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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX I**

to the Commission Implementing Decision on the financing of the annual action plan in favour of  
Lao People's Democratic Republic for 2022

**Action Document for “Partnership in Education and Skills for Inclusive and Green Growth  
(PESIG)”**

**ANNUAL PLAN**

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, and an action within the meaning of Article 23(2) of the NDICI-Global Europe Regulation.

## 1 SYNOPSIS

### 1.1 Action Summary Table

<b>1. Title</b>  <b>CRIS/OPSYS business reference Basic Act</b>	Partnership in Education and Skills for Inclusive and Green Growth (PESIG)  OPSYS number: ACT-60628  Financed under the Neighbourhood, Development and International Cooperation Instrument ( <u>NDICI-Global Europe</u> )
<b>2. Team Europe Initiative</b>	Yes  Partial contribution to the Green TEI for Lao PDR, through “green” TVET
<b>3. Zone benefiting from the action</b>	The action shall be carried out in Lao PDR
<b>4. Programming document</b>	2021-2025 European Joint Programming Strategy (EJPS) for Lao PDR  2021-2027 Multiannual Indicative Programme (MIP) for Lao PDR
<b>5. Link with relevant MIP(s) objectives / expected results</b>	MIP Specific Objective 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  MIP Expected Results 4.1 (Equitable access to quality and relevant basic education and TVET); 4.2 (Improved education quality and relevance); and 4.3 (Improved and strengthened education policy, governance and resilience)
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	Priority Area 2: Human Capital; Sector: Education (DAC Code 110)
<b>7. Sustainable Development Goals (SDGs) <sup>1</sup></b>	Main SDG: SDG 4 - Quality education. Other significant SDGs: SDC 1 - No Poverty

<sup>1</sup> Relevant SDGs can be identified with the [SDG Mapper](#), an electronic support tool for intervention managers.

	SDG 5 - Gender equality. SDG 8 - Decent work and economic growth SDG 10 - Reduced inequalities.			
<b>8 a) DAC code(s)</b> <sup>2</sup>	110 – Education 112 – Basic Education 113 – Secondary Education 114 – Post Secondary Education			
<b>8 b) Main Delivery Channel</b> <sup>3</sup>	Recipient Government – 12000 Third country government (delegated co-operation) — 13000			
<b>9. Targets</b> <sup>4</sup>	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Education <sup>5</sup> <input checked="" type="checkbox"/> Human Rights, Democracy and Governance <sup>6</sup>			
<b>10. Markers</b> <sup>7</sup> (from DAC form)	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<sup>2</sup> DAC sectors (codes and descriptions) are indicated in the second and fourth columns of the tab 'purpose codes' in the following document: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/dacandscodelists.htm>

<sup>3</sup> Channels are indicated in the third and fifth columns of the tab 'Channel codes' in the following document: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/dacandscodelists.htm>

<sup>4</sup> Actual contribution to targets will be confirmed ex-post based on a standardised methodology.

<sup>5</sup> This target is specific to INTPA. If the action is marked as contributing to the Education target, please make sure the target on "Social inclusion and Human Development" is also marked.

<sup>6</sup> Thematic target for geographic programmes (at least 15%) in delegated act.

<sup>7</sup> For guidance, see <https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/> (go to "Data collection and resources for reporters", select Addendum 2, annexes 18 (policy) and 19 (Rio) of the reporting directive).

If an action is marked in the DAC form as contributing to one of the general policy objectives or to RIO principles as a principal objective or a significant objective, then this should be reflected in the logframe matrix (in the results chain and/or indicators).

	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11. Internal markers<sup>8</sup> and Tags<sup>9</sup>:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity energy transport health education and research	YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @ (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>BUDGET INFORMATION</b>			
<b>12. Amounts concerned<sup>10</sup></b>	Budget line(s) (article, item): 14.020131 South and East Asia Total estimated cost: EUR 54 000 000 Total amount of EU budget contribution: EUR 37 000 000 of which EUR 30 000 000 for budget support and EUR 7 000 000 for complementary support This action is co-financed in joint co-financing by: - Luxembourg (Luxembourg Development – Lux Dev) for an amount of EUR 10 000 000 - Switzerland (Swiss Development Cooperation – SDC) for an amount of EUR 7 000 000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				

<sup>8</sup> The internal markers have been created to report on the implementation of the Commission's own policy priorities in areas where no DAC reporting tool is available. For the sake of consistency and comparability, the methodology is equivalent to the DAC markers, with three possible positions (main target, significant target, not targeted)

<sup>9</sup> Methodology for additional tagging providing granularity on internal markers is under development. When a marker is Significant or Principal Objective, please also choose the the relevant yes/no tag.

<sup>10</sup> This section should be in line with the indicative budget in section 4.5 (e.g. the amount of the third-party contribution as co-financing of grants should not be specified)

<b>13. Type of financing<sup>11</sup></b>	<p><b>Direct management</b> through: Budget Support: Sector Reform Performance Contract</p> <p><b>Indirect management</b> with the Agence Luxembourgeoise pour la Coopération au développement (Lux Dev)</p>
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## 1.2 Summary of the Action

The education sector in Lao PDR is currently severely affected by two interrelated factors: the impact of the COVID-19 pandemic and the fragile macro-fiscal situation of the country. This resulted in a prolonged lockdown and school closure, reduced employment opportunities for youth and women, higher debt and decreased Government resources available to the education sector. These factors add to the continuing complexity of the educational context, threatening the gains achieved through the successive Education Sector and Sport Development Plans (ESSDP). **While the country has made great strides to dramatically improve equitable access to education and place special emphasis on disadvantaged areas, the sector is still facing a serious challenge in terms of the quality and relevance of education.** Youth unemployment has worsened with the COVID-19 outbreak. Consequently, there is a strong need for significant investment and continued **focus in enhancing access, quality and relevance of the education system, including TVET**, notably with a view to address shortages of basic skills supply matching labour demand to feed the private sector.

In this context, **this proposed Action seeks to contribute to equitably enhance the education and skills base among Laos' youth responding to labour market needs of a green and digitalised economy, while taking into account gender-specific issues and decent work standards**, in full alignment with the Lao Government and European Partners' development agendas. It integrates the vision of the Lao PDR's Green Growth Strategy 2030 and the emphasis placed on youth and private sector development in the 9<sup>th</sup> National Socio-Economic Development Plan (NSED) 2021-2025. This Action is **building on the acquis of the previous EU budget support programmes achievements** in basic education, while **transitioning towards a stronger focus on TVET and on working jointly in a Team Europe approach**, in line with the NDICI programming principles and the MIP overarching objective. It takes into account recommendation from the Midterm Evaluation of the ESDP 2016-2020, EU's contribution to basic education through the Global Partnership for Education (GPE) and the high number of projects from other Development partners focusing on basic education. While the previous EU budget support programmes has proved very successful in fostering policy dialogue in achieving key education and PFM reforms, the proposed action will strengthen existing dialogue while facilitating our engagement and policy dialogue in trade development, in green and digital economy.

The Action is composed of: 1) **Budget Support** to contribute to the implementation of the Laos' Education and Sport Sector Development Plan (ESDP) 2021-2025 (including the TVET Development Plan 2021-2025) over an initial 3-year period, and 2) **TVET complementary support** to align vocational curricula with the needs of the private sector and the labour market focusing on green, agroforestry and transformational sectors. It is complemented by an ongoing EU-funded education budgeting/planning technical assistance (CRIS: ACA/2021/421520)<sup>12</sup>. As one of the biggest development partners and budget support provider in education, and co-chair of the education sector working group, the EU has been an influential actor in the education reform agenda. As such, the proposed action will continue to place the EU at the heart of it, including on equitable access (gender wise but also and especially in remote areas with ethnic minorities), teaching/learning quality including through the implementation of digital solutions, and sector governance (particularly improved planning and budgeting, and increased government financing of the sector). In addition, the additional emphasis on TVET in Team Europe approach (which will contribute to the Green Team Europe Initiative in Lao PDR<sup>13</sup>), will underline the EU and Member States' commitment to support this sub-sector, by **laying the foundations for EU support in Agriculture & forestry, and trade & PSD under priority area 1 of the MIP and by linking it to the**

<sup>11</sup> Art. 27 NDICI

<sup>12</sup> As part of the complementary support, there is also an ongoing EU-funded € 2.9M education budgeting/planning and teacher allocation technical assistance from 05/2021 until 08/2024 (contract CRIS: ACA/2021/421520 under decision 2020/041-871)

<sup>13</sup> The following European partners are part of the TEI as of March 2022: France, Netherlands, Switzerland, Hungary, Luxembourg, Germany, Finland, EIB and the EU

**overarching MIP objective to strengthen EU's trade and investment, especially in green sectors, and to supporting youth job creation.** The TVET and TA complementary support, as well as consolidated policy dialogue on education planning/budgeting with key stakeholders, will integrate coherently with the budget support indicators for mutual reinforcement, in a context of limited available financial resources and of a ceiling in the number of education staff (teaching and non-teaching) due to the “right-sizing” policy, which calls for increased spending efficiency.

## 2 RATIONALE

### 2.1 Context

Laos' **rapid economic growth** over the last three decades (annual average of over 7%) propelled the country from a low-income to a lower middle-income status, and it is expected to **graduate from Least Developed Countries status in 2026**. Laos' GDP per capita of 2,570 US\$ in 2019 (according to the WB) is more than ten times the figure in 1990, and the poverty rate more than halved between 1993 and 2019, falling from 46% to 18%. The strong growth potential, rich natural resources, the establishment of several Special Economic Zones, and recent massive infrastructure investments to improve its trade links with the ASEAN, China and beyond, opens **important opportunities for private investment and decent job creation**. Improving the business environment and continued investment in infrastructure and logistics will be key for unleashing this high potential, while ensuring environment, social and governance (ESG) responsible business approaches, bearing in mind the do-not harm principle. EU trade with Laos is very modest in comparison to our trade with neighbouring ASEAN countries (EU Member States together represent the 4th largest trading partner to Laos). According to the International Trade Centre (ITC), and considering **European partners' interest to increase trade and investment with Laos**, there is significant potential for an inclusive growth.

Rapidly rising debt and the COVID-19 pandemic are creating important **macroeconomic and fiscal challenges**, which require more efficient public finance management. Although Lao PDR managed to avoid the spread of the COVID-19 pandemic in 2020, its economy was severely impacted (estimated GDP growth of only 0.5% in 2020 and 2% in 2021). The surge in cases in mid-2021 (up to about 35 000 in October 2021) and the strict lockdown measures are having a direct impact on Lao PDR's socio-economic development. In addition, the growth model based on the unsustainable exploitation of Laos' abundant natural resources has put a strain on environmental, social and economic sustainability, and has widened inequalities. **Skills shortages** and poor matching of labour demand and supply as well as low rates of enrolment among women and girls in vocational schools also represent a significant impediment to private sector development (PSD) and inclusive growth. **Youth unemployment** increased. The situation has worsened due to the strict lockdown measures and closure of many schools (since April 2021 until recently with school reopening progressively) as a response to the COVID-19 outbreak. This requires significant continued investment in improving access, quality and relevance of education and vocational training.

The Government has embarked in the **9<sup>th</sup> National Socio-Economic Development Plan (NSED) 2021-2025**, which has fully embraced the Agenda 2030, and seeks to foster **sustainable, green and inclusive growth**. The overall objective of the 9<sup>th</sup> NSED is “*to focus on the socio-economic development based on the country full potentials in order to strongly graduate from the Least Development Countries (LDC) with quality, well-balanced and green growth and to achieve the sustainable development goals in 2030*” focusing on six main pillars including Sustainable and Diverse Economy, Human Asset Development, Livelihood Improvement, Environment Protection; Climate resilience and Governance. The NSED places special emphasis on the development of the private sector and human capital, as a foundation for job creation and inclusive growth.

The **Education and Sports Sector Development Plan (ESSDP 2021-2025)** adopted in August 2020 aims at **achieving progress towards poverty reduction** through improving access to quality early childhood and basic education for rural and vulnerable children, with the underlying need to reduce the education gaps among rural and urban schools and to enhance student learning performances. Additionally, the ESSDP has progressively

focused since 2019 on **improving the quality of TVET** and University graduates in **agriculture, tourism, science, technology and engineering**. These skills are essential indeed to accelerating the economic development and contributing toward the SDGs targets (especially SDG4 - Education). Within the framework of the ESSDP and its action plan, **intensive support will continue to focus on the 40 most disadvantaged districts of the country**, such as identified by the MoES, where education outcomes are the lowest.

In the above-mentioned context, the **European Joint Programming Strategy (EJPS) for Laos in 2021-2025** aligns with the Lao PDR's 9<sup>th</sup> NSEDP 2021-2025 and with the European Partners' strategic priorities for external action, which aim at fostering sustainable, green and inclusive growth through strengthened trade and investment. The EJPS focuses on **three priority areas**: green and inclusive economy (Priority Area 1); human capital (Priority Area 2); and good governance (Priority Area 3). A large share of these funds will support the **Green Team Europe Initiative**, which seeks to foster sustainable investments, in line with the green objectives shared by the EU Partners and Laos. Within this framework, and capitalising on previous and ongoing support in the areas of education, agriculture/nutrition, trade and PSD, and governance, the EU proposes a **transformational approach** in its cooperation with Laos, by supporting an **increase in trade and investment**, especially in green sectors, supported by **enhanced education and skills**, and **improved governance**. The EU MIP 2021-2024 for Lao PDR received an allocation of € 83M and it focuses on: agriculture and forestry, trade and PSD (under PA 1), education/TVET (under PA 2), and good governance, including public finance management (under PA 3). The EU programming priorities fully take into account the external aspects of the EU policy priorities (Green Deal; sustainable growth and jobs; science, technologies and digitalisation; migration Partnership; and education) as well as the opportunities to work with the EU Member States on co-financed programmes and the use of the EFSD+ blending and guarantee facility.

Specifically, this proposed new EU-funded action in the education sector aims to continue the previous budget support programmes in basic education (which have proved successful in fostering policy dialogue and in achieving key education and PFM reforms – CRIS: 2018 / 400-912), while transitioning towards a stronger focus on TVET and on working jointly with Team Europe approach, in line with the 2021-2027 EU external action's programming principles and the MIP's overarching objective. The Action seeks to contribute to equitably enhance the education and skills base among Laos' youth responding to **labour market needs of a green and digitalised economy, while taking into account gender-specific issues and decent work standards, in full alignment with the Lao Government and European Partners' development agendas**. The Action is strongly interlinked with the other EU-funded projects planned under the MIP 2021-2027 and fully supports the overall MIP objective, to strengthen trade and investment in green economy sectors. The Action will contribute to the Gender Action Plan III (2021-2025) especially to thematic area "promoting economic and social rights and empowering women and girls".

## 2.2 Problem Analysis

### *Access to general education and TVET:*

Lao PDR has made significant progress, in order to achieve Gender Equality and Women Empowerment (GEWE) targets. There is full gender parity in basic education. There is a real commitment to increase women participation in political, management and decision-making at the central level, although the ratio of women in the National Assembly dropped from 27.5% to 22% following the 2021 elections (the lowest share since the 1997-2002 legislature). Lao PDR still has a long way to fully achieve the GEWE targets, especially on maternal mortality and nutrition, as well as social inequality in terms of enrolment rate for girls in technical and vocational training, higher education and in employment. Even though Lao PDR has made significant progress in economic development, gender inequality still persists in Lao PDR especially in the remote rural areas and among the non-Lao-Tai ethnic groups where women and girls still lack opportunities and remain discriminated in areas where the patriarchal tradition is still strongly practiced.

Access to basic education, progression of the students through its 9 grades and **gender parity** has greatly improved during the 8<sup>th</sup> ESSDP 2016-2020 (e.g. for 2015-16 to 2019-20, enrolment rates for 5-year old children increased from 70.9% in 2015-16 to 82.7% in 2019-20, above the target of 80% by 2020; Grade 1 repetition rate decreased from 11.5% to 6.3%; gross enrolment rate (GER) for lower secondary students increased from 82.2% to 83.3% -

which is lower than the target 85% in 2020; and the gross parity index (GPI) rose from 0.94 up to 0.97. With regard to post-basic education the upper secondary gross intake ratio (GIR) increased from 47.8% in 2015-16 to 54.8% in 2019-20, although slightly below the revised target of 56% (set during the ESSDP mid-term review in 2018), **completion rate at the end of secondary education remains insufficient (47.7% in School Year 2020-21).** Moreover, vocational education (TVET) enrolment, has not increase over the same period with high discrepancies between Provinces and continuing imbalance between women and men. In TVET, transition from Grade 9 to TVET reached only 3.8% in 2019-20 (against a 5% target) in spite of the development of courses which were identified as most relevant to the labour market (tourism and hospitality). As a consequence, there will not be enough skill workforce supply to meet the demand in the key sectors (construction, agriculture, machinery repair, hospitality, electricity, furniture and motor mechanic), according to the TVET Development Plan 2021-25. This will likely contribute to increase the share of youth (aged 18-30), **not in employment, education or training (NEET)**, currently estimated at 39% for men and nearly 45% for women, with a rate of unemployment much higher than the national average. The number of female students is increasing at public TVET colleges, with women accounting for 43% of all students enrolled in the academic year 2016-2017. But their course selection remains heavily skewed towards occupations traditionally deemed “female”, such as tailoring, basic business administration, and hospitality.

The prolonged lockdown measures affecting the private sector and closure of schools in over half of the districts will unavoidably worsen the situation already impacted by the limited access to education especially for girls due to indirect cost of education, household chores, languages combined with the long distance to school not mentioning the low rate of enrolment of girls and women in vocational school and/or higher education in non-traditional fields such as science and technology.

**Quality and relevance of the general Education:** A key indicator which reflects the insufficiencies of the general education sub-sector (at least for the Early Childhood Education, primary and Lower Secondary Education levels) are the low learning outcomes of grade 9 graduates in literacy and numeracy. The results of the Assessment of Student Learning Outcomes (ASLO) carried out in 2019 (SY2018/19) for Grade 9 students showed inadequate learning proficiency in Lao language and science at the Lower Secondary level. This is a cause of concern to the MoES and calls for urgent long term policy action, starting with prioritising investment in the quality of ECE and primary education. The ASLO report noted that low learning level in primary have then serious consequences for the quality of students who go on upper secondary and degrees or will go for vocational training diplomas, and for the larger picture of labour force preparation in Lao PDR. **The assessment also pointed out that the low content knowledge and, to a lesser extent, the low pedagogical skills of many teachers led to unsatisfactory learning outcomes, thus advocating for enhanced and increased in-service training of those teachers.** A significant effort to improve the capacity of the teaching workforce should then be continued; as well as their deployment under the Government “right-sizing” policy.

**Geographical disparities:** Results from ASLO Grade 3 (2017) demonstrated the variability of learning outcomes across provinces. Provinces which perform poorly in primary education tend to have predominantly rural and remote subsistence agricultural communities characterised by significant ethnic and linguistic diversity, combined with generally lower socio-economic indicators. The key barriers to access and participation include the financial cost of education for poor families, demand for child labour in the household economy, under-developed private and community participation, un-targeted physical resource mobilisation and the lack of inclusive education to cater to the specific needs of girls, children with little or no exposure to Lao language outside of school, and children with a disability. In the 2019-20 school year, grade 1 dropout rates slightly increased to 6 per cent (9.4 per cent in disadvantaged districts) and primary completion rates stagnated at around 80 per cent (69 per cent in disadvantaged districts).

**Governance of the education sector:** Taking into account the current context, given the increasing pressure on the **education budget**, where the needs far exceed the available resources, a tighter relationship between planning (in the framework of ESSDP 2021-2025) and budgeting is required. The way budgeting is organised and structured in Lao PDR by administrative and economic chapters, makes it difficult to allocate the budget on the basis of the policy objectives of the ESSDP 2021-2025. Nevertheless the Annual Costed Education Sector Plans (ACSEPs) have now helped to link policy targets (performance) to budget estimates. In addition, the ongoing public finance management reforms together with the recently established Education Planning and Budgeting Committee (PBC) is expected to provide the necessary leverage to ensure budgetary coherence from central (MoES) to provincial

(PESS) and to the district (DESB). This action is currently being carried out by the TA support to the implementation of the ESSDP 2021-2025 programme

**Situation in the TVET subsector:** The 9<sup>th</sup> NSEDP underlines the “*need for a partnership with businesses or employers to develop or update TVET courses [...] to ensure credibility of TVET schools in the eyes of the public and private sectors*”. At the 9<sup>th</sup> ESSDP level, focus will be on the quality and the number of school leavers and post-basic graduates entering employment in line with the 9<sup>th</sup> NSEDP. While the 9<sup>th</sup> ESSDP doesn’t dedicate much space to TVET (only 3 indicators under High Level Objective- HLO 5) TVET Development Plan 2021-2025 details the HLO through more than 20 indicators reflecting the key challenges of TVET in the next 5 years. Among those challenges is ensuring consistency between TVET offer and labour market demand in the Agroforestry, Agroindustry, Wood processing, Green economy including Green Tourism and Hospitality, the development and upgrade of curricula based on labour market needs, capacity building of trainers, enhanced coordination between MoES and the Ministry of Labour and Social Welfare (MoLSW), and, most importantly, enhanced involvement of private business in training and qualifications assessment modalities.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

**National actors (duty bearers):** : In addition to the MoES, other key partners include Ministry of Finance, (MoF), Ministry of Home Affairs (MoHA), Ministry of Planning and Investment (MPI), National Assembly (NA) and People Provincial Assemblies (PPAs), and the Ministry of Labour and Social Welfare (MoLSW). MoF and MPI play a key role in public financial management reform and in providing adequate financial resources to the education sector. MoHA is in charge of recruiting civil servants and managing civil servant salaries and their involvement in teacher reform would be essential. NA and PPA will help to ensure that national and sub-national government is held accountable for key issues of the education sector, including budget allocation to implement the education sector policy. MoLSW will coordinate, with the MoES, the private sector and the labour market assessment for the public TVET offer. Private sector businesses are key actors for the design of curriculum and training modalities. They ought to play a fundamental role in terms of financial contribution towards the sector as well as facilitating the integration of the new trainees into the labour market. Combined efforts of and coordination between the MoES, the MoLSW and the Lao National Chamber of Commerce and Industry will be key.

**International bilateral and multilateral actors:** In addition to the key national stakeholders, the main multilateral partners providing support to the education sector are Asian Development Bank (ADB), EU, Global Partnership for Education (GPE), United Nations Children’s Fund (UNICEF), World Bank (WB), and among bilateral partners, Australia (DFAT), Japan (JICA), Germany (KfW and GIZ), Luxembourg (LuxDev) and Switzerland (SDC), are actively involved in TVET, thus requiring additional efforts for coordination and synergy in this sub-sector. There are also many NGOs working in primary education subsector or related to self-employment trainings. All of the institutional partners listed above have been consulted during the process of the preparation of this action including some CSOs.

The **Education Sector Working Group (ESWG)** led by MoES and co-chaired by the EU and the Government of Australia is the primary platform for coordination and dialogue between the government and the above listed development partners<sup>14</sup> supported by the 6 sub-sector focal groups

## 2.3 Additional Areas of Assessment

### 2.3.1 Pre-condition on Fundamental Values [For a Sustainable Development Goals Contract only]

N/A

<sup>14</sup> Cf. Chapter 4.7. Organisational Set-up and Responsibilities



### 2.3.2 Public Policy

The 9<sup>th</sup> **Education and Sport Sector Development Plan (ESSDP) 2021-2025** has clearly identified key obstacles to improving the quality of education and learning outcomes in all education sub-sectors. The plan also highlights the key policy reforms with their relevant actions to be implemented in the next five years. To cope with the situation of the Lao PDR educational system, the ESSDP 2021-2025 presents four new policy objectives: i) refocus on primary education quality; ii) expand lower secondary more affordably, effectively and realistically; iii) improve the skills and competencies of MoES staff; and iv) institutional strengthening and improved human and financial resource management at subnational level. This comes to complement two on-going policy objectives: i) enhance learning outcomes and ii) reduce disparities through more effective and efficient management of resources through targeting improved education performance in particular in the 40 most disadvantaged districts; while supporting the socio-economic priorities of the 9<sup>th</sup> NSEDP under its Outcome 2 (Develop human assets), the priority output is to achieve “*Quality education for the preparedness of the 4<sup>th</sup> industrial revolution, labour and technical skills, including female participation*”. The document also highlights the importance of vocational training to ensure that Lao PDR can fully reap the benefit of its dynamic young population and is able to translate this investment into a skilled and productive workforce. As an evidence of the new importance given by the MoES to the TVET subsector, the 9th ESSDP has been complemented in July 2020 by a TVET Development Plan (TVETDP 2021-2025). It is based on a the final review of the TVETDP 2016-2020 (until 2019 only) and, starting from the overall TVET outcome stated in the 9th ESSDP. It presents 7 strategies to achieve it: Access, Relevance to the labour market needs, Quality (training modalities and teachers) Partnership with private sector (PPP) and with international organisations, Management and Funding. These strategies are broken down in activities with 82 performance indicators. Note that no targets or baselines are informed in the log frame.

The 9<sup>th</sup> ESSDP is relevant and rather well articulated with the key development issues of the country such as formulated in the 9<sup>th</sup> NSEDP, which values highly the human capital development and highlights private business involvement in skills development. It has also improved its budgetary **credibility**, first by designing projects which aim at enhancing quality of the teaching/learning in General education and TVET, and developing in-service training; thus compensating as much as possible the freeze on staff recruitment generated by the MoHA “right-sizing policy”; second by a gradual expansion of the Annual Costed Sector Plans (ACSEPs) to the district level, better equipped to estimate policy costs and projects implementation constraints at grassroots level. Nevertheless, inequities and imbalances in resource allocation (operational and investment budgets) between central and subnational levels, and between provincial and district levels, remain challenging and need to be overcome.

Hence, the main objective of the TA support team is the implementation of the ESSDP 9 with a focus on PFM, planning and budgeting and maximisation of the budget allocation and HR management. The second complementary measures is focusing on linking vocational training to respond to the need of the Labour/private sector market in the area of agro forestry, green growth and digital growth. Both complementary measures aim at supporting the BS targets. The objective is to leverage on the complementarity between maximising the financial and HR mobilisation and allocation as well as reinforcing the improvement of Early Childhood and primary education to support enrolment rate at the lower and higher secondary to support vocational training taking into account gender and ethnicity in the 40 most disadvantage districts of the country.

To ensure consistence and continuity in the implementation of its policy, the MoES has improved its monitoring system, for example by organizing the migration of the planning and budgeting systems to a new IT platform, the Planning and Budgeting Management Information System (PBMIS), to start operating in fiscal year (FY) 2021 (on-going). In order to produce more reliable data and enable more credible statistics, the PBMIS will be interconnected with other existing MoES information systems such as Laos Education and Sport Management Information System (LESMIS), Personnel Management Information System (PMIS), Wage Management Information System (WMIS), and the School Block Grant Management Information System (SBGMIS).

To mitigate the impacts of COVID-19, the MoES with the support from partners (mainly Australia, EU, GPE and UNICEF) developed a **COVID-19 Education Response Plan** (May 2021) to prevent the spread of COVID-19 in schools and keep all learners and education staff safe. Learning continuity is another major COVID-19 mitigation effort of MoES launching a blend of print, TV, radio and online platforms to support continuity of learning, with support to teachers and parents/caregivers so they can facilitate learning at home. Moreover, such interventions

are inclusive and sustainable and can continue to be used during other emergencies forcing closure of schools, such as natural and/or manmade disruptions. Finally, the current situation provides an opportunity for the MoES to put in place a sustainable and high-quality distance education system, including a satellite education television that can be used both by students and for professional development of teachers.

**In conclusion, the policy is sufficiently relevant and credible for budget support contract objectives to be largely achieved. Therefore the policy can be supported by the Commission with the proposed budget support contract.**

### 2.3.3 Macroeconomic Policy

**Despite an estimated growth rebound following the 2020 COVID pandemic, the macroeconomic and the fiscal situation remain precarious.** Real GDP growth is projected to rebound to 2.1% in 2021 from 0.5% in 2020, with the agriculture and industry sectors expected to drive growth. The country is facing a significant fiscal challenge to sustain the economy and social spending, as well as to put in place socio-economic measures to counter the impact of the pandemic, at a time of reduced revenue and rapidly increasing debt servicing. The public and publicly guaranteed (PPG) external debt service level is on the rise reflecting tighter external liquidity constraints. The Lao kip depreciated against the US dollar by 12.6% year-on-year (yoy) in early July, and a weakened kip has fuelled domestic inflation as a large portion of consumer goods are imported.

**While the COVID-19 crisis has exacerbated these challenges, the Lao Government has taken several corrective/mitigating measures to restore macroeconomic stability.** The Government has continued to limit budget spending growth by controlling discretionary expenses and postponing new investment projects. The fiscal deficit is therefore expected to decline to 4.7% of GDP in 2021, from 5.2% in 2020. The first draft of the public debt strategy (2021-2025) has been completed. The existing Debt Management Finance Analysis System (DMFAS) is being upgraded to better monitor debt management. In the meantime, GoL's priority is to address the debt repayment deadlines before the end of the year through a renegotiation of its bilateral debts. In parallel, additional response measures to mitigate negative impacts of the second wave of COVID-19 pandemic were announced in May 2021. These include personal income tax exemption, profit tax exemption for microenterprises, duty fee exemption, deferral of road tax payments, lowering utility fees, unemployment benefits and cash transfers. Furthermore, the National Agenda aimed at addressing economic and financial difficulties was adopted in August 2021. It outlines 5 core actions/measures to be implemented by the end of 2023, including (i) promoting domestic production and boosting exports, (ii) strengthening revenue collection, preventing revenue leakage and improving legislation, (iii) promoting frugality, preventing extravagance, enhancing effectiveness of public investment and addressing public debt, (iv) stabilizing the Lao kip, building up foreign reserves and controlling inflation, and (v) enhancing efficiency of the tax legislations and providing guidelines for their implementation.

**In the medium-term, the Lao economy is expected to gradually recover, but growth will remain below pre-pandemic levels at 4.5% in 2022 (IMF projections).** Therefore, containment of the fiscal deficit coupled with improved debt management is the Government's priority for re-establishing macroeconomic stability, and for lowering pressure on foreign currency reserves, as reflected in the Mid-Term Fiscal forecasts 2021-25. Moreover, the Lao PDR is being increasingly exposed to the impact of climate change and climate variability which, amongst others, puts agriculture 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.

**The IMF has no programme in Lao PDR since 2012, but it conducts Article IV consultations on a two-year cycle.** The last article IV mission took place in December 2021. Preliminary projections based on the data provided foresee 2% GDP growth for 2021 with an inflation rate reaching 5%. The debt situation is not expected to improve. Policy measures adopted by the Government are deemed coherent, yet they need to be fully implemented. Taking into account the current situation, especially the high level of debt, a negative outlook is anticipated.

Currently, the overall macroeconomic situation is subject to a further review following the recent IMF mission for Art. IV in Lao PDR

**In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.**

#### 2.3.4 Public Financial Management

**The Public Finance Development Strategy 2025 and Vision 2030 (PFDS) approved by the Prime Minister in July 2017 remains the key Lao PDR PFM reform plan. The objective of the PFDS is the strengthening of public finances and its contribution to sustain economic growth and graduation from least developed country (LDC).** The PFDS 10 priorities are i) Macro-economic stability; (ii) Revenue mobilisation; (iii) Rationalisation of expenditure policy; (iv) Debt management; (v) Human capacity and skill development; (vi) Accounting, audit and inspection (vii) Modernisation and IT system, (viii) Legal framework, (ix) International coordination; and (x) Management of state-owned enterprises. **The Action Plan (2018-2025) of the PFDS is divided into two steps. The first step of the reform's (2018-2020) has come to its end, and the second step (2021-2025) is being finalised and will focus on activities aimed at addressing the weaknesses identified through the PEFA assessment validated in 2019. The Action Plan is expected to be approved by the MoF by early 2022.**

During the first step, **there has been continued solid progress**, thanks to the EU-WB PFM support programme<sup>15</sup>, improving Domestic Revenue Mobilisation (DRM), strengthening budget formulation, execution and transparency, as well as modernising public procurement. The National Assembly adopted in August 2021 the National Agenda aimed at restoring macroeconomic and fiscal with key targets to be achieved by 2023. The draft debt management strategy document is in its final draft and debt transparency has improved with the publication of the first debt bulletins in 2021. For the second consecutive year, the State Budget Department (SBD) has shared indicative budget ceilings with First Tier budgetary entities. Efforts to strengthen public procurement system has also seen some significant progress with the main standard bidding document approved and the training of the trainers now completed. Procurement documents are technically available on the Ministry of Finance webpage. The Financial Management Information System (FMIS) procurement was launched in mid-July 2021 with the contract expected to be signed in 2022. In the meantime, the Government Financial Information system (GFIS) was upgraded to GFIS+. Progress on the development of Chart of Accounts (CoA) is ongoing albeit at slow pace with support of the IMF and the WB. There are ongoing discussions to pilot **gender budgeting**.

Finally, concerning **Domestic Revenue Mobilisation (DRM)**, the objective of the GoL is to increase its tax revenue/GDP to 17% by 2025, to limit fiscal deficit to less than 2% of the GDP and the public expenditure to 18% of the GDP. Nevertheless, within the current COVID-19 context and the severe economic twin crisis (budget and current account deficit) with high-risk debt exposure and the adopted fiscal relief measures, it is unlikely that the targets set in the MTFP will be met in the intended timeframe. There has also been a decline in absolute terms of tax receipts from natural resources-based activities and, while there have been recent improvements in tax administration (including through the development and roll-out of the Tax Revenue Management Information System – TaxRIS), revenue gains have been limited by significant leakages, particularly with respect to large taxpayers.

**In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.**

#### 2.3.5 Transparency and Oversight of the Budget

**The entry point is considered to be met** as the State Budget Plan for the Fiscal Year 2021 was published on 18<sup>th</sup> October 2021 on the website of the MoF ( <https://www.mof.gov.la/index.php/en/publications-and-statistics/>). The Budget Implementation Report for the Fiscal Year 2019 was also published on 22<sup>nd</sup> June 2021. The 2022 budget plan is expected to be published end of quarter 2 of 2022.

**The medium term objectives remain the improvement of timeliness and comprehensiveness of all of the budget documents, including the Audit Report.** The main objective is for the revised State Budget Law to be implemented and for the budget to be prepared in accordance with the Law, with the introduction also of indicative budget ceilings based on the medium term budget framework for the sectors at the central and local levels.

<sup>15</sup> The Partnership in Strengthening Economic Governance (PSEG) – a new PFM support programme is currently under preparation and will see the participation and contribution from the Government of Australia.

**In conclusion, the relevant budget documentation has been published and the eligibility criterion is met.**

### 3 DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to support the priority policy objectives of the ESSDP 2021-2025, including the TVET Development Plan 2021-2025, and the European Joint Programming Strategy 2021-2025 as to improve qualifications and skills of Laos' youth responding to labour market needs of a green and digitalised economy

The Specific(s) Objective(s) (Outcomes) of this action are to:

1. Improve equitable access and learning outcomes of general education (particularly related to gender equality, and in rural and remote areas) - [ESSDP High-level Outcomes 1, 2 & 3]
2. Enhance effectiveness of TVET subsector equipping graduates with relevant skills responding to the labour market and the needs of a green and digitalised economy - [ESSDP High-level Outcome 5]
3. Improve education sector performance and reduce disparities - [ESSDP High-level Outcomes 3, 6 & 7]

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

- 1.1 contributing to Outcome 1 (or Specific Objective 1 - induced output): Increased capacity of in-service-trained ECE and basic education teachers in Fundamental quality standards (FQS), in particular for content knowledge
- 1.2 contributing to Outcome 1 (or Specific Objective 1 - induced output): Promoted access to ECE and basic education based on gender equality principles in the disadvantaged districts
- 2.1 contributing to Outcome 2 (or Specific Objective 2 - direct output): Increased availability of TVET Courses relevant to the labour market needs notably in the field of green and digitalised economy, with specific focus on gender equality and disadvantaged students
- 2.2 contributing to Outcome 2 (or Specific Objective 2 – direct output): Policies in the field of education governance and financing of the TVET sub-sector developed/revised and better implemented
- 3.1 contributing to Outcome 3 (or Specific Objective 3 – direct output): Enhanced capacities at central, provincial and district levels, for planning, budgeting, monitoring & evaluation
- 3.2 contributing to Outcome 3 (or Specific Objective 3 - direct output): ESSDP financing plan better addresses relevant output targets, considering the context of real resources and capacity constraints

#### 3.2 Indicative Activities

**3.2.1 Budget support (BS) component.** There are four main “activities” in the present Action: annual financial transfers based on results; policy dialogue (see section 3.5); performance assessment (see section 4.3.2 and Annex on BS indicators); and capacity building (see details below on “complementary support”). As one of the biggest development partners and budget support providers for the education sector, and co-chair of the education sector working group, the EU has been an influential actor in the education reform agenda. As such, the proposed action will continue to place the EU at the heart of it, including on equitable access (especially in remote areas with ethnic minorities), teaching/learning quality, and sector governance/financing. In addition, the stronger emphasis on TVET as Team Europe, will raise the political nature of EU support in this sub-sector, by laying the foundations

for the planned interventions in Agriculture & forestry, and trade & private sector development under priority area 1 of the MIP and by linking it to the overarching MIP objective to strengthen EU's trade and investment in Lao PDR, especially in green sectors. Furthermore, the EU intends to increase emphasis on education financing and spending efficiency (notably through the full operationalisation of the Education Planning and Budget Committee and the Teacher Allocation Committee, and the implementation of the recommendations of the ongoing Education Public Expenditure Review). These activities will closely involve relevant Ministries and national/provincial assemblies and further strengthening the political aspect of our support. The provision of BS will also provide an opportunity for policy dialogue on macroeconomic policies, PFM reforms, and budget transparency in relation to the BS assessment criteria, accompanied by technical support under another EU-funded project to support PFM reforms.

### 3.2.2 Complementary Support

The main activities under the TVET complementary support (contributing to SO2) will focus on the following:

#### *Access and Relevance*

- Comprehensive Labour market surveys (current and projected), Gender sectoral analysis in comparative advantage sectors (Agriculture/Forestry, Agroindustry, Textiles, construction and energy), Tourism and ICT-related Services.
- Technical assistance to TVET Department in the design and performance of Tracer studies in the above sectors
- Development of Occupational Qualifications Framework (OQF) standards for the priority trades of these sectors and the 6 qualification levels of the National Qualifications Framework (NQF), in cooperation with these sectors' private business, through the Trade working groups (TWG).

#### *Quality*

- Training needs assessment and capacity building/upgrading of teaching staff in skills and competency assessment in their respective disciplines,
- Capacity building and upgrading of principals in the design and monitoring of "training centers development plans" in line with TVET development plan 2021-2025 and ESSDP 2021-2025,
- Training needs assessment and capacity building/upgrading of technical and administrative staff in DESBs in particular, on TVET ACSEP design and monitoring,
- Upgrade of the Vocational Education Development Institute (VEDI) into a Research & Development Centre of Excellence<sup>16</sup>,
- Develop joint projects with the private business on Compulsory Basic Training/Dual Cooperative Training training modalities, "entrepreneurship training", <sup>17</sup> and on the creation and development of Incubators for start-ups in priority sectors (Agroindustry and IT).
- Support to a limited number of CSO initiatives in the TVET sector, selected in function of their relevance with the public TVET policy, the economic sectors of activity they target and their consistency with the CBT/National Vocational Qualification Framework training approach.<sup>18</sup>

#### *Governance*

- Support to the **National TVET Council-Permanent Office** in the accomplishment of its mandate such as specified in the revised TVET Law (2019) in order to make it the apex body of Public Private Partnership (PPP) and inter-ministerial coordination (MoES and MoLSW) for TVET development.
- Support to the **TVET Development Fund** with the aim to increase opportunities of private business funding and enhance its efficiency and effectiveness in the management of funds.

The detailed list of activities, including the list of courses and colleges to be supported, will be further developed during the joint formulation with Luxembourg and Switzerland in Q1&Q2 of 2022.

<sup>16</sup> To perform in particular comparative assessment studies on DCT and CBT training modalities in cooperation with private business employers; and integrate the assessment results in its teacher training programmes

<sup>17</sup> Similar public/private awareness courses on Entrepreneurship could be introduced in the LSE and USE curricula as an incentive for the students to join TVET streams after completion.

<sup>18</sup> The selection process should be shared with the MoES (DG TVET and DG Planning)

The commitment of the EU's contribution to the Team Europe Initiative foreseen under this action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

##### **Outcomes of the SEA screening** (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

Laos' Nationally Determined Contribution sets a target of increasing and maintaining forest cover to 70% of the total land area by 2020, which will contribute to addressing both mitigation and adaptation to climate change. It also seeks to increase the share of small-scale renewable energy to 30% of the total energy consumption by 2030. There is no National Adapted Plan (NAP) registered in the system for Laos, yet the updated NDCs report recalls the various development strategies and plans (NSED 2021-2025), as well as the Green Growth strategy, and recalls the adaptation measures that are planned/implemented in the country. Laos' adaptation efforts focus on five priority sectors: agriculture, forest and land use change, water resources, transport and urban development, and public health. The MoES has integrated prevention and response for natural and man-made hazards (disasters) in the community, including within school premises (e.g., floods, household fires), into the updated grade 1 and 2 teaching and learning curricula that are currently being tested in selected provinces. Students progressively learn these topics in the Science and Environment subject. The Action will start from these incipient efforts of the MoES to integrate the CC elements in the in-service teachers training and in TVET curriculum.

**Outcomes of the EIA (Environmental Impact Assessment) screening** (relevant for projects and/or specific interventions within a project). The EIA (Environment Impact Assessment) screening classified the action Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

**Outcome of the CRA (Climate Risk Assessment) screening** (relevant for projects and/or specific interventions within a project). The Climate Risk Assessment (CRA) screening concluded that this action is at risk (climate risk will be addressed as part of an EIA)

##### **Gender equality and empowerment of women and girls**

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the action will aim at supporting the MoES in its 9<sup>th</sup> ESSDP-planned efforts to increase the Gender parity index (GPI) for overall Basic education enrolment and LSE completion. It will do so focusing its support in particular at sub-national level (districts, schools and training centres) on the 40 most disadvantaged, rural and remote districts. Teacher allocation measures will accompany these efforts in an equitable way, to deploy well-prepared teachers in these areas where patriarchal family approach is still prevailing. In the TVET subsector, the orientation of the action towards green and digitalised economy with a competency-based approach (not limited to skills but involving personality and behaviour) will foster a growing participation of girls and women. They can indeed contribute their specific behaviours and acquired skills to trades and occupations in tourism/hospitality, IT services, precision agro-industry manufacturing, etc. in traditionally male "blue collar" jobs and in "soft" services. The TVET component of the action will be geared towards this target.

#### **Human Rights**

The situation regarding the human rights in Laos is discussed in the annual Laos-EU Human Rights dialogue that allows the EU delegation to voice concerns about the human rights abuses and to mutually agree on concrete opportunities for assistance to tackle the challenges, including through the project "Citizen Engagement, Good Governance and Rule of Law (CEGGA)" co-financed with Germany and Switzerland. The last dialogue took place in July 2021 (online). Additionally, individual topics or cases of concern are raised bilaterally with the Lao authorities, for example, in a biennial demarche on the support to the UN resolution on death penalty. Close cooperation and exchange of information is also ensured between EUD, relevant DPs and UN, including UNRCO, UNDP and OHCHR based in Bangkok. In addition to the annual Human Rights dialogue, the upcoming Lao Action Plan for the implementation of the UPR recommendations – amongst which some are related to political and civil

rights as well – will offer a valuable entry point for practical cooperation and assistance, primarily through the phase 2 of the CEGGA programme.

A human rights based approach (HRBA) with an emphasis on gender equality is identified as a significant cross-cutting priority for the planning and execution of the proposed programme. The action will address basic education and children's rights where enforcement of concerned conventions and legal tools is still weak. This will be case in particular in disadvantaged areas with non-Lao ethnic minorities for which tailored syllabi and language courses will be delivered by in-service trained allocated teachers. Another case will be the support of the Action to provide TVET training opportunities to disadvantaged learners in specially equipped centres with tailored CBT curriculum and workshop equipment. The action will apply the HRBA principles including non-discrimination, accountability, transparency, and participation.

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### **Disability**

Lao adopted a Decree on the Rights of persons with disabilities in 2014, which regulates the right to education, vocational training and employment for persons with disabilities. Lao ratified the Convention on the Rights of Persons with Disabilities (CRPD) in 2009. Submitted first report 2016, replied to list of issues in 2019, waiting final recommendations in 2022.

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### **Democracy**

Lao PDR is a single-party state with limited political and civil freedoms. While the Constitution guarantees the freedoms of expression and of the press (article 44), restrictions remain omnipresent and are characterised by an atmosphere of self-censorship. A Cyber Law and a Decree on Information Management on the Internet (2015) prohibits citizens from 'disseminating or circulating untrue information for negative purposes'. Civil society organisations (CSO) cannot efficiently exercise their role to promote pluralism, oversight and accountability. Their operations are strictly controlled and limited to service delivery projects, which follow a very long approval process. Yet, it is gradually improving; CSOs' role was recognised in the final version of 9th NSEDP.

The EU-CH-DE CEGGA project, complemented by policy dialogue together with European Partners, and other projects implemented by NGOs in partnership with local authorities and Provincial People's Assemblies (PPA), are gradually bearing fruits. The National Assembly sessions have seen a continuation of the trend of more lively debate and engagement. The valuable contribution of NGOs in Laos' socio-economic development is increasingly being recognised, not least by local authorities and PPAs given their value-added in provided services and capacity building in marginalised populations and remote areas.

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### **Conflict sensitivity, peace and resilience**

Overall, the internal situation is firmly under control. A series of potential sources of tensions might generate some conflict in the medium to long term. However, none of them is currently expected to lead to open or violent conflict or create a risk of instability in a foreseeable near future. Most importantly, this concerns growing inequalities which often manifest themselves around land and/or resettlement issues, as well as more recently – in relation to the economic difficulties due to Covid-19 restrictions. The Government is aware of this source of tension and tries to address it through a (partial) moratorium on large land concessions and increased efforts to put in place adequate compensation schemes and mechanisms including for mega projects impact on the environment and on the nearby communities. Endemic corruption is another possible cause of prospective frictions. The National Land Policy has been revised, with great concern from the civil society as some articles related to expropriation for business/private purposes (forced land acquisition) undermine the farmer's rights. Lack of opportunities can also create a negative impact on the foundation of the society value and cohesion. Access to quality education and its linkage to economic opportunities needs to be protected and maintained as to preserve peace, resilience, belief and harmony of the Lao society.

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### **Disaster Risk Reduction**

Laos is highly exposed and vulnerable to natural hazards (flooding, drought) which can significantly impact the socio economic sector, to certain extent threaten food security and livelihoods, especially in rural areas. The poor quality of diets and chronic nutritional vulnerability exacerbates the impact of various shocks. At the same time, Lao PDR also depends heavily upon natural resource exploitation for economic growth and the hydroelectric projects may intensify pre-existing vulnerability to natural disasters. Laos' weak resilience to natural disasters can

affect EU projects; for example floods in Southern Laos in 2020 not only hampered the implementation of nutrition and WASH projects but also cause disruption on school year as it is with the COVID-19

#### Other considerations if relevant

Digital platform with online materials and distant learning will play an important part in this process.

### 3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
External environment	Negative impact of COVID-19 on school operations	<b>H</b>	<b>H</b>	Contribute to the Education COVID-19 response plan, to limit learning disruption.
	Macroeconomic and fiscal risks, corruption risks	<b>H</b>	<b>H</b>	Support to stabilise macroeconomic indicators and to implement the PFM reform on: improving DRM, expenditure efficiency while strengthening planning and budgeting at the line-ministry level.
Planning, processes, and systems	Lack of sufficient budget to support the ESSDP 2021-2025 planned activities	<b>M</b>	<b>H</b>	Enhancement of the planning-programming-budgeting process and spending efficiency with reinforcement of the MOES Planning & Budgeting Committee. Policy dialogue to implement the recommendations of the ongoing Education Public Expenditure Review.
People and the organisation	MoHA “Right-sizing” policy limiting teachers and civil servants recruitment; lack of inclusion of ethnic minority teachers	<b>H</b>	<b>M</b>	Measures to optimise teacher allocations with a focus on the 40 disadvantage districts and to enhance the effectiveness of teaching/learning process via improved multi-grade teaching.
	Political, ethnic or social pressure at local levels may bias the pattern of teacher assignment.	<b>H</b>	<b>H</b>	Strengthened mandate for the TAC with a guidelines/directive/decreedecree for teacher allocation policy and process.
	Lack or weak coordination between line ministries	<b>M</b>	<b>M</b>	Policy dialogue and technical support leveraging on other EU-funded projects (PFM and governance) and via the inter-ministerial steering committee meetings.
	Teachers performance fails to achieve expected learning outcomes	<b>M</b>	<b>H</b>	Adoption of measures to refocus on initial and in-service teachers training building upon synergy between EU programme (EJPS, Budget Support, Complementary measures).
	Private sector employers prefer to			A more systematic involvement of employers together with the MoES-MoLSW in the design



	provide own On the Job training (OJT), rather than hiring TVET graduates.	<b>H</b>	<b>H</b>	of occupational qualifications standards and relevant TVET curricula.
	Education sector legal and organisational framework does not provide adequate provisions for Public-Private partnership in the financing of TVET offer	<b>M</b>	<b>H</b>	Legislative and administrative provisions added to the TVET Law to open the door to validation of private training centres by the MoES and the MoLSW

### **Lessons Learnt:**

The EU has been actively engaging in the Education sector in Lao PDR since 2010 through technical assistance and capacity building projects and since 2016 with Budget support programmes in close coordination with other Development partners (DP) through different mechanisms. This aid was closely coordinated with other DPs, namely Team Europe (France, Germany, Hungary, Luxembourg, Switzerland), Australia, USAID, UNICEF, UNESCO, WB, and ADB. The ESGWG, led by the MoES and co-chaired by the EU and Australia fostered a continuous political dialogue between the Lao PDR Government and the DPs, and it has proven efficient in creating synergy and facilitating monitoring by the MoES of the overall international assistance.

The following important lessons learnt have been taken into account when formulating this action, also building on the support provided by other DPs in this area: (i) Access to education is necessary and must continue to be enhanced but it is not sufficient: focus should be on the quality education and the learner's performances leading to improved completion rates in basic and secondary education. The key to this expected achievement is in investing in the professionalization of the in-service teachers. While managing them effectively in accordance with the right sizing policy. (ii) There is a need to further link educational investment with professional opportunities, hence contributing to a more productive and sustainable growth model instead of basing it on "mega projects" with little externality to develop local skills. Consequently, there is an urgent need to provide employability opportunities to students responding to local needs (Electrician, agriculture, construction, agroforestry, etc.), and to "revamp" the TVET subsector in its training organisation and modalities; linking it more to the private business and its increasing labor market demand. (iii) There is a continuing mismatch between plans and available budgets. Similarly to the necessary link between educational investment and professional opportunities, there is a need to change from hoping for more budget to maximising the resources at hand by linking more systematically planning, programming and budgeting processes.

The Action will reinforce, without duplicating, the complementary support provided by ADB, Australia, UNICEF, the World Bank, and the Global Partnership for Education (GPE), as well as by other bilateral support (France, Germany, Hungary, Luxembourg and Switzerland under a Team Europe approach) in the education sector. The action will thus contribute to enhance the synergy between these supports.

## **3.5 The Intervention Logic**

The underlying intervention logic for this action is that in order to respond to the labour market needs of a green and digitalised economy, in support of Lao PDR's green growth strategy, there needs to be continued progress in providing equitable access and quality education at basic and secondary level (*SO1*), while strengthening the delivery of TVET in close partnership with the private sector (*SO2*), supported by enhanced education sector governance (including education financing, planning, budgeting and monitoring) (*SO3*). The proposed action is fully in line with the proposed transformational approach for EU cooperation with Lao PDR under the MIP 2021-2027, which seeks to increase trade and investment, especially in green sectors, supported by enhanced education and skills, and improved governance. It falls under priority area 2 (Human Capital) of the European Joint Programming Strategy 2021-2025, which places special emphasis 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.

The action is building on the *acquis* of the previous EU budget support programmes achievements in basic education (in primary and lower secondary) while also gradually transitioning towards a stronger emphasis in the TVET sub-sector in Team Europe approach. It also takes into account EU's contribution to basic education through the Global Partnership for Education (GPE) and the high number of projects from other Development partners focusing on basic education. The emphasis on green TVET will complement the EU-funded agriculture and forestry programme foreseen and it will contribute to the overarching MIP objective to strengthen its trade and investment partnership with Laos, especially in green sectors. The TVET and ongoing TA support to the implantation of the ESSDP 2021-2025 components, as well as consolidated policy dialogue on education planning/budgeting with key stakeholders, will integrate coherently with the budget support indicators for mutual reinforcement, in a context of limited available financial resources (exacerbated by the COVID-19 pandemic) and of a ceiling in the number of staff (teaching and non-teaching) due to the "right-sizing" policy, which calls for increased spending efficiency. The use of budget support (which has proved successful so far in fostering policy dialogue and in achieving key education and PFM reforms) is well-suited to this challenging fiscal context.

The focus is on improving the quality of teaching/learning performances and governance of basic, secondary and vocational education (TVET), as essential factors for inclusive economic growth, women rights and human rights, particularly in rural and remote areas. This will make an important contribution towards developing a workforce with the skills, qualifications, capabilities and behaviours able to contribute to the achievement of a self-reliant economy and a strong society, in the framework of the SDGs and Lao PDR's LDC graduation. Under the three Specific objectives of the Action, the following approach will be pursued:

- To address the low level of quality and achievement of students, which finds its roots in ECE and primary, the action will contribute to improving teachers' training and teacher content knowledge with a view to have more teachers (w/m) satisfying Education and Fundamental quality standards (EQS and FQS), as well as to increasing the number of basic education schools complying with the teacher allocation protocols. This should in turn contribute to increase the number of grade 9 students achieving proficiency level in Lao language and Numeracy, as well as improve the promotion rate from basic to the secondary education (LSE and USE) and the completion rate at the end of the Upper Secondary Education (12<sup>th</sup> grade).
- To reinforce the TVET subsector, providing its graduates with the skills and occupational qualifications required by the labour market; switching from "offer-oriented" training modalities to "demand-oriented" ones. To do so, the focus will be on improving the quality of the training process and on adapting the current institutional structure to foster the inclusion of the private and/or associative sector, such as increasing the number of TVET centres developed and operated jointly by the MoES and the Private Sector under Occupational qualifications/National Vocational Qualification Framework-based Dual Cooperative Training/Compulsory Basic Training. Such measures will contribute to increase TVET intakes and to enhance the employability of its graduates; producing a skilled manpower able to meet the needs of the labour market in MoES/EU priority "green" sectors mentioned above, namely Agriculture, AgroForestry Agribusiness, Wood processing and Tourism/Hospitality, through both wage employment and self-employment and self-employment.

- To improve the link between planning, programming and budgeting, so as to take into account the recurrent MOES financial constraints, and ensure that priority interventions planned under the ESSDP 2021-2025 can be implemented and monitored in a relevant manner. The action and complementary TA will continue to strengthen institutional capacity at Provinces (PESS) and Districts (DESB) levels with operational budget allocations compliant with planned programmes and expenditure policy identified in ESSDP and according to ACSEPs' annual budget requirements, thus contributing to improve spending effectiveness in the sector. It will also support the implementation of the recommendations of the ongoing Education Public Expenditure Review.
- Through a combination of budget support, complementary technical assistance, gender sectoral analysis, and policy dialogue, the Action will encourage an increase of Government funding to specific education priority interventions with high return on investment, notably through further engagement of the National Assembly in the sector's performance and financing.
- The EU will promote synergies with the ERASMUS+ programme and other scholarship programmes of EU member states, to ensure that all these actions contribute coherently to the objectives of the EJPS 2021-25 in the education sector.

The TVET complementary support co-financed by the EU, Luxembourg and Switzerland, is expected to contribute to the Green Team Europe Initiative in Lao PDR, by supporting the development of capability, capacity and skills related to “green and digital” employability and jobs, notably in the agriculture, forestry, and eco-tourism sector. At the policy level, this action will clarify the modality for an active participation of the private sector where existing training centre meet the need and the standard of the local labour market. At the technical level, curricula and programme will be reviewed, reinforced and developed to support youth employment and employability in green and digital field, to meet the need of labour market while contributing to a more integrated and sustainable domestic economy development and growth. A focus will be on improving the participation and competitiveness of women and minorities into the labour market.

As part of this action, the EU will continue to encourage a structured policy dialogue between all relevant stakeholders focusing notably on disparity in access, quality education; improving student learning outcomes, teacher performance and competency; teacher allocation and re/deployment to rural schools; prioritisation of the investments in the 40 disadvantaged districts; and correcting imbalances in budget allocation between central and sub-national levels. The presence and engagement of the MoHA, MoF, MPI and the NA at the ESWG facilitate informed discussions, notably on teacher deployment and resource allocation. As part of the EU Joint Programming Dialogue, the policy discussion and dialogue with the Government Partners are now expanding to cover TVET and Higher Education, with a view to strengthening the link with the labour market and ensure women and men livelihood and well-being with a green economy.

### 3.6 Logical Framework Matrix

BUDGET SUPPORT MODALITY as reflected by the national/sector public policy supported (4 levels of results / indicators / Baselines / Targets / Source of Data - no activities)

Caveat: the indicators used in the LFM refer to the budget support intervention logic. They help monitoring the implementation of the programme in view of its objectives and later evaluate its contribution to country policy's achievements. The list of indicators below should not be understood as the list of indicators informing the disbursement of variable tranches and spelled out in the relevant part of the financing agreement signed with the partner country, although some indicators may be used for both purposes and will be marked accordingly.

Results	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data (1 per indicator)
<b>Indicative Impact of the policy</b>	To support the priority policy objectives of the ESSDP 2021-2025, including the TVET Development Plan 2021-2025, and the European Joint Programming Strategy 2021-2025 as to improve qualifications and skills of Laos' youth responding to labour market needs of a green and digitalised economy	<p>1: Literacy rate of 15-24 years old, disaggregated by sex, rural/urban location.</p> <p>2: Proportion of youth (aged 15–24 years) not in education, employment or training, disaggregated by sex</p> <p>3: Unemployment rate of youth (under 30 years old) with upper secondary education and/or TVET Diploma completion level, disaggregated by sex and rural/urban location.<sup>19</sup></p>	<p>1.1: 84.6% (M) (2020) 1.2: 76.5% (F) (2020)</p> <p>2.1: 39.07% (M) (2017) 2.2: 44.92 % (F) (2017)</p> <p>3.1: 21.8%<sup>20</sup> (2019)</p>	<p>1.1: 90% (M) (2025) 1.2: 85% (F) (2025)</p> <p>2.1: 32% (M) (2025) 2.2: 35% (F) (2025)</p> <p>3.1: 15% (2026)</p>	<p>1.1 &amp; 1.2: ESSDP 2021-2025 annual reports</p> <p>2.1 &amp; 2.2: ESSDP final review (2025)</p> <p>3.1: 9<sup>th</sup> NSEDP final review</p>
<b>Expected Outcomes of the policy</b>  <b>Outcome 3</b>	SO1: Improve equitable access and learning outcomes of general education (particularly related to gender equality, and in rural and remote areas) [ESSDP High-level Outcomes 1, 2 & 3]	<p>1.1: Percentage of grade 3 &amp; 9 students achieving Proficiency level in Lao Language and Mathematics, disaggregated by sex [ESSDP I2 &amp; I3]</p> <p>1.2: Percentage of qualified in-service ECE and Basic education teachers according to teaching standards for content knowledge and to new school curricula [ESSDP I15 &amp; I17 and FQS I21]</p> <p>1.3: Percent of primary entrants who have attended ECE (National level, and in 40</p>	<p>1.1.1: Grade 3 - Lao language 34% (2019) - Mathematics 18% (2019)</p> <p>1.1.2: Grade 9 - Lao language 28% (2019) - Mathematics 8% (2019)</p> <p>1.2: To be completed (Tbc)</p> <p>1.3.1: National (69.8%) (2019)</p>	<p>1.1.1: Grade 3 (2025) - Lao language 50% - Mathematics 30%</p> <p>1.1.2: Grade 9 (2026) - Lao language 40% - Mathematics 20%</p> <p>1.3.1: National 75% (2025)</p>	<p>1.1 LESMIS</p> <p>1.2 Department of Teachers Education (DTE)</p> <p>1.3 LESMIS &amp; Department of General Education (DGE)</p>

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<sup>19</sup> To be completed by data requested from MoES, MoLSW and Lao PDR National Chamber of Commerce and Industry (LNCCI)

<sup>20</sup> For comparison purposes, the share of youth, ages 18-30, not in employment, education or training (NEET) accounts for 39% (M) and nearly 45% (F) 9<sup>th</sup> NSEDP 2021-2025.

		disadvantaged districts), isaggregated by sex [ <i>ESSDP I4</i> ]	40 districts (58.7%) (2019)	40 district 63.9% (2025)	
		1.4: Gender parity indices of:  - 1.4.1: Percent of primary entrants who have attended ECE;  - 1.4.2: Gross intake ratio into last grade of primary education;  - 1.4.3: Transition rate to lower secondary [ <i>ESSDP I7</i> ]	1.4.1: 1.02  1.4.2: 0.95  1.4.3: 0.97	1.4.1: 1.00 (2024)  1.4.2: 1.00 (2025)  1.4.3: 1.00 (2024)	1.4.1: 9th ESSDP & LESMIS  1.4.2: 9th ESSDP & LESMIS  1.4.3: 9th ESSDP & LESMIS
	SO2: Enhance effectiveness of TVET subsector equipping graduates with relevant skills responding to the labour market and the needs of a green and digitalised economy [ <i>ESSDP High-level Outcome 5</i> ]	2.1: Number of TVET graduates annually, disaggregated by sex [ <i>ESSDP I34; TVETDP I3.4.2</i> ]  2.2: Percentage of TVET C3, C4, C5 graduates employed after 6 months disaggregated by sexsexsexsex, rural/urban and economic sectors [ <i>TVET Development Plan 2021-2025 (TVETDP) I2.2.3</i> ]  2.3: Level of employers' satisfaction with the graduates from the newly developed/upgraded TVET courses [ <i>TVETDP I2.2.4</i> ]	2.1.1: 8939 (M) (2019)  2.1.2: 6686 (F) (2019)  2.2: To be completed (Tbe) <sup>21</sup>  2.3: Tbe	2.1.1: 14500 (M) (2025)  2.1.2: 12000 (F) (2025)  2.2: To be completed (Tbe) <sup>22</sup>  2.3: tbc	2.1 :TVET Develop. Plan 2021-2025 & LESMIS  2.2: TVET CS tracer studies  2.3: TVET CS Survey
	SO3: Improve education sector performance and reduce disparities [ <i>ESSDP High-level Outcomes 3, 6 &amp;7</i> ]	3.1: Extent to which the operational budget allocation is compliant with the expenditure policy identified in ESSDP financing plan, reflecting the need to address disparities and	3.1.1 0 %	3.1.1 50% (2025)	3.1 DGF/DGP/PBC

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<sup>21</sup> To be completed , for the baseline, with information requested from MoES/DGTVET and LNCCI and LNCCI and for the targets the targets by surveys and tracer and tracer studies to be performed by the Complementary the Complementary support TVET TA

<sup>22</sup> To be completed , for the baseline, with information requested from MoES/DGTVET and LNCCI and for the targets by surveys and tracer studies to be performed by the Complementary support TVET TA



		improve learning outcomes. [ESSDP I43]  3.2: Level of PBMIS operationalisation to produce timely budget plans and timely budget execution reports for PBC review and budget prioritisation discussions [ESSDP I43]	3.2.1:PBMIS is not yet producing budget plans or budget reports for the PBC (i.e. 'zero' baseline). <sup>23</sup>	3.2.1:100% (2025)	3.2.1:DGF/PBC
<b>Induced Outputs</b>	Induced Output (IO) 1.1:  Increased capacity of in-service-trained ECE and basic education teachers in Fundamental quality standards (FQS), in particular for content knowledge <sup>24</sup>	1.1.1: Extent to which the budget allocated to teacher training is increased [ESSDP I43]  1.1.2: Number of additional teachers trained thanks to increased financing of teacher training, disaggregated by sex [ESSDP I16]	1.1.1: € 280,000 (2022)  1.1.2: Tbc	1.1.1 budget for ECE and primary education teacher CPD increased by a minimum 50% of the baseline)  1.1.2: Tbc	1.1.1 MoES annual budget report  1.1.2: DTE
	Induced Output (IO) 1.2:  Promoted access to ECE and basic education based on gender equality principles in the disadvantaged districts	1.2.1: Extent to which the budget allocated to ECE interventions in the 40 most disadvantaged districts is increased [ESSDP I43]  1.2.2: Percentage of primary and lower secondary schools that are more than 80% compliant with the teacher allocation protocols. [ESSDP I14]	1.2.1 School Block Grand formula has not yet been revised  1.2.2 75 districts achieved the parity index of teacher allocation in 2020	1.2.1 Revision of the SBG funding formula and transfer of the full amount in a timely manner.  1.2.2 110 districts achieving the Parity index of teacher allocation in 2025	1.2.1 MoES decree setting SBG funding fromaly including unity cost per student  1.2.2 MoES Annau Sector Performance Report, EMIS, PMIS
<b>Direct Outputs</b>	Direct Output (DO) 2.1:  Increased availability of TVET Courses relevant to the labour market needs notably in the field of green and digitalised economy, with specific forcus on gender	2.1.1: Number of labour market surveys, employers' satisfaction surveys, and tracer studies conducted disaggregated by sex [TVETDP I2.2.3]	2.1.1: 3 LMS. 0 ESS, 2 TS (2021)	2.1.1: Tbc	2.1.1: LuxDev, GIZ, ADB

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<sup>23</sup> PBMIS has just been implemented and the PBC has just been established.

<sup>24</sup> FQS Part 2 Section 2 (Teaching, Learning, Student Welfare: Indicator 4 Teachers have good knowledge of the subjects they teach)

	equality and disadvantaged students	<p>2.1.2: Number of priority trades with occupational qualifications developed/upgraded jointly between MoES and private business (at the 6 levels of NQF) [ESSDP IO 5.4 &amp; 5.5; TVETDPI5.1.1 &amp; I5.1.2]</p> <p>2.1.3: Number of upgraded facilities at TVET Centres [TVETDP I1.2.1, I1.2.2 &amp; I3.3.3]</p> <p>2.1.4: Number of teachers trained in new TVET courses, disaggregated by sex [ESSDP IO5.6; TVETDP I ]</p>	<p>2.1.2: Tbc</p> <p>2.1.3: Tbc</p> <p>2.1.4: Tbc</p>	<p>2.1.2: Tbc</p> <p>2.1.3: Tbc</p> <p>2.1.4: Tbc</p>	<p>2.1.2: DTVET/TVETDP Final reports</p> <p>2.1.3: DTVET/TVETDP Final reports</p> <p>2.1.4: DTVET/TVETDP Final reports</p>
	<p>Direct Output (DO) 2.2:</p> <p>Policies in the field of education governance and financing of the TVET sub-sector developed/revised and better implemented</p>	<p>2.2.1: Level of institutionalization of demand-driven governance of TVET sub-sector [TVETDP 5.3.1 &amp; I5.3.2; ESSDP IO5.8]</p> <p>2.2.2: Status of Finalization of a National Vocational Qualifications Framework (NVQF) as the unique VET certification reference [ESSDP IO 5.9; TVETDP I3.1.2]</p> <p>2.2.3: TVET Development Fund fully operationalised with sustainable financing from the Government and private sector [ESSDP I43; TVETDP I7.2.1]</p>	<p>2.2.1: National TVET Council (NTC) started operations (2020)</p> <p>2.2.2: Under construction through dialogue between NTC, Trade Working Groups (TWG) and private business (2021)</p> <p>2.2.3: TDF legally installed but not yet operating while waiting for the approval of a decree on private business funding without yet any funds (2021)</p>	<p>2.2.1: NTC legally confirmed as TVET Apex body (2025)</p> <p>2.2.2: NVQF legally confirmed as the unique reference for professional certification of VTC centers and TVET graduates<sup>25</sup> (2025)</p> <p>2.2.3: TDF mechanisms and procedures for public and private funding institutionalized</p>	<p>2.2.1: MoES/DTVET &amp; Lao Official Gazette</p> <p>2.2.2: -MoES/ DTVET - Lao Official Gazette - LNCCI</p> <p>2.2.3: - MoES, MoF - Lao Official Gazette</p>
	Direct Output 3.1:	3.1.1: Number of PESSs and DESBs with a deconcentrated	3.1.1.1: TAC PESS: 0 (2020)	3.1.1.1: TAC PESS: 5	3.1.1: DOP

	Enhanced capacities at central, provincial and district levels, for planning, budgeting, monitoring & evaluation	Teacher Allocation Committee (TAC) [ESSDP I40]  3.1.2: Number of Planning & Budgeting Committee (PBC) meetings dedicated to ACSEP and annual budget discussions [ESSDP I40]	3.1.1.2: TAC DESB: 0 (2020)  3.1.2: 0 (2020)	3.1.1.2: TAC DESB: 30 (2025)  3.1.2: 4 (2025)	3.1.2: DOP
	Direct Output 3.2:  ESSDP financing plan better addresses relevant output targets, considering the context of real resources and capacity constraints	3.2.1: Number of PESS allocating DESB operational budgets based on an equitable formula [ESSDP I42]  3.2.2: Percentage of ACSEPs budget requirements at Province and District levels effectively allocated to PESS and DESB according to an equitable formula [ESSDP I40 & I43]	3.2.1: 3 (2019)  3.2.2: PESS: 0 DESB: 80% Tbc	3.2.1: 15 (2025)  3.2.2: PESS: 50% DESB: 100%	3.2.1: MoES/DoF3.2.2: MoES/DoF3.2.1: <sup>26</sup>

## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Government of Lao PDR.

### 4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 66 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### 4.3 Implementation of the Budget Support Component

#### 4.3.1 Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 30 million and for complementary support is EUR 7 million. This budget support amount to be disbursed in 3 annual tranches (2023, 2024, 2025) is based on previous budget support operations which proved successful in encouraging the effective implementation of priority policy reforms (with a relatively high level of achievement of annual BS performance targets). The Education sector budget share of the Government budget has been decreasing from 14.20% of the budget in 2018 to 13.10% in 2020<sup>27</sup>, forcing the MoES to put aside important activities necessary to the achievement of its policy. This is why this budget support operation will place more emphasis on policy dialogue with all relevant stakeholders and include specific targets incentivising increased Government allocations towards priority interventions such as teacher training and TVET financing, in a context of important fiscal constraints. This explains the proposal to allocate up to 70% of BS as variable tranche.

The following disbursement calendar and profile proposed for the action is indicative. The actual disbursement calendar and profile will be set out in the financing agreement and may remain subject to change.

Type	FY 2023	FY 2024	FY 2025
Fixed tranche	3 000 000	3 000 000	3 000 000
Variable tranche	7 000 000	7 000 000	7 000 000
<i>Total (EUR)</i>	<i>10 000 000</i>	<i>10 000 000</i>	<i>10 000 000</i>

<sup>27</sup> – Source: MoES/BMIS

#### 4.3.2 Criteria for Disbursement of Budget Support

##### a) Conditions.

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the ESSDP 2021-25 and accompanying TVET Action Plan and continued credibility and relevance thereof or of the subsequent policy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement to be used for variable tranches may focus on the following policy priorities:

- In-service teacher training, especially on the revised primary curriculum and multi-grade teaching;
- Effective teacher allocation;
- Provision of ECE in the 40 disadvantaged districts ;
- Progressive upgrading and roll-out of TVET curriculum, training modalities and facilities to meet new relevance and quality according to CBT/DCT norms
- Government and private sector participation to the TVET Development Fund (TDF)
- Reinforced TVET legal and institutional framework.
- Improved capacities in planning, budgeting, and monitoring capacities at central, provincial and district levels, notably through the effective functioning of the Teacher Allocation Committee's (TAC) and Planning & Budgeting Committee, as well as the implementation of recommendations of the EPER;
- Increased Government allocations to specific interventions in the above areas.

##### c) Modifications.

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante, at the latest at the beginning of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

##### d) Fundamental values

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

#### 4.3.3 Budget Support Details

Budget support is provided as direct untargeted budget support to the National Treasury. The crediting of the euro transfers disbursed into Lao kip will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

#### 4.4 Implementation Modalities for complementary support

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>28</sup>.

##### 4.4.1 Indirect Management with a pillar assessed entity

A part of this action may be implemented in indirect management with the Agence Luxembourgeoise pour la Coopération au développement (LuxDev). This implementation entails the management of the complementary support described in 3.2.2, for supporting TVET reforms and development.

The envisaged entity has been selected using the following criteria:

- i) Experience in grass-root level implementation, technical assistance and capacity building in TVET;
- ii) Recognised knowledge of public and private TVET services in Lao PDR and in the ASEAN countries;
- iii) Recognised knowledge of the labour markets demand in skilled manpower in the priority “green” sectors of Lao PDR.

As a cooperation agency, LuxDev:

On i) it has worked for more than 10 years in supporting the skills development for the Tourism and Hospitality and Agriculture/Forestry sectors of the economy in Lao PDR and other countries of ASEAN. In achieving such a record, they have developed a close working proximity with the related technical departments of the MoES (DG TVET in particular) engaging into supporting TVET reform policies.

On ii) it has supported the MoES in realigning the TVET streams to evolving labour market and skill needs and to equitably expand them. They have done so through the design, testing and rolling-out of skilled workforce development in key sectors of the economy, in particular Tourism and Hospitality and Agriculture and Forestry. This approach is well aligned with the EU interest linking Education equitable access (gender and ethnicity) and promotion, job creation, trade development and domestic sustainable economic growth.

On iii) it has recently completed a scoping study which will provide key data and information on the skilled workers training needs in different sectors of activity particularly critical for the development of rural areas. Their respective contribution to the development of TVET has been continuously demand-driven focusing in priority on the employability (and resulting effective employment) of the TVET graduates<sup>29</sup>.

In addition, for the period of the action Luxembourg and Switzerland have programmed a 17 million euros funding for capacity building and TA in the tourism & hospitality sector with extended focus on agro-forestry sector and a strong emphasis on grass-root level action. Given the magnitude of EU, Luxembourg and Switzerland respective support, the proposed indirect management with an EU MS cooperation agency will ensure full complementarity and coherence, facilitate joint policy dialogue, ease transaction costs on the

<sup>28</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

<sup>29</sup> E.g. SDC contributed through a ILO-executed National Rural Employment Strategy Project to important policies such as the adoption by the GoL of an official National Rural Employment Strategy (NRES).

government, and respect aid effectiveness principles. This joint EU/Luxembourg/Switzerland initiative is in full relevance with the EJPS approach. Besides given the respective specificities of EU and Luxembourg/Switzerland approaches to Education support (institutional vs. grass-root), this joint initiative will allow a better complementarity and coordination between central policy and planning level and the grass-root level of the TVET centres, reinforcing the provinces where LuxDev/SDC have already been active and extending to other provinces previously selected with the MoES.

If negotiations with the above-mentioned entities fail, that part of this action may be implemented in indirect management with SDC (if initiated pillar assessment process concludes positively), GIZ or the World Bank. The implementation by this alternative entities would be justified because of the following criteria:

On i) the alternative entities have implemented or are in the process of implementing at the grass-root level technical assistance and capacity building in TVET;

On ii) the alternative entities possess knowledge of public and private TVET main actors and related services in Lao PDR;

On iii) their actions aim at linking TVET training and skills demand for self employment and from the labour market.

Based on this, any of these alternative entities would provide a length of experience in the TVET sub-sector, operational capacity on the ground to follow-up the action and engage in policy discussions, a track-record in delivering effective support and strong monitoring and reporting on project achievements, and strong relationship with MOES. In case the envisaged entity and the replacement entities mentioned above would need to be replaced, the Commission's services may select another replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

#### 4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

#### 4.6 Indicative Budget

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR)</b>	<b>Third-party contribution (amount in EUR)</b>
<b>Budget support</b> - cf. section 4.3	30 000 000	
<b>Complementary Support</b> - cf. section 4.4		
Indirect management with Lux Dev - cf. section 4.4.1	7 000 000	17 000 000
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	May be covered by another Decision	
<b>Totals</b>	37 000 000	17 000 000



## 4.7 Organisational Set-up and Responsibilities

The Budget Support Programme implementation will be organised as follows and in accordance with the government's organisational structure and mandates. A **Budget Support Steering Committee (BSSC)** to provide BS governance and oversight may be established and meet at least once a year to review and discuss the BS eligibility conditions and the progress made in achieving the BS annual targets, in case this review process cannot be conducted through existing mechanisms. The BSSC would be chaired by the MoES, with representation from MoF, MPI, MoLSW, National Assembly relevant Committees and other and/or accompanied by relevant government agencies, the EU and other relevant DPs. Representatives from the private sector and CSOs may be invited to participate as observers if deemed relevant. In addition, **quarterly technical meetings** will be held and chaired by the MOES Planning Directorate to regularly review progress of the BS performance targets and prepare the BSSC meetings. It will include all relevant stakeholders (at technical level) concerned by the targets. These steering and monitoring mechanisms will be supported by the EU-funded education TA, which complements this programme.

A **separate steering structure will be established for the TVET complementary support** co-financed by Luxembourg and Switzerland. The participants and modus operandi will be fully defined in the Description of Action of the Contribution Agreement.

The monitoring of the overall sector performance and associated policy dialogue will use existing mechanisms. The **Education Sector Working Group (ESWG)**, led by MoES and currently co-chaired by the EU and the Government of Australia, is the primary platform for coordination and dialogue between the government and development partners, including CSOs. It adopted in 2019 a new Focal Group (FG) structure with six FGs<sup>30</sup> and associated Technical Working groups (TWG).

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

## 5 PERFORMANCE MEASUREMENT

### 5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). Indicators shall be disaggregated at least by sex, and if possible by disability. All monitoring and reporting shall assess how the action is taking into account the human rights-based approach and gender equality.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

- For the budget support, the above-mentioned BSSC is in charge of the overall programme monitoring.

<sup>30</sup> FG1 Early Childhood Education; FG2: General Education (primary-upper secondary); FG3: Post-Secondary Education (TVET and Higher Education); FG4: Education Management and Administration; FG5: Research and FG6: Sports

- The MoF will be in charge of providing annual reports related to the macroeconomic policy, PFM reform and budget transparency criteria.
- The MoES will be in charge of providing quarterly reports on the progress made towards achieving the BS annual targets, as well the annual education sector review. This process will be assisted by the EU-funded education TA.
- The EU may also use independent consultants to verify the achievement of the BS eligibility conditions and targets.
- For the Complementary support (CS) component, a specific technical and financial monitoring system is to be agreed with the implementing partner and specified in the corresponding contribution agreement.

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed. This assessment has fed into the design of the action as follows: all data used in the design of the present action have used the national sources such as the LESMIS, cross-checked systematically during the formulation stage with the relevant MoES Departments and DPs involved in the support of the ESDP 2021-2025 implementation as well as TVET development.

## 5.2 Evaluation

Having regard to the importance of the action, a mid-term evaluation may be carried out for the complementary support via the implementing partner and a final evaluation will be carried out for this action via independent consultants contracted by the Commission.

If conducted, the mid-term evaluation will be carried out for problem solving and learning purposes, with respect to providing recommendations for necessary adjustments to the action, and for informing preparation of a potential second phase of the action.

The final evaluation will be carried out for accountability and learning purposes at various levels, including for policy revision, and to help finalise the design of a potential next phase of the action.

The evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall inform the implementing partner at least three months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

All evaluation shall assess to what extent the action is taking into account the human rights based approach and how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

The evaluation reports may be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination<sup>31</sup>. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and where appropriate, apply the necessary adjustments.

The financing of the final evaluation may be covered by another measure constituting a Financing Decision.

<sup>31</sup> See best [practice of evaluation dissemination](#)

### 5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## 6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.