | Yearly | DESB, DPPE, ECU | DESB, DPPE, ECU |
| Number of school principals and head of schools receiving capacity building on SBM ⁵¹ , disaggregated by gender | | Number | 0 | | | | | 8,900 | Yearly | GPE project monitoring | MoES, DP |

⁴⁹ The quality of the SDP will be assessed by the DESB using objective criteria: Level 1 defined as basic plan with objectives and action plan (minimum for SBG); Level 2 defined as SDP based on problem analysis; and Level 3 defined as a more comprehensive plan that links analysis to strategies to monitoring and review.

⁵⁰ Includes only those receiving capacity building from the project. The training includes disability and inclusion awareness.

⁵¹ Includes only those receiving capacity building from the project.

| | | | | | | | | | | | |
|---|--|--------|-------|-------|-------|-------|-------|-------|--------|------------------------|---------------------------------|
| Number of schools receiving government block grants ⁵² | | Number | 8,900 | 8,900 | 8,900 | 8,900 | 8,900 | 8,900 | Yearly | GPE project monitoring | MoES, DOF |
| Number of schools receiving complementary GPE block grants | | Number | 0 | | 5,500 | 5,500 | 8,900 | 8,900 | Yearly | GPE project monitoring | MoES DOF |
| Number of districts with annual costed district education development plans | | Number | N/A | N/A | 50 | 80 | 148 | 148 | Yearly | DESB | DESB and GPE Project Monitoring |

Component 2

| | | | | | | | | | | | |
|--|--|------------|-----|--|--|--|--|-----|--------|------------------------------|------|
| Percentage of trained principals and PAs in pilot schools who observe lessons and provide feedback to teachers | | Percentage | N/A | | | | | 80 | Yearly | Pedagogical advisors in DESB | DESB |
| Number of Grades 1 and 2 teachers trained as a part of project interventions, disaggregated by gender | | Number | 0 | | | | | 400 | Yearly | Project M&E | DTTE |
| Number of pilot schools provided with kit of instructional materials for Grades 1 and 2 | | Number | 0 | | | | | 80 | Yearly | Project M&E | RIES |

⁵² Minimum conditions as defined as schools having a completed SDP, VEDCs meeting 3 times a year related to school planning, schools having a school budget by semester, and schools having financial reports each semester.

| | | | | | | | | | | | |
|--|--|----------|---|--|--|--|--|---------------------|----------|-------------|------|
| Number of pedagogical advisors and school principals trained as a part of project interventions, disaggregated by gender | | Number | 0 | | | | | 120 | Yearly | Project M&E | DTTE |
| Evaluation framework for reading instruction in Lao language to ethnic students developed and submitted to MoES | | Yes / No | 0 | | | | | Framework submitted | Discrete | Project M&E | RIES |

Component 3

| | | | | | | | | | | | |
|--|--|----------|---|----|----|----|-----|--|--------|-------------|-----------|
| Number of district education officers trained in financial management, disaggregated by gender | | Number | 0 | | | | 148 | | Yearly | Project M&E | MoES, DOF |
| Disability related indicator piloted for inclusion in sector statistics | | Yes / No | 0 | No | No | No | Yes | | Yearly | EMIS | EMIS |

Annex 2: Detailed Project Description

LAO PDR: SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT

66. The objective of the project is to support the Government of Lao PDR in improving pre-primary and primary education quality. This will be done by: (i) providing additional funding at school, district and provincial levels as well as strengthening overall capacity to manage these resources to achieve minimum education quality standards and (ii) enhancing the teaching and learning environment in schools, through improved pedagogies and instructional resources to support early grade reading.

67. **The PDO indicators.** The progress towards meeting the PDO will be measured by three indicators, the first of which measures the “percentage of schools meeting the minimum quality of service delivery”. As stated in the main text of this PAD, the minimum quality of service delivery refers is defined as meeting a series of quality standards that are deemed to capture the minimum conditions for learning to take place in a school. The precise indicators are defined as follows:

| Dimension | Indicator | Suggested Measurement /Source of Measurement |
|--|---|---|
| <i>Students</i> | | |
| All school aged children enrolled in school | <ul style="list-style-type: none"> i) Collection of statistics on school aged children in catchment area ii) Details of all enrolled, non-enrolled and enrolled outside catchment area by sex ethnicity iii) Mapping of household locations with non-enrolled children iv) Active mobilization of school with community to enroll and keep children in primary school | <ul style="list-style-type: none"> i) Full recording and timely submission of EMIS return ii) Record in book form of all households in catchment area by designated categories, updated twice per year iii) Map displaying household locations prominently displayed in school iv) Record of meetings with primary age pupil parents or guardians twice per year |
| <i>Teachers</i> | | |
| Teachers and Learners | Most experienced teachers teach in grade 1 and grade 2 | By reviewing deployment |
| Teachers are committed to their work | <ul style="list-style-type: none"> i) Teachers come to school on time ii) Teachers have annual monthly and subject lesson plans iii) Teachers have notebooks to identify issues and exercises iv) Teachers produce own learning materials | <ul style="list-style-type: none"> i) Attendance Register; formal requests for leave of absence counter-signed by Principal; Leave less than average 2 days per month except for sickness ii) All teachers have planning books or ring binders/ folders containing plans with annual plans counter-signed by Principal and Head of VEDC (minimum acceptable 4 out of 5 primary teachers in complete schools, all in incomplete schools) iii) Teachers actively keep teaching notebooks of lessons – established by observation iv) Teachers maintain a folder of learning materials and exercises properly segmented and filed according to subject topic |
| Teachers assess and evaluate student learning | i) Teachers regularly conduct student assessment during teaching | <ul style="list-style-type: none"> i) A minimum of 2 marked class tests per subject per semester (Lao, Maths, The World around Us) from grade 2 with teachers keeping records of marked scripts and results ii) A minimum of one marked piece of homework per |

| | | |
|---|---|--|
| achievement For improvement of T & L process | <ul style="list-style-type: none"> ii) Teachers regularly conduct student assessment after teaching iii) Teachers use the assessment result to help students learn iv) Teachers use the evaluation result to improve the quality of their teaching | <ul style="list-style-type: none"> subject per week from grade 2 with teachers keeping records of marked scripts iii) Teachers provide end of semester report on each child containing assessment score and provide simple feedback to parents (in documentary form) which can be easily orally explained iv) Teachers compile end of semester class report for each subject for Principal and VEDC showing progress of class and different students against curriculum |
| Environment | | |
| School environment is organized to promote reading culture | <ul style="list-style-type: none"> i) School organizes a well maintained reading place for children ii) The library is open and accessible iii) Story books, journals and other reading materials are provided iv) Supervised reading using the reading place is incorporated as part of regular curriculum | <ul style="list-style-type: none"> i) In school itself or nearby community building with comfortable place to sit and read – by observation ii) Library should be open during lunch break and post school time for half an hour - established by observation/discussion iii) A minimum of 3 story books (grade appropriate) per pupil for schools up to 20 pupils; an additional 2 story books per pupil up to 50 pupils and an extra story book per pupil for schools above 100 pupils iv) Directed and supervised library reading as part of Lao language curriculum - evidence teacher notes on library sessions, observation |
| School has enough basic educational materials | <ul style="list-style-type: none"> i) School has sufficient tables chairs, blackboards that meet MOES standards ii) Each school has sufficient cupboards and shelves for keeping T & L materials iii) Materials are well maintained iv) Consumable materials are maintained using a stock register | <ul style="list-style-type: none"> i) Each child has desk and chair for each class, and each class has chalkboard, and teachers desk and chair – Established by observation ii) A minimum of one cupboard per class iii) Textbooks and other materials are registered (date of receipt & source of fund) and properly kept iv) School maintains a consumable register – stocks reconcile to indicated quantities |
| 27. Students from all groups and levels have adequate learning materials | <ul style="list-style-type: none"> i) Each student is provided with one set of textbooks ii) Each student has notebooks, pens, pencils, ruler, rubber iii) Each student in grade 1 and grade 2 has small blackboard | <ul style="list-style-type: none"> i) - iii) All established by observation |

68. **Classroom observations.** The classroom observation tool to assess the change in teaching practices will be based on existing tools, adapted to the Lao context. These tools measure different dimensions of teaching practices, such as: (i) teacher’s knowledge of the concepts to taught; (ii) competence to classroom instruction to maximize time-on-task; and (iii) content/skill-specific instructional routines in terms of their type, frequency and quality, among others⁵³. The MoES will review different classroom observation tools to develop and pre-test an

⁵³ “Why Should We Use Classroom Observation” by Megan W. Stuhlman, Bridget K. Hamre, Jason T. Downer, & Robert C. Pianta, University of Virginia, accessed on 28 August 2014 at http://curry.virginia.edu/uploads/resourceLibrary/CASTL_practioner_Part1_single.pdf

instrument suitable to observe teacher-student interactions around reading development in Lao PDR.

69. **Project description.** The project has three components. The first component will support the strengthening of SBM, by funding complementary SBGs at the school level, operating cost at the district and the provincial levels, and building capacity at all levels, including the VEDCs, to manage these resources effectively. The SBGs will be disbursed after the government SBGs are disbursed, to ensure that the GPE grants are complementing and not substituting the government SBG. Very low performing districts⁵⁴ will receive additional support in the form of district operational support for the entire implementation period and additional capacity building, complementing the improvements in management and increased funding at the school level. The second component will support the development, piloting, and evaluation of a new approach to reading instruction in Lao language, as well as the development of a framework to support ethnic students. The third component will support project management, capacity development and M&E at all levels.

Component 1: Strengthening School-Based Management (US\$12.7 million)

70. This component will support improved and sustained quality of education by promoting the development, implementation and monitoring of effective SDP, with the objective of having schools meet minimum standards of quality of service delivery. The project will focus on: (i) the development of the SBM framework, harmonization of SBM materials, training of the national SBM team⁵⁵, monitoring quality of training of the SBM team at the district level, improvements in the existing financial monitoring and reporting system at the school level, and support for the IEC on gender issues related to education as well as complement their current focus on disability and inclusion; (ii) the further development of the Financial Reporting System; (iii) operational cost support for DESBs and PESS to cover travel and subsistence expenses for appropriate coaching, mentoring and monitoring of schools during this process; and (iv) three annual payments of complementary SBGs to primary schools, pre-primary classes and kindergarten in phase 1 and one annual payment for schools in phase 2. Additional capacity development and grant support will be provided for four very low performing districts.

71. The project will finance: (i) technical assistance and training costs to develop the capacity of school principals, VEDCs, DESB staff in SBM, including effective SDP and improved financial reporting (both to districts through the FRS and to communities in order to improve transparency and accountability); (ii) the provision of complementary SBG funds to primary schools and pre-primary classes and kindergarten; and (iii) the provision of operational cost support to DESBs and PESS (for monitoring and support of schools). Additional capacity development and grant support will be provided for four very low performing districts.

⁵⁴ Very low performing districts are selected by the MoES as those in the bottom 10 districts in at least 2 indicators of i) Proportion of students who enter primary with some ECE experience, ii) Primary NER, iii) Primary survival rate to Grade 5 and iv) Lower secondary GER. The districts selected using these criteria are Boualapha in Khammouane Province Phin and Nong in Savannakhet Province TaOy in Saravan Province and Kaleum in Sekong Province

⁵⁵This activity will be coordinated by the DPPE and will include a cross-departmental team formed by relevant departments of MoES and provincial focal points.

72. The project will adopt a **phased approach**. Component 1 will be rolled out in two phases, with the most disadvantaged districts getting support first and continuing to get support throughout the project. Disadvantaged districts have been selected using girl's survival to Grade 5 in the latest available school year (2012-13), thus targeting districts that are falling behind in the country's efforts to meet MDGs. Using this indicator, the 80 districts with the lowest girl's survival rate to Grade 5 will receive capacity building on SBM in the first year, followed by block grants and continued support in the following three years of the project. The remaining 68 districts will receive capacity building in the second phase (years three and four). The objectives of the second nationwide phase are: (i) to expand the opportunities and benefits of SBM and SBG to all schools; and (ii) to demonstrate the Government's capacity to support SBM and SBG implementation after project closure. Given the critical role of DESBs in ensuring sustainability, the focus in this phase will be on their capacity development, with the central SBM team providing only monitoring and evaluation of training rather than any direct involvement in training to schools. By the end of the project, all districts, schools and VEDC will have received capacity building and at least one round of block grants, as well as follow-up support from the district using operational cost support provided by the project.

73. **This component will first support strengthening capacity to support SBM at the district (DESB) level.** Prior to project effectiveness, a district capacity building and training needs assessment will be done in a sample of the 80 phase 1 districts to ascertain technical knowledge and competencies related to SBM, and in training, facilitation and project management skills. The assessment will include a review of the capacity of the DESB to form and operate a SBM implementation team as this will be a critical success factor for the project. The results of the assessment will guide how much and what type of training needs to be provided to the district as well as the level of support from the national team and provincial master trainers.

74. Building on existing programs, capacity development will focus on operational systems, functional structures and the skills and knowledge of teams and individuals for the design, implementation, monitoring and reporting of cycles of SDPs, as well as on financial reporting at the school and district levels.

- *School and community capacity:* Through the systematic use of SDP, principals, schools and communities will be more empowered to develop school environments and practices conducive to meet minimum quality of service delivery, thus improving equitable access, disability awareness and inclusion, retention and teacher effectiveness. Strengthened mechanisms for peer support within schools and at the cluster level, will support the sustainability of the improvements that are achieved. These improvements will build the foundations for a wider number of schools to benefit in the future from changes in pedagogy to accelerate improvements in reading outcomes, as is being pioneered under Component 2.
- *District capacity:* DESB teams will develop capacity for supporting schools in SBM and SDP, the use of statistics, EQS and SDPs, to plan and implement a systematic program of school support (targeting weaker schools) and to improve their communications strategies to enhance participation and accountability around school management and SBGs.

Enhanced planning and support capabilities at the district level will help to ensure that improvements at the school level are sustained over time and that districts are able to address new challenges as they arise.

- *National and provincial capacity:* Members of an inter-departmental SBM team, as well as provincial focal persons, will gain a sound understanding of the national goals and systems of SBM, strengthen their capacity for materials development, training and support, as well as for collecting, analyzing and utilizing data and information on school effectiveness. The national SBM team should be able to analyze work flow procedures and responsibilities at DESBs to see how these may need to change in light of decentralization of responsibilities under SBM. The emphasis on the development of a national SBM framework and SBM guidance and tools, alongside human capacity, will support the long term nationwide implementation and sustainability of SBG and SBM.

75. ***Development of training materials and central, provincial and district level capacity building.*** With technical assistance supported by the project, capacity will be developed through formal training, ongoing mentoring and onsite training focused on low performing schools and districts, strengthening of mechanisms for peer learning and teamwork at each level and the provision of quality guidance and self-learning materials. At the national level, technical assistance will be provided to the cross-departmental SBM support team, to be coordinated by the DPPE. It will lead the development of a national SBM framework, finalize a training strategy and coordinate the revision, upgrading and standardization of SBM tools, training packages and communications materials. A core group of master trainers within the national team joined by provincial focal points will help conduct the initial DESB training drawing upon training materials already developed to support district training in the areas of SBM, school support and district development planning.

76. A minimum of two formal trainings will be provided for the district SBM teams. The provision of follow up DESB training by the national level will depend on the results of M&E of the implementation of the district education plan and the quality of training provided to schools (as evidenced by both on site reviews and the quality of SDPs).

77. ***Initial school and community training.*** School principals and VEDC members of all schools will receive at least one SBM orientation training by DESB, coordinated with the training for financial management of SBG. This will focus on developing and implementing effective SDP centered around meeting education quality standards, starting with standards for minimum quality of service delivery outlined in this annex. It will include facilitating broader and more meaningful community participation in SBM, assessing strengths, problems and priorities (including use of school EMIS data and the EQS), devising strategies for achieving standards (especially those most closely related to improving equity in access and completion and teaching-learning effectiveness) and, on the basis of these, developing, implementing, and monitoring SDP. The training will draw upon existing packages of training for school principals and VEDCs around quality standards and SDP. The project will ensure that all schools have copies of the School Development Handbook, EQS framework and other relevant guidelines and supporting materials for ongoing use and reference. The DESB will decide in consultation with the provincial focal points whether the initial school based orientation training will be held at the

district, cluster or school level. It is likely that a mix of approaches may be taken depending on the circumstances of individual districts and schools.

78. ***Follow-up support for schools and communities.*** Each participating district will target more intensive support to disadvantaged schools that do not meet the minimum conditions for SBG funding. Measures to develop management capacity of school principals, heads of incomplete schools and VEDCs in poor and remote communities might include an extended orientation training. This training incorporates an action planning approach to establishing SDP, the use of intermediate simplified SDP and reporting formats, peer learning through visits and links to other schools and the development of simple self-learning materials to support communities where literacy levels are low.

79. ***Financial Reporting System.*** This component will also build up basic financial skills in schools and districts to ensure that all funds are properly used and accounted for both to local communities and to government authorities. For decades schools in Lao PDR have relied on communities, supported by NGOs to finance most non-salary operational cost and capital expenditure. No national records are available but evidence from around 500 schools who filed community financed income and expenditure arrangements for 2011/12 on the FRS suggest that nationally community generated revenue is around 3 to 3.5 times that provided under the SBG scheme for that year (US\$2.5 per pupil). In some schools, it is 8 to 9 times greater than this level.

80. Schools have kept records and accounts using the services of teachers, one of whom usually functions as the accountant and the other as treasurer under the separation of duties concept. This arrangement has served schools generally well. However, the quality of records on the evidence of sample inspections varies widely and many schools do not generate records of prime entry (for example vouchers for staff travel costs). This creates a degree of fiduciary risk. With the introduction of SBGs, schools also need to be able to account on a timely and accurate basis for their SBG spending in line with government financial regulations. A sub indicator of EQS 34 requires that schools provide actual income and expenditure reports on a regular basis.

81. In 2012/13, a web-based FRS (www.laosbg.gov.la) was designed and introduced by the MoES to record school expenditures and revenues financed by SBG and community revenues. The system requires schools to submit a financial return for income and expenditure in hard copy to their districts. After checking of the returns (e.g. for arithmetical accuracy), district officers then enter the returns using the same template in an HTML format which is uploaded to the MoES server. The expenditure returns allow for a series of analyses including dates of submission, rates of return for schools by district, whether the returns include community and SBG financed expenditures and basic expenditure analyses (e.g. spending on different categories of expenditures).

82. The introduction of the new system was facilitated by its inclusion as a policy action trigger for education in the PRSO 9 credit agreement which required it to cover 95 percent of schools in 30 percent of districts (44 in all) by April 30, 2013. This coverage is to be extended in the proposed PRSO 10 agreement to cover 95 percent of schools in 95 percent of districts, for which the EFA-FTI program provided training for provincial and district staff who could not be trained prior to the program closing. During FY2013/14, there have also been (i) amendments to

the templates (showing budget and actual information alongside each other); (ii) creation of sub-sector perspectives for pre-primary and secondary school; (iii) enhancements to the system (e.g. including on-line reference guides); and (iv) further training of district staff in 40 districts who had not previously been trained on the use of the system.

83. Nevertheless much remains to be done to realize the full potential of the system in particular the capacity of the system to record the progress of school finances on a more up-to-date basis (to date only actuals have been filed whereas the system allows for budget and actuals) and to increase the number and automaticity of the reports. Furthermore almost nothing has been done by districts on data validation.

84. This component will finance three aspects of the FRS. The first is the technical development of the system. This will include the creation of sub-sector databases, archiving routines, changes to the chart of accounts and expansion of the number of reports. The second element will be developing the skills of district and provincial staff – providing training on system updates, developing routines for more accurate checking and validation of budgets and accounts and generating from the system local reports that can be used in district planning. This is likely to require two rounds of training for district officers to reinforce learning on the system followed by targeted coaching support in specific districts. The third element will be providing a five-day training to the two teachers per school who act as accountants and treasurers on the basics of book-keeping and filing financial reports. The training will be practice-based and include training on keeping prime documents (e.g. generating vouchers), day books and cash books, compiling financial reports in the required template from the cash books, bank reconciliation and presentation of financial information in visual form for VEDCs (i.e. use of graphs). The training will be rolled out in a phased approach on a province by province basis, beginning in provinces with the highest proportion of targeted districts.

85. The technical assistance delivered by both international and national experts for all capacity development will therefore comprise 5 discrete phases of support: (i) developing the SBM framework including further elaboration of EQS, revision and standardization of SBM tools, training packages, and communications materials, and training a national team (April 2015 - March 2016)⁵⁶; (ii) support and monitoring of training provided by the national SBM team to DESB staff (delivered in two phases (March 2016-February 2018) and also on preparing SDPs, the use of SBG and reporting (including financial reporting); (iii) technical assistance for quality control and evaluation purposes of DESB support to schools and VEDCs in preparing, implementing and monitoring these SDPs, (mainly in 2017 and 2018); (iv) technical assistance for the development of the FRS (mainly in the 2015-17 period); and (v) support to the development and monitoring of the quality of the financial management training course (mainly in 2015-16).

86. ***Provision of SBG.*** Following the capacity building, the project will provide complementary SBG, using the SBG manual to ensure that schools meet four basic minimum conditions to access block grants provided both by the government and by the project. The

⁵⁶This activity will be coordinated by the Department of Pre-Primary and Primary education (DPPE), and will include a cross-departmental team formed by relevant departments of MoES and provincial focal points.

project will first support the revision of the SBG guidelines. Schools will be trained to achieve these conditions and will receive grants only when those conditions are met.

87. The four minimum conditions are the following: (i) submission of a credible SDP in a standard template; (ii) submission of an annual budget broken down by semester, and reported before the beginning of each semester; (iii) submission of a financial statement for each semester, showing actual spending against budget; and (iv) evidence of a functioning VEDC. The specific requirements for each of the minimum conditions are provided in the SBG guidelines. Districts have to maintain individual school files showing evidence of successful completion of the minimum conditions. These will be checked and audited on a sample basis to ascertain that the districts have undertaken due diligence in ensuring that schools have met minimum conditions. Schools who are not complying satisfactorily will receive follow-on coaching support in order for them to meet the minimum conditions. Schools that continue not to meet minimum conditions even after training and support will not be able to access GPE grants.

88. ***Level and disbursement of SBG.*** Following the training, the project is expected to finance three annual payments of complementary grants to schools meeting the criteria in the first phase and one annual payment for schools in the second phase. The complementary SBG funding allocation will be LAK 20,000 per student per year for primary students and LAK 15,000 per student for pre-primary and kindergarten students. Given that there is a large number of small schools⁵⁷ and in order to ensure a certain minimum level of benefit for them, schools will be funded at the minimum level of 30 students for primary students.

89. ***The scope of eligible expenditure*** for the complementary grant will be the same as for the government block grant, to finance non-salary operational costs defined under Chapter 12 of the government's budget line items.⁵⁸ Currently the MoES informally sets a guideline of 40 percent of block grant funding to be spent on teaching and learning materials. The project will apply the same guideline of 40 percent for the use of all block grant financed from both government and GPE II to be used on adequate teaching and learning materials for schools, individual pupils and teachers and in music and sports. This will supplement support from UNICEF in the reprinting and distribution of primary school textbooks for all grades (UNICEF supported reprinting and distribution of primary school textbooks for Grade 1 and Grade 2 nationwide). Repairs and maintenance will be limited to repairs of fixture and fittings involving cost of less than US\$20 per item.⁵⁹

90. This component will also support the establishment of school bank accounts. Schools in Lao PDR collect and use funds in cash, which presents a fiduciary risk for loss or theft of cash from the VEDC or teacher's premises where the cash is kept. It also limits the ability of schools to save for long term projects which cannot be immediately financed from one year's revenue

⁵⁷ In 2012/13 there were 1196 primary schools with less than 30 students, and 656 schools with less than 20.

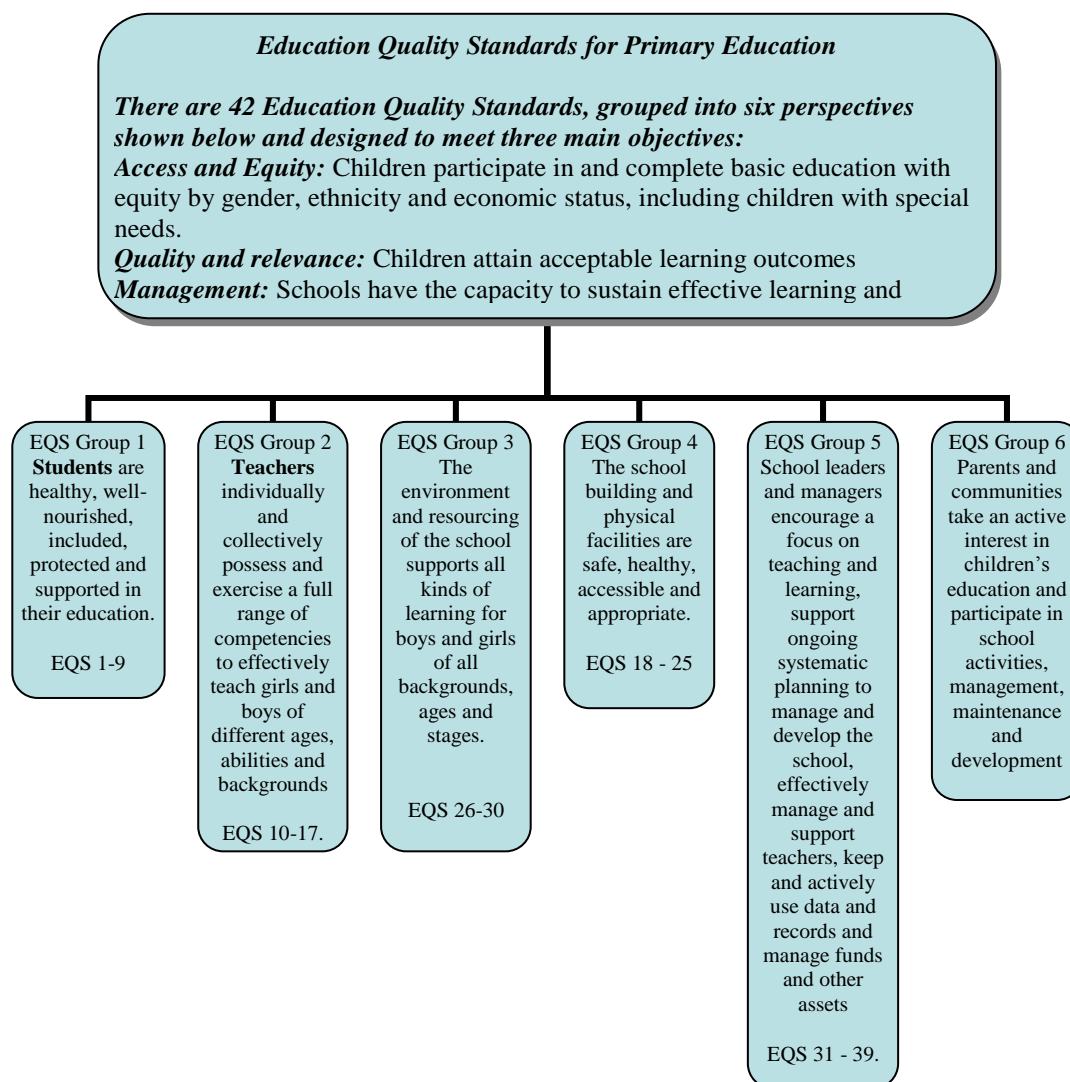
⁵⁸ Chapter 12 of the Government Chart of budget line items covers non-salary operational expenditure including office expenses, utility payments, communication costs, travel including fuel and daily subsistence allowance, teaching and learning materials, and minor repairs and maintenance of schools, equipment and vehicles.

⁵⁹ In general, refer to approved MoF guidelines for preparing the budget plan and base on the budget allocation will be made for payment.

resources. Larger schools (defined by the number of students over 70) with access to bank branches in their districts will be required to set up bank accounts for GPE funds, with smaller schools within a main and satellite arrangement using the bank account of the largest school. These bank accounts can also be used for the deposit and withdrawal of government and community funds and will be used after the project has concluded. Other schools, which are either far from bank branches and/or of small size, will continue to draw grants in cash from a district maintained account which will also include the funds provided by the project for district based activities in support of schools.

91. **Operational cost support for districts and provinces.** This component will also provide operational cost support to strengthen DESB monitoring and supporting school on SBM activities. The size of the support will be based on the number of schools in the district and geographical conditions, with an average amount of US\$4,000⁶⁰ per annum. Some very poor and remote districts in the first phase will qualify for an additional US\$2,000 additional grant per year. In the fourth year, in line with the second phase roll-out the same amount will be provided for all districts. Districts that are getting comparable support from other development partners would not be eligible for these funds. Districts will be required to draw up district education plans to utilize GPE and government funds in support of SBM and other school related activities. The four lowest performing districts will get grants for all four years of the project, whereas the rest will receive grants following the phasing out of the project. Provinces will receive additional operating cost to facilitate their role in monitoring and supporting districts, at an average amount of US\$3,000 per year (and also depending on the provincial characteristics).

⁶⁰ The level of district grant has been harmonized with that to be provided through the BEQUAL program.



92. **The range of eligible expenses for the district grant** will be limited to: (i) payment of travel and accommodation expenses for district staff for field visits to schools or meeting/reporting at PESS; and (ii) payment of office supplies/photocopy expenses to prepare progress report to PESS. In order to access the grant, each district will be required to: (i) develop and update an annual District Education Support Plan, setting out how it plans to improve basic education in the district based on a realistic appraisal of financial resources from the government and the project, and drawing on priorities identified in the SDP; (ii) develop a supporting annual budget filed on the FRS; and (iii) maintain a separate ledger account of its activities and file its own income and expenditure report for non-salary expenditure on the FRS.

93. Lastly, in order to increase transparency and accountability to the community, this component will support the development of a complaints mechanism so that parents and wider members of the community (including NGOs) can monitor and report irregularities in the use of block grants if they exist. Schools will be required to post budget information in the school and

their compliance will be monitored by DESB. The complaint mechanism will support DESB, PESS and MoES in carrying out this monitoring.

94. Project Implementation Arrangements for Component 1. A national SBM team has been established in the DPPE under a Ministerial decree pertaining to arrangements for the implementation of the EFA-FTI Program. The same team composition can be used as the central SBM team outlined in this component. However, their tasks and responsibilities will need to be revised as this team will have a broader role to coordinate all SBM activities from MoES and those supported by development partners to ensure a harmonized and consistent approach to improving SBM. To that end, a small core full-time team of a minimum 2-3 people is essential for the successful project management of Component 1 on SBM. This would also need to draw in members from other involved departments on a regular basis to develop and implement the capacity development activities and M&E. During the lifetime of the project the arrangements for continuing SBM support would need to be institutionalized without endangering the essential horizontal cooperation across departments.

95. At the provincial and district levels, provincial and district focal points would be located in the Early Childhood and Primary Education Section of the PESS and the Early Childhood and General Education Unit of the DESB. If appropriate, the focal point could be located in another concerned department. Pedagogical advisors will also play an important role as the essential link between district and school, being involved in the district implementation team and in training and follow-up activities at the school level. At least one pedagogical advisor from each district will participate in the district level training.

Component 2: Improving Reading Outcomes and Assessment Capacity (US\$2.5 million)

96. This component will focus on promoting more evidence-based approaches to the teaching and learning of foundational reading and writing skills⁶¹ in Lao language in primary schools. This will be done through a combination of targeted interventions for reading development in Lao language in Grades 1 and 2 and the development of policy and programming tools to inform instructional approaches for early grade students with weak Lao language skills. The activities address important instructional challenges to effective teaching and learning in the early grades already identified in research studies and pilot projects⁶² in Lao primary schools as well as in the

⁶¹ The term “teaching and learning of foundational reading and writing skills” is used to describe the development of basic reading and writing skills of young readers by the end of Grade 3. It refers mostly to the instructional approaches and corresponding materials used to support early grade literacy in students.

⁶² In recent years, Lao primary schools have benefited greatly from important pieces of research by local and international NGOs supporting the MoES in areas of Lao language development, learning outcomes, school effectiveness and teaching and learning. The following list is by no means exhaustive: (i) Room to Read’s Grade 1 and Grade 2 Reading and Writing Intervention (RWI) project; (ii) Plan International’s *Learning Outcomes and Classroom Practices Study* (2013), ESQAC & Valerie Emblen, *Research Report on Teaching Practice and Learning Outcome in Grade 3 in Bokeo Province* (2011); Palme, Höjlund, Singdara & Thammavongseng *Perceptions and attitudes towards school in Lao primary education in Bokeo Province* (2011); (iii) Save the Children’s Literacy Boost projects in Bolikhamxay and Attapeu provinces; (iv) JICA’s 2010-2013 ISTME teacher training in science and mathematics; and World Renew’s activities supporting comprehension skills among ethnic group students.

results of the Lao PASEC assessment⁶³, the 2006 and 2009 Grade 5 Assessment of Student Learning Outcomes (ASLO) and the 2012 Grade 3 ASLO, the diagnostic 2012 EGRA survey and the follow-up 2013 SSME case studies.

97. Unlike Component 1 which will roll out activities through a phased approach, activities under Component 2 will be limited in scope and geographical coverage due to the pilot (sub-component 2.1) and research (sub-component 2.2) nature of the activities included. Even though activities in sub-component 2.2 are expected to be frontloaded to the first years of project implementation, activities under sub-component 2.1 are expected to benefit from the four year project implementation period as this will allow the pilot to run for an additional school year to test the effectiveness of the intervention in a cohort of Grade 2 students and a second year in Grade 1. Details on the scope and characteristics of the pilot intervention are presented in the section below.

Sub-component 2.1: Reading Development Intervention for Grades 1 and 2 in Lao Language

98. The 2012 Laos EGRA results showed that beginning readers struggle to develop basic reading skills in Lao language. These results are consistent with the Lao language results observed in ASLO and PASEC assessments. The Laos EGRA results, the follow-up SSME case studies and recent research on classroom practices in Lao primary schools identify various factors challenging effective teaching and learning of reading in primary schools in Lao PDR. First, reading instruction is taken as a byproduct in the Lao language curriculum, leaving out important dimensions of reading development and the explicit instruction of key reading skills. Second, a significant share of students - mostly but not exclusively from ethnic background - arrive to primary schooling without strong Lao language skills or any exposure to school readiness activities thus confronting young students with a challenging learning environment. Third, many primary school teachers have limited knowledge of when and how to effectively teach basic reading skills in the early grades. Teacher expectations about when different reading skills should appear among beginning readers are weak and knowledge of how to observe and assess basic reading in Lao language is also limited. Forth, most instructional time is teacher-centered and textbook dependent, constraining pupil's interactions and use of language to single word sentences or to repeating words or sentences from the blackboard or the textbook. Pupils assume a passive role mostly copying information or waiting for a fellow student to finish an activity if working in a group setting. All these contribute to new knowledge that is fragmented,⁶⁴ and pose significant challenges to the effective teaching and learning of basic reading skills in the first grades of primary education.

99. Under sub-component 2.1, the project will support RIES and relevant units in the MoES to develop and pilot a new pedagogical approach for the teaching and learning of basic reading and writing skills in Grades 1 and 2 that will be delivered by the MoES as an in-service program to teachers. The intervention will include: (i) the development of the pedagogical approach and

⁶³ PASEC stands for the CONFEMEN Programme for the Analysis of Education Systems.

⁶⁴ Palme, M. and Höjlund, G. (2013). *Learning Outcomes and Classroom Practices. A study in Grade 4 in Pha Oudom and Pak Tha Districts in Bokeo Province, Lao PDR*. Plan International – Lao PDR.

accompanying instructional materials for teachers and students and simple classroom-based assessments of early grade reading; (ii) teacher training on the pedagogical approach and monitoring strategies to track changes in teaching practice; and (iii) capacity building to school principals and pedagogical advisors to promote and sustain strategies towards better teaching and learning environments in primary schools.

100. In particular, the sub-component will finance:

- (i) a review of Grades 1 and 2 Lao language curriculum and teaching to identify instructional gaps;
- (ii) the development of a scope and sequence for reading development in Lao language for Grades 1 and 2, including discrete field research to inform its design and the interpretation of future pilot results;
- (iii) the development of the reading intervention instructional materials for teachers and students within the Lao language curricular space;
- (iv) the development of the training materials and the actual training and monitoring of teachers in the new pedagogical approach and the training of principals, pedagogical advisors and DESB staff on relevant aspects of teacher monitoring to support a better teaching and learning environment in schools; and
- (v) the implementation and evaluation of the effectiveness of the reading intervention in participating schools, using the Lao EGRA and SSME tools and classroom observations.

101. **Rationale for piloting the reading program.** In the last 5 years, important lessons have emerged on the type of instructional techniques, coordination mechanisms and teaching and learning materials needed to support beginning readers in Lao PDR. However, there is still room for improvement in key areas around instructional content --the pace and sequencing of it-- and teacher training and support. On instructional materials and content, Room to Read's "Reading and Writing Instruction" approach has been piloting and refining instructional resources and techniques with positive results both in terms of student outcomes and instructional skills for teachers. Save the Children's "Literacy Boost" looks at students' home literacy environment and has supported home-based activities to improve access to reading materials at home and promote school attendance. These projects as well as activities lead by the MoES have shown promising lessons. However, the pilots focused on providing materials to complement existing textbooks and teacher guides for Grades 1 and 2 but did not carry out a review of the Lao language curriculum for the early grades to identify instructional gaps. Additionally, ongoing initiatives in the country are yet to support MoES to produce a scope and sequence in Lao language to guide early grade reading instruction.

102. On teacher training and support, despite these initiatives have been mostly implemented in close collaboration with stakeholders, they have not been led by MoES, which limits the information about the MoES's capacity to deliver intensive in-service teacher training on early grade reading. Pilot activities focused on upgrading teacher skills on reading instruction but have left out the associated training required by school principals and DESB officials on the ways they can support a better learning environment in their schools and districts including how to fit

teaching and learning activities into the SDP.⁶⁵ The proposed capacity building activities to school principals and pedagogical advisors under the pilot aim to build on the SBM training in Component 1, to guide school leaders and education officers around ways in which they can support teachers during pilot implementation specifically, and more broadly, on how to enhance teaching and learning in their schools and effectively manage and support teachers. During monitoring, the pilot will document if -and how- primary schools in Lao PDR address decisions over resource allocation of school grants, the involvement of VEDCs in the process, the selection of specific inputs such as equipment, material and infrastructure needs. It will then gradually introduce a greater focus on teaching and learning such as procurement of basic instructional resources, establishment of remedial lessons for students, peer learning arrangements in schools and the reallocation of good teachers to the early grades, among others.

103. **Scope of the pilot.** The pilot intervention under Component 2 does not envision a phased approach towards a national roll out. It will be implemented in a sample of schools covering but not limited to the 80 most disadvantaged districts, with the objective of providing rigorous evaluation results by the end of the project that can inform future policy changes. The objective behind the inclusion of the 80 most disadvantaged districts lies on the need to collect evidence of the feasibility and effectiveness of this approach in districts with less resources and/or poorer learning outcomes; yet, it will not be restricted to these districts as it is crucial to test the effectiveness of the approach in districts with different conditions.

104. The pilot's evaluation design will test and document the effectiveness of the existing training structure to successfully deliver and monitor subject and pedagogical training on reading development to a sizable number of teachers, the cost associated with it and the challenges and obstacles to its potential scale up. Therefore, the pilot intervention will test two approaches to in-service training. The first option (Treatment 1 or T1) will look at training teachers on the new pedagogical approach and will aim to further develop the coaching skills of pedagogical advisors around early grade reading instruction. This approach aims to test whether the existing support structures and mechanisms in the DESBs could support and effectively deliver an intensive mentoring program. School principals and other teachers will receive awareness and general guidance on how to promote a literacy environment in the school but no substantial training and/or follow up support is envisioned. The second option (Treatment 2 or T2) will look at training teachers on the new pedagogical approach and will aim to further develop the coaching skills of school principals and experienced teachers in the school. This approach aims to test whether the existing support structures and mechanisms at the school level could be further developed to support and effectively deliver an intensive mentoring program. Pedagogical advisors will receive awareness and general guidance on how to promote a literacy environment in the school but no substantial training and/or follow up support is envisioned.

105. "Power calculations"⁶⁶ will be produced using data from the Lao EGRA survey, similar pilot interventions from other countries and Room to Read's Reading and Writing Instruction

⁶⁵ Initial findings from the Lao School-Block Grant Program indicate that teachers and school principals have difficulties in identifying how to select and monitor implementation of teaching and learning activities into the SDP.

⁶⁶ Power calculations are statistical exercises to determine the statistical power of a sample to reject the null hypothesis while the alternative hypothesis is true. It is usually performed for two purposes: (i) before data

Program to determine the optimal sample size, tentatively envisioned at a minimum of 40 schools per treatment arm –i.e. T1, T2 and C or control group. The pilot is expected to commence in July 2015 (the 2015-2016 school year). From the expected project effectiveness date to the end of the 2014-2015 school year, preparations, pre-testing and training of trainer of trainers (ToTs) and teachers, will take place as well as training materials and sessions of awareness for school principals and teachers (in T1) and pedagogical advisors and DESB officials (in T2). Coordination and implementation mechanisms will be revised and confirmed within RIES and across all MoES units involved to ensure there is adequate knowledge of their roles and responsibilities at each stage of the pilot. It is expected that the pilot will run for 2 full school years:

- *Project Year 1:* School year 2015-2016, preparation of materials, training of participants (teachers, mentors and M&E staff) and baseline assessment.
- *Project Year2:* School year 2016-2017, for Grade 1 students only (Cohort 1) and midline assessment.
- *Project Year 3:* School year 2017-2018, for Grade 1 and Grade 2 students (Cohort 2 for Grade 1 and Cohort 1 for Grade 2) and endline assessment.
- *Project Year 4:* School year 2018-2019, for consolidation of findings, data analysis and consultation with MoEs and stakeholders around evaluation results before project end date (expected in April 2019).

Schedule and Research Design

| Student born in | School Year in the Lao PDR | | | | |
|-----------------|---|--|---|---|-------------------------------------|
| | 2014 - 2015 (preparation, approval, effectiveness) | 2015 - 2016 (Year 1 of project = Pilot Year 0 + baseline) | 2016 - 2017 (Year 2 of project = Pilot Year 1 + midline) | 2017 – 2018 (Year 3 of project = Pilot Year 2 + endline) | 2018 – 2019 (Year 4 of project)* |
| 2012 | 2 years | 3 years | 4 years | 5 years | 6 years |
| 2011 | 3 years | 4 years | 5 years | 6 years | 7 years |
| 2010 | 4 years | 5 years | 6 years | 7 years | 8 years |
| 2009 | 5 years | 6 years | 7 years | 8 years | 9 years |
| 2008 | 6 years | 7 years | 8 years | 9 years | 10 years |
| 2007 | 7 years | 8 years | 9 years | 10 years | 11 years |
| 2006 | 8 years | 9 years | 10 years | 11 years | 12 years |

Notes:

*Although the project does not expect to cover the school year 2018-2019 as the project end date is expected to be April 2019, the research teams will endeavour to work ensure feedback is given to pilot schools on possible content adaptations resulting from pilot results. The MOES will work to have the revised (i.e. post-pilot materials) ready for the 2019-2020 incoming class.

Panel Design:

Repeat Cross Sectional Design for Early Grade Reading:

collection based on information from previous research to decide the sample size needed for the study; and (ii) after data analysis, when results turn out to be non-significant, to verify whether the non-significant result is due to really no relation in the sample or due to a lack of statistical power. For the purpose of the pilot intervention in sub-component 2.1, we will perform some power calculation exercises, to determine the possible combinations of number of clusters (groups; schools and classrooms in this case) and observations per cluster (members; students and teachers) that enable us to attain a certain power and significance level.

106. The effectiveness of the revised pedagogical approach will be closely monitored in terms of teacher take up, changes in teacher practice around reading instruction, and ultimately, its impact on student reading outcomes. Teacher effectiveness will be measured at different points during the intervention both in training and classroom setting through classroom observations. Observing teachers' behaviors plays an important role in systematically improving the use of effective classroom practices by assessing the standing of classrooms in relation to types of classroom interactions deemed relevant for student success such as teacher's knowledge of the concepts to be taught, competence to classroom instruction to maximize time-on-task, and content/skill-specific instructional routines in terms of their type, frequency and quality, among others. When adequately designed and administered –ensuring accuracy and reliability-, the use of classroom observations helps define clear goals and create a shared purpose for instruction. In addition, it provides an objective method for measuring progress towards these goals and provide a framework for giving constructive and focused feedback that helps teachers incorporate higher levels of desired behaviors into their interactions with students in the classroom⁶⁷. The World Bank team and the MoES will review different classroom observation tools to develop and pre-test an instrument suitable to observe teacher-student interactions around reading development in Lao PDR.

107. *School-level variables* will be measured using three complementary sources: (i) the SSME tools, administered annually to teachers, students, principals and DESB/pedagogical advisors; (ii) data from the classroom observations and teacher reflections to identify areas of strengths and challenges to highlight school-level instructional weaknesses –and whether these were linked to the SDP; and (iii) annual and end-of-pilot focus groups with teachers/principals, DESB/pedagogical advisors and VEDCs, to take a deeper look at how attitudes and behaviors of pilot participants and stakeholders were affected as part of the reading intervention. *Student reading outcomes* will be measured using equated-versions of the Lao EGRA tools similar to the one used in the 2012 diagnostic survey. These tools will be used to collect baseline, midline and endline data. Altogether, quantitative and qualitative data on student, classroom and school-level variables will be used to inform the production of a cost-effectiveness analysis across treatment arms, to complement the findings from the pilot's impact evaluation.

108. Additionally, the proposed studies aim to create synergies with planned investments by other development partners by focusing on enhancing the technical capacity in MoES to design policies in early grade reading. To this end, the project will also support RIES's capacity building in four possible major areas: (i) survey design; (ii) data analysis; (iii) student assessment; and (iv) the design of evidence-based instructional and curriculum materials. Capacity building activities will be short-term in nature to allow RIES/MoES to benefit from other capacity building activities planned for by other development partners. The selection of the areas to be covered by GPE II project will support both RIES' core functions as well as the activities included in Component 2.

⁶⁷ “Why Should We Use Classroom Observation” by Megan W. Stuhlman, Bridget K. Hamre, Jason T. Downer, & Robert C. Pianta, University of Virginia, accessed on 28 August 2014 at http://curry.virginia.edu/uploads/resourceLibrary/CASTL_practioner_Part1_single.pdf

Sub-component 2.2: Studies to Support Instructional Approaches to Ethnic Students

109. This sub-component will finance studies/ activities to broaden the evidence base around effective approaches to reading development in contexts of ethno-linguistic diversity. The objective of this research is to inform the MoES's evaluation of policy options to address the gaps in learning outcomes among ethno-linguistic groups in Lao PDR. It will produce four analytical products: (i) a review of country experiences with significant ethno-linguistic diversity in advancing effective approaches to reading development of students with weak skills in the official language of instruction; (ii) a study on the orthographic and linguistic features of the main ethnic languages in Lao PDR; (iii) an analysis of policy options and costing to address the reading deficits among non-proficient Lao speakers; and (iv) an evaluation framework of policies / programs for instruction in Lao language for the MoES to assess the technical and implementation specifications of pilot programs and activities for struggling readers.

110. Sub-component 2.2 envisions the following activities: (i) develop a draft research evaluation plan and to MoES for feedback and endorsement; (ii) finalize research plan identifying clearly the synergies with other programs/activities and timelines, and coordination mechanisms across research teams, among others; (iii) confirm with MoES the composition and peer discussion mechanisms for the research findings (preliminary and final) as well as dissemination mechanisms and formats; (iv) organize relevant fora for dissemination of findings to MoES and policy makers especially for deliverables 3 and 4; and (v) support research teams from other projects/initiatives to integrate research findings / data when applicable.

111. In order to complete these studies, a local team of researchers comprising MoES staff and from other stakeholders will be working closely with an international TA. TORs for all researchers will be drafted in consultation with RIES and relevant units. Research notes for each study and their timelines will be discussed with MoES and relevant stakeholders to ensure coordination with relevant parallel initiatives and to avoid overlapping in design or geographical areas.

112. These studies aim to strengthen the capacity of the MoES to make policy and programmatic decisions around early grade reading instruction in Lao language. In particular, the analysis of policy options and their costing seeks to provide the MoES with a set of policy options against evidence-based expected outcomes from different instructional approaches. The recommendations and findings of the studies are not meant to be binding but to better inform MoES' programmatic decisions on pre-primary school and early grades reading instruction for students with poor school readiness exposure and/or weak Lao language skills. Similarly, the development of an evaluation framework for policies and programs aims to equip the MoES technical teams responsible for designing, implementing and evaluating early grade reading and teacher training programs for non-proficient Lao speakers with a reference tool they can use to assess the inclusion and strength of the technical elements of MoES and non-MoES initiatives in these areas.

113. **Synergies between Component 2 activities and other sector programs.** The impact evaluation and corresponding cost effectiveness analysis of the pilot intervention in subcomponent 2.1 will measure the overall impact of the pilot and inform its potential for

scalability. The proposed timeline foresees the streaming of evidence on the effectiveness of the pilot intervention as well as policy and programming recommendations to address instruction to ethnic groups as early as in the first year of the program. Under subcomponent 2.1, **Year 1 of the project** will see the production and pre-testing of pilot materials and M&E tools. An EGRA/SSME *baseline assessment* will establish an initial measure of student reading levels, classroom practices around reading, and key school and community level factors supporting a learning environment. It will not only provide an initial measure of outcomes against which improvements will be measured but also provide information on teaching and learning mechanisms and practices in schools and provincial and district levels. This will be relevant to other sector initiatives such as the review of the pre-service teaching curriculum (BEQUAL), the review of curriculum and textbooks (BEQUAL and UNICEF), and mathematics instruction (JICA).

114. **Year 2 of the project** marks the first year of pilot implementation in Grade 1 classrooms in pilot schools. At the end of the school year, an EGRA/SSME *midline assessment* will take place to capture the initial improvements in among Grade 1 student reading levels and the first changes in classroom practices associated to the intervention. Teacher reflection journals and in-depth interviews and focus groups at key points in implementation will aim to capture changes in teacher, principal and DESB's attitudes and behaviors around reading instruction. The information will feed back into pilot implementation but also to signal indicative pilot effects and/or components that will require revisions. **Year 3 of the project** marks the second year of pilot implementation now in Grade 1 and Grade 2 classrooms. At the end of the school year, an EGRA/SSME *endline assessment* will take place to capture changes in student reading levels and classroom practices associated to the intervention. Teacher reflection journals and in-depth interviews and focus groups will also be completed in both grades as part of M&E activities. **Year 4 of the project** will be used to complete data analysis (qualitative and quantitative), to discuss with government the impact evaluation findings, the results of the cost effectiveness analysis and policy recommendations. This year will also be used to integrate pilot lessons into the instructional material for classroom use and the training materials for teachers, principals and DESBs.

115. Under subcomponent 2.2, Year 1 of the project anticipates the production of the first two draft reports (i.e. evidence-based approaches to instruction in contexts of great ethno linguistic diversity and the study on the orthographic and linguistic features of the main ethnic languages in Lao PDR) that, along with other relevant data (e.g. student learning outcomes from ASLO) will form the backbone of the other two analytical products proposed in the subcomponent: the analysis of policy options and costing to address the reading deficits among non-proficient Lao speakers, and the evaluation framework of policies/programs for reading and language instructional approaches to ethnic students and struggling readers. The last two products will require two short consultation workshops with relevant stakeholders in country and are expected to be completed on/around December 2017.

Component 3: Project Management and Monitoring and Evaluation (US\$1.6 million)

116. This component will support the management and administration of project activities including: (i) annual planning and execution (including review of school and district

documentation); (ii) financial management (fund replenishment, disbursement of grants and advances, project accounting including prompt retirement of advances and financial management report submission and responding to audit queries); (iii) procurement of consultancy services, equipment and materials; (iv) management of periodic audit reviews; and (v) M&E with a focus on monitoring school effectiveness and meeting core EQS standards.

117. The project will finance operating costs, project management related training, technical assistance, workshops (including project launch and annual review) and the costs of external audit. To ensure effective use of resources, the budget for this component has taken into account investments already made under the EFA-FTI program and Early Childhood Education project in staff development, office accommodation and transport.

118. Given the nationwide scope of the project, a particular focus will be on strengthening financial management capacity on managing the fund flows and control of the complementary grants to schools and districts. The project will use procurement and financial management procedures used under the EFA-FTI program and will also promote the development of government-wide systems for financial management.

119. The component includes activities designed to ensure efficient project management and early identification of corrective measures to solve any implementation problems. As the ECU takes the coordination responsibilities for the project, it would need to have an appropriate provision for logistics and operational costs in terms of physical space and transportation. A series of workshops such as a launch workshop and annual review workshop are included in this component, together with financing for the required financial audits to support the DOF. Under the direct oversight of the DPPE, the ECU has responsibility for day-to-day coordination of activities. The ECU will ensure that the Supervising Entity's procurement and safeguards procedures are followed. The DPPE and DOF have direct responsibilities for ensuring that schools and districts maintain good documentation of plans and financial records, including submissions to the FRS.

120. Monitoring the project's effectiveness and the results outcomes will come largely through data from ESITC together with information from DOI collected through its M&E network (various other centers and line departments) at all levels. The reporting of project effectiveness would be integrated into the ESDP PAF operational cycle, including annual joint sector reviews with development partners. The PAF as a means to measure ESDP progress in the sector monitoring mechanism and is the foundation of the results framework. The DOI would be responsible for collecting all the information from different sources in a timely manner according to the PAF operational cycle and providing the ECU with the annual report for submission to the ESWG. Special attention will be paid to the community monitoring of results through the effective functioning of VEDCs. The project will continue to strengthen DOI's existing system and capacity by funding technical assistants for M&E and M&E workshops at central, provincial and district levels. It will also fund expenses related to conducting semester and annual sub-sector reviews and planning.

121. Given the central importance of capacity building and reliance on government staff, an important monitoring requirement will be regular participation and evaluation of training

throughout the project. International and local consultant time has been allocated to ensure proper evaluations of training given to districts and schools are made throughout the project and that lessons learned (for example in terms of practical exercises) are taken into account in the revision of training courses and materials.

Annex 3: Implementation Arrangements

LAO PDR: SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT

Project Institutional and Implementation Arrangements

122. **Organizations responsible for implementation.** As previously stated, the project is expected to be implemented over a four-year period between 2015 and 2019 and the overall responsibility for implementation of the project rests with the MoES. The DPPE will be the lead Coordinating Department (CD). Under the authority of the MoES, the DPPE's ECU will coordinate all implementation activities for the project, guided by a Project Steering Committee and a Project Advisory Council, and supported by a Project Working Group. The MoES is the executing agency of the project and has final responsibility for the successful implementation of the project according to administrative, financial, engineering practices, and social and environmental standards.

123. **Project Advisory Council.** A Project Advisory Council, chaired by the Minister of MoES, will consist of senior representatives of MoES departments, Ministry of Planning and Investment, MOF, Ministry of Foreign Affairs, Lao Women's Union, Lao Front for National Construction, participating provinces and Coordinating Agencies and Supervising Entity as needed. The Council will meet once a year to review project progress. In addition, the council will meet when necessary to address policy or cross-sectoral issues outside the purview or authority of the Steering Committee.

124. **Project Steering Committee.** The Project Steering Committee will consist of the:

- (i) Vice Minister of the MoES as chair;
- (ii) Director-General of the DPPE as secretary;
- (iii) Directors-General of each of the CD as members;
- (iv) Project Director as a member;
- (v) representatives from the Ministry of Planning and Investment and the MoF for the purpose of providing inter-ministerial coordination of Project activities; and
- (vi) coordinating agencies and supervising entity for implementation support, facilitation between the MoES and development partners on project implementation progress and issues, and between the ESWG and the GPE Secretariat as per the current GPE Terms of Reference for Coordinating Agencies and Supervising Entity.

125. The purpose of the Project Steering Committee is to resolve problems and provide solutions during project implementation that cannot be handled by the ECU and the coordinating departments. The Vice Minister shall call a meeting of the Project Steering Committee on a quarterly basis or as needed. The functions of the Project Steering Committee are to:

- (i) provide policy and strategy guidance and key decisions as needed;
- (ii) approve the annual plans, budgets, and reports prior to submission to the Bank for approval;
- (iii) review implementation progress and results; and
- (iv) support the line departments in their interface with other concerned government agencies (e.g., MOF, Ministry of Planning and Investment, Ministry of Foreign Affairs, Lao Women's Union, MoES departments, and provincial authorities representatives to assist in facilitating project implementation).

126. ESDP Coordination Unit (ECU). The ECU (which is part of the DPPE) will provide overall coordination for the project and liaise with the Bank and other donors. The ECU will consist of:

- (i) Project Director, with the rank of Deputy Director General;
- (ii) Project Manager, with the rank of Head of Division;
- (iii) two Deputy Project Managers with the rank of Deputy Head of Division; and
- (iv) fifteen government administrative staff to assist the Project Director and Project Manager in day-to-day operations.

127. The ECU and the CD will be accountable for the successful performance of the project and will report through the Director General of the DPPE to the Vice Minister in charge of the project. The main functions of the ECU are to:

- (i) ensure that all the CD carry out their work on time and according to the Operation Plan;
- (ii) liaise between the CD, Project Steering Committee, the World Bank, Focal Groups 1 and 3 and the ESWG and keep them apprised and engaged in all important project matters;
- (iii) liaise with the World Bank and relevant government authorities on project issues as needed (e.g., MOF, MPI, etc.);
- (iv) provide full support and assistance to the CDs in resolving implementation problems and ensure all involved understand Bank and project procedures;
- (v) coordinate the preparation of annual budget by each CD, aggregate them into an annual work plan for the project, and secure its approval by the Project Steering Committee and the Bank;
- (vi) coordinate the preparation of an associated budget for the project, including monitoring its execution;

- (vii) monitor the implementation of the project, the commitments and disbursements of the proceeds by each coordinating departments;
- (viii) supervise compliance with agreed covenants and the fulfillment of the objectives and performance indicators;
- (ix) prepare annual progress reports and transmit them to the decision-making bodies and the World Bank in a timely manner;
- (x) coordinate with the CD and DOF in the preparation of the annual audit of finance and project implementation;
- (xi) coordinate project activities and results with Bank and other development partners through the ESWG;
- (xii) assist and provide training to the coordinating departments on all project management matters; and
- (xiii) assist and coordinate all aspect of the project to make sure that the project will achieve its PDO, complete on time, and stay within the allocated budget.

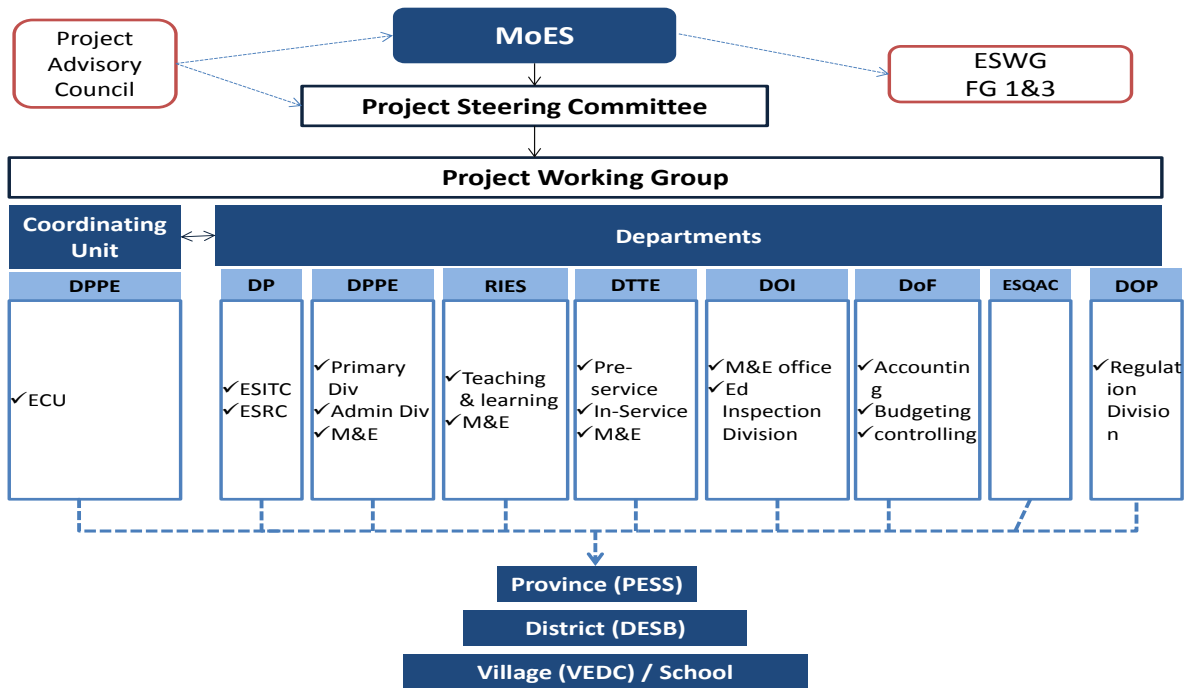
128. The Project Working Group is an internal coordination mechanism and facilitates team work, being comprised of the Deputy Director-General of the DPPE (Chair) as the Project Director, Project Manager, and concerned coordinating departments. The Project Working Group meeting is an informal gathering of peers to maintain cohesion as the GPE II team. At the meetings, department heads can share problems, concerns, and areas on implementation with each other as colleagues in open discussion. The Group will meet on a monthly basis and minutes of the meetings will be recorded, circulated, and filed for reference. However, it does not have the authority to make policy decisions regarding the project but instead has the following main functions:

- (i) Make day to day administrative decisions on project implementation
- (ii) Ensure coordination of project implementation across the various project activities by sharing information among heads of each CD and reporting on progress to the Chair;
- (iii) Contribute to problem solving across the project sub-components in technical, administrative, financial and human resource areas related to project implementation and management;
- (iv) Agree on standardized formats for progress reports and other relevant project documentation; and
- (v) Ensure liaison and coordination with provincial and district authorities.

129. The Coordinating Departments -- a Team Concept. Using the matrix approach, the MoES will nominate officials from each relevant department of the MoES (e.g., DP, DPPE, RIES, DOF,

DOI, Education Quality Assurance Center and DOP and other concerned MoES agencies) as indicated in the organizational chart below. The CD will coordinate and assist in the execution of project activities, with counterpart members nominated in central, provincial, and district levels, depending on the component.

Figure 1: Project management structure



130. The MoES will assign focal points from each relevant CD. These focal points will coordinate with the ECU regularly and will take lead responsibility for technical oversight of their area of project responsibility. In particular, the focal points from the CDs involved in Component 1 will be members of the national SBM team and will be actively involved in forming and training the national team and those at the provincial and district level. They will liaise with the Project Director and with staff from their CD to ensure project coherence. Each CD will ensure that sufficient staff, time and other resources are available to meet project implementation timetables.

131. Provincial project implementation directors will be appointed to lead the provincial implementation teams. Officials working on the project located at the central, provincial, and district levels are parts of the larger CD team for their respective sub-components. Counterparts for the CDs will be nominated at these levels and their responsibilities for sub-component activities clearly identified. This arrangement is intended to integrate sub-component implementation activities across administrative levels, while maintaining the cohesion of the CDs for planning and monitoring. Implementation progress of the project will be reported at regular monthly meetings at all levels.

132. Under the guidance of the CDs for each of these components, project officials in PESS offices will provide leadership, support and oversight during implementation. Nominated officials in the DESB will support the VEDCs and schools in implementing all project activities.

133. On matters regarding the project, all focal points will liaise with their departments and report to the Project Director on progress against the project work plan. Each CD will continue to monitor performance of its staff, coordinate staff assignments between the project and other donor projects, ensure technical and quality oversight of its staff, and provide staff development. However, for staff assigned to the project, the CDs instruct those staff to coordinate with the ECU. Coordination of day-to-day project operations lies solely with the Project Director and Project Manager. Broader project responsibility and oversight lies with the MoES through the Project Working Group.

134. The CDs are responsible for the planning and implementation of their respective project sub-components. They will:

- (i) prepare annual work plans and budgets of the sub-components under their responsibility which are already integrated in their existing annual costed sector plan;
- (ii) ensure timely execution of their work plans towards the achievement of component objectives;
- (iii) prepare and submit the financial report to DOF via ECU as soon as possible.
- (iv) prepare quarterly progress reports and submit to the ECU through their respective departments;
- (v) coordinate the associated inputs and activities within the related component;
- (vi) provide support to the PESS and DESB offices in their specific sub-component activities;
- (vii) prepare terms of reference for consultants and studies; and
- (viii) coordinate with other CDs as needed through the ECU.

135. Initially, central level CDs will take responsibility for mobilizing, training, and assisting PESS and DESB counterparts to undertake all planning for implementation. After this time they will provide support to and oversee the work of the PESS and DESB offices, providing ongoing training and support, funding, setting of targets, M&E, and continuous improvement of management arrangements.

136. Annual Review Process. The ESDP PAF is the overarching sector review mechanism for both MoES and development partners. In accordance with the objectives of the Vientiane Declaration, it is slated to become the single mechanism for review in the medium term. Consistent with this agreement, the project will be evaluated annually by a Joint Sector Review Mission, comprised of government staff and development partners.

Financial Management, Disbursements and Procurement

137. Summary of the Financial Management Assessment. This assessment is based on the financial management capacity assessment of the same implementing agency in charge of the Early Childhood Education project (ECU and DOF of the MoES), which was carried out in 2013 and updated for activities and arrangements specific to this project.

138. The overall financial management risk is assessed to be substantial, given the nature of the project activities that involve extensive school/community-level support and participation. The project is also benefiting districts throughout the country. The main risks identified include: (i) low capacity at the school/community level, which could increase the risk of funds not used for intended purposes; (ii) low capacity of implementing agency staff to ensure acceptable financial management arrangements; (iii) weak capacity to liquidate advances in a timely manner and to monitor and provide timely information on commitments; and (iv) delays in the transfer and shortage of funds. These risks will be mitigated by: (i) having in place acceptable operational manuals for SBG, including associated school/community guide, and district grants; (ii) increase transparency in the use of funds by periodically disclosing at meetings or display on school notice board; (iii) revising the FAM and systems, acceptable to the Bank, to improve timely liquidation of advances and enable recording of commitment; (iv) increasing the number of skilled staff at the central level and strengthening financial management skills of provincial and district level finance staff through capacity building; (v) improving the system for and production of six-month expenditure projection per semester; and (vi) training of school/community beneficiaries and MoES finance staff at all levels.

139. The financial management arrangements will be deemed acceptable and meet the requirements of OP/BP 10.00 when the proposed mitigation measures have been implemented.

140. Staffing. The DOF at MOES comprises six divisions: administration, accounting, budget, inspection, management and monitoring of construction, and management of asset (including procurement). Currently, only the accounting and inspection divisions provide support to the ECU in accounting for EDPII, EFA/FTI and ECE projects. At the provincial level, the projects are being supported by the finance staff of the PESSs. Depending on the size of the PESSs, finance staff number ranges from 2-5 staff.

141. The accounting division at the central level currently has 13 staff members: one head of division, two deputies, and 10 accountants. Six staff members are being assigned to work on two World Bank supported projects including the head of accounting division. However, two staff have left the division recently. The head of accounting division is responsible for production of the IFR and preparation and submission of withdrawal applications.

142. Given prior experience, it is proposed that the same staffing structure at both central and provincial levels will be used in the GPE II project. At this stage, with the departure of two staff and the need to allow senior staff (senior accountant and head of division) to focus more on capacity building and supervision work, it is determined that two junior staff/consultant will be needed to assist with the project's routine accounting and disbursement work under the

supervision of senior accountants. In order to build capacity and reduce some workload of staff at the central level in data entry, it is proposed to allow PESS finance staff to enter certain accounting data at the provincial level. Job description, roles and responsibilities of finance staff at central and provincial levels shall be defined. Finance staff at all levels shall be provided with refresher training and training on applicable procedures of new activities before implementation. On monitoring/follow up of advance and commitment monitoring; and hands on training for provincial finance, additional support can be made available to DOF by recruiting Financial Management consultants under ECU. This arrangement has worked well in the past given the limited time and resources of the MoES.

143. **Budgeting.** The ECU will remain responsible for the overall preparation and consolidation of the annual budget. Each central CD will be responsible for planning and budgeting for activities under their implementation. Annual budget based on annual work plan shall be prepared by component and sub-components. The budget should be prepared around May – September each year for the budget to be ready for implementation by October (when fiscal year starts). Budget shall also be divided into quarters and the review of budgets against actual expenditure made on a quarterly basis. Significant variances between budget and actuals should be explained in the IFR. To ensure sufficient funds, preparation of expenditure forecast or cash flow forecast needs to be continued and system for preparing and updating enhanced.

144. The annual budget is subject to approval by MoES and the World Bank. Any subsequent revisions for increase or decrease in the overall annual budget are subject to review and approval.

145. **Accounting Policies and Procedures.** Accounting policies, financial management procedures and internal controls will follow the updated FAM. For the GPE II project, there are two SBG manuals, one used for the Government Financing and another used under the EFA-FTI program. These two manuals will be reviewed, harmonized and submitted to the Bank for review and approval. The key points, among others, are to agree on SBG disbursement conditions, financial reporting, audit, record keeping, transparency/accountability measures and sanctions and any other specific requirements of the SBG. Schools participating in the SBG program as far as possible shall open commercial bank accounts. Alternative arrangement will be agreed and noted in the SBG manual for small and incomplete schools or schools that are located in the most remote areas. Transaction costs associated with managing the funds and risk involved will be considered and mitigation measures proposed. The ACCPAC financial software will be configured for use in this project.

146. Accountability and transparency measures (e.g., disclosing SBG financial information at regular meetings and displaying financial reports on school or village notice board) shall be enhanced and promoted. Creating awareness through simple illustration of what the SBG program is and how it benefits the school children and the community may help create checks and balances to ensure SBG will only be used for intended purposes.

147. **Internal controls.** The existing systems of internal controls as provided in the FAM are currently being updated. Areas of weakness identified are the lack of commitment controls and delay in liquidation of advance. Measures to strengthen the controls in these areas are being addressed under the revision of the FAM. The accounting software is also currently being

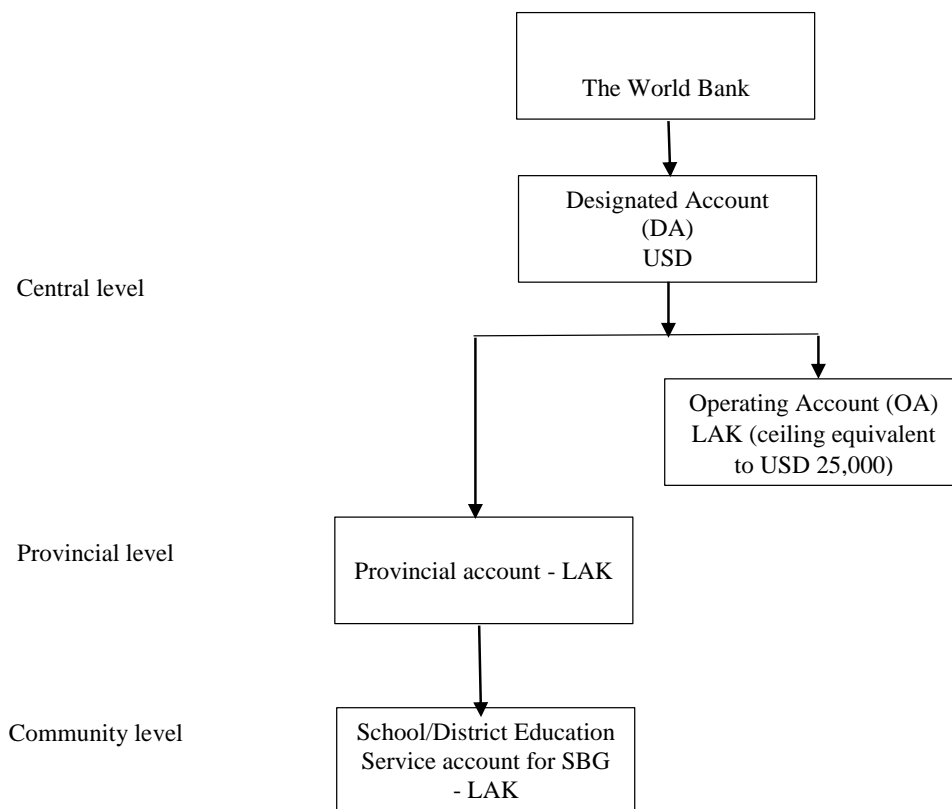
reviewed and the ability to record and automatically produce advance and commitment reports will also be reviewed. If not possible to upgrade, the project will need to define a robust system for recording, monitoring and reporting of advances and commitments manually and to also ensure up to date information. Sanctions or disciplinary measures for failure to liquidate advance within a reasonable timeframe should be proposed, understood by all central CDs involved and documented in the financial management manual.

148. An internal audit unit will be established as per the Mid Term Strategy for Performance Improvement Plan on financial management.

149. **Fund flows.** The grant funds will flow to a Designated Account (DA) maintained in US\$. An operating account (OA) will be opened at a commercial bank, maintained in LAK to facilitate day-to-day administrative expenditure and minor advance for travel and training on emergency cases. Funds flow to each participating provinces via transfer to provincial bank account will be maintained in LAK, opened at commercial bank and managed by the PESS. The provincial bank account will be used to receive and replenish eligible operating expenditure for the PESS and as a pass through account for sub-grants funds.

150. SBG funds will flow from the DA to the school bank account, as far as possible, through the provincial pass-through account similar to other sub-grants (e.g., CBC for school construction, Community Grant, and National School Meal Program) provided under the EFA-FTI program. This procedure has worked well in the past but requires due diligence by all parties involved to ensure timely transfer of funds. For a number of incomplete schools who are within the main and satellite arrangement, the main school would open a bank account to receive SBG funds for all schools within the cluster. Each school principal will confirm the receipts and report of expenditure separately. The procedures and controls on funds flow to each type of account are specified in the FAM and in the flow chart below.

151. Disbursement of SBG is through a Community Driven Development (CDD) method as implemented under the current EFA-FTI program. The frequency of SBG transfers will be once per year. The SBG manual shall outline adequate controls to ensure that funds are only released when disbursement conditions are met and are used for intended purposes. The items to be financed will be those allowed under Chapter 12 of the government's budget line items subject to a minimum of 40 percent of all SBG funds being spent on teaching and learning materials. The SBG manual will need to be reviewed, revised, harmonized and acceptable to the Bank.



152. Financial Reporting. DOF and the ECU have been responsible for the preparation and consolidation of information for the unaudited IFR. This task will continue under this project. The IFR shall include at minimum financial statements and project progress including variance analysis. The IFR is to be prepared and submitted to the World Bank no later than 45 days after each quarter. DOF will also be responsible for the preparation of annual financial statements for auditing by an external auditor. The reporting period will follow the government’s fiscal year being October 1 to September 30.

153. The provincial level reports back monthly or when expenditures reach 80 percent of the operating advance having been provided (whichever comes first). The report shall summarize total receipts and payments and projected funds needed for the next two months.

154. Reporting on the use of sub-grant funds follows the reporting mechanism under the SBG manual, which will be twice a year after the end of each semester. The FRS will be used to strengthen monitoring and audit of the expenditure for both government and GPE II financing.

155. Audit arrangements. An independent qualified auditor shall be appointed to audit the project, with Terms of Reference acceptable to the World Bank. Audit reports and management letters are to be submitted to the World Bank no later than 6 months after the fiscal year end. A sample of 20 percent of the sub-grants provided will be selected for auditing annually, using a risk based approach (including the results of the quality of financial reporting from community

level). The World Bank Access to Information Policy applies to this project. The audit reports and audited financial statements will be disclosed on the MoES website.

156. Implementation Support and Supervision Plan. Financial management implementation support will be bi-annually, including field visits. The financial management missions will include reviews of the continued adequacy of financial management arrangements, transaction review and an integrated fiduciary review (procurement and financial management) of sub-grant expenditure and other goods and services contracts.

157. Disbursements arrangements. A segregated designated account will be opened for the project, with a ceiling of US\$1,500,000. To facilitate sufficient funds during the period of SBG grant transfer, the ceiling of the DA can be increased up to US\$2,500,000.

158. Disbursement methods allowed are advance, direct payment, and reimbursement.

159. Supporting documentation required for eligible expenditures paid from the DA are Summary Sheets with Records and Statement of Expenditures (SOE). The frequency for documenting expenditures paid from the DA will be monthly. Reimbursements would also be documented by Summary Sheets with Records and SOE. Direct Payments will be documented by records.

160. The minimum application size for reimbursements and direct payments will be US\$200,000.

161. The project will have a Disbursement Deadline Date (final date on which the World Bank will accept applications for withdrawal from the borrower or documentation on the use of grant proceeds already advanced by the World Bank) four months after the Closing Date. Expenditures incurred between the Closing Date and the Disbursement Deadline Date are not eligible for disbursement, except as otherwise agreed with the World Bank.

162. All documentation for expenditure submitted for disbursements will be retained by the ECU and PESS and made available to the external auditors for their annual and interim audits, and to the World Bank and its representatives if requested.

Disbursement from grant account shall be made against the following expenditure categories:

| Category | Amount allocated in USD million equivalent | Financing % (inclusive of taxes) |
|---|---|---|
| (1) Goods, non-consulting services, consultants' services, Training and Operating Costs other than those financed under School Block Grants | 11,760,000 | 100% |
| (2) School Block Grants | 5,040,000 | 100% of amounts disbursed |
| Total | 16.8 | |

163. **Operating Costs** means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, project-related meeting expenses, project-related travel, subsistence and lodging expenses, and other administrative costs directly related to the project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the recipient’s civil service

Financial Management and Disbursement Action Plan

| Action | Responsible party | Timing |
|--|-------------------|---|
| Recruit two accounting assistants with terms of reference acceptable to the World Bank | MoES | Within six months of project effectiveness date |

164. **Procurement.** Procurement of goods and works under the project and financed in whole or in part by GPE funds will be carried out in accordance with the IDA’s "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014. Procurement of consultant services financed in whole or in part by GPE funds will be carried out in accordance with the IDA’s "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014, and the provisions stipulated in the legal agreement and the approved procurement plan.

165. **Assessment of the ECU’s procurement capacity as MoES’ unit in charge of day-to-day project management.** An assessment of the ECU procurement capacity was carried out by the Bank’s procurement staff. The unit’s performance has been fully satisfactory under the recently closed EDP II and the on-going EFA-FTI program. There were no major procurement issues at the central level. However, the Integrated Fiduciary Supervision Assessment identified issues with filing and implementation at the provincial, district and community levels. This shows that the performance of districts and communities still has to be strengthened.

166. In line with the broader fiduciary risks present in Lao PDR, including a weak country procurement environment, the overall project procurement risk is currently rated as **Substantial**. The risk will be managed and mitigated through the action plan incorporated in the project design as listed below. In addition, procurement staff experience and the incorporation of the capacity strengthening measures lower the residual procurement risk to **Moderate**.

167. **Action Plan to Improve Procurement Capacity.** To improve the procurement capacity, an action plan has been agreed with MoES to carry out the procurement functions. The main actions are:

- The current national individual consultant experienced with the Bank procurement procedures, will continue to work at the ECU as a procurement consultant, under the

supervision of the Project Director to ensure compliance in procurement process with the IDA's Guidelines. A qualified government staff will be assigned by MoES to serve as a focal point for coordination, consultation and follow-up of procurement activities with ECU, provincial departments, districts and communities, with support of the procurement consultant. The procurement consultant's terms of reference will include procurement capacity strengthening of the MoES staff. The assigned MoES staff should take over the responsibility of procurement after the training has been provided by the consultant.

- The ECU will organize an intensive procurement training workshop for the provincial and district staff with assistance from the national procurement consultant within one month after the project effectiveness, and periodically during the life of the project.
- The existing SGB manual will be updated within one month after the project effectiveness. This manual will cover the simple procurement procedures and forms and record keeping procedures to be followed by the province, district and communities. The SGB manual is subject to the Bank's concurrence.

168. Training should be provided to all the schools that will conduct SBM operation in line with the SGB manual. The DOF would be responsible for planning and delivering this training with the assistance from the Bank's fiduciary team. When necessary, a consultant will be hired to deliver the training.

169. **Procurement Plan.** The ECU has prepared a detailed procurement plan for the 4 years project period, which provided the basis for the selected procurement procedures. This plan has been discussed with the Bank as detailed below. The plan will be updated with the Bank's prior concurrence, annually or as required, to reflect changes in implementation needs and improvements in institutional capacity.

170. **Date of Bank's approval of the Procurement Plan:** March 11, 2015

Goods and Works and non-consulting services

171. **Prior Review Threshold:** Procurement Decisions subject to prior review by the World Bank as stated in Appendix 1 to the Guidelines for Procurement:

| S/N | Procurement Method | Prior Review Threshold US\$ | Comments |
|-----|--------------------|--------------------------------|----------|
| 1. | ICB (Goods) | <i>All</i> | |
| 2. | NCB (Goods)* | <i>The first contract</i> | |
| 3. | Shopping (Goods) | - | - |
| 4. | Direct Contracting | <i>All</i> | |

(*) NCB procedures will follow the procedures specified in the Financing Agreement.

Reference to Project Operational/Procurement Manual: SGB manual.

Summary of the Procurement Packages planned after project effectiveness

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------|--|---------------------|----------|------------------------------|-------------------------------|----------|
| Ref. No. | Description | Estimated Cost US\$ | Packages | Domestic Preference (yes/no) | Review by Bank (Prior / Post) | Comments |
| 1 | Summary of the ICB (Goods) packages | - | - | No | - | |
| 2 | Summary of the Shopping (Goods) packages | 104,000 | 2 | No | Post | |

Selection of Consultants

172. Prior Review Threshold: Selection decisions subject to prior review by the Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

| | Selection Method | Prior Review Threshold | Comments |
|----|---------------------------|--|----------|
| 1. | Competitive Method (Firm) | Above US\$ 100,000 | |
| 2. | Single Source (Firms) | All | |
| 3. | Individual | SSS above US\$10,000 and fiduciary positions | |

Consultancy Assignments with Selection Methods and Time Schedule

| 1 | 2 | 3 | 4 | 5 | 6 |
|----------|---|---------------------|----------|---------------------------------|----------|
| Ref. No. | Description of Assignment | Estimated Cost US\$ | Packages | Review by Bank (Prior / Post) | Comments |
| 1. | Summary of number of contracts that will be let under QCBS | 1,431,000 | 3 | Prior | |
| 2. | Summary of number of contracts that will be let under LCS | 60,000 | 1 | Prior | |
| 3. | Summary of number of contracts that will be let under Individual Consultant | 856,000 | 8 | Post except fiduciary positions | |

173. For local facilitators and monitors, the contracts may include only the fees and not the payment of logistics for attending training. The costs of logistics will be paid from Incremental Operating Cost of the project.

174. Frequency of Procurement Supervision. Field procurement supervision will be conducted as part of the regular implementation support missions, which will be conducted at least twice a year. The Bank will periodically undertake the ex-post review by a procurement specialist.

Environment and Social (including Safeguards)

175. **Social Safeguards Instrument.** The World Bank's safeguard policy OP 4.10 on Indigenous Peoples (IPs) is triggered because the project is nation-wide and covers districts inhabited by poor ethnic groups (as Indigenous Peoples are referred to in Lao PDR). During project preparation, the MoES conducted a social assessment, in areas where ethnic groups are present, in order to assess the project's potential effects on ethnic groups. Free, prior and informed consultations were conducted during preparation with a representative sample of ethnic groups who are likely to participate in or be affected by the project. The consultations allowed for ethnic groups perspectives to be collected and reflected in the project design. The existing EGDP developed for the Bank-supported Early Childhood Education Project in Lao PDR has been updated based on the social assessment and consultations. The updated EGDP was disclosed in country and the World Bank website on August 20th, 2014.

176. Environment (including safeguards). The project is classified as a Category "B". The project will provide SBGs which will support minor school maintenance. The size of the maintenance will be very small, including repainting walls, repairing damaged roofs, and providing school furniture. World Bank environmental safeguards policy (OP/BP 4.01) is triggered due to project support for minor school maintenance which will unlikely result in significant or irreversible environmental impacts. All maintenance works will be carried out by communities and an Environmental Code of Practice (ECOP) has been developed to educate communities on possible environmental impact and has established mitigation measures, if necessary. Moreover, since the project will only support minor school maintenance, no acquisition of private land, or loss of private assets including trees and structures is anticipated nor is physical relocation anticipated during implementation of the project. The Environmental Code of Practice⁶⁸ was disclosed in country and the World Bank website on August 20th, 2014.

⁶⁸ Report number: E4624.

Annex 4: Operational Risk Assessment Framework (ORAF)

Lao PDR: SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT

Stage: Appraisal

Risks

Project Stakeholder Risks

| Stakeholder Risk | Rating | | | | | |
|---|---|--|--------------------|-------------------|----------------------|--------------------------|
| <p>Risk Description:</p> <p>The principal stakeholders are the government at central, province and district levels, civil society organizations, parents, teachers and primary school children. Government ownership and commitment for the current GPE program is strong. The current update of the ESDP (2011-15) includes a strong focus on school-based management and institutional strengthening which are core elements of this program. The recipient and interests, objectives, and motivation for undertaking this operation are well aligned.</p> <p>The program empowers schools and local communities, fully in line with the government's decentralization policy. The government's introduction of per capita block grant funding for all public schools from FY2012-13 emphasizes its intent to ensure that financial resources are made available at the school level to deliver effective school-based management and better learning outcomes. Teachers, parents,</p> | <p>Rating</p> <p>Moderate</p> | <p>Risk Management:</p> <p>The program will include measures of outreach to parents and teachers during preparation, including consultations on proposed interventions. During implementation, a strong communications strategy through the DESBs and VEDCs on the importance of SBM and the publication of SIPs, and financial reports to local communities will increase the flow of information to the principal stakeholders.</p> | | | | |
| | <p>Resp: Bank and DPs</p> | <p>Status: In Progress</p> | <p>Stage: Both</p> | <p>Recurrent:</p> | <p>Due Date: N/A</p> | <p>Frequency: Yearly</p> |

| | | | | | | |
|---|--|--|--|--|--|--|
| <p>NGOs, and development partners have expressed strong support for the program interventions. This program will build on activities and lessons learned from the current GPE program under implementation by MoES.</p> <p>The risk of limited stakeholder involvement in the program is low although the significant number of local SBM initiatives supported by development partners and NGOs need to be aligned and harmonized within an overall framework.</p> | | | | | | |
|---|--|--|--|--|--|--|

Implementing Agency (IA) Risks (including Fiduciary Risks)

| Capacity | Rating | Substantial | | | | |
|--|---|---------------------|-------------|------------|--------------|--------------------|
| <p>Risk Description:</p> <p>MoES has successfully implemented a number of Bank-financed projects in the education sector, including the recently closed Second Education Development project and the ongoing GPE program. Ministry officials are familiar with the proposed modalities and interventions. They are also familiar with Bank procedures and have received training on financial management, procurement, and also on substantive sector issues.</p> <p>The absence of any infrastructure component will reduce procurement risks. The project will focus on training at the local levels which will require close monitoring of financial reporting. However, experience from</p> | <p>Risk Management:</p> <p>Capacity building will continue to address the fiduciary risk issues. Training for procurement, financial management and auditing staff will be provided on an ongoing basis to help ensure necessary controls are in place and that sound procurement and financial management practices are being implemented. In addition, international and/or national individual technical consultants for these areas will be engaged in the project. The project will be audited annually, and the Bank will also closely supervise the project during implementation. Furthermore, a detailed Operational Manual adapted from the current GPE program will be developed to guide project implementation. This manual will provide MoES staff with a comprehensive set of written policies and procedures for, among other things, routine tasks, administrative activities, records management, and documentation.</p> <p>The Financial Management Medium Term Strategy and Performance Improvement Plan for the Ministry have been developed by a technical advisor. Training manuals, procedure manuals and recommendations to improve financial management performance for the MoES at all levels will be produced.</p> | | | | | |
| | Resp: Bank | Status: In Progress | Stage: Both | Recurrent: | Due Date:N/A | Frequency: Ongoing |

| | | | | | | |
|--|--|---------------------|-------------|------------|--------------|--------------------|
| the GPE program has shown a steady improvement in this area and the rate of disbursement has substantially increased. | | | | | | |
| Governance | Rating | Moderate | | | | |
| <p>Risk Description:</p> <p>There is strong ownership by the government of the program. The government, through its MoES-DP Task Force, has driven the initiation of the project concept and its evolving design; and the project's goals are fully aligned with the current sector strategy.</p> <p>Fiduciary capacity, while improving, remains a challenge. Despite the government's commitment to SBG, fund disbursement has not taken place in a timely manner.</p> | <p>Risk Management:</p> <p>Core project implementation services remain within the existing project management arrangements. Proposed SBG complementary grants will be disbursed through school bank accounts or in the absence of commercial bank accounts at district level into a district account that will disburse in cash to schools and maintain records of receipts into and withdrawals from the account; accounting will be done through the government's school financial reporting system as part of strengthening core government systems. Regular implementation support missions, including procurement ex-post and financial management transaction reviews will be carried out every six months and regular support to address issues on time will be provided by the Bank team in Vientiane throughout the life of the project.</p> | | | | | |
| | Resp: Bank and DPs | Status: In Progress | Stage: Both | Recurrent: | Due Date:N/A | Frequency: Ongoing |
| Project Risks | | | | | | |
| Design | Rating | Moderate | | | | |
| <p>Risk Description:</p> <p>The design is an Investment Project Financing, a modality with which MoES is familiar through previous IDA projects. Moreover, almost all of the interventions being considered for this operation have been piloted in previous IDA projects in the sector, and this project builds on the foundation established by previous programs.</p> <p>Following the normal pattern of slow project start-up in the first year.</p> | <p>Risk Management:</p> <p>The supervision team will provide continuous support to the MoES to ensure timely implementation of all activities. A concerted effort, through the Ministry focal groups, will be made to promote cooperation and coordination between the implementing departments. In addition, the fiduciary training provided to MoES will address financial management challenges.</p> | | | | | |
| | Resp: Bank and DPs | Status: In Progress | Stage: Both | Recurrent: | Due Date:N/A | Frequency: Ongoing |

| | | | | | | | | | | | | | |
|---|--|--------------------|------------|---------------|--------------------|--|--------------|---------------------|-------------|------------|---------------|--------------------|--|
| disbursements may fall behind the plan but are expected to accelerate as experienced under the current GPE program. | | | | | | | | | | | | | |
| Social and Environmental | Rating | Moderate | | | | | | | | | | | |
| <p>Risk Description:</p> <p>There are no construction activities within the project.</p> <p>There is a risk that the most disadvantaged children, particularly those with disabilities and/or those from ethnic groups and poor families, may not be reached.</p> | <p>Risk Management:</p> <p>The project is a systemic intervention that will benefit all primary schools. However, certain interventions, particularly SBM training and the proposed new reading methodology will benefit the poorest and disadvantaged communities. Furthermore, other DPs, notably Australia, JICA, and UNICEF, are already working in the most educationally disadvantaged districts which have the lowest participation and survival rates at the primary school level.</p> <p>The project will incorporate proven approaches based on successful experiences from other education projects for disadvantaged communities in Lao PDR. Additionally, stakeholder consultations about the project have taken place during the project preparation to raise awareness about the project's interventions. A social assessment also reviewed the barriers for ethnic children to access basic education which will be used to shape the project design.</p> <table border="1" data-bbox="594 756 1885 837"> <tr> <td data-bbox="594 756 772 837">Resp: Client</td> <td data-bbox="772 756 989 837">Status: In Progress</td> <td data-bbox="989 756 1173 837">Stage: Both</td> <td data-bbox="1173 756 1388 837">Recurrent:</td> <td data-bbox="1388 756 1682 837">Due Date: N/A</td> <td colspan="2" data-bbox="1682 756 1885 837">Frequency: Ongoing</td> </tr> </table> | | | | | | Resp: Client | Status: In Progress | Stage: Both | Recurrent: | Due Date: N/A | Frequency: Ongoing | |
| Resp: Client | Status: In Progress | Stage: Both | Recurrent: | Due Date: N/A | Frequency: Ongoing | | | | | | | | |
| Program and Donor | Rating | Moderate | | | | | | | | | | | |
| <p>Risk Description:</p> <p>The Local Education Group has agreed on project objectives and activities. Many of the initiatives currently supported by DPs and NGOs at national and local levels (e.g., quality standards) nestle within the project's main objectives and activities and continued close donor collaboration is important to ensure strong alignment. The project interventions are firmly in line with the DP-endorsed ESDP.</p> | <p>Risk Management:</p> <p>There is an ongoing effort to promote effective donor coordination and dialogue through the monthly informal DP meetings. This will ensure that all initiatives are aligned with project activities. The institutional strengthening of MoES and use of Focal Groups will ensure that existing achievements are built on and that there is no duplication of activities. The project will keep DPs updated about progress through joint missions and frequent consultations.</p> <table border="1" data-bbox="594 1117 1885 1352"> <tr> <td data-bbox="594 1117 772 1352">Resp: Bank</td> <td data-bbox="772 1117 989 1352">Status: In Progress</td> <td data-bbox="989 1117 1173 1352">Stage: Both</td> <td data-bbox="1173 1117 1388 1352">Recurrent:</td> <td data-bbox="1388 1117 1682 1352">Due Date: N/A</td> <td colspan="2" data-bbox="1682 1117 1885 1352">Frequency: Ongoing</td> </tr> </table> | | | | | | Resp: Bank | Status: In Progress | Stage: Both | Recurrent: | Due Date: N/A | Frequency: Ongoing | |
| Resp: Bank | Status: In Progress | Stage: Both | Recurrent: | Due Date: N/A | Frequency: Ongoing | | | | | | | | |
| Delivery Monitoring and | Rating | Substantial | | | | | | | | | | | |

| | | | | | | |
|--|--|---------------------|---|------------|--------------|--------------------|
| Sustainability | | | | | | |
| Risk Description: Although the government has mainstreamed many key project activities in EDP II and GPE, the key to long term sustainability is ensuring adequate financial and human resources at central and local levels for training and monitoring. | Risk Management: The Bank will conduct supervision missions, frequent review of the implementation plans, and diligent following up with MoES on financial monitoring and reporting. Additionally, the supervision missions will support the project with additional financial management oversight. The Bank will continue to work with concerned departments to improve the quality of the M&E framework through participation in the MoES-led results monitoring consultations and exercises. Additionally, Component 3 of the project will help MoES strengthen its monitoring framework for the program. The MoES has DP support for implementing a system of annual costed sector plans; this will identify ways to prioritize and use the budget more efficiently. This will help with the Ministry budget planning, including mainstreaming project initiatives. | | | | | |
| | Resp: Client | Status: In Progress | Stage: Both | Recurrent: | Due Date:N/A | Frequency: Ongoing |
| Overall Risk | | | | | | |
| Overall Implementation Risk: Substantial | | | Overall Implementation Risk: Substantial | | | |
| Risk Description: MoES has successfully implemented a number of projects financed or supervised by the Bank-in the education sector, including the recently closed EDP II and the ongoing GPE funded EFA-FTI program. Ministry officials are familiar with the proposed interventions and with Bank procedures and have received training on financial management, procurement, and sector planning. However, capacity at the school and local levels is more limited which will make implementation more challenging since these will be the primary units responsible for implementation of the project. In addition, based on past experience, there is a risk that MoES at the central and local levels have inadequate financial management and auditing capacity. The project design has incorporated substantial capacity development training to mitigate the risks associated with all capacity constraints identified. In addition, the SBG provided by the project are designed to complement those of the government. The MoES has provided assurances of the continuity of the government SBG the risk remains substantial since the MoES may be adversely affected by | | | Risk Description: | | | |

worsening of fiscal situation. In addition to the written assurances about the continuity of SBG, the project includes additional mitigation measures (like the prioritization of SBG in Annual Sector Plans). Monitoring the planned and realized budget during project implementation will be critical to anticipate any potential issues with the disbursement of government grants

Nondisclosable Information for Management Attention (Optional)

Risk Description:

Annex 5: Implementation Support Plan

LAO PDR: SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT

Strategy and Approach for Implementation Support

177. Implementation support is a core element of the proposed partnership between the Government of Lao PDR and the GPE under the GPE II project. The Implementation Support Plan has been designed to improve: (i) monitoring and evaluating results on the ground; (ii) facilitating the timely implementation of the risk mitigation measures identified in the project's ORAF (Annex 4); and (iii) providing implementation support on the capacity risks related to sectoral and technical aspects of the project, as well as those related to fiduciary concerns. Intensive supervision missions, frequent review of the implementation plans, and diligent follow-up with the MoES will help improve its management capability. Additionally, supervision missions will provide the project with external procurement oversight. The Implementation Support Plan is founded on semi-annual intensive supervision missions and continuous sectoral and technical oversight. The plan covers the following dimensions:

- (a) **Implementation Support Missions (ISM):** Implementation support from the development partners and the Bank will be provided through ISM missions conducted every six months. These missions will be conducted in collaboration with the MoES. At least one of these missions each year will include field visits. The MoES will prepare a detailed six-month implementation report to be shared with the Bank one month prior to the ISM.
- (b) The occasion of ISM missions will provide the development partners and the Bank with extensive information regarding project implementation submitted prior to the mission, and will lead to the identification of key implementation issues and bottlenecks as well as the necessary corrective measures agreed between the MoES and the World Bank.
- (c) **Continuous Sectoral and Technical Oversight:** Knowledgeable development partners, World Bank staff and technical consultants will provide advice and exchange views to ensure:
 - (i) Component 1 – Strengthening School-Based Management:
 1. The minimum conditions for SBG disbursement are met and proper records are kept.
 2. SBG funds are transferred to the school on time and in the prescribed channel and where SBG funds are drawn down in cash from a district maintained bank account, such withdrawals are properly vouched by authorized persons.
 3. SBG funds are spent on authorized purposes only and meet the minimum limit of 40 percent expenditure of teaching and learning materials.
 4. District Education Plans are properly prepared and implemented and are used as the basis to draw down project funds.
 5. Formal SBM training is identified to ensure it is sufficiently action oriented and practical;

6. Training is focused on disadvantaged and remote schools and that district staff spend appropriate time supporting hard-to-reach schools.
7. Formal training is evaluated through course evaluation forms and questionnaires and the impact of training is assessed by district staff based on the outputs produced by the school; and
8. Development partners deliver agreed complimentary support activities to districts and target schools under their programs in the 80 districts and that BEQUAL disburses complimentary district grants.

(ii) Component 2 – Improving Reading Outcomes and Assessment Capacity;

1. New pedagogical approach is developed based on technical analysis.
2. Pedagogical approach is tested before implementing it in the pilot schools.
3. Materials developed are user friendly and technically appropriate.
4. In-service teacher training is focused on practical lessons to implement new methodology; and
5. The implementation is properly monitored to ensure teachers are implementing the new approach in the classroom.

(iii) Component 3 – Project Management and Monitoring and Evaluation:

1. Support for management and M&E of all project activities
2. Support to MOES and national and international technical advisors to strengthen implementation capacity
3. Facilitate coordination across concerned departments
4. Provide technical assistance to the monitoring framework for project activities and the sector as a whole.

(d) **Fiduciary Oversight:** Bank fiduciary specialists will continue their capacity building activities to address the fiduciary risk issues. Training for procurement, financial management, and auditing staff will be provided on an ongoing basis to help ensure necessary controls are in place and that sound procurement and financial management practices are being implemented. The World Bank financial management and procurement team will work together with the ECU to provide implementation support in the early stage of implementation period so as to avoid implementation delays of those activities. In addition, the fiduciary training provided by the Bank to the MoES will anticipate these issues and suggest possible solutions to them before they arise.

(e) **External Audit.** An independent external auditor will be engaged to conduct the audit of the entire project. The audit will be carried out with greater emphasis on internal controls, according to terms of reference acceptable to the Bank. An annual audit report will be required to be submitted to the Bank within six months after the end of calendar year. Auditors' reports would be shared with MoES, MOF, development partners and the Bank, and would be posted on the project website, with specific review and agreement on corrective actions undertaken during the project supervision missions each year.

- (f) **Procurement Aspect:** The team will provide training to all agencies conducting procurement on World Bank procurement procedures.
- (g) **Local Technical and Fiduciary Support.** A local education specialist in the World Bank’s Country Office will serve as Chief Technical Advisor to provide technical support for the annual planning and implementation of the projects, and liaise with other education partners in the field. In consultations with the Task Team Leader, this specialist would also work with local World Bank financial management and procurement staff to ensure that the project receives timely fiduciary support.
- (h) **Donor Coordination:** The team will continue to promote effective donor coordination through active dialogue with other donors as an ongoing agenda for the quarterly ESWG. The project will fully involve donors in project implementation through frequent consultations and participation in ISM missions.

178. **Composition of the World Bank Implementation Support Team.** The Bank team consists of an education specialist/Task Team Leader, local specialist, operations officer, social development specialist, environmental specialist, financial management specialist and procurement specialist.

I. The Main Focus of Implementation Support

| Time | Focus | Skills Needed | Resource Estimate (US\$) |
|---------------------|-------------------------|------------------------------------|---------------------------------|
| First twelve months | School Based Management | School Based Management Specialist | 100,000 |
| | School Block Grant | School Block Grant Specialist | |
| | Literacy | Literacy Specialist | |
| | Financial Management | Financial Management Specialist | |
| | Procurement | Procurement Specialist | |
| 12-48 months | School Based Management | School Based Management Specialist | 400,000 |
| | School Block Grant | School Block Grant Specialist | |
| | Literacy | Literacy Specialist | |
| | Financial Management | Financial Management Specialist | |
| | Procurement | | |

II. Skills Mix Required

| Skills Needed | Number of Staff Weeks | Number of Trips (per year) |
|---|------------------------------|-----------------------------------|
| Education Specialist and Task Team Leader | 7 | 2 |
| Education Specialist | 4 | 2 |
| Operations Officer | 3 | 1 |
| SBG Specialist | 4 | 3 |
| FM Specialist | 5 | 2 |
| Procurement Specialist | 5 | 2 |
| Social Development Specialist | 2 | 2 |
| Environment Specialist | 2 | 2 |

Annex 6: Output and Results of the EFA-FTI Program (2011 – 2014)

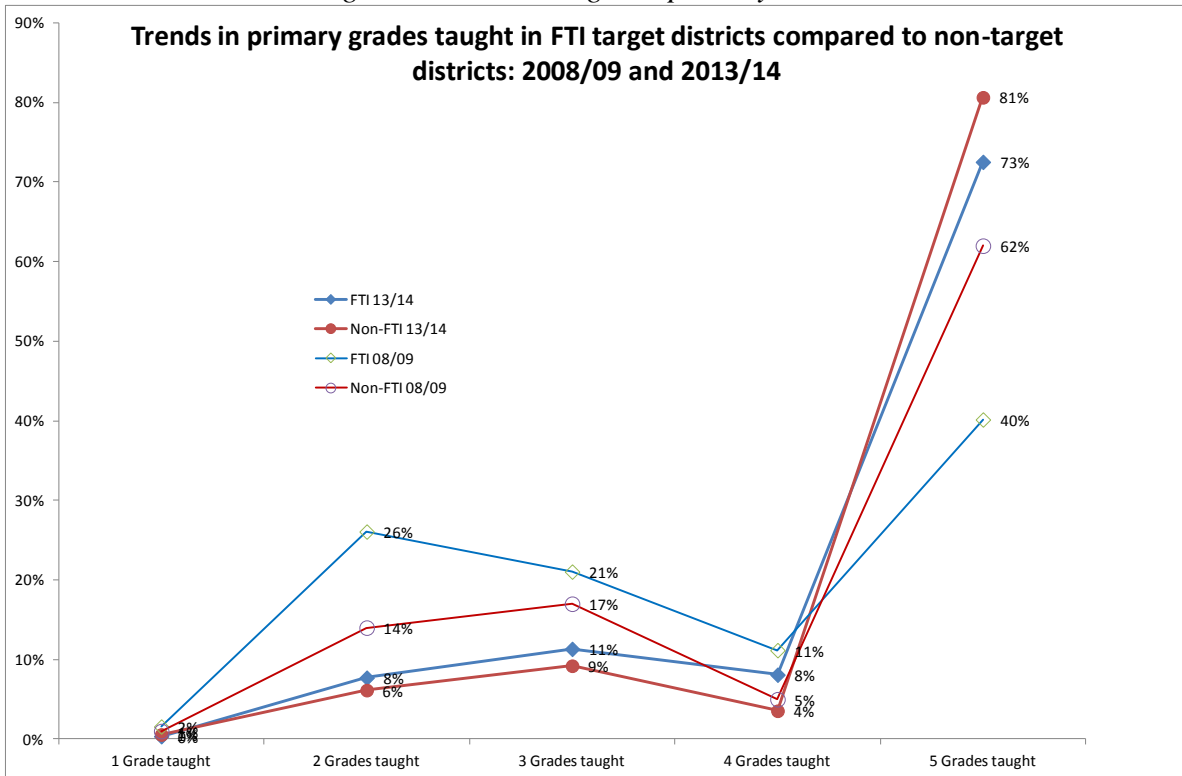
LAO PDR: SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT

Making Incomplete Schools Complete

179. As mentioned previously, the EFA-FTI program was found to have been largely successful in meeting its objectives and targets, and in the case of survival rates, gender parity index and net enrollment rates even exceeding the program end targets. Additional impact of the EFA-FTI program is shown below. While the proportion of schools offering all 5 grades of primary education across non-FTI districts increased from 62 percent to 81 percent during the period 2008/09 to 2013/14, across FTI districts this proportion increased from 40 percent to 73 percent. The proportion of schools teaching only 1 grade remained small (1 percent) across all districts but for FTI districts the proportion of schools offering only two grades decreased from 26 percent to 8 percent in FTI districts while among non-FTI districts, it decreased from 14 percent to 6 percent.

180. This suggests that the EFA-FTI program has been successful in supporting more schools to provide all 5 grades of primary school.

Figure 1: Grades taught in primary schools



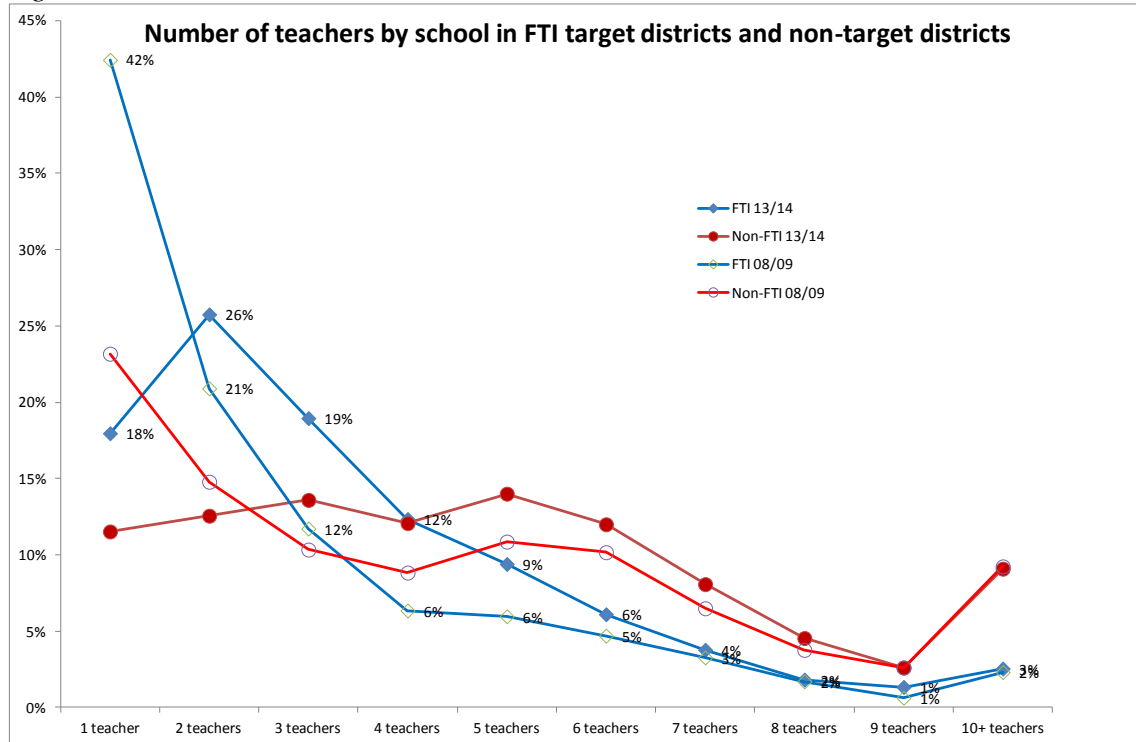
Source: EMIS data

181. Figure 2 shows that across FTI districts, the proportion of 1-teacher schools decreased from 42 percent to 18 percent (from 23 percent to 12 percent among non-FTI districts). Among

FTI districts, there has been a corresponding increase in the number of schools with 2 to 6 teachers.

182. The EFA-FTI Program has been successful in reducing the proportion of 1-teacher primary schools from 42 percent to 18 percent over the period 2008/09 to 2013/14.

Figure 2: Teachers in schools



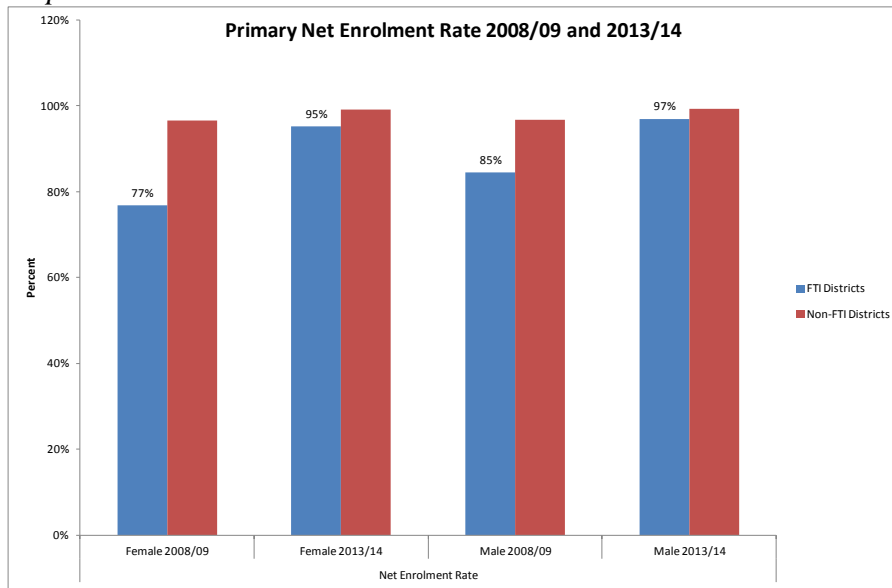
Source: EMIS data

Improved Participation and Completion

183. From before implementation of the EFA-FTI Program (2008/09) to 2013/14, across the 56 target districts of EFA-FTI, participation rates improved on average from 85 percent to 97 percent for boys and for girls from 77 percent to 95 percent.

184. For other non-targeted districts, boys improved on average from 97 percent to 99 percent and girls from 97 percent to 99 percent.

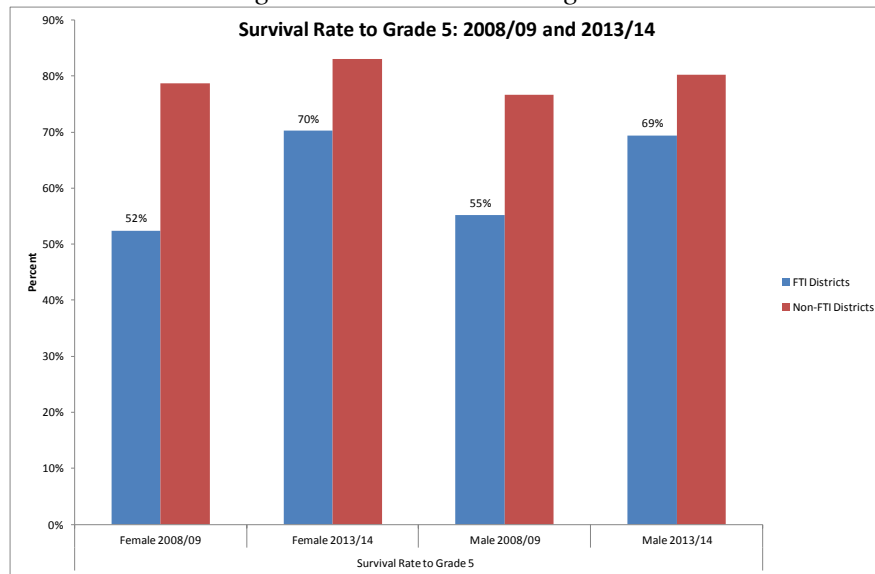
Figure 3: Participation rates



Source: EMIS data

185. For survival rate to grade 5, girls from the 56 target districts increased on average from 52 percent in 2008/09 to 70 percent in 2013/14 and boys from 55 percent to 69 percent. Across other non-targeted districts, the survival rate for girls increased from 79 percent to 83 percent and for boys from 77 percent to 80 percent.

Figure 4: Survival rate to grade 5



Source: EMIS data

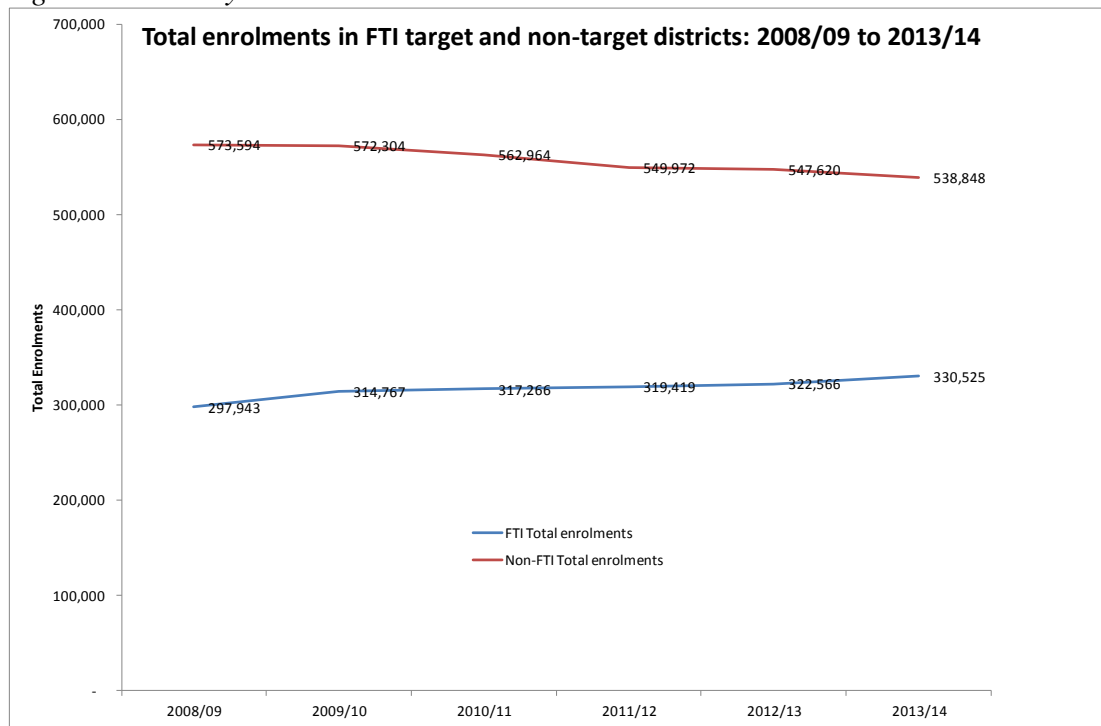
186. In summary, the proportion of 6-10 year girls from the EFA-FTI targeted districts reaching grade 5 has increased from 40 percent before EFA-FTI (2008/09) to 67 percent during school year just ended (2013/14). At the same time, girls reaching grade 5 from other districts increased from 76 percent to 82 percent.

187. In 2008/09 there were two very disadvantaged mostly ethnic districts (Nong and Phin Districts) of Savannakhet province where less than 20 percent of 6 to 10 year old girls reached grade 5. In 2013/14, this had increased to just over 55 percent of girls. In Long District of Luangnamtha, another very disadvantaged mostly ethnic area, only 28 percent of girls reached grade 5 in 2008/09 but by 2013/14, this had improved to 76 percent. These three examples are noteworthy, not only for the impressive gains but for future improvements in female literacy. These districts are mostly ethnic (Akha, Makong, Tri, Ta Oy and Katang). In the 2005 population census the female literacy rates (15 years and above) were 5 percent, 22 percent, 6 percent, 27 percent and 20 percent respectively, thus the gains from EFA-FTI suggest significant future improvements for the most educationally disadvantaged female ethnic peoples.

Changes in enrolment

188. Figure 5 shows trends in total primary enrolments across the period 2008/09 to 2012/13.

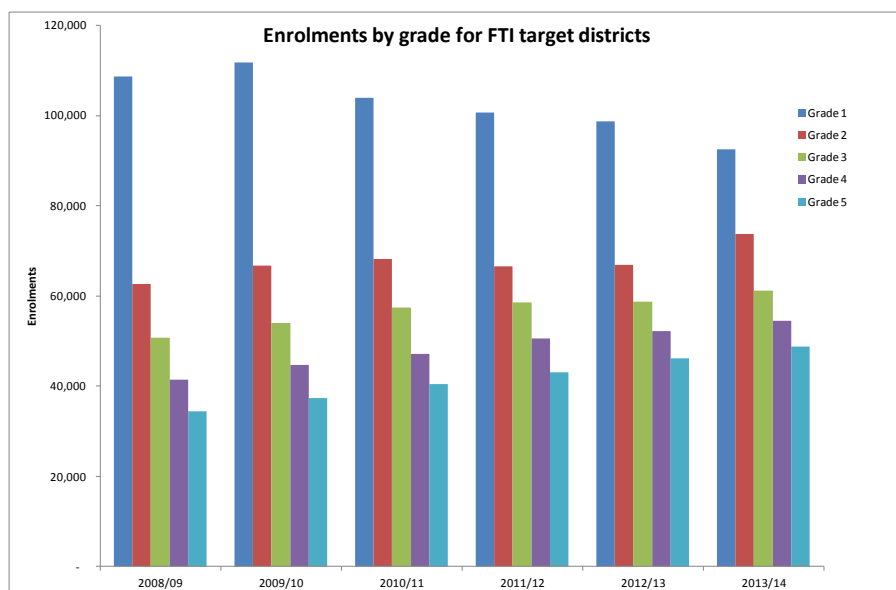
Figure 5: Primary enrolment trends



Source: EMIS data

189. Total primary enrolments have increased across the 56 target districts while total enrolments have declined in non-target districts. Figure 6 shows enrolments by grade level across the 56 target districts during the period 2008/09 to 2012/13. Grade 1 enrolments have declined and grade 2 enrolments have been steady; however, enrolments in grades 3 to 5 have steadily increased over time. Grade 1 declines may be due to reduced fertility rates, declining repetition rates or a combination of both, and this should be further explored.

Figure 6: Enrolments by grade in FTI target districts: 2008/09 to 2013/14



Source: EMIS data

190. However, the decline in grade 1 enrolments hides the improvement in repetition rates, particularly at grade 1. District level data has only been made available for school years 2012/13 and 2013/14 to analyse changes in the numbers of non-repeating students. Repetition, particularly at grade 1 has been a serious issue in Lao PDR for several decades, especially for areas that are predominantly ethnic. Table 1 shows the enrolment of non-repeating students.

Enrolment of non-repeating students

| G1-5 non-repeating enrolments | | | | |
|--------------------------------------|----------------|----------------|-------------------|---------------|
| FTI Districts | 2012/13 | 2013/14 | Difference | Growth |
| Grade 1 | 72,514 | 74,011 | 1,497 | 2% |
| Grade 2 | 59,509 | 67,809 | 8,300 | 14% |
| Grade 3 | 55,025 | 58,018 | 2,994 | 5% |
| Grade 4 | 50,386 | 52,715 | 2,329 | 5% |
| Grade 5 | 45,519 | 48,249 | 2,731 | 6% |
| Total | 282,953 | 300,803 | 17,850 | 6% |
| Non-FTI Districts | 2012/13 | 2013/14 | | |
| Grade 1 | 110,851 | 108,428 | - 2,423 | -2% |
| Grade 2 | 100,982 | 105,041 | 4,059 | 4% |
| Grade 3 | 100,669 | 100,648 | - 21 | 0.0% |
| Grade 4 | 99,383 | 99,100 | - 283 | -0.3% |
| Grade 5 | 97,690 | 96,985 | - 705 | -1% |
| Total | 509,575 | 510,202 | 627 | 0.1% |

Source: EMIS data

191. Thus, it can be seen that across the 56 FTI target districts, non-repeating enrolments have increased by 6 percent, compared to 0.1 percent among non target districts. In some grades

across non-FTI districts, there has been negative growth (decline) in enrolments from 2012/13 to 2013/14.

192. It is important to note that it takes time for the benefits of a Program such as EFA-FTI to build. Improvements in intake to grade 1 will take another four years to appear in enrolments in grade 5. The results outlined in this report suggest that the impact of EFA-FTI will be seen for some time to come. The data available to monitor EFA-FTI offers an opportunity to further track the impact of EFA-FTI into the future.

193. The proposed project is the second phase of the EFA-FTI Program Grant (2011-2014). It seeks to strengthen the foundation and build on the achievements of that grant by supporting teaching and school effectiveness in primary education. The interventions complement the existing interventions of Lao PDR's development partners and will build capacity within the Ministry to sustain the interventions once the proposed project closes. The theory of change underpinning the project is schematically depicted in Figure 5 below.

194. The project will support achievement of Objective 5 (increase both the volume and the effective use of resources) of the GPE Strategic Plan as its primary objective. It will also contribute to achieving Objective 2 (increase primary completion for girls); Objective 3 (increase in the number of children demonstrating a mastery of literacy and numeracy by grade 3); and Objective 4 (improve teacher effectiveness). In addressing Objective 5, the project will provide guidance and training on SBM to support principals and communities to make effective use of SBGs and community resources to address the 'software' requirements of improving student learning outcomes. Training of principals and communities combined with a rigorous system of financial reporting to government and public disclosure will reduce the fiduciary risk/wastage of funds and promote accountability and effective use of school resources.

195. In addressing Objective 2, the project will support the development of the SDPs where emphasis in training of principals and VEDCs will be given to the enrollment and retention of girls. Objective 3 will be addressed by the design and testing of a new methodology for early grade reading based on the EGRA results, and for capacity building of the RIES to expand its capabilities to refine, use and analyze data from EGRA assessment tools. Finally, Objective 4 will be addressed through increasing community involvement in monitoring EQS and help to address deficiencies through providing more resources for learning materials and continuing professional development. A stronger SBM framework will increase the powers of the principal and community to motivate teachers to meet the MoES' required performance standards.

196. The project also meets the guiding principles for GPE support as set out in the Charter:

- *Country Ownership:* The project objectives are fully aligned with the Government's policies of increasing school autonomy through direct block grant funding and decentralizing management and responsibility for public service delivery to district and village level.
- *Benchmarking:* The project supports extended use of benchmarking against national education quality standards.

- *Support linked to Performance:* Additional financial grant support to schools will be made available on the basis of schools fulfilling minimum conditions relating to basic management and accountability.
- *Lower transaction costs:* The project will distribute the additional financial support to schools using EFA-FTI channels and encourage the use of school bank accounts for all funds.
- *Transparency:* A key element of the project will be involved in strengthening school financial management and annual financial accounts which will be made available on a national web-based system.
- *Development Results and Value for Money:* Training under the project will focus on making the best use of resources; and more active involvement of communities in SBM will increase the value added of Government, NGO and community financed expenditures.
- *Mutual Accountability:* The project will promote horizontal accountability to communities and vertical accountability to Central Government and development partners through the Local Education Group. All monitoring activities will be undertaken as joint reviews using information from government information systems that will be strengthened during the course of the project.

Annex 7: Economic and Financial Analysis

LAO PDR: SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT

197. The project's development impact will derive mainly from increased educational attainment and increased skills of beneficiaries. Early grade dropout and low basic reading skills have been identified as constraints for the necessary economic transformation to move Lao PDR up the income ladder.⁶⁹ By improving school effectiveness, including better reading instruction, the project is expected to equip schools with the tools to develop and implement school development plans that actively reach out-of-school children, improve school conditions to improve retention and improve the reading ability of students. In the medium term, this should result in a larger share of students completing primary education with the cognitive skills that are necessary to continue their education and/or gain access to better jobs. This should contribute to reducing existing skills mismatches, where manufacturing and service firms find it difficult to get applicants for job openings, even for low-skill jobs, despite a large stock of workers in low paying, low productivity agricultural jobs. Reducing these constraints should contribute to faster economic transformation. And because the project targets most of its resources to go to districts and schools with the highest high drop-out rates, the project is expected to contribute not only to a faster economic transformation but to a more equitable one.

Key Challenges for Improving Equity and Quality

198. **The effectiveness of schools to deliver quality services and reduce disparities is limited by insufficient school funding, as well as inefficiencies in how the funds are spent.** The government introduced SBG in FY2011/12 in order to increase resources at the school level and to reduce the cost barriers of education for communities. However, the grant amount is still insufficient to cover operating cost of schools. As mentioned previously, the MoES has an official target of LAK 100,000 (approximately US\$12.5) per student by the end of the 7th NSEDP in 2015, which they were unable to meet because of budget constraints. Because the target amount of LAK100,000 is unlikely to be met in the next three years, the GPE II complementary grants are also meant to get the amount that schools get closer to the target while the budget situation improves. The reliance on communities to fund schools results in large inequalities in availability of resources at the school level and prevents schools in poor areas from reaching out to disadvantaged children.

199. **In addition to insufficient funding, capacity constraints, including unclear roles and responsibilities under the new decentralization policy and a weak planning cycle at all levels, also contribute to poor service delivery especially in disadvantaged districts.** Districts, principals and VEDCs are supposed to play important roles in managing, supporting and providing oversight to schools⁷⁰, but both the World Bank report of SBM in Lao PDR⁷¹ and the MTR of the ESDP 2011-2015 note that capacity at the local level is low on average and awareness of the rules and responsibilities of each actor is still limited. To date, SBM training has not been systematic. The geographic and linguistic diversity of the

⁶⁹ Lao Development Report 2014: Expanding Job Opportunities for Broad-Based Growth (forthcoming).

⁷⁰ VEDCs do not currently have a formal role in managing schools in Lao PDR. They only provide input and oversight.

⁷¹ School Based Management in Lao P.D.R. Current Conditions and Recommendations for the Future, World Bank, 2013.

student population also poses a significant challenge for the education system. The remoteness of some areas of the country complicates service delivery, resulting in many small schools and creating challenges for district governments in providing critical inputs to and conducting effective supervision of those schools.

200. Low transparency and accountability at the school and district levels also limit school effectiveness. Without transparency and accountability (both to the community and to higher levels of government), the definition of the quality standards and the provision of funding to schools is unlikely to have the expected impact on the quality of education. Accurate and timely financial information on school spending funded from government, development partner and community sources is essential to promote greater financial accountability and efficiency, thus minimizing fiduciary risks. Developing an effective complaints mechanism so that parents and the wider community can report discrepancies or irregularities in the budget and use of funds is also needed. As noted in the MTR and the SBM report, monitoring of school budgets by VEDCs is still rare and monitoring of school quality (as compared to education quality standards) does not yet exist. Participation of VEDCs in developing SDPs is not systematic and the quality and frequency of reporting to the district level varies across districts.

201. Low performance in reading relates also to limitations in teacher effectiveness, highlighting the need for a better pedagogical approach to teaching reading in Lao language. Materials and trained teachers are not widely available and even when they are, the curriculum expectations of the progress in reading and language are overly ambitious. Many children continue their studies even though they fall behind in reading development, which limits their ability to understand the content and contributes to low performance in learning assessments of core subjects later on.⁷² Many students enter primary school with limited knowledge of Lao language. Addressing these shortfalls in reading ability early on is crucial and the increased emphasis of the MoES on early childhood education is a welcome development. However, as a majority of students still enter school without any exposure to early childhood education, a more effective approach to teaching language and reading in primary school is needed.

202. Addressing these constraints to improve the effectiveness of schools, defined as their capacity to deliver a package of services according to established Education Quality Standards, and improving reading instruction is the focus of this project. In particular, this project will focus on: (i) increasing funding for non-salary operational budgets at the school district and provincial levels (ii) improving the capacity of district education offices, schools and VEDC for planning and budgeting, as well as for implementing and monitoring based on the education quality standards, and (iii) improving the pedagogical approach to teaching reading in Lao language, enhancing reading ability in the early grades to prevent dropout and improve learning outcomes later on.

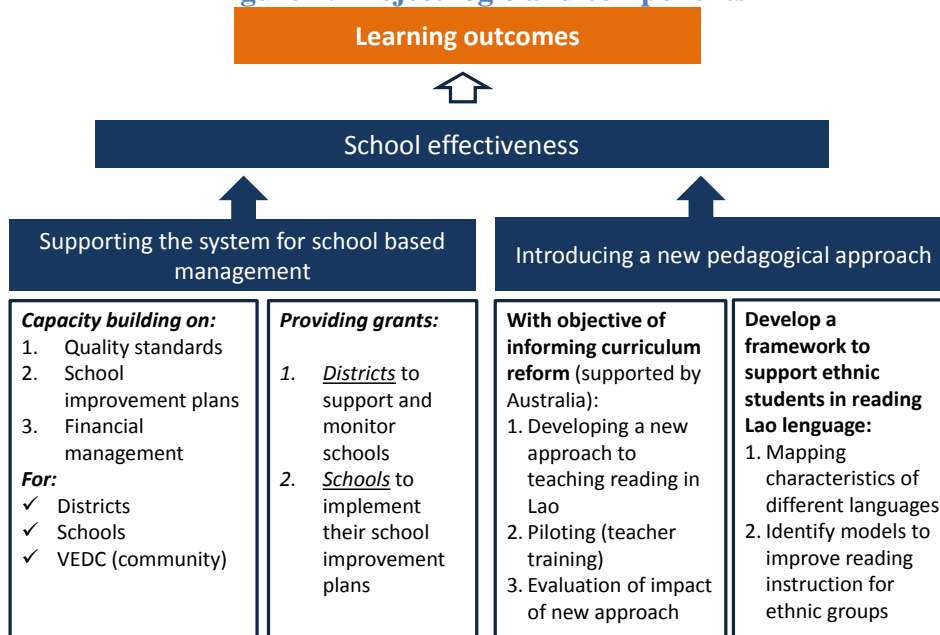
203. The project logic. The objective of the project is to improve school effectiveness through a combination of supporting school based management and the introduction of a new pedagogical approach to teaching reading in Lao language. The two interventions are systemic and aim to have long lasting effects on the quality of service delivery. The focus on

⁷² Many students only catch up to appropriate fluency levels by Grade 4, see Early Grade Reading Assessment in Lao PDR, World Bank (forthcoming).

school effectiveness, as opposed to quality of education, responds to the expected effects during the life of the project. Schools effectiveness is defined as the capacity of schools to deliver services according to quality standards. These quality standards establish the minimum set of conditions for a school to function well (having enough inputs and following some well-established processes). School quality is a broader and more ambitious term, and includes the quality of teachers and the quality of pedagogy. While this project is developing, piloting and evaluating a new pedagogical approach, it falls short of its nationwide implementation. Hence the formulation of the PDO to focus on effectiveness as it relates to education quality standards.

204. **Rationale for promoting SBM.** The focus on SBG and SBM responds to the main recommendations of the MTR, as well as considerable evidence of the positive impacts of SBM on educational outcomes, especially drop-out and repetition, but also quality. Evidence from Latin America (e.g., Mexico, El Salvador) and Asia (e.g., Indonesia, the Philippines) emphasizes the positive impact of SBM on participation, dropout and repetition, which are key issues for marginalized communities. However, while the evidence on the impact of SBM programs on student outcomes is generally positive, these impacts take time to realize⁷³ and they depend on the right conditions being in place.⁷⁴ Transparency, information and strong community participation are important drivers of the improvements in learning outcomes associated with SBM reforms, and the capacity of actors to plan, budget and monitor is equally crucial. This is the cornerstone of the logic of this project, which focuses on establishing the conditions for effective management of grants (enhancing transparency and accountability to communities, increasing community involvement in managing school budgets, and strengthening district support and monitoring) before and during the provision of complementary school grants to ensure these funds result in improved school effectiveness.

Figure 2: Project logic and components



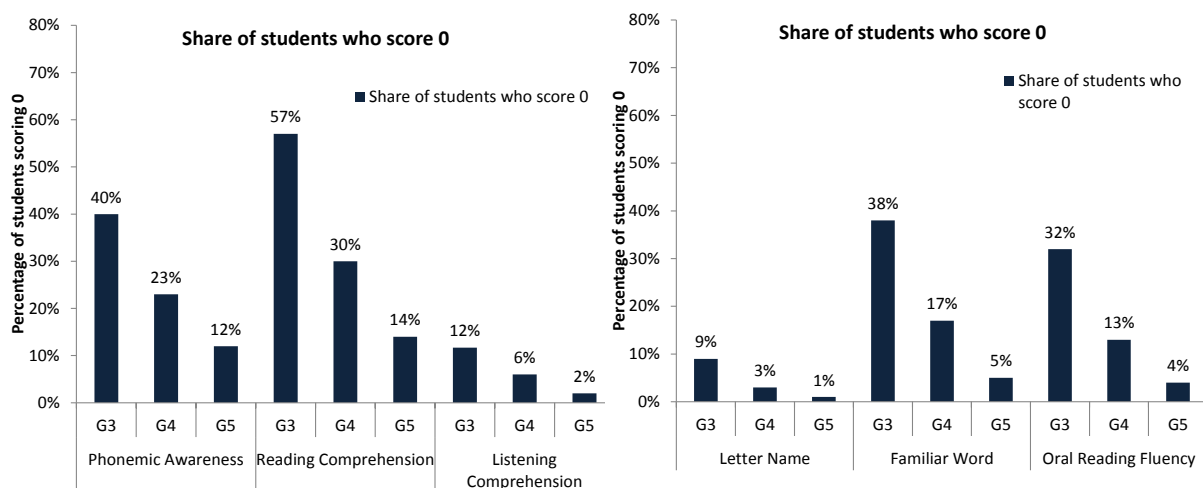
⁷³ Making Schools Work, World Bank.

⁷⁴ McEwan, Patrick J. (2013) "Improving learning in primary schools of developing countries: A meta-analysis of randomized experiments." *Wellesley, United States: Wellesley College.*

205. **The rationale for a new pedagogical approach to teaching reading in Lao language** is based on the results from the 2012 EGRA assessment and accompanying SSME case studies. The results showed that beginning readers struggle to develop basic reading skills in Lao language and that factors associated with classroom practice go a long way in explaining these results. In addition, a significant share of students --mostly but not exclusively, from ethnic background-- arrive to primary schooling without strong Lao language skills. This, combined with the limited teacher knowledge of when and how to effectively teach basic reading skills in the early grades results in very small gains in reading ability between grades. The conclusion from the report is that a new pedagogical approach and teachers properly trained in that approach is needed to improve reading performance of students. Considering the uncertainties and consequences of such a significant change, the project will pilot and carry out a rigorous evaluation of the new pedagogical approach. The results from the pilot should inform the revision of the primary curriculum being developed as part of the Australian financed BEQUAL, which provides support for primary education over the next decade.

206. Children who stay in school have difficulties reading and understanding texts by grade 3, according to the EGRA results. By grade 3, large shares of students still score 0 in EGRA sub-tests: 40 percent cannot recognize the sounds in words, 40 percent cannot read a single familiar word, 30 percent cannot read at least one word correct in the first line in a simple story and the average student has no understanding of the story they just read (60 percent cannot answer a single question correctly). Only in grade 5 are these percentages significantly reduced.

Figure 3: Share of students scoring 0 in different Early Grade Reading Assessment sub-tests



Source: World Bank, EGRA report

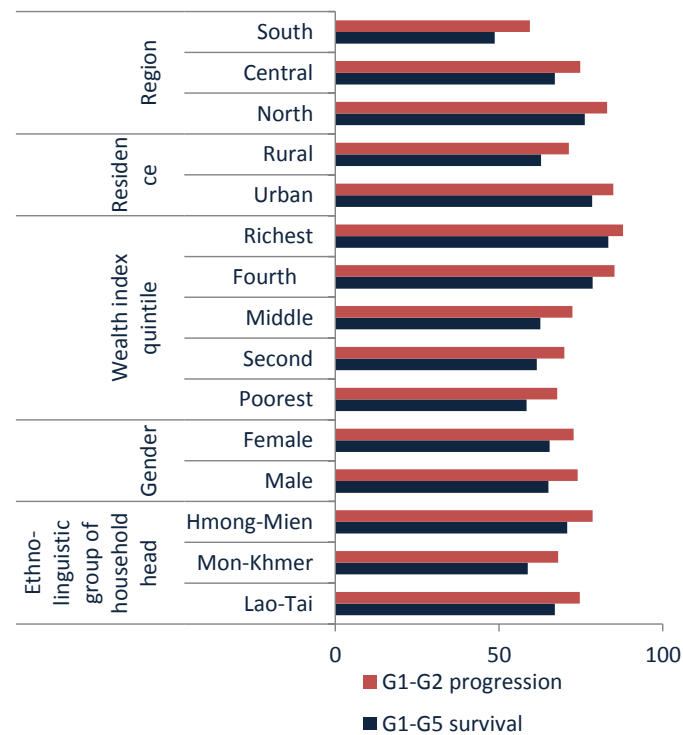
The Phased Approach: How were districts targeted for phase 1?

207. **The phasing of component 1 is designed to focus resources on the most disadvantaged districts first, so they get more intensive support for a longer period of time, before scaling up to nationwide capacity building and financial support.** The districts and schools in the first phase of the project will receive capacity building in the first

year and financial support (through operating cost for districts and grants for schools) and follow-up capacity development support for the remaining of the project (3 years). Districts and schools added in the second phase will only receive 1 year of grants and follow-up support. Selecting the districts that will participate in phase 1 is thus crucial for the equity aspects of this project.

208. **Disadvantaged districts were selected using girl survival rate to grade 5.** Early grade drop-out is still high in Lao, PDR, and improving that indicator is crucial to getting closer to achieving MDG2. According to the Lao Social Indicator Survey (2011-12) about 1/3 of students drop out before finishing grade five, which means that Lao is unlikely to meet the MDG goals of universal access to primary education and reduction of gender disparities in primary education if these dropout rates continue.⁷⁵ Most children enroll in school, but many do not complete primary. The survival rate to Grade 5 is particularly low for the poor while it has decreased, which are mainly driven by high dropout (and repetition) in Grade 1.

Figure 4: Survival to grade 5

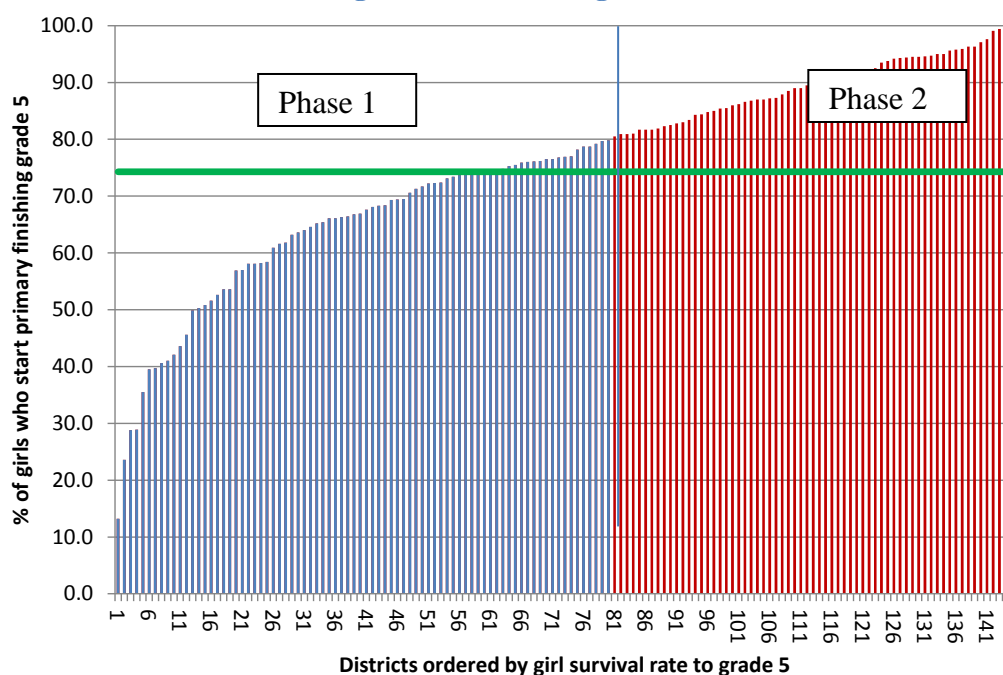


Source: LSIS 2011-12

209. **Defining disadvantaged districts using female rate of survival to Grade 5 responds to the urgency in meeting the primary enrollment and gender parity MDGs.** Due to the high early grade dropout MDG2 on universal access to primary education will likely not be met by 2015. While the gender parity in education is on-track to being met in 2015, there are still significant differences in gender drop-out rates across districts. By targeting districts with the lowest girl survival rate, the goal is to maximize the contribution of this project to reach the MDG2 and MDG3, increasing equity and considering the gender perspective.

⁷⁵ Background report to the Rountable Implementation Meeting on MDG, Ministry of Planning and Investment (2011).

Figure 5: Survival to grade 5



Note: Districts are ordered by girl survival rate. Those in blue are selected for phase 1, with the remaining districts receiving the program in phase 2.

210. **The 80 selected districts include those with a survival rate to Grade 5 below the MDG2 target of 82 percent.**⁷⁶ The list includes the 65 districts below the national average, which are also the targeted districts for the Australia’s BEQUAL program, plus an additional 15 districts that are slightly above the national average but are below the survival rate target of 82 percent. The addition of these districts responded partly to the need to coordinate with other development partner activities. Some of these additional districts were part of EFA-FTI and are (or will be) receiving technical support from other partners (UNICEF, JICA and Australia). In addition, it was agreed that following the targeted approach of EFA-FTI, which focused on the 54 most disadvantaged districts, there was a need to expand the definition of these districts.

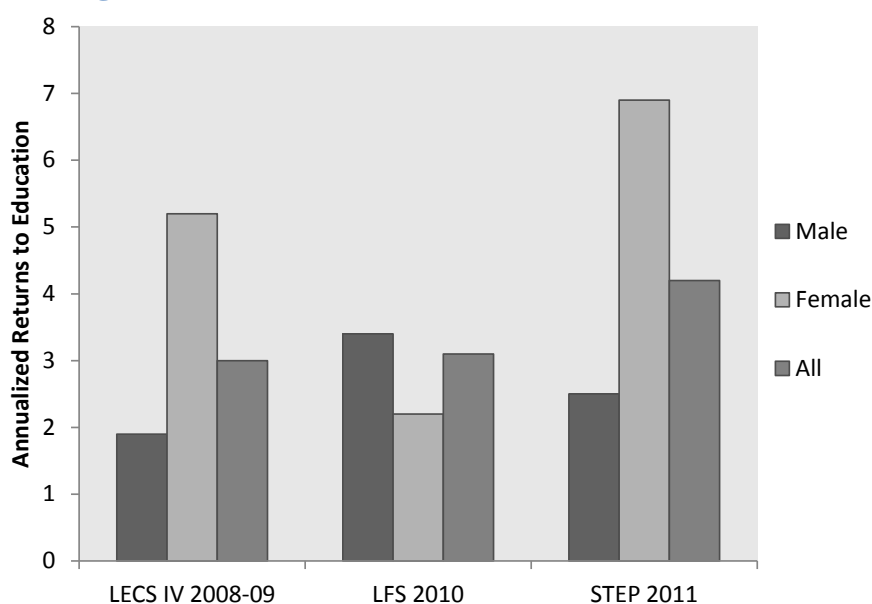
Cost-Benefit Analysis

211. **A simplified cost-benefit analysis was carried out for the project.** Because of data limitations, the benefits included in the project are limited to the private returns to education arising from improvements in educational attainment, with an adjustment for the additional effects of skills on wages. The data come from the report on Skills Lao People’s Democratic Republic Skills & Knowledge for Greater Growth and Competitiveness in Lao PDR (World Bank, 2013), which summarizes the evidence on the returns to education in Lao PDR, and provides indication of the large returns to cognitive skills in the labor market. As Figure 7 shows, the returns to education are increasing fast. In 2011, an additional year of education was accompanied by close to a 5 percent increase in wages (compared to around 3 percent in 2008). Since returns are likely to continue to increase given the hard constraints employers face in finding skilled workers and the report also shows that skills (particularly basic reading

⁷⁶ This target was revised from the early target of 95 percent.

and math skills) have an effect on wages in addition to the educational attainment, a return to education of 10 percent per additional year completed was used for the benefit calculations.

Figure 6: Returns to education from different sources



Source: Skills for Quality Jobs and Development in Lao, PDR 2013

212. Because of the systematic nature of the interventions and, thus the large number of beneficiaries, even very small increases in average attainment result in very large benefits. While existing evidence is convincing that SBM improves school retention and, under the right conditions, learning outcomes, there are large differences in the impact of SBM programs.⁷⁷ Taking into account the uncertainty about the magnitude of the impact of the project interventions on attainment and the impact of learning outcomes on income, the analysis was done under three scenarios – high impact (gaining the equivalent of one full year of additional education), medium impact (half a year) and low impact (2 months).

213. **The cost-benefit analysis of the project interventions shows significantly higher benefits than costs, even with conservative assumptions about the project impact.** Using current returns to education of 10 percent per year completed, the NPV of the benefits under the three scenarios would be almost 20 times, 10 times and 2 times larger, respectively, than the cost. For the benefit to be lower than the cost, the impact on attainment would have to be less than 1 month on average. This analysis, which does not include many other benefits that this project will bring about (increased efficiency in the education system, externalities arising from a more educated workforce), shows that the economic justification for the project is strong.

⁷⁷ McEwan, Patrick J. (2013) "Improving learning in primary schools of developing countries: A meta-analysis of randomized experiments." *Wellesley, United States: Wellesley College.*

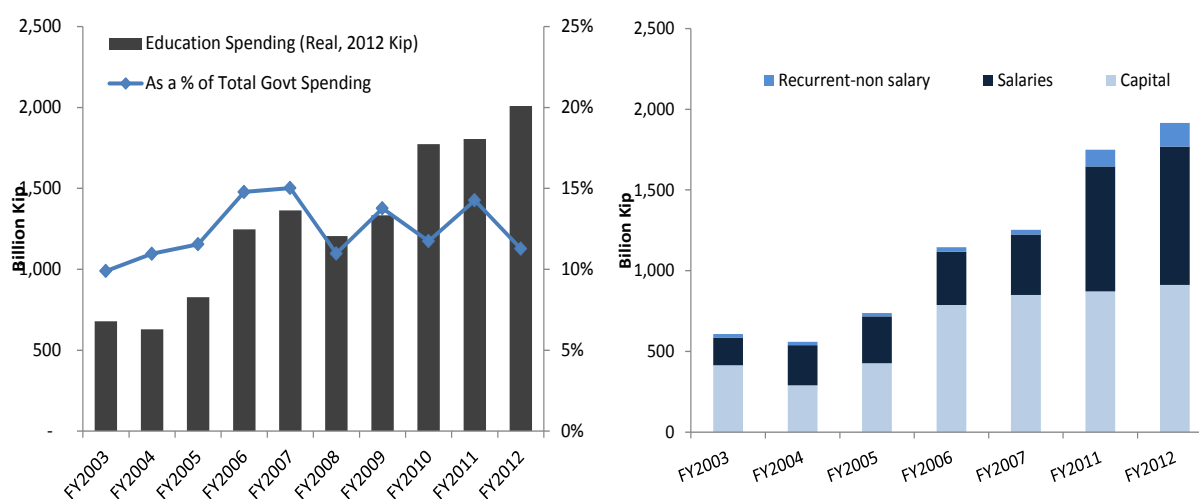
Table 1 – Cost-benefit estimates

| | Number of Beneficiaries | Additional years of education | Benefit per USD invested |
|------------------------|-------------------------|-------------------------------|--------------------------|
| <i>Optimistic</i> | 500,000 | 1 | 17 |
| <i>Less optimistic</i> | 500,000 | 0.5 | 8 |
| <i>Pessimistic</i> | 500,000 | 0.2 | 3 |

Fiscal Sustainability

214. The financial sustainability of new projects is an important concern in Laos considering that recent budget trends have left very little space for non-wage recurrent costs to be absorbed by the government budget. Between 2010 and 2012 capital spending has remained relatively constant in real terms, while salary spending has increased by 150 percent. As a result, by 2012, only 8 percent of the budget was for non-wage recurrent spending. With these constraints in mind, the project seeks to ensure the financial sustainability of the interventions in two ways. First, to ensure sustainability of expanding access to early childhood development services in the long run, the project tests low cost approaches to providing these services, and incorporates an evaluation of their impact that will include cost-effectiveness of different approaches. However, sustainability is also important in the short run. In order to ensure that the investments are sustainable, the operational costs associated with the investments in this project should be able to be absorbed by the government budget.

Figure 7: Education budget in real terms, 2003-2012*



Note: *Break-down of recurrent budget by salary / non-salary not available for 2008-2010 period

215. Considering the large investment in capacity building to manage the education system and school block grants effectively at all levels, the sustainability of the project interventions lies in the continuity of the school block grant program after project closure. The short-term

fiscal constraints that the country is facing pose a risk to the availability of funds for school block grants in the near future. Since only 7 percent of the budget goes for non-salary operational spending, a potential significant budget cut in the MoES is likely to affect SBG in the short-term.

216. The GoL is committed to continuing to provide block grants and increasing the amount in the medium term. However, a simple analysis of the budget highlights that while the SBG program is a small share of the budget (slightly less than two percent), achieving the ESDP goal of LAK 100,000 per student in the next four years is unlikely without complementary funding. In addition, the IMF Article IV projects slower growth in the total education budget, which combined with a projected increase in the number of teachers and the salary bill, and a progressive increase in the SBG amount from the Government results in a financing gap of between US\$8 and US\$9 million per year over the next four years, with a much larger financing gap (almost US\$40 million) if the government meets the target of LAK100,000 per student by 2018-19 and expands school block grants to post primary education.

217. The government is taking steps to manage the immediate fiscal problems. It recently endorsed a proposal to freeze civil servants wages and withdrew the last stage of a salary compensation program in an effort to protect the non-wage recurrent budget. At the same time, the MoES has reconfirmed its long-term commitment to SBM and the provision of SBG as indicated in Article 28 of the prime minister's decree 136 on the implementation of the education law 2007. However, the amount the GoL may be able to provide under current macroeconomic circumstances is likely to fall short of its objective, particularly in the first two years of the project. Hence the importance of this project, which, in addition to building capacity to manage SBGs and improving SBM, will provide the necessary complementary funding to continue with the SBG and bring the amount closer to the GoL target in a context where financial constraints could result in disruptions of the SBG program.

Table 2: Financial Projections for Education Sector 2013-14 – 2018-19⁷⁸ Billion Kip

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|----------------|----------------|----------------|--------------|----------------|----------------|-----------------|
| GDP (nominal) - calendar yr | 73,257 | 82,260 | 94,041 | 109,595 | 127,895 | 148,818 | 173,464 |
| GDP adjusted for budget yr | 80,009 | 91,096 | 105,707 | 123,320 | 143,587 | 167,303 | 194,930 |
| GDP Increase (nominal) | | 12.3% | 14.3% | 16.5% | 16.7% | 16.4% | 16.6% |
| GDP Increase (real) | | 7.2% | 7.5% | 7.8% | 8.0% | 7.7% | 7.5% |
| Total Gov Budget (% GDP) | 21% | 26% | 25% | 27% | 26% | 25% | 24% |
| % of budget for education | | 15% | 16% | 16% | 16% | 17% | 17% |
| Education Exp as % GDP | 4.2% | 4.0% | 3.8% | 4.1% | 4.1% | 4.2% | 4.1% |
| Education Exp as % government budget | | 3,638 | 4,014 | 5,104 | 5,858 | 7,025 | 7,920 |
| Education Envelope | 3,360 | 3,638 | 4,014 | 5,104 | 5,858 | 7,025 | 7,920 |
| o/w Salaries and wages | 2,250 | 2,600 | 2,860 | 3,333 | 3,890 | 4,526 | 5,275 |
| Operating cost (non-BG) | 124 | 200 | 281 | 383 | 469 | 597 | 713 |
| Fuel Allowances | 63.0 | 72.8 | 77.2 | 90.0 | 105.0 | 122.2 | 147.7 |
| Capital Investment | 898 | 764 | 803 | 1,123 | 1,347 | 1,686 | 1,901 |
| Totals exc BG | 3,335 | 3,637 | 4,021 | 4,929 | 5,811 | 6,931 | 8,037 |
| Balance for BG | 25.3 | 0.9 | (6.9) | 175.0 | 47.7 | 93.8 | (116.7) |
| Total Needed for BG to meet 100,000 Kip | 56.75 | 61.57 | 63.02 | 75.46 | 118.26 | 158.19 | 199.84 |
| <i>Funding Gap</i> | <i>(31.41)</i> | <i>(60.72)</i> | <i>(69.87)</i> | <i>99.56</i> | <i>(70.59)</i> | <i>(64.38)</i> | <i>(316.57)</i> |
| Financed by GPE | | | | | 10.9 | 10.9 | 18.7 |
| Net Funding Gap for BG | | | | | (59.69) | (53.48) | (297.87) |
| Memo : Disbursement | 23.98 | 8.00 | | | | | |

218. However, in order to increase the sustainability of project investments, the grants from the GPE II project will complement, not substitute, government SBG during project implementation, with the objective of the GoL providing the full amount upon project completion. The GPE II annual grants will be disbursed only after the Government has

⁷⁸ Calculations presented are preparation team estimates based on Article IV 2013 calculations for nominal GDP adjusted to fiscal year basis, 2013-14 revised education budget and increases in staff costs based on nominal growth of GDP reflecting increases of around 5 percent in staff numbers and above inflation increases of approximately 10 percent in salary levels.. Grant levels are as per Government target levels by 2018-19 and there is assumed to be net increases of around 50,000 pupils in primary over 2012-13 levels arising from significant improvements in drop-out and survival rates and significant increases of around 30% in lower and upper secondary based on government expansion targets

disbursed its annual block grant. To reiterate the government's strong commitment to the SBG, an official letter has been provided setting out its commitment to provide the necessary funds to meet its SBG contributions for the duration of the project covering FY 2015/16 – 2018/19. The implementation of the SBG will be a standing item at the Annual Education Sector Conference, and the Bank team and the ESWG will continue to dialogue regularly with both MoES and MOF officials to ensure that the government SBG is prioritized for disbursement. If the PRSO program is continued the SBG disbursements will continue to be a policy action trigger for the education sector.

219. In the medium-term,⁷⁹ it is expected that macro-economic growth will create sufficient fiscal space to absorb the additional costs of meeting the SBGs, provided the government is able to control the public sector wage bill and maintains domestic revenue collection in line with recent performance. There is a risk that the government will not prioritize SBGs as a key component of its education policy. To mitigate this risk, the GPE II project, with support from the PRSO, will work with the government to help ensure that the SBG is a key feature of education provision. Moreover, the project will help to demonstrate the role SBGs can play in contributing to improving school effectiveness.

⁷⁹ Medium term for the purposes of the project period is up to FY2019-20.

Annex 8: Expected Foreign Investment Flows in the Education Sector
LAO PDR: SECOND GLOBAL PARTNERSHIP FOR EDUCATION PROJECT

| Foreign Investment USD (millions) | Financial Year | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--------------------------------------|---|---------------|----------|-------------|---------|---------|---------|---------|---------|---------|
| | | (Expenditure) | (Budget) | (Estimated) | | | | | | |
| Key sector interventions | Current and future major partners | | | | | | | | | |
| Early Childhood | UNICEF, EFA-FTI, WB, Plan Intl. World Vision, Other INGOs | 0.6 | 5.2 | 6.9 | 10.9 | 12.9 | 12.9 | 12.9 | 12.9 | 6.9 |
| Primary | Australia, EFA-FTI, GPEII JICA,WFP, WB, UNICEF, SCF, Lux Development, Room to Read, Other INGOs | 44.3 | 21.5 | 22.3 | 18.5 | 29.3 | 29.3 | 28.8 | 16.8 | 12.5 |
| Lower Secondary | ADB, KOICA, JICA, UNESCO, Some INGOs | 9.4 | 8.5 | 6.2 | 4.0 | 8.0 | 7.0 | 7.0 | 4.0 | 4.0 |
| Upper Secondary | China, KOICA, ADB | 16.9 | 16.1 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| TVET | ADB, GIZ, Luxembourg, Germany, Switzerland, China | 12.2 | 9.8 | 11.5 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 | 5.0 |
| Teacher Training | UNESCO, JICA, China, Australia | 6.1 | 6.2 | 6.5 | 11.3 | 16.5 | 16.5 | 16.1 | 6.5 | 6.5 |
| University | ADB, France, China | 7.5 | 17.0 | 17.3 | 6.0 | 6.0 | 6.0 | 8.0 | 8.0 | 8.0 |
| NonFormal | UNESCO, EFA-FTI | 2.0 | 3.3 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Administration | EU through PRSO, JICA Australia, Government of Japan, USA, Government of China & Government of Vietnam through scholarships | 2.1 | 4.8 | 7.9 | 9.1 | 10.4 | 10.4 | 10.3 | 7.9 | 7.9 |
| Sports | | | | | | | | | | |
| Total | | \$101 | \$92 | \$88 | \$86 | \$109 | \$108 | \$109 | \$82 | \$60 |