



# European Joint Programming for Lao People's Democratic Republic

## 2021-2025



# EUROPEAN PARTNERS' JOINT PROGRAMMING STRATEGY (EJPS)

## WITH THE LAO PDR, 2021-2025<sup>1</sup>

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<sup>1</sup> For the EU only, the present document serves as its Multi-annual Indicative Programme (MIP) for 2021-2027, divided in two phases: 2021-2024 & 2025-2027.

## List of principal acronyms and abbreviations

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<b>ASEAN</b>	Association of Southeast Asian Nations
<b>AFD</b>	Agence Française de Développement
<b>CBO</b>	Community-Based Organisations
<b>CEGGA</b>	Citizen Engagement for Good Governance, Accountability and the Rule of Law
<b>CH</b>	Switzerland
<b>CSO</b>	Civil Society Organisations
<b>DAC</b>	OECD Development Assistance Committee
<b>DE</b>	Germany
<b>DoL</b>	Department of Land, Ministry of Environment and Natural Resources
<b>ECCIL</b>	European Chamber of Commerce and Industry in Lao PDR
<b>EIB</b>	European Investment Bank
<b>EFSD+</b>	European Fund for Sustainable Development plus
<b>EJPS</b>	European Joint Programming Strategy
<b>EMIS</b>	Education Management Information System
<b>EPF</b>	Environment Protection Fund
<b>ESSDP</b>	Education and Sports Sector Development Plan
<b>EU</b>	European Union
<b>EUR</b>	Euros
<b>EURF</b>	European Union Results Framework
<b>EVI</b>	Economic Vulnerability Index
<b>FI</b>	Finland
<b>FLEGT</b>	Forest Law Enforcement, Governance and Trade
<b>FR</b>	France
<b>GAP</b>	Good Agricultural Practices
<b>GAP</b>	Gender Action Plan
<b>GCF</b>	Green Climate Fund
<b>GDP</b>	Gross Domestic Product
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
<b>GOL</b>	Government of Lao PDR
<b>HE</b>	Higher education
<b>HU</b>	Hungary
<b>IE</b>	Ireland
<b>INGOs</b>	International Non-Government Organisation
<b>IPD</b>	Investment Promotion Department (see Ministry of Planning and Investment - MPI)
<b>IT</b>	Information technology
<b>ITC</b>	International Trade Centre
<b>JP</b>	Joint Programming
<b>LAO</b>	Legal Aid Offices
<b>LDC</b>	Least Developed Country

<b>LGBTIQ</b>	Lesbian, gay, bisexual, trans, non-binary, intersex and queer
<b>LPRP</b>	Lao People's Revolutionary Party
<b>LSIS</b>	Lao Social Indicators Survey
<b>LU</b>	Luxembourg
<b>LUIS</b>	Land Use Information System
<b>MAF</b>	Ministry of Agriculture and Forestry
<b>METT</b>	Management Effectiveness Tracking Tool
<b>MICT</b>	Ministry of Information, Communication and Tourism
<b>MIP</b>	Multi-annual Indicative Programme
<b>MOES</b>	Ministry of Education and Sports
<b>MOH</b>	Ministry of Health
<b>MOHA</b>	Ministry of Home Affairs
<b>MOFA</b>	Ministry of Foreign Affairs
<b>MOIC</b>	Ministry of Industry and Commerce
<b>MOJ</b>	Ministry of Justice
<b>MONRE</b>	Ministry of Natural Resources and Environment
<b>MOST</b>	Ministry of Science and Technology
<b>MPI</b>	Ministry of Planning and Investment
<b>MRC</b>	Mekong River Commission
<b>MSMEs</b>	Micro, small and medium enterprises
<b>NA</b>	National Assembly
<b>NDC</b>	Nationally Determined Contribution
<b>NDICI</b>	Neighbourhood, Development and International Cooperation Instrument
<b>NGO</b>	Non-Government Organisation
<b>NPA</b>	Non-profit association
<b>NSEDP</b>	National Socio-Economic Development Plan
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PEFA</b>	Public Expenditure Framework Analysis
<b>PFM</b>	Public Finance Management
<b>PPAs</b>	People Provincial Assemblies
<b>PSC</b>	Project Steering Committee
<b>SDG</b>	Sustainable Development Goals
<b>SMEs</b>	Small and medium enterprises
<b>TVET</b>	Technical and vocational education and training
<b>UPR</b>	Universal Periodic Review
<b>VELA</b>	Vocational Education in Lao PDR
<b>VGGT</b>	Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security
<b>VPA</b>	Voluntary Partnership Agreement (see FLEGT)
<b>WASH</b>	Water, Sanitation and Hygiene
<b>WHA</b>	World Health Assembly



## 0 Introduction

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***The European Union (EU), its Member States and Switzerland are significant development partners of the Government of the Lao PDR (GOL).*** Their combined development cooperation programmes accounted for almost 25% of ODA to the Lao PDR over the past 5 years<sup>2</sup>. The EU Member States together represent the 4<sup>th</sup> largest trading partner to the Lao PDR, and a number of European companies are present in the country<sup>3</sup>. There is a potential to increase trade with the Lao PDR, as well as European investments, which are far from their level in neighbouring countries.

***This document outlines the European Joint Programming Strategy (EJPS) for the Lao PDR for the period 2021-2025.*** The European Partners participating in joint programming in the Lao PDR include the European Union, Finland, France, Germany, Hungary, Ireland, Luxembourg and Switzerland (hereafter referred to as “European Partners”). The present document combines the cooperation priorities and indicative commitments of European Partners within a common framework. For the EU specifically, the present document serves as its Multi-annual Indicative Programme (MIP) for Lao PDR in 2021-2027, divided in two phases: 2021-2024 & 2025-2027. Other European Partners in the Lao PDR use the EJPS mostly as a reference document, since they produce their own bilateral and/or regional strategies benefiting the Lao PDR (See Annex VI). The EJPS’s main objective is to demonstrate the value added and maximised impact of European Partners working closer together, by streamlining and effectively coordinating development cooperation efforts, leveraging collective capacities and comparative advantages in a cohesive and coherent approach.

***The European Joint Programming Strategy for 2021-2025 is based on the 9<sup>th</sup> National Socio-Economic Development Plan (NSED) 2021-2025 of the Government of the Lao PDR (GOL).*** It fully takes into account the Sustainable Development Goals (SDGs) and the main strategic priorities of EU’s external action (Green Deal; Sustainable growth and jobs; Innovation/digitalisation; Governance, peace and security; Human development; and Migration partnerships). The European Joint Programming Strategy focuses on the following three broad priority areas: **i) Green and Inclusive Economy** (agriculture and rural development; natural resources and environment; private sector development, trade and tourism); **ii) Human Capital** (education, including technical vocational education and training; health); and **iii) Good Governance** (local governance; public finance management; citizens’ engagement; justice, rule of law and human rights). This does not preclude European Partners to establish other bilateral priorities. The strategy is purposely aligned and synchronised with the GOL programming cycle to enable access to the same evidence base for policy making and the potential for shared analysis, monitoring and evaluation with GOL counterparts.

***According to preliminary estimates, the collective foreseen indicative commitments of European Partners under this Joint Programming Strategy for 2021-2025 total 477 million EUR. A large share of these funds is expected to support the “Green TeamEurope Initiative” which seeks to foster sustainable investments in line with green objectives shared by European Partners and Lao PDR.***

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<sup>2</sup> 23.6% - according to the most recent available ODA disbursements’ data in OECD DAC/QWIDS database (<https://stats.oecd.org/qwids/>).

<sup>3</sup> According to the European Chamber of Commerce in Lao PDR (ECCIL), there are around 50 enterprises with European capital and/or representing European brands which employ approximately 1,800 staff.

**With regard to the EU specifically, the foreseen total indicative allocation for the first phase of the EU Multiannual Indicative Programme (MIP) 2021-2024 for Lao PDR is 83 million EUR<sup>4</sup>.** Within the framework of this EJPS, the EU aims to develop a stronger political and economic partnership with the Lao PDR, in line with its strategic priorities for external action. In this regard, the EU will seek to support an increase in trade and investment in Lao PDR, especially in green sectors, supported by enhanced education and skills, and improved governance. The envisaged interventions in the identified priority sectors will place particular attention to women, youth, digitalisation, decent work, nutrition, and collaboration with civil society organisations.

## 1 The overall lines of the EU international cooperation in the Lao PDR

### 1.1 Basis for programming

**The European Joint Programming Strategy (EJPS) for 2021-2025 is framed around a shared vision and framework for action for development cooperation for the EU and its Member States<sup>5</sup>** embodied in the European Consensus on Development<sup>6</sup>, which constitutes the blueprint of the EU's development policy with the 2030 Agenda for Sustainable Development. It has been developed in the spirit of partnership and mutual accountability, in accordance with the principles of the Vientiane Declaration on Aid Effectiveness (2006), the Busan Partnership for Effective Development Cooperation (2011), the EU Council Conclusions on a Rights-Based Approach (2014) and the new European Consensus on development (2017).

**The EJPS takes into account the common values, interests, and priorities of the European Partners (the EU, EU Member States active in the Lao PDR and Switzerland)<sup>7</sup> for their external action.** The European Partners share common values about multilateralism, climate change and the environment, peace and security, good governance, human rights, rule of law and gender equality. European Partners are also all strongly committed to the Agenda 2030 for Sustainable Development. On the other hand, with the aim of building a "Stronger Europe in the World", the EU has established strategic priority areas for its external action for the period 2021-2027: Green Deal; Sustainable Growth and jobs; Science, Technology and Innovation, and Digitalisation; Migration Partnerships; Governance, Peace and Security; and Human Development. In 2021, the European Parliament and the European Council approved the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-GE), which frames the priorities, process and allocations of the EU's external action in 2021-2027. The general objective of the NDICI is "to uphold and promote the Union's values and interests worldwide in order to pursue the objectives and principles of the Union's external action<sup>8</sup>". As such, the NDICI will support EU's external action in the above-mentioned strategic priority areas. The NDICI regulation also established the European Fund for Sustainable Development plus (EFSD+) which will finance specific instruments and tools (including guarantees) to support private

<sup>4</sup> The initial financial allocation of EUR 83M covers the period 2021-2024, while a financial allocation for the period 2025-2027 will be established following a mid-term review in 2024.

<sup>5</sup> Although Switzerland is not an EU Member State, it is part of the European Joint Programming process in the Lao PDR, in an "EU+" modality.

<sup>6</sup> A shared vision shared amongst EU Institutions and its Member States: [https://ec.europa.eu/europeaid/policies/european-development-policy/european-consensus-development\\_en](https://ec.europa.eu/europeaid/policies/european-development-policy/european-consensus-development_en)

<sup>7</sup> Throughout this report, "European Partners" is used to designate the European Union, Finland, France, Germany, Hungary, Ireland, Luxembourg and Switzerland, which are participating in European Joint Programming in Lao PDR.

<sup>8</sup> The "Union" refers to the European Union comprising 27 Member States.

sector development and de-risk investment in partners' countries. Furthermore, the programming of European Union's assistance in the Lao PDR needs to take into account the elevation in December 2020 of EU's relationship with ASEAN into a "strategic partnership" based on shared values and principles, such as rules-based international order, effective and sustainable multilateralism, free and fair trade. The EU-ASEAN partnership will focus on economic cooperation, security cooperation, sustainable connectivity, and sustainable development.

***Under the EJPS 2021-2025, European Partners will strive to ensure effective Policy coherence for development.*** This key EU policy framework aims at minimising contradictions and building synergies between different EU policies to benefit developing countries and increase the effectiveness of development cooperation. It integrates economic, social, environmental elements of sustainable development at all levels of policy making. It was introduced in EU fundamental law in 1992 with the Treaty of Maastricht and was legally strengthened by the Treaty of Lisbon in 2009. Through the Council Conclusions on Policy Coherence for Development (PCD) of 16 May 2019, the Council recalled the Treaty obligation to take into account the objectives of development cooperation in all internal and external policies and underlined the importance of policy coherence for development as a fundamental part of the EU's contribution to achieving the 2030 Agenda and the Sustainable Development Goals (SDGs)<sup>9</sup>.

***The EJPS 2021-2025 is based on the Government of the Lao PDR's 9<sup>th</sup> National Socio-Economic Development Plan (NSED) 2021-2025,*** and takes into account European Partners' common values and interests, as well as the 2030 Agenda. The overall objective of the 9<sup>th</sup> NSED is three-fold: 1) To continue the efforts to graduate from the Least Developed Country status, ensure employments for people, improved livelihoods and better well-being, maintain the social order, strive to realize the Sustainable Development Goals (SDGs) in 2030, and effectively translate the National Green Growth Strategy into actions; 2) To breakthrough shortcomings and obstacles faced in the previous development efforts and emerging challenges such as, the implications of the COVID-19, climate change, trade war and the regional and international uncertainties; 3) To turn the nation's endowments and potentials into spearheading manufacturing and services, and an engine of growth to lay a foundation for a gradual shift toward a self-reliant and strong economy. The EJPS is aligned, linked and synchronised with the 9<sup>th</sup> NSED's six main outcomes: sustainable quality and economic growth; human capital; livelihoods; environmental protection; regional integration; and governance. The EU's Green Deal agenda is particularly relevant to the Lao PDR's development challenges.

***The European Partners recognise that the priorities of the 9<sup>th</sup> NSED are well attuned to the main constraints, challenges and opportunities of the country; they are also broadly in line with European Partners' strategic priorities in Lao PDR, especially with regard to addressing climate change and environment challenges ("green" priorities) and increasing trade and foreign investment.*** The NSED has been developed through a participatory process involving all relevant stakeholders, and it is based on an analysis of the domestic, regional and international context and challenges, which integrates the current uncertainties caused by the COVID-19 pandemic. The NSED integrates the Agenda 2030 for Sustainable Development and the SDGs, as well as the Paris Agreement on Climate Change and its Nationally Determined Contributions (NDC). The 9<sup>th</sup> NSED Outcomes also match with European Partners' main priorities in the Lao PDR, which include: (i) Addressing climate change and environment challenges; (ii) Promoting ASEAN integration and Mekong River Basin management; (iii) Increasing EU-

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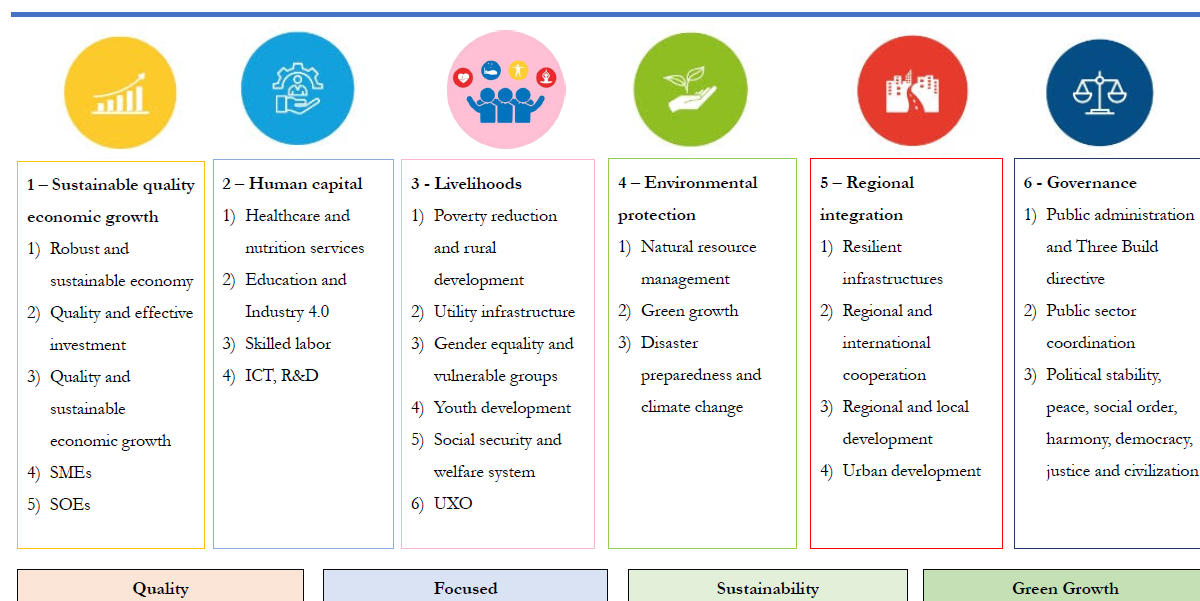
<sup>9</sup> See annex VII for a list of key European policies and strategies related to the EJPS priorities.



Lao PDR trade and investment; (iv) Accompanying Lao PDR’s transition for smooth graduation from LDC status and supporting inclusive growth; and (v) Promoting Rule of Law and Democracy. The Green TeamEurope Initiative is fully supportive of the 9<sup>th</sup> NSEDP’s objectives for sustainable, inclusive and green growth (as well as the Lao PDR’s green growth strategy 2030), underpinned notably by quality private investment.

**Figure 1 – Outcomes and outputs of the 9<sup>th</sup> National Socio-Economic Development Plan of Lao PDR<sup>10</sup>**

## 6 Outcomes and 25 Outputs



**NSEDP priorities would need to guide national budgeting decisions effectively.** During the 8<sup>th</sup> NSEDP period (2016-2020), the annual Government budget did not reflect well the policy priorities defined in the NSEDP. The conversion of policy plans into concrete budget spending is one of the important objectives of the ongoing public finance management reforms of the government. In the last phase of the development of the NSEDP, the Government committed to undertake a costing of the 9<sup>th</sup> NSEDP, with a view to support the prioritisation of investments contained in the NSEDP and set realistic goals.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.

### 1.2 Status of joint programming

**The “European Joint Programming for Lao People’s Democratic Republic 2016-2020” was the first case of an EU multi-annual programme being replaced by a European Joint Programming strategy.**

<sup>10</sup> Figure 1 shows in a schematic way the outcomes and outputs of the 9<sup>th</sup> NSEDP. According to the version approved by the inaugural session of the Ninth Lao National Assembly, Resolution No. 20/NA of 26 March 2021, the six outcomes of the 9<sup>th</sup> NSEDP are: Outcome 1: Continuous quality, stable and sustainable economic growth achieved; Outcome 2: Improved quality of human resources to meet development, research capacity, science and technology needs, and create value-added production and services; Outcome 3: Enhanced well-being of the people; Outcome 4: Environmental protection enhanced and disaster risks reduced; Outcome 5: Engagement in regional and international cooperation and integration is enhanced with robust infrastructure and effective utilisation of national potentials and geographical advantages; Outcome 6: Public governance and administration is improved, and society is equal, fair, and protected by the rule of law.

The JP strategy was aligned to and synchronized with the 8<sup>th</sup> NSEDP (2016-2020). Participating European Partners included the European Union, Germany, Finland, France, Hungary, Ireland, Luxembourg, the United Kingdom and Switzerland.

***This Joint Programming Strategy serves yet again as the development cooperation strategy for the EU in the Lao PDR (Multi-annual Indicative Programme), while other European Partners will continue to produce regional and/or bilateral country programme strategies benefitting the Lao PDR***, as reflected in this document<sup>11</sup>. The EJPS serves as a common reference framework for European Partners' bilateral and/or regional strategies benefitting the Lao PDR. European Partners started to prepare for the next JP cycle (2021-2025) in 2019 by drawing lessons from the previous cycle<sup>12</sup> and by identifying their strategic objectives, priorities and interests in the Lao PDR. On that basis, a Country Assessment was then elaborated by European Partners, which paved the way to prepare in 2020 a joint analysis of the Lao PDR's NSEDP, joint response plans in the main priority intervention sectors identified, and the Green TeamEurope Initiative, after agreeing that a major overarching objective of the EJPS should be to support green actions. On the basis of this joint pre-programming preparatory phase, a cycle of inclusive technical informal and formal consultations on JP 2021-2025 involving Government, development partners, civil society and private sector representatives, eventually took place from September 2020 to February 2021.

***Under this Joint Programming Strategy, European Partners intend to identify further opportunities for co-financed programmes (joint implementation)***. The TeamEurope approach which underpins EU's 2021-2027 multiannual programming framework and the development of a Green TeamEurope Initiative for the Lao PDR has opened opportunities for closer cooperation between European Partners in common priority sectors. Joint implementation is expected to foster a more coherent, effective and coordinated European Partners' support based on shared objectives in selected sectors and on comparative advantages of European Partners' implementing agencies. It seeks to pool financial and non-financial resources and various implementation modalities of European Partners to join forces with a view to maximise the impact of their cooperation programmes in Lao PDR.

**Flashbox: Working better together as TeamEurope  
through Joint programming and Joint implementation**

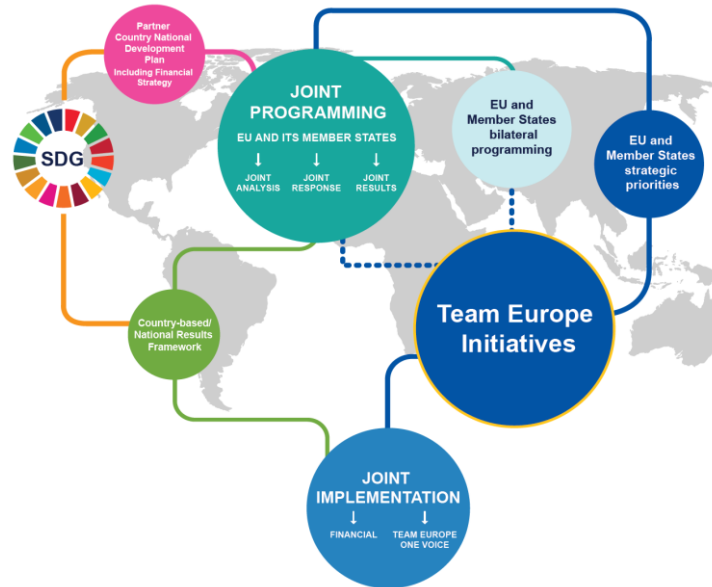
The EU's Global Strategy and the Consensus on Development make a strong case for working better together at partner country level through tailored and contextualised joint programming approaches. A coherent and coordinated approach to EU external action is important for the successful implementation of the 2030 Agenda globally.

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<sup>11</sup> An overview of EU Member States and Switzerland's bilateral programming frameworks is included in Annex VI.

<sup>12</sup> An external near-end evaluation of the European JP 2016-2020 was conducted in the first quarter of 2020.

**The European response to a changing global context requires a working better together approach:** The EU's Global Strategy acknowledges a changing global order. As ODA declines as a share of total development finance, the EU and Member States, as TeamEurope, need to engage on a wider set of issues beyond traditional development cooperation in order to remain relevant to our partner countries. In the face of an increasing number of actors and a diversity of relationships with partner countries, TeamEurope will only have significant leverage if we work in a coordinated and coherent way. Working better together through joint programming provides an approach that can support TeamEurope in combining international cooperation and development priorities into a common European message and strategy at country level.



**A working better together approach is about increasing European visibility and weight in policy dialogue:** Joint programming and joint implementation supports TeamEurope in speaking with a common voice based on shared objectives at country level. Policy coherence and effective communications can raise the profile and visibility of the European presence, supporting our leverage in policy dialogue. Increased collaboration, including the pooling of financial and technical resources, can bring European investments to scale, increasing their profile and impact while also demonstrating accountability for results. These efforts will be further fortified by the introduction of TeamEurope Initiatives, as those large-scale projects that will imprint Europe as the reference partner.

**Thinking jointly about implementation improves our effectiveness:** All European Partners have committed to the Busan effectiveness principles and the work of the Global Partnership on Effective Development Cooperation. Joint programming implies planning, implementing and monitoring together so that there is reduced fragmentation and greater transparency and with regard to the partner country it is an opportunity for increased alignment and inclusiveness. In practice, by defining common/joint objectives at country level through joint programming and TeamEurope Initiatives, opportunities for joint implementation can emerge as TeamEurope, and/or the wider European group - i.e. with like-minded donors when relevant - on how best to achieve these joint objectives and related results. Looking jointly at implementation places our collective country assistance in a more strategic framework. By bringing together their respective knowledge and resources, TeamEurope and - when relevant - like-minded partners can explore concrete ways in which to pool them efficiently at country level. Joint implementation options can also contribute to reducing fragmentation and expanding the visibility of TeamEurope members and their approaches.

### 1.3 Priority areas of the EU's cooperation with the Lao PDR

**European Partners have identified six priority sectors clustered in three broad cooperation areas for the European Joint Programming Strategy (EJPS) 2021-2025,** building on the achievements of the Joint Programming 2016-2020, the Agenda 2030 for Sustainable Development (SDGs), EU and European Partners' strategic priorities for external action, the EU-ASEAN strategic partnership, and the Lao PDR's NSEDP. These priority areas/sectors were selected based on the strategic priorities outlined in section 1.1 and the pre-programming and consultation process described in section 1.2. In line with the 2007 EU Code of Conduct on Complementarity and Division of Labour in Development Policy and the 2010 Vientiane Declaration on Partnership for Effective Development Cooperation (updated in 2016), one European partner takes on a leadership role in each EJPS priority sector and thereby leads the coordination amongst European Partners in those sectors (see table 1).

**Table. 1: Priority areas and sectors for the European Joint Programming Strategy 2021-2025**

Priority Area	Sector	Coordinating European Partner <sup>13</sup>	Participating European Partners <sup>14</sup>							
			EU	FI	FR	DE	HU	IE	LU	CH
Green and Inclusive Economy	Agriculture & Rural Development	France	X		X	X	X		X	X
	Natural Resources & Environment	Germany	X	X	X	X	X			X
	Private Sector Development, Trade and Tourism	EU	X		X	X		X	X	
Human Capital	Education/ TVET	EU / Switzerland	X		X	X	X	X	X	X
	Health	Luxembourg			X		X	X	X	
Good Governance	Good governance (Local governance; Public Finance Management; Citizens' engagement; Justice/Rule of Law and human rights)	EU	X		X	X	X		X	X

**Priority Area 1: Green and Inclusive Economy:** This priority area will come in support of the 9<sup>th</sup> NSEDP Outcome 1 (Continuous quality, stable and sustainable economic growth achieved) and Outcome 4 (Environmental protection enhanced and disaster risks reduced). It will also help achieve the following SDGs: Zero Poverty (SDG 1); Zero Hunger (SDG 2); Decent Work and Economic Growth (SDG 8); Industry, Innovation and Infrastructure (SDG 9); Reduced Inequalities (SDG 10); Climate Action (SDG 13); Life on Land (SDG 15); and Partnerships for the goals (SDG 17).

**Priority Area 2: Human Capital:** This priority area will come in support of the 9<sup>th</sup> NSEDP Outcome 2 (Improved quality of human resources to meet development, research capacity, science and technology needs, and create value-added production and services) and Outcome 3 (Enhanced well-being of the people). It will also help achieve the following SDGs: Zero Hunger (SDG 2); Good Health and Well-being (SDG 3); Quality Education (SDG 4); and Gender Equality (SDG 5).

**Priority Area 3: Good Governance:** This priority area will come in support of the 9<sup>th</sup> NSEDP Outcome 6 (Public governance and administration is improved, and society is equal, fair, and protected by the rule of law). It will also help achieve the following SDGs: Gender Equality (SDG 5); Reduced Inequalities (SDG 10); and Peace, Justice and Strong Institutions (SDG 16).

***The EJPS 2021-2025 will focus to a large extent (but not exclusively) on green priorities, particularly sustainable agriculture & forestry/biodiversity, climate change mitigation and adaptation, supported by green skills development (TVET) and business/trade facilitation, which together form the basis of the envisaged Green TeamEurope Initiative in the Lao PDR (see section 2.6).*** The European Green Deal, a strategy aimed at climate neutrality by 2050, coincides well with the Lao PDR's Green Growth Strategy 2030 and the green-oriented NSEDP 2021-2025. A green and inclusive economy in the Lao PDR will require an important level of quality private investment to support socio-economic development, as well as an effective implementation of the Government's commitment to accelerate reforms to improve the business climate. This coincides with the European Partners' objectives to strengthen their trade, economic and investment partnership with the Lao PDR,

<sup>13</sup> This reflects in most cases the current role of European Partners as chair or co-chair of Sector Working Groups (and may therefore change during the period of the EJPS 2021-2025). In that capacity, the European coordinating partner takes on a leadership role in the sector and leads the coordination amongst European Partners in that sector.

<sup>10</sup> FR: France; FI: Finland; DE: Germany; HU: Hungary; IE: Ireland; LU: Luxembourg; CH: Switzerland

especially focusing on quality investment which contribute to inclusive<sup>15</sup> growth and jobs. The priorities of the EJPS 2021-2025 in the Lao PDR also offer strong synergies and complementarities with the priorities of EU's strategic partnership with ASEAN, and with the envisaged Regional ASEAN South-East Asia Green Team Europe Initiative (which includes support to the sustainable management of the Mekong River Basin).

#### 1.4 Justification and context

**The Lao PDR is a one-party state, led by the Lao People's Revolutionary Party (LPRP).** The LPRP Congress discusses and endorses the national development roadmaps in five-year cycles. The National Assembly (NA) is the supreme legislative body and its members are directly elected for a five-year term. LPRP Congress and NA elections took place in the first quarter of 2021.

**The Lao PDR has experienced rapid economic growth over the last three decades, which propelled the country from a low-income to a lower middle-income status.** Major achievements have been the spike in GDP per capita (2,570 US\$ in 2019 according to the WB, more than ten times the figure in 1990); significant expansion of the rural electrification network (95% of all households covered); upgrading and expansion of the domestic road and telecommunications networks; increased life expectancy and reductions in both infant and maternal mortality; reduced stunting prevalence from 44% in 2011 to 33% in 2017; and primary school enrolment rates approaching 100%. Moreover, a considerable body of legislation has been issued following the promulgation of the Lao Constitution in 1991. In pursuing its overarching objective to transform from a land-locked to a land-linked country, the Lao PDR has maintained strong economic relationships with its neighbours China, Thailand and Vietnam, which has supported its rapid growth and large public investments in infrastructure. In particular, the economic ties with China have strengthened dramatically in the last two decades: China is by far the largest provider of foreign direct investment in the Lao PDR, its largest creditor, and its second trade partner after Thailand.

**The Lao PDR still faces important challenges to graduate from LDC status by 2026 and achieve the Sustainable Development Goals (SDGs), which are integrated in the 9<sup>th</sup> NSEDP.** Through the previous five-year NSEDP cycle, the Lao PDR has consolidated its maturity as a player in the international arena, notably as a member of ASEAN. Yet, it has not been able to meet the LDC graduation criteria earlier due to an insufficient rating on the Economic Vulnerability Index (EVI). Socio-economic development in the Lao PDR faces several challenges going forward. While poverty levels have dropped substantially over the past decades, the Lao PDR's rapid economic growth of recent years has not led to commensurate poverty reduction across the country. Insufficient domestic investments in the social sectors and uneven public service delivery, particularly in health and education, have not resulted in reducing the existing inequalities<sup>16</sup>. Weak governance has resulted in low revenue collection (16.4% of GDP in 2020), inefficient administrative processes, opportunities for corruption, and inadequate accountability and transparency. Furthermore, the limited space for civil society restricts its participation in the public debate and the wider socio-economic development process, and some incidents related to human rights have raised concerns from the international community. Other challenges include high public debt (estimated at over 68% of GDP at end 2020) which threatens

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<sup>15</sup> Inclusive, by addressing the needs of marginalised and disadvantaged sectors of society, including persons with disabilities, ethnic-linguistic groups and LGBTIQ, amongst others.

<sup>16</sup> Report of the Special Rapporteur on extreme poverty and human rights on his visit to the Lao People's Democratic Republic [https://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session41/Documents/A\\_HRC\\_41\\_39\\_Add.2.docx](https://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session41/Documents/A_HRC_41_39_Add.2.docx)

macroeconomic and fiscal stability, regional disparities, weak resilience against natural disasters and climate change, pressure and exploitation of natural resources, several big investment projects with no environmental impact assessment, and the impact of the COVID-19 pandemic. The Lao PDR is being increasingly exposed to the impact of climate change and climate variability which, amongst others, puts agricultural productivity and food security at severe risk. All these challenges have shown that, in order to support sustainable growth in Lao PDR, there is a need to invest in resilient infrastructure and effectively manage the environmental and social impacts of these investments, as well as to strengthen disaster preparedness and risk reduction<sup>17</sup>. In the 9<sup>th</sup> NESDP, the Government of the Lao PDR has engaged to continue to prioritise and prepare comprehensively for LDC graduation over the extended 5-year preparatory period (2021-2026) to ensure that graduation is smooth and quality-based. In particular, more efforts will be necessary in order to fulfil the criteria to qualify for GSP+, which include notably the ratification of 27 International Conventions related to human and labour rights, as well as to the environment and to governance principles.

***The COVID-19 pandemic and ensuing economic and social shock have made it even more important for the Government of the Lao PDR to foster the country's economic and social resilience in the medium and long terms, while building on and protecting its rich natural capital.*** The Lao PDR managed remarkably well to avoid the spread of the COVID-19 pandemic in 2020, although the continuous worldwide spread of the pandemic has seen the number of cases increasing in 2021 (around 6000 at the end of July), making the authorities adopting lockdown and restrictive measures. The COVID-19 pandemic severely impacted the country's economy (only 0.5% GDP growth in 2020 according to WB estimates). The economic crisis exacerbated the weak macroeconomic and fiscal situation, and highlighted the need to build further resilience. This will require continued reforms to strengthen governance, to promote economic diversification and competitiveness, to improve the business climate and foster private sector development, and to enhance investment in human capital, health, education and social protection. While the Lao PDR's abundant natural resources represent a real comparative advantage if managed sustainably, the nation has not yet managed to decouple economic growth from the exploitation of its natural resources which are under genuine pressure due to land conversion, missing land rights and climate change. The expanding economy can provide additional Government revenue, if public finance management systems become more efficient, accountable and transparent; public debt needs to be brought back to a sustainable level. In addition, the Lao PDR's young population and human capital creates the potential of a demographic dividend – as a surge of young people, not burdened with supporting a large proportion of elderly dependants, enter the workforce – but only if their education and skills are of sufficient quality and appropriateness for the needs of the labour market. Moreover there is a serious concern that without improved health status, social safeguards and education quality, Lao citizens will be insufficiently prepared to achieve sustainable and inclusive socio-economic growth, and to benefit from the emerging opportunities of the expanding national economy and greater integration into the ASEAN region. While there have been recent reductions in the incidence of stunting and increases in secondary education enrolment rates, close attention will be required to consolidate and build on these achievements.

***Agriculture and Rural Development: with 65% of the Lao population living in rural areas (in 2018), agriculture and rural development are essential to the Lao economy and the livelihood basis.*** Farming systems in the Lao PDR are subject to rapid change in recent decades. Historically based on

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<sup>17</sup> In line with the Sendai Framework for Disaster Risk Reduction 2015-2030.

diversified and integrated subsistence farming systems, agricultures have been transformed, following the application of the principles of the green revolution, in connection with increasing integration with the market, development of commercial plantations, changes in local consumption patterns, and transfer of part of the agricultural labour force to other economic sectors. These evolutions have been accompanied by negative environmental impacts: soil depletion, erosion, loss of biodiversity, contamination of water resource, high contribution of agricultural sector, directly or indirectly, to greenhouse gases emissions, and increased health risks for farmers and consumers. In addition, the vulnerability of these systems to climate change and to natural and human-made disasters, as well as their exposure to market risks (particularly due to low diversification and processing) are highly increased. A transition towards alternative models, including agroecology at large scale and responsible mechanisation, which are less dependent on agrochemical inputs and rely on a wide range of healthier, environmentally and socially sustainable practices (e.g. conservation agriculture, agroforestry and crop diversification, landscape redesign, sustainable rice intensification, integrated crop-livestock and tree systems, organic farming) is necessary. These models represent key options to intensify specialty agricultural production over the long term, provide a decent income for farmers, ensure food security, limit the conversion of forests to cropland, limit the use of external inputs (fertilizers, pesticides), mitigate Greenhouse Gases (GHG) emissions from agriculture and contribute to increasing carbon storage in soils (agricultural, grassland, and forest). Furthermore, there is a need to develop more quality and climate-resilient rural infrastructures (such as rural roads, and water and sanitation systems) in order to improve living conditions of the rural population<sup>18</sup> and the workforce and to facilitate market access and the development of agricultural value chains. The creation of economic and decent work opportunities, as well as the improvement of rural livelihoods could help curve down migration from rural to urban areas.

***Natural Resources and Environment: the Lao PDR's natural capital continues to form the basis of its economy, supporting key sectors such as mining, hydropower, fisheries, forestry and agriculture.***

Even as the country transitions away from direct reliance on primary sectors, ecosystem service provision continues to play a crucial role in supporting manufacturing and service sectors. However, the pace and scale of change in the environment and natural resource sector has accelerated in the Lao PDR over the last decades. The rapid growth in land-based investments alongside regional market integration are transforming land and rural livelihoods. While positive outcomes include increasing GDP and a reduction in rural poverty in some cases, these changes have also resulted in the erosion of natural forest ecosystems, displacement of rural communities, and a widening gap between wealthy and poor segments of society (particularly between rural and urban communities). Ensuring that natural resources are effectively, equitably and sustainably administered, through accountable and transparent public institutions and processes, is key for the benefit of the whole people of Lao PDR and, in particular, rural and poor communities and their natural environment. The timber industry and non-timber-forest products represent relatively untapped economic opportunities and offer great export potential, if sustainably managed. The nascent wood-processing industry in Lao PDR is expected to benefit in the long-term from the EU-Lao PDR Voluntary Partnership Agreement under the Forest Law Enforcement, Governance and Trade (FLEGT) scheme, currently under negotiation. In

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<sup>18</sup> According to UN data (2020), population's access to safe drinking water sources in Lao PDR was 26% (urban) and 10.8% (rural), and access to safe sanitation was 62,4% (urban) and 55,8% (rural).

that context, special attention needs to be placed on the potential negative environmental impact of the wood industry, as industrial plantations can endanger biodiversity and water resources.

***Private Sector Development, Trade and Tourism: The Government of the Lao PDR's stated priority to improve the business climate and to foster quality investment has not yet delivered the expected results.*** The economic shock caused by the COVID-19 pandemic further weakened the macroeconomic and fiscal framework already challenged with rapidly growing public debt in recent years. This has derailed the favourable growth trajectory enjoyed by the Lao PDR over the past decade and severely impacted the development of the private sector. It should not mask, however, the progress the Lao PDR has made in regional economic integration, such as increased imports and exports to ASEAN countries, service sectors liberalization through the ASEAN Framework Agreement on Services, and alignment with regional standards on green tourism. Faced with important financial constraints, the Government has made it a top priority to improve the business climate and foster private investment, to contribute to sustainable and inclusive growth. The country nevertheless faces challenges: rapidly increasing public debt; heavy reliance on a narrow set of sectors (tourism, hydropower, and minerals) as foreign currency earners; logistical costs in reaching markets outside the Mekong sub-region; burdensome transactional costs associated with trade, investment and cross-border payments; underdeveloped and threatened opportunities for nature-based tourism; and SMEs constrained by the lack of economically feasible financing. The Government has embarked in implementing an Ease-of-Doing-Business Plan of Action and adopted various important legislations in this regard. The slow pace of implementation of these reforms has not yet led to an improved ranking in the World Bank's Doing Business reports. The EU is the 4<sup>th</sup> trade partner of the Lao PDR; it remains marginal though in comparison to EU trade with neighbouring ASEAN countries, and to Lao PDR trade with its first three trade partners (Thailand, China, Vietnam). According to a study from the International Trade Centre (ITC)<sup>19</sup>, specialty agriculture and wood processing are the most promising sectors for increasing trade with the EU.

***Education/TVET: the Lao PDR has made good progress in building its human capital base by improving access to education and nearly achieving universal primary education. However, in order to graduate from LDC status in 2026 and benefit from ASEAN integration, the Lao PDR will need to increase skilled labour and secondary education completion rates.*** The quality of education remains weak at all levels, with significant regional disparities. The continuous professional development of technical and pedagogical competencies of teachers and school principals needs to be strengthened. Meanwhile, it is crucial to develop further Technical and Vocational Education and Training, and strengthen its labour-market orientation. The growing access to the internet and an expanding mobile network coverage represent an opportunity to mainstream technology and digitalisation into the management of the education sector and complement the traditional way of schooling. Introducing new technologies can help to reach out a higher number of learners and to improve access to quality and relevant education. Relevant investments in secondary education and Technical and Vocational Education and Training will increase the number of graduates that better respond to the labour market needs and who subsequently will find employment.

***Health: access to quality health care and services is central to people's well-being and a key element for equitable and sustainable growth, including poverty reduction. In the 9th NSEDP (2021-2025)***

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<sup>19</sup> "Export Potential in Lao PDR - Processed Wood and Specialty Agriculture", ITC, June 2019 (this study was not subject to endorsement).



**GOL prioritizes “More inclusive and better quality health care services and nutrition” (output 1) under the human resources development pillar (outcome 2).** Development of the health sector has come a long way in the past years, but significant challenges remain. Maternal, new-born and child mortality rates have significantly reduced, however, the rates are still among the highest in the region (respectively 185 per 100,000 mothers in 2017; 36.6 per 1000 births in 2019; and 45.5 per 1,000 under-5 children in 2019<sup>20</sup>). Ethnic diversity, low population density and limited availability of Primary Health Care continue to limit uptake of positive care practices and use of health services. The Lao PDR is also marked by a weak healthcare system and a substantial gap in health care service delivery and quality of care on national and provincial levels prevail. The shortage of skilled health care personnel and rising demands for high quality health care and modern medical technology add to the challenges of the sector. Malnutrition is still representing a key development challenge in the Lao PDR. Despite recent gains in reducing stunting levels, the prevalence of stunting (33.1% in 2017<sup>21</sup>) remains considerably higher than the regional average, and there are also significant inequalities in stunting both across provinces and between different wealth groups and ethnicities. The Government further recognises that improved gender equality and (young) women’s education are directly related to nutrition outcomes. Very high levels of adolescent pregnancies (65 births per 1,000 girls aged 15-19 in 2018<sup>22</sup>) and maternal undernutrition, suboptimal breastfeeding practices, and extremely poor dietary diversity, are all important drivers of undernutrition in the Lao PDR.

**Governance: Good governance constitutes one of the six underlying priorities of the next NSEDP, which acknowledges that improvements in public administration, rule of law and public finance management are prerequisites to the overall development of the Lao PDR,** in the path towards the country’s LDC graduation set for 2026. While progress has been made in expanding the legal and policy framework, challenges remain particularly with regard to its effective implementation and enforcement. This implies the need to strengthen institutional and administrative capacities at all levels (central, provincial, district and village) to provide responsive, quality and accessible/affordable public services, as well as to improve access to justice and strengthen the rule of law. Local administrations still face significant human and financial resources challenges to fully achieve the objectives and the wide-range public administration reform envisaged in the national decentralisation “Sam-Sang” policy<sup>23</sup>. Strengthening citizens’ voice and the engagement of civil society, along with traditional forms of support to develop state systems and institutions, is also critical to responsive and accountable governance mechanisms, ultimately resulting in more responsive decision-making and public service delivery. Continued advancements in the enabling environment and operational capacity of Lao civil society will enhance national social and economic development, as recognised by the NSEDP and the Vientiane Declaration on Aid Effectiveness. Furthermore, a functioning public finance management system is essential to support effective domestic revenue mobilisation and an optimal and transparent use of public resources supporting sustainable and inclusive growth. Addressing fraud and corruption was erected as one of the top priorities of the new Government that took office in 2021.

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<sup>20</sup> <https://data.unicef.org/country/lao/>

<sup>21</sup> <https://data.worldbank.org/indicator>

<sup>22</sup> <https://data.worldbank.org/indicator>

<sup>23</sup> The “three builds” directive (Politburo Resolution No. 03/CPP/2012) proposes villages as the development unit, districts as the integration unit, and provinces as the strategic unit. The resolution was first piloted in a few districts and villages from 2012 and then started to be applied nation-wide from 2016.

***The priority areas and intervention sectors identified for European Partners' support under this EJPS 2021-2025 fully integrate the above-mentioned context, progress and challenges, and build on the lessons learnt from the EJPS 2016-2020.*** The EJPS 2021-2025 has fully taken into account the recommendations of the EJPS 2016-2020 evaluation to further align the European Partners' support with the long-term Lao PDR's green growth strategy, increase opportunities for joint implementation, better integrate cross-cutting issues, engage more with civil society organisations and the private sector, and establish a more focused result matrix. A clear increased emphasis was placed on supporting green interventions in line with the long-term Lao PDR's green growth strategy, as well as the need to further support a conducive business environment and private investment to support the long-term sustainable and inclusive socio-economic growth in Lao PDR. The proposed sectors of intervention remain broadly the same than in the previous strategy for most European Partners, as these were deemed to be very relevant in the findings of the external near-end evaluation of the European JP 2016-2020. Nevertheless, specifically for the EU, financial allocations to sectors and specific interventions will change sensibly to reflect the key priorities for EU external action mentioned in the section 1.1 and create more synergies within and between the identified priority areas (see in section 2). The proposed intervention sectors for the EU cooperation are also closely aligned with EU member states' and Switzerland's focal sectors, which open new opportunities for joint implementation in sectors supporting private sector development and green growth (such as in agriculture, forestry and TVET). The EU will continue to support the fight against malnutrition in the envisaged interventions in all relevant sectors (health, agriculture, education, public finance management). There is a clear commitment by the European Partners to integrate key cross-cutting issues such as gender, youth, environment, digitalisation and nutrition, in all the envisaged interventions when relevant, as spelt out in details in section 2.4. European Partners will also continue to support CSOs in Lao PDR, building on the gradual recognition (notably thanks to the support provided by development partners) of their role in contributing to Lao PDR's socio-economic development, while remaining cognisant of the sensitive environment for NGOs operations in Lao PDR. The provision of technical assistance and advisory services will remain an important part of European Partners' cooperation programmes given the limited institutional capacities, especially in the area of good governance. Finally, the EU will consider continuing providing budget support to a certain extent<sup>24</sup>, as it has proven very effective in supporting meaningful reforms and important achievements in the targeted sectors (education and nutrition), while providing a clear leverage for policy dialogue on challenges and reforms in these sectors.

### **1.5 Duration of the EJPS and option for synchronisation**

This document presents the European Joint Programming Strategy 2021-2025 aligned with the timeframe of the Lao PDR's 9<sup>th</sup> NSEDP 2021-2025.

Nevertheless, it should be noted that the new phase of the EU multiannual programming framework runs from 2021 to 2027. Other European Partners have also different programming timeframes (see in Annex VI).

For the EU specifically, the priorities identified herein apply for the period 2021-2027 (in line with the timeframe of the EU's multiannual financial framework). As for all partner countries, the timeframe

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<sup>24</sup> Provided that budget support conditions are met, particularly with regard to the implementation of macroeconomic stability-oriented policies and public finance management reforms, and increased budget transparency.

for EU programming is divided in 2 phases (2021-2024 & 2025-2027). The initial financial allocation covers the period 2021-2024, while a financial allocation for the period 2025-2027 will be established following a mid-term review in 2024.

## 2 European Partners' support per priority area and proposals of TeamEurope Initiatives

***The European Joint Programming Strategy (EJPS) 2021-2025 will focus on six priority sectors clustered in three broad cooperation areas: i) Green and Inclusive Economy (agriculture and rural development; natural resources and environment; private sector development, trade and tourism); ii) Human Capital (education, including technical vocational education and training; health); and iii) Good Governance***, as indicated in Section 1.3, and on the basis of the strategic priorities outlined in section 1.1 and the pre-programming and consultation process described in section 1.2. These identified sectors of cooperation are fully in line with the strategic priorities for EU's external action and also correspond to key priority sectors targeted under the Lao PDR's 9th NSEDP. Moreover, the envisaged interventions in these identified sectors will all contribute to the SDGs (see section 1.3). Green actions and support to MSMEs and smallholders will take a prominent part in European Partners' foreseen programmes in 2021-2025, within the framework of the Green TeamEurope Initiative in the Lao PDR. The focus on green actions and on strengthening the trade and investment partnership with the Lao PDR also offers important synergies with the implementation of the EU-ASEAN strategic partnership and the envisaged Regional ASEAN South-East Asia Green TeamEurope Initiative.

***The proposed programming priorities integrate the "Build Back Better" approach following the COVID-19 pandemic.*** In response to the pandemic, the European Partners united as "TeamEurope" and provided support to the Lao PDR along three main lines of action: i) To tackle immediate emergency needs; ii) To strengthen the health, and water and sanitation systems, and research; and iii) To address the economic and social consequences, including decent work deficits. The European Joint Programming Strategy 2021-2025 incorporates fully the two latter priorities. Taking into account the considerable impact of the COVID-19 crisis and uncertainties about how long it will last, the European Partners will be ready to adjust their response to address effectively any further challenges faced in the priority areas and sectors of Joint Programming.

***With regard to the EU specifically, under these 3 main priority areas (green and inclusive economy; human capital; good governance) and the 6 identified sectors of intervention of the EJPS, EU support is foreseen to cover interventions in the following sub-sectors: Sustainable agriculture and food values chains, Forestry/biodiversity, Trade and private sector development, Education/TVET, and Good governance (rule of law, citizens' engagement, and public finance management)<sup>25</sup>.*** There are important synergies within and between the three main priority areas, as well as with the focal sectors identified for EU cooperation with South-East Asia and ASEAN in 2021-2027 (implementation of the EU-ASEAN strategic partnership; green priorities; sustainable connectivity). For instance, the "green" priority will not only be covered in the agriculture and forestry/biodiversity sectors, but also in the

<sup>25</sup> See the table of EU focal sectors under the MIP 2021-2027 and EJPS 2021-2025 in Annex II.

interventions to support trade and private sector development (support SMEs working in green areas, promotion of sustainable production), education/TVET (support to TVET in agriculture, forestry, water management, and other green areas), and good governance (green budgeting). The Green TeamEurope Initiative for the Lao PDR presented in section 2.6 also cuts across these three main priority areas. The policy priority to strengthen the trade and investment partnership between the EU and the Lao PDR, will also be covered under all the sectors targeted (trade and business facilitation in general and specifically in agriculture and wood-processing, TVET, governance/rule of law. Good governance remains obviously a crucial cross-cutting issue in all the proposed intervention sectors. Finally, it should be stressed that support to civil society organisations will be mainstreamed in the three priority areas in recognition of their role in the socio-economic development of the Lao PDR, especially at district and community level (see section 3.1).

## 2.1 Priority area 1: Green and Inclusive Economy

**European Partners' support under the priority area "green and inclusive economy" will endeavour to promote sustainable agriculture, food and nutrition security, and improve rural development; and ensure that natural resources are effectively, equitably and sustainably administered.** This support is expected to contribute strongly to reduce poverty in rural areas, by creating economic opportunities and decent jobs – which could have a possible impact on decreasing rural-urban migration, as well as by reducing malnutrition. Programmes under this priority area will also seek to address, in a holistic and integrated manner, key challenges related to climate change, forestry and natural resource management (including land and water resources and dam safety), which have effects at regional and global scale. Support to promote sustainable deforestation-free agriculture will particularly focus on developing agro-ecology and value chains of high-quality specialty products with known export potential (such as coffee and tea). It will also contribute to developing the nascent wood-processing industry, in the context of the ongoing negotiations between the EU and the Lao PDR on the Voluntary Partnership Agreement under the Forest Law Enforcement, Governance and Trade (FLEGT) scheme. In doing so, European Partners will emphasise the external dimension of the European Green Deal thereby contributing to a green and sustainable economic recovery after the COVID-19 crisis, by supporting resilience and human development. The interventions will also integrate the opportunities brought by the digital transformation in areas such as e-marketing, e-commerce, e-learning, generation/dissemination of sector statistics, and remote sensing in forestry.

**Moreover, the support provided under this priority area will seek to foster sustainable and quality private investment benefiting from improved business climate.** The envisaged interventions will aim at improving the business climate in Lao PDR and increasing trade – including between the Lao PDR and the EU, as well as in the region, particularly to contribute to stronger ASEAN Economic Community integration. The European Partners will seek to promote quality European investments in Lao PDR, with a view to contributing to increasingly diversify the productive sectors and creating decent work opportunities, by tackling also child labour, which is a major hurdle for a productive and sustainable development of human capital in Laos. This is in line with EU's external action priority to support sustainable growth and jobs. The European Chamber of Commerce in Lao PDR (ECCIL) will remain a key interlocutor in contributing to these objectives, especially with regard to trade and business facilitation reforms, investment promotion, and monitoring the implementation of relevant legislation.

***This priority area will come in support of the 9<sup>th</sup> NSEDP Outcome 1 (Continuous quality, stable and sustainable economic growth achieved) and Outcome 4 (Environmental protection enhanced and disaster risks reduced).*** It will also help achieve the following SDGs: Zero Poverty (SDG 1); Zero Hunger (SDG 2); Decent Work and Economic Growth (SDG 8); Industry, Innovation and Infrastructure (SDG 9); Reduced Inequalities (SDG 10); Climate Action (SDG 13); Life on Land (SDG 15); and Partnerships for the goals (SDG 17). Furthermore, the actions under this priority area will be anchored in the relevant EU policies and strategies<sup>26</sup>, including: the European Green Deal, the Farm to Fork Strategy, the EU’s biodiversity strategy for 2030, the European Circular Economy Action Plan (CEAP), the Forest Law Enforcement, Governance and Trade (FLEGT) action plan, the Zero pollution action plan and Council conclusions on Water Diplomacy.

### 2.1.1 Specific objectives and expected results

SECTORS	SPECIFIC OBJECTIVES	EXPECTED RESULTS
<b>Agriculture and rural development</b>  <b>DAC codes:</b> - 310/ 311 - 43040	SO-1: To promote sustainable, climate-resilient, nutrition sensitive, competitive agriculture, while preserving the interests of the smallholders; and to foster rural development through improved rural infrastructure	ER-1: Enhanced sustainable and climate-resilient agricultural practices
		ER-2: Improved inclusive agriculture and Nutrition Sensitive Agriculture
		ER-3: Improved competitiveness, quality and added-value of agriculture products
		ER-4: Improved climate-resilient rural infrastructure (including roads and access to safe water)
<b>Natural Resources and Environment</b>  <b>DAC code:</b> - 410 - 310/ 312 - 14040	SO-2: To ensure that natural resources are effectively, equitably and sustainably administered through accountable and transparent public institutions for the benefit of the whole people of the Lao PDR and, in particular, rural and poor communities and their natural environment	ER-2.1: Forest areas and their biodiversity, as well as protected areas, are efficiently, effectively, and transparently managed as a cornerstone of the Lao PDR’s green economy, sustainably and equitably delivering ecosystem services to the people of the Lao PDR
		ER-2.2: Land resources are efficiently, effectively, and transparently managed as a key asset of the people of the Lao PDR and the foundation of pro-poor sustainable development
		ER-2.3: Water resources are efficiently and effectively managed as a foundation of human and environmental wellbeing, ensuring the sustainable delivery of ecosystem services that are shared equitably and transparently

<sup>26</sup> In line with the Council conclusions on Policy Coherence for Development (PCD) in order to increase the effectiveness of development cooperation.

		ER-2.4: The Lao PDR is enabled to effectively contribute to climate change mitigation and substantively benefit from carbon financing through robust, accountable and credible institutions, supported by policies and procedures consistent with international best practice
<b>Private Sector Development, Trade and Tourism</b>  <b>DAC codes:</b> - 250 - 330 - 332	SO-3: To contribute to improving business climate, fostering sustainable and responsible private investment, and increasing exports	ER-3.1: Expanded and diversified markets for Lao exports
		ER-3.2: Improved business climate and facilitated access to finance for small and medium sized enterprises
		E-3.3: Decent work opportunities promoted for all
		ER-3.4: Enhanced diversification, sustainability, and resilience of the tourism and cultural heritage sectors

### 2.1.2 Indicators (including baseline and targets)

The main indicators for measuring the aforementioned results are contained in the Intervention Framework attached in Annex III.

### 2.1.3 Possible use of blending and guarantees for investment under EFSD+

***This priority area which focuses on productive sectors and expanding opportunities for MSMEs and smallholders offers opportunities to use the EFSD+ investment facility.*** It captures the two main axis of intervention under the Green TeamEurope Initiative (i.e. Sustainable Food Systems and Forest Partnerships). The TeamEurope Initiative will endeavour to combine innovative and traditional financial tools (including blending and guarantees to de-risk investment) in order to catalyse investments from MSMEs and international investors. A number of European Development Financing Institutions (Finnfund, FMO, PROPARCO) are already contributing to the financing of private investments in the Lao PDR in this priority area. Moreover, the European Investment Bank (EIB) may engage in further interventions in Lao PDR, such as in climate-resilient road infrastructure (to improve market access and connectivity), sustainable agriculture and bio-economy, and reforestation. Subject to its confirmation during the implementation phase, it is expected that an indicative amount of EUR 7.5 million may be used between 2021 and 2024 to provision EFSD+ blending and guarantee operations under this priority area, in partnership with European Development Financing Institutions.

### 2.1.4 Identified risks and mitigation measures

***The most important risks under this priority area relate to the slow pace of reforms, limited capacities, and the pressure on the use of natural resources from ongoing and new investments.*** There may be insufficient political attention and/or budget allocations to support effectively the adopted plans and proposed sector reforms. New investments may put additional pressure on availability of land for smallholders and threaten the sustainable use of natural resource. Business environment facilitation reforms may not be implemented rapidly enough, including due to the pandemic-related stress, which in turn hampers private sector development, trade and tourism.

European Partners will strive to mitigate these risks through continued dialogue at political, policy and project level, encouraging an integrated/holistic development planning and budgeting for the sake of a balanced, non-contradictory promotion of all relevant sectors and areas. European Partners will also provide specific technical assistance and advisory services to facilitate reforms and strengthen policy dialogue in this regard. Refer to Annex IV for a comprehensive list of identified risks and mitigations measures.

## 2.2 Priority area 2: Human Capital

**European Partners’ support under the priority area “Human Capital” will contribute to quality and inclusive education and training, responding to market needs, and improved health care, especially for women and children.** Under the EJPS 2021-2025, European Partners will continue to support human capital development – starting with education and health - as the most fundamental building blocks of a resilient, inclusive and well-developed society. Special emphasis will be placed on education planning/budgeting, reduced regional disparities in education access and quality, and the strengthening of skills relevant to the labour market needs, including the green economy and digitalisation. European Partners also endeavour to increase exchanges between Europeans and Lao through scholarships programmes, including ERASMUS+, especially in green areas, such as sustainable agriculture, environment, climate change, natural resource management, forestry, water management, urban planning, circular economy, and ecotourism. As such, the support to the education sector will complement the interventions foreseen in the areas of sustainable agriculture, natural resources/environment, and private sector development, trade and tourism, under priority area 1. Support to strengthen primary health care will continue with a view to implement quality health services reaching a larger share of the population, especially the poorest, marginalised, and living in remote areas, and to reduce malnutrition.

**This priority area will come in support of the 9<sup>th</sup>NSEDP Outcome 2 (Improved quality of human resources to meet development, research capacity, science and technology needs, and create value-added production and services) and Outcome 3 (Enhanced well-being of the people).** It will also help achieve the following SDGs: Zero Hunger (SDG 2); Good Health and Well-being (SDG 3); Quality Education (SDG 4); and Gender Equality (SDG 5).

### 2.2.1 Specific objectives and expected results

SECTORS	SPECIFIC OBJECTIVES	EXPECTED RESULTS
Education/TVET DAC code: - 110	SO-4: To contribute to quality human capital integrating digital technologies and responding to labour market needs (notably in support of the green economy), in an inclusive manner	ER-4.1: Equitable access to quality and relevant basic education and TVET
		ER-4.2: Improved education quality and relevance
		ER-4.3: Improved and strengthened education policy, governance and resilience
		ER-4.4: Increased exchange between Europeans and Lao through European scholarship programmes

Health DAC code: - 120	SO 5: Strengthen primary health care	ER-5.1: Strengthened Public Health Systems.
		ER-5.2: Improved Maternal, New-born and Child Health, including nutrient intake

### 2.2.2 Indicators (including baseline and targets), per expected result

The main indicators for measuring the aforementioned results are contained in the Intervention Framework attached in Annex III.

### 2.2.3 Possible use of blending and guarantees for investment under EFSD+

No opportunities for using the EFSD+ were identified under this priority area of the EJPS.

### 2.2.4 Identified risks and mitigation measures

***The most important risks under this priority area come from the fact that Sector Development Plans targets are deemed over-ambitious, while the already low state budget allocations to social sectors may not increase much in the near future.*** The Sector Plans reflect good political intentions, as opposed to operational or fiscal feasibility, while committed state budget allocations to education and health sectors do not meet set targets. Other possible risks refer to public social service delivery being overwhelmed by disease outbreaks and/or natural disasters, or to the emergence of human-made hazards on food and nutrition security. Moreover, the prolonged economic crisis risks to continue reducing employment opportunities in sectors targeted by TVET interventions. European Partners will continue to help mitigate these risks through a continuous and proactive dialogue with the National Assembly, the Ministry of Finance, the Ministry of Planning and Investment, the Ministry of Health, and the Ministry of Education and Sports, as well as within the framework of sector working groups and coordination mechanisms between the public and private sector, notably to ensure that plans can be adjusted according to changing scenarios. They will also provide technical assistance and help strengthening projection planning and budgeting tools to support better link planning and budgeting and to adopt more feasible and realistic targets. Refer to Annex IV for a comprehensive list of identified risks and mitigations measures.

## 2.3 Priority area 3: Good Governance

***The promotion and assistance of establishment of a genuine and well-functioning Rule of Law state is one of the overarching objectives of the European Partners in the Lao PDR and reflects strategic priorities of the 9th NSEDP to strengthen public administration effectiveness.*** From the European side, the main objective is to contribute to good governance, improved transparency, the promotion of rule of law and human rights, among which labour rights in the Lao PDR. This includes improving the effectiveness and accountability of public service delivery, supporting public administration reform (including the Sam-Sang decentralisation policy), strengthening the management of public finances and collection of domestic revenues, fight corruption, reinforcing the justice system, as well as enhancing the operating environment for civil society and people's participation, while supporting the promotion and protection of human rights. An accountable and efficient public sector and reinforced rule of law are key elements in facilitating the implementation and compliance of the Lao PDR with international norms, improving the capacity to address transnational organised crime, trafficking in human beings, cybercrime, child sexual abuse and exploitation and other security



challenges, such as fight against illicit drugs trafficking and terrorism and strengthening multilateralism and regional integration. The use of digitalisation will continue to be promoted under this priority area, for instance IT-based systems for public finance management, debt management, tax collection and judicial case management.

***This priority area will come in support of the 9<sup>th</sup> NSEDP Outcome 6 (Public governance and administration is improved, and society is equal, fair, and protected by the rule of law).*** It will also help achieve the following SDGs: Gender Equality (SDG 5); Reduced Inequalities (SDG 10); and Peace, Justice and Strong Institutions (SDG 16).

### 2.3.1 Specific objectives and expected results

SECTORS	SPECIFIC OBJECTIVES	EXPECTED RESULTS
<b>Good Governance</b>  <b>DAC code:</b> - 151 15110, 15111, 15112, 15113, 15114, 15125, 15130, 15150, 15160	SO-6: Contribute to good governance, the rule of law and human rights in Lao PDR	ER-6.1: Improved governance to deliver quality and accessible public services at the local level
		ER-6.2: Improved Public Finance Management
		ER-6.3: Enabling environment for civil society and citizens' engagement for sustainable development and accountability
		ER-6.4: Consolidated rule of law and human rights

### 2.3.2 Indicators (including baseline and targets), per expected result

The main indicators for measuring the aforementioned results are contained in the Intervention Framework attached in Annex III.

### 2.3.3 Possible use of blending and guarantees for investment under EFSD+

No opportunities for using the EFSD+ were identified under this priority area of the EJPS.

### 2.3.4 Identified risks and mitigation measures<sup>27</sup>

***The most important risks under this priority area include the limited commitment to strengthen the oversight of the state budget and public service delivery.*** There may be an uneven commitment of national stakeholders to implement and monitor public service delivery, especially in rural areas, and to promote higher standards of transparency and accountability in the management of the state budget. Other possible risks relate to the fact that the government budgets may be severely constrained as a consequence of the economic fall-out from the COVID-19 pandemic, and that the regulatory environment for CSOs continues to limit citizens' engagement in public affairs. These potential risks will be mitigated through engaging with the GOL at central and local levels promoting an accountable public sector with data and information transparency, including through CSO participation. Moreover, European Partners' interventions to strengthen Public Finance Management will continue to support a more optimal use of the available State budget, and to help targeting

<sup>27</sup> Given the horizontal relevance of the Priority area 3: Governance, the identified risks and mitigation measures also apply to Priority areas 1 and 2.

citizens' priority services, while addressing the high debt distress and push to restore macroeconomic stability. Refer to Annex IV for a more comprehensive list of identified risks and mitigations measures.

## 2.4 Cross-cutting issues

***There are several important cross-cutting issues that are fully relevant to the identified priority areas of cooperation, and that will thus be fully integrated in the programmes to be developed and financed under the EJPS 2021-2025:***

- ***Gender equality and women empowerment:*** This key crosscutting issue is fully relevant to all six identified sectors. In line with EU's new Action Plan on Gender Equality and Women's Empowerment in External Action 2021–2025 (GAP III)<sup>28</sup>, specific activities related to promoting gender equality and women empowerment must thus be included in each of the programmes financed under the EJPS 2021-2025, such as specific capacity building for women, specific funding for women-led businesses, specific TVET courses tailored to women skills and job opportunities, specific health actions targeting women, sensitisation on gender equality/domestic violence integrated in all training targeting beneficiaries in the agriculture and natural resource/environment sectors, gender-budgeting, training on political leadership, and sensitisation of local authorities to promote gender equality and women empowerment.
- ***Youth:*** Young people can bring creative and innovative potentials and abilities. They are important change makers that need to be fully taken into account to build more stable and peaceful democratic societies, and to ensure sustainable inclusive growth. Youth will be specifically targeted under all the programmes financed under the EJPS 2021-2025, for example by providing training and decent jobs for youth in rural areas (in agriculture, forestry and ecotourism); by promoting a better business environment and access to finance for young people starting their businesses; by strengthening the provision of better health service to youth; by supporting education and training (TVET) for young people to respond to labour market needs (notably in support of the green economy); and by further sensitising and engaging youth in promoting good governance and addressing global challenges.
- ***Environment and climate change, biodiversity, resilience:*** These themes are particularly relevant to be integrated in the sectors of agriculture and natural resources/environment (including in building stronger resilience to natural disasters and strengthening local capacities in disaster risk reduction and preparedness, and in the promotion of clean cooking), but also in the support to be provided in the areas of private sector development, trade and tourism (eco-tourism, quality and environmental friendly investments), education (green skills, integration of this issue in the education curriculum), health (one-health approach, medical waste), and governance (green budgeting at central and local level, enforcement of environmental impact assessments).
- ***Digitalisation:*** New technologies offer important opportunities in the sectors covered by the EJPS 2021-2025, for example in the areas of e-marketing, e-commerce, e-learning, e-governance, generation/dissemination of sector statistics, remote sensing<sup>29</sup> in the forestry sector, IT-based trade systems, and IT-based public finance management and revenue

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<sup>28</sup> The GAP III and its accompanying staff working document were endorsed in December 2020 through the Conclusions of the German Presidency of the Council of the EU, which were supported by 24 out of 27 EU member countries.

<sup>29</sup> Including Earth observation and information originating from space assets, such as the Copernicus Programme.

collection systems. Therefore, specific digital transformation activities are expected to be included in the majority of the programmes to be financed under the EJPS 2021-2025, in support of the EU policy framework on digitalisation for development.

- **Nutrition:** Nutrition awareness campaigns targeting project beneficiaries will be integrated in the programmes financed under the EJPS 2021-2025, especially in the areas of agriculture, natural resource/environment, and health.
- **One-Health approach:** The identified priority areas of agriculture, environment, and health provide an opportunity to mainstream coherently the one-health approach under the EJPS 2021-2025.
- **Right-based approach:** The right-based approach will be fully taken into account when formulating the programmes aimed at improving governance. It will also be integrated in programmes in other areas, for example: labour rights, decent work, gender equality, women empowerment, land tenure<sup>30</sup> and the rights of vulnerable/marginalised populations (including persons with disabilities) will be fully integrated in the programmes in the agriculture, natural resources/environment; the issue of gender equality will continue to be mainstreamed in education and health programmes; budget transparency, access to budget information, and accountability of public service delivery will continue to be pursued as part of our support to public finance management reforms; strengthening the rule of law to ensure fair competition will also be an important component of programmes in the area of private sector development, trade and tourism.

The **development of capacities and strengthening of institutions** at all levels will remain a top priority in every programme under the EJPS 2021-2025. To the extent possible, the programmes should make use of “*twinning*” modalities by financing exchanges of experience and expertise between public administrations and professional bodies of EU member states, Switzerland and the Lao PDR.

## 2.5 Monitoring and Evaluation

***The Intervention framework in Annex III includes monitoring Indicators, which were defined based on the 9<sup>th</sup> NSEDP, the SDGs, the NDICI – GE and the EU Result Framework, in order to measure the progress in implementing the European Joint Programming Strategy.*** The European Partners have defined relevant indicators (including baselines and targets values and means of verification) for each of the specific objectives. While pursuing its priorities, the European Partners should monitor adequately the results of their interventions in order to show how they contribute to achieving the goals of the 9<sup>th</sup> NSEDP and the SDGs. This European Joint Programming Strategy includes a joint framework for joint monitoring of implementation and results against agreed indicators (see Intervention Framework – Annex III), which are predominantly drawn from those proposed under the 9th NSEDP, the NDICI programming guidelines, the EU Result Framework and the Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development. The European Partners will support, and actively participate to, the improvement of monitoring and evaluation capacities in the sectors of intervention. In addition, existing bilateral review mechanisms between European Partners and Lao PDR will be maintained. A mid-term and/or

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<sup>30</sup> Abiding by the international guidelines on Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT).

final (or near-end) joint evaluation, review or monitoring exercise will be carried out if considered necessary and relevant.

## 2.6 TeamEurope Green Initiative for the Lao PDR

***The European response under this Joint Programming Strategy 2021-2025 will focus to a large extent on supporting “green” priorities and actions, regrouped in the “TeamEurope Green Initiative for the Lao PDR”.*** Under the 2021-2027 NDICI programming, TeamEurope Initiatives are catalytic ventures aimed at bringing together European Partners to support the achievement of developmental objectives in critical thematic areas. They draw on a potential combination of different aid modalities European Partners can offer, including technical assistance, grants, loans, budget support<sup>31</sup>, blending, guarantees, etc. TeamEurope Initiatives identify what European Partners can do in these selected areas together as ‘TeamEurope’, to be transformative and put European Partners in a position to become the partners of reference on the issues identified. TeamEurope Initiatives will not bring additional funding; they simply regroup European partners’ envisaged programmes in a critical priority area. Given the convergence between the objectives of the European Green Deal and the Lao PDR’s Green Growth Agenda 2030, European Partners in the Lao PDR agreed to focus the TeamEurope Initiative on green actions. As such, the Green TeamEurope Initiative will regroup interventions of the EIPS that focus on green aspects as a clear signal to the Lao Government and other stakeholders of the primordial importance given to the green transition in the European Partners’ cooperation in Lao PDR. Further, European Member States which do not participate in the European Joint Programming Strategy are expected to contribute to the TEI through ad hoc support. Indicatively, the European Partners which will contribute to the TeamEurope Green Initiative for the Lao PDR are: Finland, France, Germany, Hungary, Ireland, Luxembourg, Netherlands, Sweden and Switzerland.

***The TeamEurope Green Initiative aims to make a transformational contribution to the Lao PDR’s Green Growth Agenda 2030 and its green-oriented National Socio-Economic Development Plan 2021-2025.*** This initiative seeks to focus and leverage coherently the support of the European Partners in areas which have a high potential for climate-adaptation and mitigation action, sustainable socio-economic development, private sector development, job creation, international and regional trade, and for addressing key governance issues such as workers’ rights, women economic empowerment, land management and business obstacles. It will also support the updated Lao PDR’s NDC, mitigation target and long-term objectives for adaptation related to the Paris Agreement on climate change. The Lao PDR’s abundant natural resources represent a real comparative advantage and undoubtedly contributed to its rapid and steady economic growth over the past two decades. However, this growth model focused on GDP has put a strain on the sustainability of its natural capital, due to rapid and uncontrolled land conversion, poor governance over natural resources and overreliance on resource intensive extractive industries and hydropower. As it prepares to graduate from LDC status, the Lao PDR has embarked on a broad-based governance reform, which may establish the foundations for a better use of its natural and human capital for sustainable and equitable growth. Faced with a declining foreign aid trend, the Lao PDR also needs to foster further private investment to support its socio-economic development, taking advantage of new infrastructure developments, which improve connectivity to reach regional and international markets<sup>32</sup>.

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<sup>31</sup> Among European Partners in Lao PDR, only the EU is using the budget support modality.

<sup>32</sup> Efforts will be made to link and build synergies with the ASEAN-level Team Europe Initiative on connectivity.

The transformation towards sustainable specialty agriculture value chains plays a crucial role in all of this and becomes even more urgent and relevant in the wake of the COVID-19 crisis. Climate-adapted, resilient and well-managed agriculture value chains positively impact land-use management, reducing malnutrition and vulnerability to disasters, and fostering inclusive growth. The European Partners are well positioned to spur this transformation through a collective catalytic effort in the areas in which they have been already playing an important role, notably in sustainable and resilient agriculture, nutrition, integrated landscape and natural resources management, forest and biodiversity conservation (also as a COVID-19 response). The One Health approach should also be considered, in particular for addressing in a holistic manner the risks of zoonotic diseases spreading in the region.

➤ **TeamEurope Green Initiative’s Pillar 1: Phakhao Lao (Lao concept for “Farm to Fork”)**

Agriculture, which remains widely a subsistence agriculture, transformed by the application of the principles of the Green Revolution (improved varieties, chemical fertilizers and pesticides, mechanisation), contributes to deforestation, biodiversity loss, freshwater depletion and pollution, greenhouse gas emissions, land and soil degradation. On the other hand, agriculture and fishery are the main source of livelihoods. Agriculture shares 15.29% of the GDP in 2019 and represents 62.42% of total employment. This component of the green initiative will thus aim at speeding a sustainable transition to agroecology and strengthening food value chains, while increasing the national agriculture output. These areas offer good potential for ‘green’ decent employment and growth, while innovations can lead to sustainable, inclusive and climate-adapted agriculture, for example through deforestation-free value chain promotion of high-quality specialty products with known export potential (e.g. coffee and tea). In the Lao PDR, agro-biodiversity is considered a crucial community resource for food security, sustainable livelihoods and adequate nutrition, it is also an important reservoir of adaptability to climate change, and further loss can be expected to intensify the already critical situation. The intervention will aim at transforming agriculture and food systems, so they promote safe, sustainable, diverse, healthy and nutritious food to support people and the planet, while effectively addressing malnutrition problems.

Main areas of intervention under pillar 1:

- Sustainable agriculture
- Sustainable value chains
- Food safety and Nutrition

➤ **TeamEurope Green Initiative’s Pillar 2: Forest Partnership**

The Lao PDR’s rich natural capital can be the engine of sustainable growth and development. This requires improving land-use management (including land use planning); enhancing the rule of law, including transparency and security in land tenure (both in non-forest and forest areas); reversing land degradation and forests/ecosystems loss; reducing vulnerability to climate change; promoting biodiversity conservation and improved management of protected areas; improving water availability and quality; and tackling informal trade. Lao PDR’s reform agenda includes the increase of forest cover to 70% from the current 58%. Efforts in this front will contribute to reduce emissions, as forest cover is maintained, and to preserve land quality, which mitigates the risk of floods and landslides. Increasing and maintaining total forest cover is on the one hand associated with trade-offs, but can also have significant mitigation impacts and development co-benefits as per Lao’s NDC. This can be done in a way that helps reduce poverty, create green jobs and livelihoods, support local industry and expand participatory sustainable forest management and forest restoration. Non-timber forest

products play a vital role in providing local communities a diversified diet and income opportunities, in particular for women, representing a substantial source of revenue – if well managed. Some of these non-timber products offer also great potential for exports, if sustainably managed. Moreover, the Lao PDR’s timber industry represents a significant and relatively untapped sustainable business potential, by enabling forest enterprises to create jobs through investments in the production/harvesting and processing capacity, while developing workers’ skills and certification schemes. This component fits in the framework of the new global EU Forest Partnership Initiative and takes into account the ongoing negotiations between the EU and the Lao PDR on the Voluntary Partnership Agreement under the Forest Law Enforcement, Governance and Trade (FLEGT) scheme. It is also in line with the EU Biodiversity Strategy for 2030.

Main areas of intervention under pillar 2:

- Integrated landscape and watershed management
- Forest/ecosystems restoration and biodiversity conservation
- Forest livelihoods and timber and non-timber value chains

In addition to the above two priority areas, the TeamEurope Green Initiative will address the following complementary policy priorities and green catalysers, so as to enhance its transformational impact.

Complementary priority areas	Green catalysers
<ul style="list-style-type: none"> <li>➤ Climate resilient infrastructures and connectivity</li> <li>➤ Sustainable tourism and heritage</li> <li>➤ Green and renewable energy</li> <li>➤ Green cities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Green skills and youth employment</li> <li>➤ Digitalisation</li> <li>➤ Governance (gender, decent work, green justice, green budgeting, land tenure, business climate)</li> <li>➤ Business and trade facilitation, and regional integration</li> </ul>

### Options for response and tools

This Green Initiative will bring together the mix of political and policy tools and instruments for external action of European Partners, spearheaded through the consolidated European Joint Programming Strategy. European Partners will seek to formulate joint co-financed actions in the priority areas identified under the Green Deal Initiative, with a view to maximise the focus and impact of European external assistance. In addition to the traditional modalities of technical assistance and budget support, innovative financial tools will be further explored (including blending and guarantees to de-risk investment), in order to catalyse investments from MSMEs and international investors. The EU’s indicative contribution to this TEI (EUR 42M) is subject to the confirmation of the Team Europe partners’ indicative meaningful contribution as early as possible. In the absence thereof, the EU’s indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

### 3 Support measures

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#### 3.1 Measures in favour of civil society

**European Partners will continue to support civil society organisations in the Lao PDR under the EJPS 2021-2025, in recognition of their important contribution to socio-economic development, as well as their role in promoting citizens' engagement and government accountability.** Civil society in the Lao PDR will continue to benefit from funding opportunities from European Partners, in line with the European Roadmap for engagement with civil society for the period 2021-2025. Support will be ensured to enable CSOs to strengthen their capacities and expand their engagement beyond service delivery, using available entry points at local and national level, as well as brokering new openings. Capacity development will require a differentiated approach to be developed towards civil society, to go beyond the so-called NPAs, and better include other types of actors such as community-based organisations (CBOs), cooperatives, academia, foundations and 'social enterprises'. In the green and inclusive economy priority area, CSOs can bring added-value in working with communities and local authorities on deforestation-free agriculture and agro-ecology, nutrition campaigns and promotion of healthy diet, land tenure rights, biodiversity protection, community tourism and forest monitoring. Support will also be provided to cooperatives and farmer organisations, trade promotion organisations and trade unions. In the human capital area, CSOs can provide support to the delivery of health public services and sensitise communities about good health practices, as well support to informal TVET and inclusive education. In the good governance area, European partners will continue to collaborate with CSOs to strengthen the rule of law, access to justice, oversight and accountability in the delivery of public services, and gender equality.

**As regards EU's specific support, civil society organisations should benefit from specific allocations** in the context of the three priority areas mentioned above. This EU support to civil society will be mainstreamed in the programmes approved in each priority sector to ensure full alignment and coordination with the relevant Government policies and strategies, with special emphasis on the two main areas of the TeamEurope Green Initiative (i.e. Sustainable agriculture and Forestry/Biodiversity). Additional EU financing to CSOs will be made available through other EU funding instruments to complement bilateral programmes.

#### 3.2 Cooperation facility<sup>33</sup>

**A facility to support the implementation of the cooperation between the EU and the Lao PDR is foreseen in the programming through a specific allocation.** It will be used mainly, but not exclusively, for:

- Supporting capacity development and institutional building, including through technical assistance and exchange of public expertise.
- Supporting policy dialogues: events, conferences, studies, fellowships, exchange platforms to support sector dialogues leading to policy reforms and engagement with governments and other stakeholders.
- Facilitating Joint Programming/TeamEurope coordination at country level.

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<sup>33</sup>This sub-section concerns exclusively the European Union's Multi-annual Indicative Programme.

- Actions may also support the participation of the country in EU Programmes and cooperation with EU Agencies, where relevant.
- Financing communication including strategic communication and fight against disinformation and visibility actions on EU cooperation and public diplomacy specific interventions to promote EU policies as well as its multilateral agenda in the partner country.
- Supporting the preparation, implementation, monitoring and evaluation of the Union's cooperation, including via technical assistance.
- Supporting the implementation of the forthcoming EU Indo-Pacific Strategy at national level as appropriate.

Such a facility is not considered as a sector and can therefore be programmed in addition to the three priority areas. It may not be used for financing small projects in additional areas or for actions related to cross cutting issues.



## Annex I - Financial commitment estimates for the EJPS 2021-2025<sup>34</sup>

Table on Indicative Financial Commitments for 2021-2025 as of 15/08/2021 (estimates per priority area and sector – in Euro million)

	Priority Area 1: Green and Inclusive Economy				Priority Area 2: Human Capital			Priority Area 3: Good Governance	Other/ Not yet identified	Total (Euro million)
	Agriculture & Rural Development	Environment & Natural Resources	Private Sector Development, Trade, and Tourism	Total Priority Area 1	Education/ TVET	Health	Total Priority Area 2	Good Governance		
European Union	15	15	6	36	37		37	7	3 <sup>35</sup>	83
EIB	25		50	75						75
Finland									8	8
France									45	45
Germany	14.9	43.5	0.8	59.2	2.5		2.5	2.5	2.7	66.9
Ireland	0.35			0.35	0.05	0.15	0.2		0.5	1.05
Hungary	4.44	5.62		10.06	9.05		9.05	2.62		21.73
Luxembourg	28			28	10.5	42.5	53	13.75	0.25	95
Switzerland	14	15.5		29.5	25		25	25	2.5	82
<b>Total</b>	<b>101.69</b>	<b>79.62</b>	<b>56.8</b>	<b>238.11</b>	<b>84.1</b>	<b>42.65</b>	<b>126.75</b>	<b>50.87</b>	<b>61.95</b>	<b>477.68</b>

### Notes:

**European Union:** The EJPS 2021-2025 is the EU’s multiannual programming document for Lao PDR with a financial allocation of 83M€ for 2021-2024. The EU’s financial allocation for 2025-27 will be decided following a mid-term review in 2024. During the whole programming period, Lao PDR may also benefit from additional amounts coming from regional programmes and thematic programmes such as the Global Partnership for Education; ERASMUS programme; support for civil society organisations; and EFSD+ guarantees and blending operations.

**EIB:** In agriculture & Rural Development, the EIB plans to process in 2023-2025 a sovereign lending operation related to “Sustainable Agriculture and Bio-economy” in line with the EU programming priorities in the Lao PDR, for which the estimated EIB loan amount could be of 50M€ (about 25M€ ODA/grant equivalent included in the above table), subject to the Lao Government’s request to resume borrowing from the EIB (and other multilaterals). The EIB will also be working on its existing active operations,

<sup>34</sup> The figures in this table are based on indicative allocations and estimates of financial commitments of European Partners for the sake of providing indicative projections for the period of the Lao PDR’s National Socio-Economic Development Plan (NSEDP) 2021-2025. As such, the estimates of financial commitments do not constitute an entitlement and will need to be confirmed by each European Partner through their relevant official decisions. This table will be regularly updated during the period of the EJPS 2021-2025 as estimated financial commitments are confirmed.

<sup>35</sup> See section 3.2 Cooperation Facility.

including the recent 'Lao Resilient Roads Framework Loan' of 100M€ (about 50M€ ODA/grant equivalent added in the above table in the Private sector development, trade and tourism sector) signed in December 2019 and still to be disbursed. The figures are indicative and do not constitute an entitlement; they could be revised downward or upward. They are represented as grant/ODA equivalent of the loans (about 45%- 50%).

**Finland:** funding estimates are from 2022 onwards until projects finalize approximately 2M€ per year. Finland does not have a specific bilateral strategy document for Lao PDR. Cooperation in Lao PDR is based on Finnish Development Policy and instrument specific guidelines.

**France:** France does not have a bilateral strategic programming document with Laos. France's estimated contribution does not include the share of regional programs allocated to Laos, technical assistance credits and investments from PROPARCO, a subsidiary of AFD.

**Germany:** based on Commitments made in 2020 and previous commitments only to become effective in the current EU JP cycle, including contributions to regional programmes and multilateral organizations (only financial contribution to Lao PDR).

**Ireland:** Estimates is based on ongoing 2021 actions. Amounts listed correspond to interventions on WASH, English training, nutrition and UXO respectively. Ireland does not have a specific bilateral strategy document for Lao PDR.

**Hungary:** The sums refer to projects which are currently ongoing and already signed between Lao PDR and Hungary. The sum reported under Education corresponds to the Stipendium Hungaricum Scholarship Program, which currently runs until 2022.

**Luxembourg: funding estimates** based on specific bilateral cooperation programme for 2022-2026, including contributions outside of the EUJP priority areas (UXO) and to multilateral organizations. Additional funding to INGOs/NGOs and regional programmes will be made available, not represented in this table.

**Switzerland:** The figures include one third of the budget allocated by Switzerland to regional projects (total 34.2M€, share allocated to Lao PDR 11.4M€)

**TeamEurope Green Initiative:** The EU's indicative contribution to this TEI (EUR 42M) is subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

## Annex II – Financial overview for the European Union's commitments (in Euro million)<sup>36</sup>

### 1. Indicative commitments by priority area over the period 2021-2024

*Although the duration of the EU multi-annual financial framework is seven years, the indicative allocations for Lao PDR and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of the programming document, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation, which should include a dialogue with the authorities and other stakeholders of Lao PDR.*

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<sup>36</sup> This Annex concerns the EU only.

<b>Priority Area</b>	<b>Amount in M €</b>	<b>% of total</b>
<b>Priority Area 1 – Green and Inclusive Economy</b>	36	43.4 %
<b>Priority Area 2 – Human Capital</b>	37	44.6 %
<b>Priority Area 3 – Good Governance</b>	7	8.4 %
<b>Support Measures</b>	3	3.6 %
<b>TOTAL for initial period</b>	83	

## 2. Indicative timetable of commitments by the European Union in Lao PDR in 2021-2027

EJPS Priority Area	EJPS sectors	EU MIP Focal Sectors	Total Indicative allocation	EJPS 2021-2025						
				Phase 1 - EU MIP				Phase 2 – EU MIP		
				2021	2022	2023	2024	2025	2026	2027
Green and Inclusive Economy	Agriculture and rural development	Sustainable Agriculture & food value chains (Farm-to-fork / Phakhao Lao) <u>DAC: 310</u>				15		X		
	Natural resources & Environment	Forestry & biodiversity (Forest Partnership) <u>DAC: 310 &amp; 410<sup>37</sup></u>				15		X		
	Private sector development, trade and tourism	Trade & Private Sector Development <u>DAC: 250</u>				6		X		
Human Capital	Education/TVET Health	Education/ TVET <u>DAC: 110</u>			37			X		
Good Governance	Good governance	Good Governance: - Citizens' engagement; Justice/Rule of Law and human rights - Public Finance Management <u>DAC: 151</u>				2		X		
						5		X		
<i>Support measures</i>		<i>Support measures</i>		3				x		
<b>TOTAL</b>				3	44	36				

<sup>38</sup> Although two different DAC codes are included in this sub-sector, it is envisaged that the actions will be covered under a single programme, covering Agriculture, Forestry and Biodiversity.

## Annex III – Intervention Framework<sup>38</sup>

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
<b>PRIORITY AREA 1: GREEN AND INCLUSIVE ECONOMY</b>			
<b>SO-1: To promote sustainable, climate-resilient, nutrition sensitive, competitive agriculture, while preserving the interests of the smallholders; and to foster rural development through improved rural infrastructure</b>			
*ER-1.1: Enhanced sustainable and climate-resilient agricultural practices	<ol style="list-style-type: none"> <li>1. Agricultural land applying sustainable and climate-resilient, through Good Agriculture Practices (GAP). (SDG 2.4.1, NDICI 2, NSEDP OC1&amp;3)</li> <li>2. Number of farmer households applying Good Agriculture Practises (GAP), including women-headed households. (SDG 2.3.2 and 2.5.1; NDICI 2, NSEDP OC4)</li> <li>3. Status of an ASEAN joint declaration on agroecology.</li> </ol>	<ol style="list-style-type: none"> <li>1. <u>Baseline:</u> 1108 Ha (2019) <u>Target:</u>1500 Ha (2025) – (10000 Ha by 2030)</li> <li>2. <u>Baseline:</u> 898 households (2019) <u>Target:</u> 3000 households (2025) - (10000 households by 2030)</li> <li>3. <u>Baseline:</u> not existing (2020) <u>Target:</u> adopted (by 2025)</li> </ol>	<ol style="list-style-type: none"> <li>1. Lao Agriculture Development Strategy (ADS 2020 -2025) – annual and five year Agriculture and Rural Development Sector Reports</li> <li>2. Lao Agriculture Development Strategy (ADS 2020 -2025) – annual and five year Agriculture and Rural Development Sector Reports</li> <li>3. Lao facilitated Initiative for a regional Coaching of Agroecological transition in South East Asia (LICA)</li> </ol>
*ER-1.2: Improved inclusive agriculture and Nutrition Sensitive Agriculture	<ol style="list-style-type: none"> <li>1. Proportion of population living below the national poverty line. (SDG 1.2.1)</li> <li>2. Extent to which market share of smallholder agriculture is increased (NDICI 1)</li> <li>3. Percentage of population engaged in agriculture and agriculture value chains disaggregated by age and gender. (SDG 5.a.1)</li> </ol>	<ol style="list-style-type: none"> <li>1. <u>Baseline:</u> 18,3% (2018) <u>Target:</u> 13.9 (2025)</li> <li>2. <u>Baseline:</u> 15.29 % (2019) <u>Target:</u> 15.3 % share of agriculture in GDP by 2025</li> <li>3. <u>Baseline:</u> 1.80 % (2018) <u>Target:</u> 2.5 % annual growth of agricultural production</li> </ol>	<ol style="list-style-type: none"> <li>1. 9<sup>th</sup> NSEDP 2021-2025</li> <li>2. 9<sup>th</sup> NSEDP 2021-2025</li> <li>3. Lao Agriculture Development Strategy (ADS 2020 -2025) – annual and five year Agriculture and Rural Development Sector Reports</li> </ol>

<sup>38</sup> The EU through the NDICI-Global Europe multiannual indicative programme for the Lao PDR will contribute to the results marked with a “\*”.

<sup>39</sup> A revised EU Result Framework (EURF) will be published in 2021. Some indicators may therefore be reviewed at that stage to ensure coherence and define the still pending target values.

<sup>40</sup> For EU funded actions, the NDICI/EURF indicators will be reported as far as possible by setting the baselines to 0, so as to measure the deliverables attributable to EU funded actions only, under the new programming cycle 2021-27.

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
	4. Number of farmers organizations/ cooperatives and extension organizations (private or public) that promote sustainable technologies or management practices. (NDICI 1)  5. Number of farmer households or organisations involved in nutrition sensitive agricultures by producing organic products, including women-headed households and organisations. (SDG 2.3.2; NSEDP OC3)	4. <u>Baseline</u> : 22 in 2017 <u>Target</u> : 250 by 2025 (including 18 model cooperatives)  5. <u>Baseline</u> : 1,438 (2019) <u>Target</u> : 64,710 (2025)	4. 9 <sup>th</sup> NSEDP 2021-2025  5. Lao Agriculture Census 2019-2020
*ER-1.3: Improved competitiveness, quality and added-value of agriculture products	1. Value-added of agriculture as % of GDP growth.  2. Agriculture orientation index for the government expenditures. (SDG 2.a.1)	1. <u>Baseline</u> : 1.2% of GDP on agriculture growth in 2018 <u>Target</u> : 2.5% (by 2025)  2. <u>Baseline</u> : <i>values pending</i> (2020) <u>Target</u> : <i>values pending</i> (by 2025)	1. Annual and five year Agriculture and Rural Development Sector (ARDS) Reports  2. 9 <sup>th</sup> NSEDP 2021-2025
*ER-1.4: Improved climate-resilient rural infrastructure (including roads and access to safe water)	1. Proportion of population with access to improved drinking water services (EURF 2.38 - NDICI 32, SDG 6.1.1, NSEDP Outcome 2.1)  2. Total length of roads infrastructure supported by the European Partners (kms) (NDICI 19. SDG 9.1.1, NSEDP Outcome 3)	1. <u>Baseline</u> : 71% (2017) <u>Target</u> : 95%(by 2025)  2. <u>Baseline</u> : 0 (2020) <u>Target</u> : 292km (by 2025)	1. 9 <sup>th</sup> NSEDP 2021-2025  2. KfW, Project Reporting (RDP/RISL); EIB Project reporting
<b>SO-2: To ensure that natural resources are effectively, equitably and sustainably administered through accountable and transparent public institutions for the benefit of the whole people of the Lao PDR and, in particular, rural and poor communities and their natural environment</b>			
*ER-2.1: Forest areas and their biodiversity, as well as protected areas, are efficiently, effectively, and	1. Percentage of forest cover to total land area (SDG 15.1.1)  2. Status of development of Voluntary Partnership Agreement (VPA) with broad participation of civil society (SDG 15.2.1)	1. <u>Baseline</u> : <i>tbd.</i> <u>Target</u> : 70% by 2025  2. <u>Baseline</u> : VPA negotiations ongoing <u>Target</u> : VPA signed	1. Official MAF report  2. EU Delegation, ProFEB project report

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
<p>transparently managed as a cornerstone of the Lao PDR's green economy, sustainably and equitably delivering ecosystem services to the people of the Lao PDRs.</p>	<p>3. Area of terrestrial and freshwater ecosystems under protection and improved sustainable management (km<sup>2</sup>) (SDG 15.2.1 / NDICI 9)</p>	<p>3. <u>Baseline</u><sup>41</sup>: (2020) 0 km<sup>2</sup>:</p> <p><i>Nam Ha NPA (METT 52%) area 2240 km<sup>2</sup>,</i>  <i>Nam Ka NPA (METT 52%) area 1360 km<sup>2</sup>,</i>  <i>Nam Kading area 1690 km<sup>2</sup>,</i>  <i>Nam et Phou Louey – (METT 57% - 2020) area 4760 km<sup>2</sup>,</i>  <i>Khoun Xe Nong Ma PPA (METT 44%), area 539 km<sup>2</sup></i>  <i>Hin Nam No NP (METT; 78%) area: 940km<sup>2</sup></i>  <i>Phou Sithone area 141 km<sup>2</sup></i></p> <p><u>Target</u>: (2025)  <i>Nam Ha NPA (METT &gt;52%), area 2240 km<sup>2</sup></i>  <i>Nam Ka NPA (METT &gt;52%), area 1360 km<sup>2</sup></i>  <i>Nam Kading area 1690 km<sup>2</sup>,</i>  <i>Nam et Phou Louey – (METT 60% - 2026) area 4760 km<sup>2</sup>,</i>  <i>Khoun Xe Nong Ma PPA (METT &gt;44%), area 539 km<sup>2</sup></i>  <i>Phou Sithone area 141 km<sup>2</sup></i>  <i>Hin Nam No NP (METT; &gt;78%) area: 940km<sup>2</sup></i> improvement of protection status change or to a higher category (to NP or UNESCO Natural Heritage site or to Green List site) or improved management can be demonstrated by an increase in METT or similar indicators</p>	<p>3. CBF Project report (KfW), ProFEB Project report (GIZ)</p>

<sup>41</sup> Nam Kading and Phou Sithone will have METT baselines in the course of 2021. Targets values will be set consequently.

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
<p>* ER-2.2: Land resources are efficiently, effectively, and transparently managed as a key asset of the people of the Lao PDR and the foundation of pro-poor sustainable development</p>	<ol style="list-style-type: none"> <li>1. Number of individual land titles issued (disaggregated by gender) (SDG 1.4.2, NDICI 1)</li> <li>2. Number of villages with recognised customary tenure rights implemented</li> <li>3. Number of land investments that are consistent with the principles of international guidelines (e.g. VGGT)</li> <li>4. Number of land use village plans included in the Land Use Information System</li> <li>5. Extent to which interministerial land information system is established</li> </ol>	<ol style="list-style-type: none"> <li>1. <u>Baseline:</u> 1.52 Million (2020) <u>Target:</u> 1.87 Million (2025), i.e. additional 350.000<sup>42</sup> total by 2025<sup>43</sup></li> <li>2. <u>Baseline:</u> 0 (2020) <u>Target:</u> 100 (2025)</li> <li>3. <u>Baseline:</u> 35 (2020) <u>Target:</u> 85, i.e. additional 50 (2025)</li> <li>4. <u>Baseline:</u> 509 (2020) <u>Target:</u> 809, i.e. additional 300 village plans (2020)</li> <li>5. <u>Baseline:</u> not established (2020) <u>Target:</u> established (2025)</li> </ol>	<ol style="list-style-type: none"> <li>1. Official data from DoL/MoNRE and LaoLandReg</li> <li>2. Analysis of available sub-legislation on Customary Tenure and Analysis of available customary/communal land titles and LUPs (DoL, LaoLandReg, LUIS)</li> <li>3. Official data from IPD/MPI, Monitoring Reports, Surveys</li> <li>4. Land Use Information System database</li> <li>5. DoL MoNRE, MAF, MPI interviews</li> </ol>
<p>*ER-2.3: Water resources are efficiently and effectively managed as a foundation human and environmental wellbeing, ensuring the sustainable delivery of ecosystem services that are shared equitably and transparently</p>	<ol style="list-style-type: none"> <li>1. Wetland management structures and systems established in Ramsar sites supported by European Partners (NDICI 9)</li> <li>2. The number of mainstream dams in Lao PDR applying the Mekong River Commission (MRC) joint environmental monitoring systems</li> <li>3. Number of hydropower projects implementing the recommendations of the national dam safety inspection conducted in 2020</li> </ol>	<ol style="list-style-type: none"> <li>1. <u>Baseline:</u> 0 (2020) <u>Target:</u> 3 (2025)</li> <li>2. <u>Baseline:</u> 0 (2020) <u>Target:</u> 4 (Don Sahong, Xayaburi, Luang Prabang and Pak Beng) (2025)</li> <li>3. <u>Baseline:</u> 0 (2020) <u>Target:</u> At least 15 dams (2025)</li> </ol>	<ol style="list-style-type: none"> <li>1. MoNRE – Provincial Office for Natural Resource and Environment and/or IUCN Lao PDR.</li> <li>2. Annual Joint Environmental Monitoring reports (MRC)</li> <li>3. National Emergency dam safety inspection study conducted in 2020; Annual progress reports of the Nationwide Dam Safety Inspection (Ministry of Energy and Mines)</li> </ol>

<sup>42</sup> Combined estimated numbers from potential SDC share from topping up of WB project plus KfW Project -60% conjointly or in the name of women

<sup>43</sup> KfW to confirm numbers during 2021. The goal of 60% women on the title (alone or jointly) is currently not possible to verify for the KfW-intervention. To assess the correct size of this is part of the appraisal mission planned to take place in April.



EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
<p>*ER-2.4: The Lao PDR is enabled to effectively contribute to climate change mitigation and substantively benefit from carbon financing through robust, accountable and credible institutions, supported by policies and procedures consistent with international best practice</p>	<ol style="list-style-type: none"> <li>Status of the accreditation process to Green Climate Fund (GCF) of Environment Protection Fund (EPF) (NDICI 17)</li> <li>Level of greenhouse gases (GHG) emissions from deforestation and degradation in the Northern Provinces of Lao PDR (SDG 13.2.2 / NDICI 7)</li> <li>Amount of results-based Finance for verified Emission Reduction (ER) has been received and is available for adaptation and mitigation measures to the Government of Lao PDR (leveraged through initiatives supported by projects funded by European Partners) (NDICI 17)</li> </ol>	<ol style="list-style-type: none"> <li><u>Baseline</u>: 0 (2020) <u>Target</u>: Full documentation submitted to GCF online portal (2025)</li> <li><u>Baseline</u>: TBC<sup>44</sup> <u>Target</u>: ER 5.6 Million tCO2 (2025)</li> <li><u>Baseline</u>: 0 Million EUR (2020) <u>Target</u>: 42 Million EUR (2025)</li> </ol>	<ol style="list-style-type: none"> <li>Source: Documents at the National Designated Authority (NDA), Department of Climate Change (DCC) and the EPF and GCF Website.</li> <li>Source: National MRV – verification report under the FCPF Carbon Fund</li> <li>Source: Documents provided by DoF/REDD+ Division and DCC, Reporting by FCPF Carbon Fund.</li> </ol>
<p><b>SO-3: To contribute to improving business climate, fostering sustainable and responsible private investment, and increasing exports</b></p>			
<p>*ER-3.1: Expanded and diversified markets for Lao exports</p>	<ol style="list-style-type: none"> <li>Trade Openness (IM+EX) as a percentage of GDP (SDG 17.11.1 and NSEDP Outcome 1)</li> <li>Manufacturing value added as a percentage of GDP (SDG 9.2.1 &amp; 17.5.1)</li> <li>Amount of exports to the European market in Euros (NDICI 16)</li> </ol>	<ol style="list-style-type: none"> <li><u>Baseline</u>: 38% (2018) <u>Target</u>: At least 70% (2025)</li> <li><u>Baseline</u>: 7.5% of GDP (2019) <u>Target</u>: tbd</li> <li><u>Baseline</u>: 0.3 billion EUR (2019) <u>Target</u>: at least 10 % increase (2025)</li> </ol>	<ol style="list-style-type: none"> <li>Baseline is an outcome of self-calculation from available data of import and export of IMF until 2018, and nominal GDP from World Bank. Target is referred to the 9<sup>th</sup> NSEDP outcome 1.</li> <li>Baseline is derived from available data in World Bank. Target is derived from the 5<sup>th</sup> draft of industrial and handicraft development plan year 2021 – 2025, MOIC.</li> <li>Baseline extracts from <a href="https://ec.europa.eu/trade/policy/countries-and-regions/countries/laos/">https://ec.europa.eu/trade/policy/countries-and-regions/countries/laos/</a>. Target is set by self-estimation based on ARISE+ project and SYSMT project to support trade volume.</li> </ol>
<p>*ER-3.2: Improved business climate and facilitated access to</p>	<ol style="list-style-type: none"> <li>Number of beneficiaries with access to financial services with EU/European</li> </ol>	<ol style="list-style-type: none"> <li><u>Baseline</u>: 2,500 (LAFF I already achieved) (2020) <u>Target</u>: at least 8,000 (2025)</li> </ol>	<ol style="list-style-type: none"> <li>Target is set by KFW/Germany - LAFF II</li> </ol>

<sup>44</sup> Forest Reference Emission Level (FREL) for Emission Reductions Payment Agreement (ERPA) with FCPF

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
finance for small and medium sized enterprises	<p>support, disaggregated for green finance, digital services and by gender (NDICI 17)</p> <p>2. Level of European companies' satisfaction of Lao PDR business environment</p> <p>3. Number of legislation, policies, incentives or other measures adopted with European Partners' support fostering responsible green investment</p>	<p>2. <u>Baseline</u>: Not available yet <u>Target</u>: Not available yet<sup>45</sup> (2025)</p> <p>3. <u>Baseline</u>: 0 supported by European Partners (2020) <u>Target</u>: at least 1 measure/ policy/legislation adopted with European Partners' support (2025)</p>	<p>2. European business surveys conducted by the ECCIL.</p>
*ER-3.3: Decent work opportunities promoted for all	<p>1. Number of workers registered in the National Social Security Fund (NSSF)</p> <p>2. Status of ILO fundamental Labour Conventions</p>	<p>1. <u>Baseline</u>: 314,753 workers registered in the NSSF and 13,076 informal workers registered in the Voluntary Social Security Scheme (VSS) of the NSSF (2020) <u>Target</u>: Increase (percentage to be defined) of the number of formal and informal workers registered in the NSSF (2025)</p> <p>2. <u>Baseline</u>: ILO fundamental Labour Conventions (on Freedom of association (No. 87), collective bargaining (No. 98) and forced labour (No. 105)) not ratified <u>Target</u>: Action Plan for ratification of these Conventions implemented (2025)</p>	<p>1. ILO/NSSF reports</p> <p>2. ILO reports</p>
ER-3.4: Enhanced diversification, sustainability, and resilience of the	<p>1. Average revenue per tourist arrival per day (SDG 8.9.1 and NSEDP Outcome 1)</p>	<p>1. <u>Baseline</u>: 80.84USD (yearly average 2015-2019) <u>Target</u>: \$208 USD per tourist arrival per day (2025)</p>	<p>1. Baseline is extracted from the MICT 2019 Statistical Report on Tourism. Target is calculated by SUSTOUR project from a draft of tourism development plan year 2021 – 2025, by MICT.</p>

<sup>45</sup> Two surveys will be conducted by the ECCIL indicatively in 2022 and in 2025.

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
tourism and cultural heritage sectors	<p>2. Number of tourist arrival per year (NSED Outcome 1)</p> <p>3. Number of tourist personnel trained in culture, nature-based and sustainable tourism with support of European Partners', from 2021-2025, disaggregated by gender (SDG 8.9)</p> <p>4. Number of new cultural and historical sites open to public and tourists</p>	<p>2. <u>Baseline</u>: 4,353,962 tourist arrivals (yearly average 2015 – 2019) <u>Target</u>: 5,500,000 tourist arrival per year (2025)</p> <p>3. <u>Baseline</u>: 0 (2019) <u>Target</u>: 120 (2025?)</p> <p>4. Luang Prabang <u>Baseline</u>: 227 tourist sites of which 86 are designated cultural sites and 34 are historical sites (2019). <u>Target</u>: At least two new cultural and/or historical sites are developed and open (2025)</p> <p>Champasak <u>Baseline</u>: 216 tourist sites including 60 places of cultural interest and 40 historical sites (2019) <u>Target</u>: At least two new cultural and/or historical sites are developed and open (2025)</p>	<p>2. Baseline is extracted from the MICT 2019 Statistical Report on Tourism. Target is from a draft of tourism development plan year 2021 – 2025, by MOICT</p> <p>3. Based on SUSTOUR project's info.</p> <p>4. AFD Vientiane, based on MICT's annual statistic and tourists reports</p>

**PRIORITY AREA 2: HUMAN CAPITAL**

**SO-4: To contribute to quality human capital integrating digital technologies and responding to labour market needs (notably in support of the green economy), in an inclusive manner**

*ER-4.1: Equitable access to quality and relevant basic education and TVET	<p>1. Primary education completion rate, disaggregated by gender (SDG 4.1.3; NDICI 36; NSED 2)</p>	<p>1. <u>Baseline</u>: 75% (EMIS School year/SY 2019/20) <u>Target</u>: Higher than 95%. (2025)</p> <p>2. <u>Baseline</u>: Female 70.5%; Male 72.7% (EMIS SY 2019/20) <u>Target</u>: Female: 73%; Male 75% (2025)</p>	<p>1. EMIS/ESSDP progress Reports/MTR</p> <p>2. EMIS/ESSDP Progress Reports</p>
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EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
	<ul style="list-style-type: none"> <li>2. Lower secondary education completion rate disaggregated by gender (SDG 4.1.3; NDICI 36; NSEDP 2)</li> <li>3. Number of students (by gender) enrolled in TVET (SDG 4.3.1 NDICI 36), including in green-related TVET programmes</li> <li>4. Number of revised / newly developed vocational programmes, including green-related TVET programmes</li> <li>5. Number of companies participating in Dual Cooperative Training (DCT) program (SDG 4.3.1; NDICI 30)</li> </ul>	<ul style="list-style-type: none"> <li>3. <u>Baseline:</u> 52,252 (2019)<sup>46</sup> <u>Target:</u> 80,000 (by 2025)</li> <li>4. <u>Baseline:</u> 0 (2020) <u>Target:</u> 25 (2025)</li> <li>5. <u>Baseline:</u> 134 (2020) <u>Target:</u> 150 (2025)</li> </ul>	<ul style="list-style-type: none"> <li>3. ESSDP 2021-2025 (page 66); EMIS - MOES/TVET Department</li> <li>4. Education Sector Strategic Development Plan - ESSDP 2021-2025 (page 25); Annual ESSDP Progress Reports/MTR</li> <li>5. EMIS - MOES/TVET Department</li> </ul>
*ER-4.2: Improved education quality and relevance	<ul style="list-style-type: none"> <li>1. Percentage of primary and secondary teachers receiving in-service teacher training, disaggregated by gender (SDG 4.c.1)</li> <li>2. Level of Digital/ICT and green skills integration in pre and in-service teacher training curriculum (primary, secondary and TVET) (SDG 4.c.1, NDICI 15)</li> <li>3. Percentage of Grade 9 students reaching the minimum standard level in Lao</li> </ul>	<ul style="list-style-type: none"> <li>1. <u>Baseline:</u> primary 52.6% SY2019/20;; Lower Secondary: not available <u>Target:</u> Primary more than 80%; &amp; Lower secondary more than 80% (2025)</li> <li>2. <u>Baseline:</u> digital/ICT and green skills are included but not integrated in the in-service teacher training supported by EU and other partners funded programmes (2020) <u>Target:</u> digital/ ICT and green skills are fully integrated into pre and in-service teacher training programme (2025)</li> <li>3. <u>Baseline:</u> Lao Language 28%; Mathematics: 8% (SY2018/19)</li> </ul>	<ul style="list-style-type: none"> <li>1. Annual ESSDP progress Reports</li> <li>2. Annual ESSDP progress report/Project related progress reports</li> <li>3. ASLO Grade 9 (M4) Report 2019. Mean of verification: ASLO Grade 9 Report</li> </ul>

<sup>46</sup> Gender disaggregated data not yet available

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
	<p>language, Mathematics and digital literacy disaggregated by gender (SDG 4.1.1 &amp; 4.4.1)</p> <p>4. Share of TVET graduates that are employed, self-employed or doing further study, by gender. (SDG 4.3.1 NDICI 15)</p> <p>5. Satisfaction of employers on TVET graduates</p> <p>6. Number of vocational skills personnel and teachers trained or upskilled, by gender (SDG 4.c.1&amp; ESSDP)</p>	<p>Digital literacy: Not available <u>Target:</u> Lao Language 40%; Mathematics: 20% Digital literacy: to be defined (2025)</p> <p>4. <u>Baseline:</u> 23% Year 2018 <u>Target:</u> 70%</p> <p>5. <u>Baseline:</u> 50% (Year) 2018 <u>Target:</u> 80%</p> <p>6. <u>Baseline:</u> 0 <u>Target:</u> 2,000</p>	<p>4. VELA I tracer study 2018, Project related progress reports</p> <p>5. VELA I tracer study 2018,Project related progress reports</p> <p>6. ESSDP 2021-2025 (page 20); ESSDP Progress Reports</p>
<p>*ER-4.3: Improved and strengthened education policy, governance and resilience</p>	<p>1. Percentage of Government expenditure on the education sector in line with the ESSDP projections (SDG 1.a.2 &amp; ESSDP)</p> <p>2. Percentage of non-wage recurrent allocation in compliance with the ESSDP priority expenditure programmes (SDG 1.a.2 &amp; ESSDP)</p> <p>3. Percentage of primary and lower secondary schools with functional and disaster-proof Water, Sanitation and Hygiene (WASH) Facilities” (ESSDP)<sup>47</sup></p> <p>4. Progress made on the TVET financing mechanism and capacity of National TVET Council-Permanent Office (NTC-PO) to manage the fund (SDG 1.a.2 &amp; ESSDP)</p>	<p>1. <u>Baseline:</u> FY2020: 13.66% <u>Target:</u> 17% (2025);</p> <p>2. <u>Baseline:</u> N/A <u>Target:</u> at least 50% by 2025</p> <p>3. Primary: <u>Baseline:</u> 76% (EMIS SY-2018/20) <u>Target:</u> 80% (2025) Secondary: <u>Baseline:</u> 88% (EMIS SY-2018/20) <u>Target:</u> 90% (2025)</p> <p>4. <u>Baseline:</u> Not in place (2020) <u>Target:</u> Mechanism in place and satisfactory operated by NTC-PO (2025)</p>	<p>1. ESSDP progress reports</p> <p>2. ESSDP progress reports</p> <p>3. EMIS and ESSDP Progress reports</p> <p>4. ESSDP Progress Reports</p>

<sup>47</sup> Aligned with the ESSDP, functional level 1.

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
*ER-4.4: Increased exchange between European and Lao through European scholarship programmes	1. Number of scholarships supported by the European Partners, disaggregated by gender (SDG 4.b.1, NDICI 30)	5. <u>Baseline: 307 (EU: 35; France: 122; Hungary 150 in 2016-2020)</u> <u>Target: 900 (EU: 250; France: 150; Hungary 500 in 2021-2025)</u>	1. Project reports
<b>SO-5: To strengthen primary health care</b>			
ER-5.1: Strengthened Public Health Systems	<p>1. % of District hospitals equipped and staffed to provide (EURF 1.5/ SDG 3.8.1):</p> <p>1.1 BEmOC (Basic Emergency Obstetrical Care) “% of DH equipped and staffed to provide BEmOC”</p> <p>1.2 EENC (Essential Early New-born Care) “% of District Hospitals equipped and staffed to provide EENC”</p> <p>2. % Health Facilities providing timely and complete online MCH monthly DHIS2 reports</p> <p>3. National Health Insurance:</p> <p>3.1. Social Health Insurance in % of Current Health Expenditure (measures the level of pooling/pe-payment of health exp)</p> <p>3.2. 3.2 NHI Government subsidies to NHI for informal sector in % of total MOH domestic budget (measures the channelling of funds through Health Insurance)</p> <p>3.3. <i>NHI funding/member/year with or without co-payment/premium (all payments effectively made by NHI during the year to health facilities covering services for all NHI members in formal/informal sector)</i></p>	<p>1.1 <i>Baseline 2020 and target 2025: to be defined by MOH in S2-2021 (delays linked to Covid-19 crisis)</i></p> <p>1.2. <i>Baseline 2020 and target 2025: to be defined by MOH in S2-2021 (delays linked to Covid-19 crisis)</i></p> <p>2 <u>Baseline 2020: 88.4 %</u> <u>Target 2025: officially not yet set</u></p> <p>3.1 <u>Baseline: 2.3% (2018)</u> <u>Target: 10% (2025)</u></p> <p>3.2 <u>Baseline: 12% (2019)</u> <u>Target: ~17%-20% (2025)</u></p> <p>3.3. <u>Baseline: 57,000 LAK (2019)</u> <u>Target: 220,000 LAK (2025)</u></p>	<p>1. Facility based surveys National Health Statistics Report District Health Information System 2 annual report</p> <p>2. National Health Insurance Bureau quarterly/yearly reports National Health Account yearly report MOH Department of Finance yearly report</p> <p>3. National Health Insurance Bureau yearly reports  National Health Account yearly report  Mother Child Health national year reports</p>

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
	4. % of planned outreach vaccination visits for children and pregnant mothers to the villages of their outreach target zones, performed by District hospitals and Health Centres.	4 <u>Baseline</u> : respectively 185 per 100,000 mothers in 2017; 36.6 per 1000 births in 2019; and 45.5 per 100,000 under-5 children in 2019 <sup>48</sup> . <u>Target</u> : to be defined by MOH in S2-2021 (delays linked to Covid-19 crisis)	4. World Bank Health Project Data Disbursement Linked Indicators
ER-5.2: Improved Maternal, New-born and Child Health, including nutrient intake	<p>1. Maternal mortality rate</p> <p>2. Infant mortality rate (&lt;1 yr)</p> <p>3. U-5 mortality rate</p> <p>4. % of institutionalised birth deliveries among all births, in public or private health facility, (SDG 3.1.2, linked to indicator 6 MoH)</p> <p>4.1 CPR (Contraceptive prevalence rate) : % women married or in union using a modern contraceptive method</p> <p>5. Percent of children with Minimum Dietary Diversity, by gender (SDG 2.1.1)</p> <p>6. Prevalence of stunting, disaggregated by gender (SDG 2.1.1)</p>	<p>1. <u>Baseline</u>: 185/100,000 (2017) <u>Target</u>: 70/100,000 (by 2025, NA Target)</p> <p>2. <u>Baseline</u>: 36.6/1,000 (2019) <u>Target</u>: 20/1,000 (by 2025, NA Target)</p> <p>3. U5MR baseline 45.5/1,000 (2019) U5MR baseline 30/100,000 (by 2025, NA Target)</p> <p>4. <u>Baseline</u>: 64.5 % (2017 LSIS); <u>Target</u>: currently 70 %, (2025)</p> <p>4.1. <u>Baseline</u> 2017 (LSIS): 49 % <u>Target</u>: to be defined by MOH in S2-2021 (delays linked to Covid-19 crisis)</p> <p>5. <u>Baseline</u>: 45.3% (Boys 46.3%; Girls 44.1%; LSIS 2017) <u>Target</u>: 50% (2025)</p> <p>6. <u>Baseline</u>: 33% (LSIS 2017) <u>Target</u>: 25% WHA (2025)</p>	<p>1 <a href="https://data.unicef.org/country/lao/">https://data.unicef.org/country/lao/</a> LSIS (5 yearly) or a household-based National Nutrition Survey (2022)</p> <p>2 <a href="https://data.unicef.org/country/lao/">https://data.unicef.org/country/lao/</a> National Surveillance System District Health Information System 2 LSIS 2022</p> <p>3 <a href="https://data.unicef.org/country/lao/">https://data.unicef.org/country/lao/</a> LSIS 2022</p> <p>4 LSIS 2022</p> <p>5 Household-based National Nutrition based Survey (2022)</p> <p>6 LSIS 2022</p>

<sup>48</sup> <https://data.unicef.org/country/lao/>

EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
<b>PRIORITY AREA 3: GOOD GOVERNANCE</b>			
<b>SO-6: To contribute to good governance, the rule of law and human rights in Lao PDR</b>			
*ER-6.1: Improved governance to deliver quality and accessible public services at the local level	<ol style="list-style-type: none"> <li>1. Percent share of non-salary expenditures in the health and education domestic budget</li> <li>2. Number of districts surveyed where at least 66% citizens declare quality of public services in public health and education is generally satisfactory “already good/needs to improve little” (SDG 6.6.2, NSEDP)</li> </ol>	<ol style="list-style-type: none"> <li>1. <u>Baseline</u>: 53.18% (public health Budget 2020 ); 12.73% (education budget 2020) <u>Target</u>: increase by minimum 1% point per year</li> <li>2. <u>Baseline</u>: 4 (Khoua district, Phongsaly; Xiengkhor district, Houaphanh; Hinboun district, Khammouane; Saysettha district, Attapeu) (2019) <u>Target</u>: at least 6, i.e. increase by minimum 1 every second year (2025)</li> </ol>	<ol style="list-style-type: none"> <li>1. Annual State budget plan and execution report</li> <li>2. Service User’s Feedback Survey (SUFS)/MoHA/MPI</li> </ol>
*ER-6.2: Improved Public Finance Management	<ol style="list-style-type: none"> <li>1. Status of adopted secondary legislation related to the implementation of the State budget law (art. 55). (NDICI 20)</li> <li>2. Rating of PEFA on Transparency of Public Finances (PI-4 Budget classification) (NDICI 20)</li> <li>3. Total government revenue as a proportion of GDP (NDICI 20; SDG 17.1.)</li> <li>4. Number of Ministries incorporating green and gender-budgeting considerations when submitting their sectoral budget request to MoF</li> </ol>	<ol style="list-style-type: none"> <li>1. <u>Baseline</u>: no compliance in 2020 <u>Target</u>: compliance by 2025</li> <li>2. <u>Baseline</u>: C score 2018 <u>Target</u>: at least B score by 2025 No. 3</li> <li>3. <u>Baseline</u>: 16.4% (2020) <u>Target</u>: annual increase of revenue ratio to GDP (2021-2025)</li> <li>4. <u>Baseline</u>: 0 (2020). <u>Target</u>: at least 2 Ministries (2025)</li> </ol>	<ol style="list-style-type: none"> <li>1. Official Gazette/ MoF reports to the National Assembly</li> <li>2. PEFA report</li> <li>3. IMF art. 4; annual MoF report to NA</li> <li>4. Line Ministries supporting documents</li> </ol>



EXPECTED RESULT	INDICATORS <sup>39 40</sup>	BASELINE AND TARGET	SOURCES/MEANS OF VERIFICATION
*ER-6.3: Enabling environment for civil society and citizens' engagement for sustainable development and accountability	<ol style="list-style-type: none"> <li>1. Number of government policies and legislation (laws and decrees) developed or revised with civil society organisations' consultation (NDICI 39)</li> <li>2. Average time taken by International Non-government Organisation (INGOs) and Lao Non-Profit Associations (NPAs) to conclude MoAs/MoUs in order to become operational</li> <li>3. Percentage of number of issues raised by citizens through hotline and petitions (on average) that are followed through by the relevant People Provincial Assemblies (PPAs)</li> </ol>	<ol style="list-style-type: none"> <li>1. <u>Baseline</u>: 2 in 2020 (9th NSEDP, 3rd cycle Universal Period Review -UPR State Report) <u>Target</u>: 4 by 2025</li> <li>2. <u>Baseline</u>: 18 months (2020) <u>Target</u>: 6 months (2025)</li> </ol> <p><u>Baseline</u>: average 70.6% in 2019 <u>Target average</u>: 90% by 2025</p>	<ol style="list-style-type: none"> <li>1. Source: National Assembly's sessions reports Line Ministries' records EU+ funded projects reports</li> <li>2. Source: EU+ funded projects reports MoHA and MoFA records</li> <li>3. Source: PPA operational assessment 2019 NA/PPA reports EU+ funded projects reports (CEGGA)</li> </ol>
*ER-6.4: Consolidated rule of law and human rights	<ol style="list-style-type: none"> <li>1. Number of functioning legal aid offices established at district level (NDICI 36)</li> <li>2. Percentage of registered conflicts judged by the courts</li> <li>3. Percentage of judgement enforcement</li> <li>4. Rule of Law score in percentile rank terms from 0 to 100</li> <li>5. Percentage of accepted Universal Period Review-UPR recommendations (received in 2020 during the 3rd cycle) implemented</li> </ol>	<ol style="list-style-type: none"> <li>1. <u>Baseline</u>: 0 (2020) <u>Target</u>: 3 by 2025</li> <li>2. <u>Baseline</u>: 71,5% in first nine months of 2020 (7 288 cases over 10 193 registered cases) <u>Target</u>: over 85% by 2025</li> <li>3. <u>Baseline</u>: about 4-5% in the past years <u>Target</u>: at least 10% by 2025</li> <li>4. <u>Baseline</u>: 17.31 (2019) <u>Target</u>: increase of at least 1 point by 2025</li> <li>5. <u>Baseline</u>: 0% (0 out of 160) 2020 <u>Target</u>: 60% (96 out of 160) by 2025</li> </ol>	<ol style="list-style-type: none"> <li>1. Source: Ministry of Justice EU+ funded projects reports</li> <li>2. Source: PSC's reports EU+ funded projects reports (FR Justice)</li> <li>3. Source: MoJ's (Department of judgement enforcement's) reports EU+ funded projects reports (FR Justice)</li> <li>4. Source: World Bank Worldwide Governance <a href="http://info.worldbank.org/governance/wgi/">http://info.worldbank.org/governance/wgi/</a></li> <li>5. UPR Action Plan's progress reports/UPR State report of 2025 of 4th UPR cycle</li> </ol>

## Annex IV - Identified risks and mitigations measures

Priority area 1: Green and Inclusive Economy	
RISK	MITIGATION MEASURES
Insufficient political attention given to the situation of the rural population and no budget allocated to MAF, MoNRE, and MoIC to implement its policies	Continued policy dialogue with the Ministry of Finance to allocate to the MAF, MoNRE and MoIC the necessary budget for specific targeted programmes with a high return on investment. Development partners' financial support to the sector to remain at an adequate level
Insufficiently integrated/holistic development planning and according decision-making for the sake of balanced, non-contradictory promotion of all relevant sectors and areas	Continued dialogue with / support to Ministry of Planning and Investment and related institutions at provincial and district levels in promoting integrated development approaches
Other risks are linked to specific commodities or area such as drop in commodities prices or natural disaster in specific areas and other disasters such COVID-19	Better commodities organisation and support from the government to overpass temporary crisis. Institutional arrangement to enhance resiliency to such shocks. Development of regulation and "insurance" scheme
Land based industrial investment puts additional pressure on availability of land for smallholders	Policy dialogue with the GOL while at the same time improving access to legal aid and knowledge for affected populations. Engage a political dialogue with the GOL on existing tools for the promotion of responsible agricultural investment
Economic growth and infrastructure investments take precedence over sustainable natural resource use	Continuous dialogue with GOL on mainstreaming sustainability across sectors. Targeted support for the Green Growth Strategy, with clear action plan and division of labour across line ministries
Resource exploitation continues to disproportionately benefit the wealthy, furthering inequality	Promotion of pro-poor development policies, incorporation of inequality measures as indicators for effective governance in the NRE sector
Insufficient political will and law enforcement to combat illegal timber and illegal wildlife	Continuous dialogue with GOL. Explicitly tie development assistance to demonstrated political will and law enforcement effectiveness. Continuous negotiations and technical assistance related to the FLEGT VPA

Natural resource tenure and access rights of women and female-headed households remain insecure relative to men and male-headed households	Continuous dialogue with GOL to promote gender mainstreaming in the natural resources and environment sector. Foster strategic collaboration with women's advocacy groups. Meaningful internal benchmarking of gender equality within European programming
Slow pace and commitment to business environment facilitation reforms resulting in continuous low scores in the Doing Business report	Provision of specific technical assistance and advisory services to facilitate reforms and strengthened policy dialogue in coordination with European Partners, ECCIL and other relevant development partners active in this field
Limited preparedness to the graduation from LDC status which will reduce tariff free access to the European market for Lao exports	Program activities that help Lao exporters adjust to this development and continue to approach GOL on embarking on existing preferential trade schemes
Pandemic-related stress on tourism operators hamper efforts to take the steps necessary to increase culture and nature-based tourism	Consider counterpart concerns with respect to pandemic response and build in suitable timelines during project level planning. Promote further domestic tourism
<b>Priority area 2: Human Capital</b>	
<b>RISK</b>	<b>MITIGATION MEASURES</b>
The committed target allocations to education and health sectors are below the set targets	Engage in policy dialogue with National Assembly, Ministry of Finance, Ministry of Planning and Investment and Ministry of Education and Sports
The ESSDP and Health Sector Development plan targets, used to guide sector priorities, are over-ambitious and reflect political intent rather than operational or fiscal feasibility	Support Ministry of Education and Sports and the Ministry of Health in developing projection planning and budgeting tools that may provide the basis for proposing more feasible and realistic targets
Lack of jobs for TVET graduates in some sectors based on the high unemployment rate and the impact of the Covid-19 crisis on SMEs and foreign direct investment. Lack of efficient coordination mechanisms between public and private sector	Increase and strengthen relationship between employers and TVET institutes/skills development centres in order to help students build network with companies, gain relevant training and productive skilled labour to the industry. Organise enterprise forum and dialogues with the government to allow the systematic involvement of the private sector in TVET and Skills Development
Lack of service usage from the population due to different reasons (costing, distance to service centres)	Concentrate on improving quality of service delivery and community outreach for awareness-raising. Further improve universal health care coverage while reducing patients' out-of-pocket expenses

Resettlement, urbanisation and internal migration have an impact as human-made hazards on food and nutrition security	Simultaneous resettlement, urbanisation and internal migration and its associated transformation of livelihoods requires more support to ensure improved access to basic services, markets and potentially labour to increase the diversity of livelihoods and people's resilience. Migration linked nutrition risks however do remain, and are expected to increase in sub-urban centres. The situation will be closely monitored and will be integrated adaptive measures will be integrated in policy dialogue and targeted actions
Disease outbreaks and/or natural disasters overwhelm the capacity for efficient public social service delivery	Support sector preparedness, coordination mechanisms at national level and adjust plans as needed based on changing scenarios
<b>Priority area 3: Good Governance</b>	
<b>RISK</b>	<b>MITIGATION MEASURES</b>
Commitment of national stakeholders is uneven across the various components of the European programme, and result in lack of national and local level leadership / commitment to implement and monitor public service delivery to rural areas	Maximise points of engagement with GOL at central and local levels. Strong and consistent (joint) political messaging to promote an accountable public sector with data and information transparency. Extend financial and technical assistance for data sharing.
The legislative and regulatory environment for CSOs may limit citizens' engagement in public affairs	Facilitate coordinated approach of development partners to promote appreciation of CSOs' role; multiply political and policy dialogue at all levels
Policy commitments relating to transparency and accountability regarding the state budget are not consistently implemented	Engage with a wide range of GOL counterparts including at sub-national level, where there is already good experience regarding transparency and accountability in many pilot districts. Address transparency and accountability as a theme of support for CSO actions
Economic fall-out from COVID 19 pandemic severely constrains government budgets	PFM can help make optimal use of available State budget, and help to target citizens' priority services. Step up efforts through policy dialogue and PFM reforms to strengthen mid-term expenditure planning, and address the high debt distress and regain macroeconomic stability. Continued provision of EU budget support.



## **Annex VI – Overview of EU member states' and Switzerland's programming frameworks**

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This Annex provides a brief overview of the specific programming priorities of each European Partner participating in joint programming in Lao PDR (France, Germany, Finland, Ireland, Luxembourg, Hungary, Switzerland), in accordance with the table 1 in Section 1.3 of this document. Details about the specific focal sectors and indicative allocations for the EU cooperation with Lao PDR within the NDICI 2021-2027 programming cycle are provided in Section 2 of and Annex II of this document.

### **Finland**

Finland supports Lao PDR on project basis and with demand-driven instruments. At the moment there is one larger proposed project in the pipeline for 2022 onwards, the size of the project is appr. 10 million euros. The project focuses on improving early-warning service capabilities and modernization of key systems for Department of Meteorology and Hydrology (DMH). The project is tailored to meet the infrastructure and human capacity needs of DMH and has been prepared in cooperation with the Finnish Meteorological Institute (FMI). Finland also supports Lao PDR civil society through Finnish civil society actors with selected interventions.

### **France**

France's priorities in Lao PDR are to support its sustainable development, encourage democratic and economic opening of the country, and promote public goods through a regional approach. France's support matches, among others the 6 sectors of the European Joint Programming Strategy 2021-2025. French bilateral cooperation focuses on the following sectors: agroecology and rural development (support to selected value chains such as coffee and tea, food security and nutrition, agro-ecological practices...), protection of public goods (health, water, climate change, environment and biodiversity), the preservation of cultural heritage and the development of sustainable tourism, education, as well governance and justice. France's main financial instruments in Lao PDR are grants. France also allocates funds to regional (multi-country), NGOs (local CSO and INGOs) and to bilateral local projects. It also support the private sector through non-sovereign lending and guarantee schemes.

### **Germany**

Germany is contributing to the European Joint Programming Strategy 2021-2025 in the following sectors: Agriculture and Rural Development, Natural resources and Environment, Private Sector Development, Trade and Tourism, Education and TVET and Governance. Its bilateral development cooperation with Lao PDR focuses on 1) Rural Development and Management of Natural Resources, 2) Sustainable Economic Development and 3) Governance. Within these thematic areas specifically land management, climate mitigation through forest protection and management, wetland management, protected area management, support to FLEGT process, microfinance, economic development through TVET are covered. Through regional programmes the support focuses on the MRC and its water and river basin management, regional land governance, promotion of competitiveness within the Framework of the Initiative for ASEAN Integration and a Fit for School programme. In 2020 Germany committed another 26,5 Million Euro to its bilateral development cooperation, and will be disbursing between 2021-2025 around 67 Million Euro for bilateral and regional programmes (only including the contributions for Lao PDR). Germany will be phasing out its bilateral development cooperation by 2025.

### **Hungary**

Hungary's International Development Cooperation Strategy for the years 2020-2025 (IDC2025) aims, - among others -, at engaging more substantively with Least Developed Countries. The IDC2025 seeks to enhance Hungary's development cooperation focus on those SDGs, in which Hungary, or Hungarian

actors have a comparative advantage. Hungary therefore prioritises the implementation of projects and programmes pertaining to water management and sanitation, agriculture, health, education, the environment and information technology. Hungary's support to the economic and social development of the Lao PDR matches 5 out of 6 sectors of the European Joint Programming Strategy 2021-2025. Hungarian efforts to contribute to developing food security, fostering a sustainable, climate-resilient, environmental friendly and market oriented agricultural production in the Lao PDR are completely identical with ambitions of EU's Green Initiative in Lao PDR. Traditional and strategic sectors of bilateral cooperation have been agriculture and education which will be maintained in the future. Hungary's main financial instrument of the cooperation with Lao PDR has been Tied Aid Loan (TAL) Programmes since 2009. Main sectors of ongoing and continuing projects of the 3<sup>rd</sup> TAL Programme are agriculture, water management and population management. A potential future 4<sup>th</sup> TAL Programme to be agreed and finalized in the period between 2021-2025, may expand the cooperation, and include health, statistics and e-governance. Hungarian support to the development of human resources of the Lao PDR has been realized by scholarships (grant) in higher education for BA, MA and PhD studies, the yearly quota of which will be increased from 100 to 150, beginning from the Academic year 2021/2022.

## **Ireland**

Ireland does not have a bilateral strategy document specifically for Lao PDR. Nevertheless, Lao PDR benefits directly from Ireland cooperation funds under the 2021 Ireland's Mission Strategy for Vietnam and the Mekong Sub-Region (Cambodia, Lao People's Democratic Republic (Lao PDR) and Myanmar), notably in the areas of TVET teacher training, English training for Government officials, unexploded ordnance, health and WASH, and nutrition (about one million EUR in 2021). The Embassy is currently developing a new 2022-2026 Mission Strategy for Vietnam and the Mekong Sub-Region.

## **Luxembourg**

Luxembourg's fifth Indicative Cooperation Programme 2022-2026 in support to Lao PDR is closely aligned with the EJP Strategy and the identified priorities of the 9th NSEDP. The overall objective of ICP V is to support Lao PDR in the strengthening of an enabling inclusive governance environment for the sustainable development of human capital ensuring enhanced access to opportunities for individual well-being and improved income for all, with a specific focus on youth and women." Based on previous programmes, Luxembourg's recognized expertise and comparative advantage, ICP V largely maintains its geographical focus (Vientiane province, Bolikhamxay, Khammouane and Bokeo) and remains committed to four priority sectors: health, rural development, TVET, and good governance and the rule of law. A special focus will be placed on individual and institutional capacity strengthening as well as the young population of Lao PDR. In addition to the bi- and multilateral components, Luxembourg supports regional programmes in land governance, social protection and, water and river basin management. The budget of ICP V is in line to the previous one of ICP IV and stands around 95 million Euros, over a five-year period.

## **Switzerland**

Switzerland supports Lao PDR through its Mekong Regional Programme 2022-2025 in the following sectors of the European Joint Programming Strategy 2021-2025: Agriculture and Rural Development; Natural Resources and Environment; Education and TVET; Local Governance and Citizens' engagement, Rule of Law and Human Rights. In particular Switzerland will focus on: Inclusive Economic Development through TVET and Market Development; Climate Change and Environmental Sustainability, Land and Water management; Governance, Citizen Participation and Rule of Law. The total amount of Swiss funds dedicated to these sectors is expected to reach close to 60 million Euro. In addition Switzerland will support initiatives in the greater Mekong Region in the same sectors with an additional 28 million Euro.

## Annex VII – List of Policies and Strategies referenced in the European Joint Programming Strategy 2021-2025

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- Regulation (EU) 2021/947 of the European Parliament and the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe for the period 2021-2027.
- 9<sup>th</sup> Five-Year National Socio-Economic Development Plan (2021-2025) as approved by the National Assembly with the Resolution No. 20/NA of 26 March 2021
- “A New Pact on Migration and Asylum”, 2020  
[https://ec.europa.eu/info/publications/migration-and-asylum-package-new-pact-migration-and-asylum-documents-adopted-23-september-2020\\_en](https://ec.europa.eu/info/publications/migration-and-asylum-package-new-pact-migration-and-asylum-documents-adopted-23-september-2020_en)
- European Circular Economy Action Plan (CEAP) <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1583933814386&uri=COM:2020:98:FIN>
- European Green Deal  
[https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)
- EU’s biodiversity strategy for 2030 <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590574123338&uri=CELEX:52020DC0380>
- EU Action Plan against Wildlife Trafficking in February 2016  
[https://ec.europa.eu/environment/cites/pdf/WAP\\_EN\\_WEB.PDF](https://ec.europa.eu/environment/cites/pdf/WAP_EN_WEB.PDF)
- Farm to Fork Strategy, 2020 <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590404602495&uri=CELEX%3A52020DC0381>
- Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan  
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52003DC0251>  
<http://www.euflegt.efi.int/portal/>
- European Union’s Digital strategy  
[https://ec.europa.eu/info/sites/default/files/communication-shaping-europes-digital-future-feb2020\\_en\\_4.pdf](https://ec.europa.eu/info/sites/default/files/communication-shaping-europes-digital-future-feb2020_en_4.pdf) [https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age_en)
- EU Action Plan on Human Rights and Democracy 2020-2024  
<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020JC0005>
- A Union of Equality: Gender Equality Strategy 2020-2025  
<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0152>
- Policy Coherence for Development (PCD) - Council conclusions (16 May 2019)  
<https://www.consilium.europa.eu/media/39380/pcd-conclusions.pdf>
- Sendai Framework for Disaster Risk Reduction 2015-2030
- Stepping up EU Action to Protect and Restore the World’s Forests <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52019DC0352&qid=1619677285611>
- Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests <http://www.fao.org/3/i2801e/i2801e.pdf>
- Zero pollution action plan for water, air and soil  
[https://ec.europa.eu/environment/strategy/zero-pollution-action-plan\\_en](https://ec.europa.eu/environment/strategy/zero-pollution-action-plan_en)
- EU Forest Strategy  
<https://ec.europa.eu/info/files/communication-new-eu-forest-strategy-2030>
- An EU legal framework to halt and reverse EU-driven global deforestation  
[https://www.europarl.europa.eu/RegData/etudes/STUD/2020/654174/EPRS\\_STU\(2020\)654174\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/654174/EPRS_STU(2020)654174_EN.pdf)
- Water Diplomacy – Council Conclusions  
<https://www.consilium.europa.eu/media/37022/st13991-en18.pdf>
- Connecting Europe and Asia: Building Blocks for an EU Strategy  
[https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy_en)



## Annex VIII – Matrix of key Development Partner’s intervention sectors in Lao PDR (in million EUR)

DP	Agriculture and Rural Development	Environment and Natural Resources	Private Sector Development, Trade, Tourism	Education/TVET	Health/Nutrition Social Protection	Good Governance	Other	Total
ADB	217.6	252.3	11.5	86.7	26.4		97.5	692.0
Australia			7.2	23.9	21.7		6.4	59.2
FAO	11.8				4.1			15.9
Japan/JICA	x	X	x	x	x	x	x	n/a
KOICA	25.6	11.8		4.4	7.4	23.1	39.3	111.6
United Kingdom		3.5		2.7	5.9	0.4	21.8	34.3
UNDP		31.1				15.3	18.9	65.3
UNICEF		14.0		5.8	26.6		5.2	51.6
USA	6.9	13.2	11.8	19.5	43.5	18.7	20.2	133.8
World Bank	20.6	210.2	70.0	86.3	162.0	16.5	172.8	738.4
<b>Total</b>	<b>282.5</b>	<b>536.1</b>	<b>100.5</b>	<b>229.3</b>	<b>297.6</b>	<b>74</b>	<b>382.1</b>	<b>1902.1</b>

### Notes:

1. Exchange rate to EUR as of 01 June 2021: USD 1=EUR 0.823; AUD 1=EUR 0.633; GBP 1 = EUR 1.166
2. **ADB**: ongoing projects (started in 2012-2020); new project/program commitments for 2021-2025 have not yet been agreed. However, ADB is planning to continue supporting Agriculture and Natural Resources Management, Health, Education, Public Sector Management, and Urban/Water during 2021-2025
3. **Australia/DFAT**: investment pipeline for FY 2020/21 to 2024/25
4. **FAO**: Country Programming Framework 2016-2021. Forthcoming CPF 2022-2026 will focus on People’s well-being, Inclusive prosperity, and Environment, climate change and resilience
5. **Japan**: will be present in all sectors/areas above (x), but funding is still unknown
6. **KOICA**: indicative financial commitments 2021-2025
7. **UK**: ongoing UK Support Programmes 2015-2022. Support for FY 2021/22 and further still unknown
8. **UNDP**: new programming cycle 2022-2026 estimates
9. **UNICEF**: indicative summary budget for the UNICEF country programme 2022-2026 (not including EU partners contributions)
10. **USA**: this represents the portfolio of ongoing programmes
11. **World Bank**: active portfolio (ongoing projects started in 2012-2021) and indicative pipeline for FY 2022/23