

GRANTS AND PERFORMANCE COMMITTEE

ALLOCATION FOR AN ESPIG AND MULTIPLIER GRANT TO LAO PDR

Reference	Decision
GPC/2021/01-03	<p>Allocation for an Education Sector Program Implementation Grant and Multiplier Grant to Lao PDR</p> <p>The Grants and Performance Committee in its delegated authority from the Board and with respect to the application submitted in the fourth round of 2020:</p> <ol style="list-style-type: none">1. Notes compliance with the requirements on the education sector plan and data for accessing the fixed part of the combined maximum country allocation (MCA) for an education sector program implementation grant (ESPIG) and multiplier grant, as described in the application and summarized and assessed in GPC/2021/01 DOC 03. The Committee notes that the full data to assess the domestic financing requirement is currently not available and requests the government of Lao PDR to submit the information requested in Annex A to enable the assessment of the requirement and the subsequent release of the grant funds.2. Notes compliance with meeting the requirements for accessing the variable part of the combined MCA and approves the indicators on

Equity, Efficiency, and Learning and their means of verification as described in the application and assessed in GPC/2021/01 DOC 03.

3. Notes compliance with the requirements of co-financing, additionality, and debt sustainability for accessing the maximum country allocation for a multiplier grant, as described in the application and assessed in GPC/2021/01 DOC 03.
4. Approves an allocation from GPE trust funds for an ESPIG and a multiplier grant, as described in the application submitted and summarized in Table 1 in GPC/2021/01-03 4 (c), subject to:
 - a. Availability of funds.
 - b. Board decision BOD/2012/11-04 on commitment of trust funds for ESPIGs in annual installments.
 - c. Secretariat recommendations for funding, including (all amounts in US\$):

Table 1 - Lao PDR		
a.	ESPIG Maximum Country Allocation	7,500,000
b.	Multiplier Maximum Country Allocation	10,000,000
c.	Total Maximum Country Allocation	7,500,000
d.	Fixed Part	12,250,000
e.	Variable Part	5,250,000
f.	Allocation Requested (100%)	17,500,000 ¹
g.	Allocation Decision by GPC	17,500,000
h.	Grant Agent	World Bank
i.	Agency Fee % - Amount	1.75% - 306,250
j.	Period	5 years and 6 days
k.	Expected Start Date	May 24, 2021
l.	Variable Part Disbursement Modality	Ex-post
m.	Funding Source	GPE Fund

5. Requests the Trustee to withhold the transfer of funds until the condition set out in Annex A has been met.
6. Requests the Secretariat to:

¹ Includes US\$ 600,000 for the cost of the grant agent to perform its roles and responsibilities.

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| | <ul style="list-style-type: none">a. Include in its notification of grant approval to Lao PDR the condition, requests for report-back and observations set out in Annex A.b. Include an update on the issues listed as condition and report back in Annex A in the annual Grant Status Report in accordance with the specified timeline. |
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Annex A – GPC Observations, Report-Backs and Condition

Lao PDR	
Observations	<p>The Committee appreciates the proposal, which builds well on past interventions and lessons and addresses priorities in the Lao PDR education system of learning and equity.</p> <p>The Committee further notes that the program is crafted with careful attention to creating synergies with ESSDP interventions supported by various development partners. However, the challenge lies in implementation and ensuring that various trainings effectively lead to stronger capacities. It is noted that follow-up measures are proposed for this purpose, for example through ongoing monitoring/data collection as well as follow-up and mentoring by the District Education and Sports Bureau and Provincial Education and Sports Services.</p> <p>With regard to the School Based Management/School Block Grant component, given the significant investments by not only MOES and GPE but various partners over past and future years, the Committee positively notes the plans to evaluate the impact of the intervention before LEAP’s mid-term review.</p> <p>The Committee acknowledges efforts to start collecting data on the extent to which children with disabilities are included in the education system. Attention to disability in the ESPIG is appreciated, demonstrated by interventions such as, the childhood disability screening under the ECE component and inclusion via the promotion of Fundamental Quality Standards under the School Based Management. The committee encourages MOES and partners to make continued progress in ensuring children with disabilities have access to quality education.</p> <p>The Committee notes that the equity focus has been strengthened in the education sector plan (ESSDP) and LEAP, including in the variable part of the proposal, and that measures proposed in the program to enhance learning outcomes of ethnic children and supporting appear reasonable. Nevertheless, the Committee remains concerned about the situation of ethnic children and the country’s language policy, which is about assimilation rather than mother-tongue based instruction. This concern has been raised for many years, by the Committee in its</p>

	<p>comments on the previous program, by the Secretariat over the years, and by various development partners. Partners are encouraged to discuss concrete ways forward to be reflective to the country's ethnic and cultural diversity in the grant, and at the sector level, to discuss opportunities to provide mother-tongue based language instruction in the early grades.</p> <p>As for the equity dimension of the variable part, the Committee acknowledges the challenge of reallocating teachers (even within clusters) while the related target itself will incentivize districts to increase the number of schools with the number of teachers in line with the MOES norm. The Committee recommends that stakeholders reflect on how districts can prioritize schools facing the most acute teacher shortages, as the detailed design of the strategies and incentives are developed.</p> <p>The Committee positively notes the open and transparent process of ESSDP development and appraisal, including consultations with local level stakeholders and national education associations (such as the Non-Profit Associations). The Committee encourages continued strengthening of participation of national education associations in the sector dialogue (for example, through increased and enhanced representation in executive or technical-level Education Sector Working Group(s), as appropriate).</p>
Report-Backs	<p><i>For the government:</i></p> <p>It is noted that the COVID pandemic is delaying the availability of the medium-term fiscal framework (MTFF), which is needed for the ESSDP. As suggested in the MOES letter to the Secretariat, the Committee looks forward to receiving the revised ESSDP, once the MTFF is approved by the government.</p> <p><i>For the coordinating agencies:</i></p> <p>The Committee requests annual report-backs from the coordinating agencies on:</p> <ul style="list-style-type: none"> ▪ The national budget allocation to the sector and expenditure, including information on how the budget allocation and expenditure are monitored through the annual costed implementation plans, annual reports and joint sector review missions (JSRMs).

	<ul style="list-style-type: none"> ▪ The organization of JSRMs and their use of annual sector reports based on LESMIS platform. <p><i>For the grant agent:</i></p> <p>The Committee urges the grant agent, Ministry of Education and Sports, and development partners to explore pathways on how to reflect the ethnic and cultural diversity of the country in the implementation of the ESPIG/LEAP, and requests a report-back from the grant agent through its regular reports to the Secretariat.</p>
Conditions	<p>The Committee notes that the circumstances caused by the COVID-19 pandemic have further constrained the national budget and that as a result the government’s financial planning is delayed. The domestic financing requirement to gradually increase the share of domestic financing to education towards 20 percent or to show evidence of such commitment, as required by the GPE funding model, could therefore not be assessed and the grant funds will be withheld accordingly until such time when the government submits:</p> <ul style="list-style-type: none"> ▪ A written communication from the Ministry of Finance, the National Assembly Budget Committee or similar (i.e. an entity that has the responsibility to make budget allocation decisions) confirming a commitment to show a progressive increase in the percentage of domestic financing allocation to education starting in the first three years of the ESPIG, or in case the current percentage of domestic financing is to be maintained in the first three years, that this be sufficiently justified. ▪ The medium-term fiscal framework (MTFF), once available. <p>The Secretariat will assess the evidence of commitment to ensure it is satisfactory before releasing the grant funds. In case the commitment is to maintain the current level of domestic financing rather than to increase, the assessment of the justification will be deferred to the Committee.</p>

Annex B – Secretariat quality assurance review phase III report

QUALITY ASSURANCE REVIEW – PHASE 3

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Education Sector Program Implementation Grant + Multiplier Grant

Total Program Cost: US\$47.5 million, of which

GPE: US\$17.5 million; **and World Bank:** US\$30 million

Proposed GPE Grant Amount: US\$17.5 million

Fixed Part: US\$12.25 million, of which US\$600,000 for Grant Agent's Implementation Support Costs;

Variable Part: US\$5.25 million

Implementation period: 5 years and 19 days

Projected implementation start date: May 24, 2021

Grant Agent: World Bank

1. BACKGROUND AND EDUCATION SECTOR OVERVIEW

1.1. COUNTRY BACKGROUND

Lao People's Democratic Republic (Lao PDR) is a landlocked state in Southeast Asia, bordering Thailand, Cambodia, Myanmar and China. Despite having a fast-growing economy, it remains one of the poorest countries in the region. While the country's gross domestic product (GDP) per capita grew twofold from 2010 to 2019, economic growth was slower in the later years until 2019.¹ The COVID-19 pandemic has severely affected economic growth, which is estimated to decline to -0.6 to -2.4 percent in 2020.² The unemployment rate rose to 25 percent in May 2020, from 16 percent at the end of 2019. Lao PDR's debt distress risk has been rated as high by the International Monetary Fund since 2017. Due to COVID-19, the fiscal deficit in 2020 is expected to increase to between 7.5 and 8.8 percent of GDP, from 5.1 percent of GDP in 2019.³

Lao PDR is a one-party state, ruled by the Lao People's Revolutionary Party since 1975. As the United Nations Special Rapporteur noted in 2019, the recent economic growth relying on large infrastructure projects, land acquisition, and foreign investment has generated large debt repayment obligations and has "disproportionately benefited wealthy elites." The land transfer

¹ World Bank and OECD stats, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=LA>

² <https://www.worldbank.org/en/country/lao/overview>

³ <https://www.worldbank.org/en/country/lao/publication/covid-19-to-impact-lao-pdr-growth-debt-in-2020-new-world-bank-report>

from private households to companies has increased the number of landless people. Almost a quarter of the population lives in poverty, and an estimated 80 percent live on less than US\$2.50 per day.⁴ The urban poverty rate is 7 percent, and the rural poverty rate is nearly 24 percent.⁵ The ratio of poverty reduction to economic growth has been lower in Lao PDR than in other countries in the region, and inequality is projected to rise.

Lao PDR is the most ethnically diverse country in Southeast Asia, with 50 ethnic groups classified under four main ethnolinguistic families.⁶ Ethnic minorities struggle from higher poverty incidence than the majority Lao-Tai group due to differences in education levels, amount of land owned, income sources, access to electricity, and other economic opportunities.

Lao People’s Democratic Republic	
Population	7,169,455 (2019, UN Population Division)
Human Development Index Ranking	140 out of 189 countries (2019, HDR 2019)
Learning-adjusted Years of School	Boys: 6.2, Girls: 6.3 (2020, HCP Country Brief)
GDP	US\$18.174 billion (2019, WB and OECD)
GDP per capita (current US\$)	US\$2,535 (2019, WB and OECD)
World Bank Income Classification Level	Lower-Middle Income (2020, World Bank)

1.2. EDUCATION SECTOR OVERVIEW

Lao PDR joined GPE in March 2009, following the endorsement of the Education Sector Development Framework 2009–2015. The country further developed an Education Sector Development Plan (ESDP) 2011–2015, and its successor ESDP 2016–2020.

Access to Early Childhood Education (ECE) services has been steadily improving, with the percentage of 5-year-olds enrolled increasing from 66.0 percent in 2014–15 to 82.7 percent in 2019–20. Primary (grades 1 to 5) net enrollment rate (NER) was 98.9 percent, and lower secondary (grades 6 to 9) gross enrollment rate (GER) was 83.3 percent in 2019–20. Upper secondary GER was 54.8 percent in 2019–20, up from 47.8 percent in 2015–16. The new Education Sector Strategic Development Plan (ESSDP) 2021–25 focuses on reducing disparities amongst

⁴ <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=24710&LangID=E>

⁵ Program Document, page 6

⁶ <https://laos.opendevlopmentmekong.net/topics/ethnic-minorities-and-indigenous-people/>

girls and boys, ethnic groups, and rich and poor, particularly across disadvantaged districts. New curricula are being incrementally introduced for pre-primary, primary and secondary education and teachers are progressively being trained in their implementation, with the goal of improving learning outcomes.

After the first Coronavirus Disease of 2019 (COVID-19) case was reported in Lao PDR, schools closed on March 19, 2020, partly reopened in May, and fully reopened in June, just in time for final examinations to be conducted in July and August. Still, this closing and slow reopening disrupted the learning of 1,708,501 students enrolled in the pre-primary, primary, secondary, and tertiary as well as technical-vocational schools and other educational institutions throughout the country for the school year 2019–2020. Without effective remedial action, students in Lao PDR are expected to lose around 0.2 learning adjusted years of schooling, and up to 8 percent of students between ages 6 and 18 are expected to drop out of school because of the pandemic.⁷

1.2.1. Equity:

There is gender parity in enrollment at the national level for the ECE, primary and lower secondary sub-sectors, although sub-national disparities remain (Gender Parity Index in GER for 5 year-olds, primary and lower secondary education in 2019–20 is 1, 0.98, and 0.97 respectively⁸). More boys than girls repeat grades and drop out in primary education (Repetition boys: 3.8 percent, girls: 2.4 percent. Dropout boys: 4.9 and girls: 3.7 percent), and the trend is the same at the lower secondary level, with boys' repetition rates three times higher than that of girls. Disparity against girls appears at the upper secondary level, with a gender parity index in GER of 0.9 in 2019–20. Indeed, at the upper secondary level, parity has been achieved in only 50 of 148 districts⁹. The ESDP 2018 Mid-Term Review (MTR) states that more research is needed to better understand factors behind gender disparities at the higher secondary level. While national-level gender disparities are disappearing, gender biases permeating the system may be affecting girls' and boys' education experiences and career choices. Female enrolment in "non-traditional" areas such as construction, automotive repairs and furniture making in TVET are still low despite quotas, and research has indicated that teachers generally provide less opportunities for girls to participate in classes.¹⁰

Children from disadvantaged groups (language, poverty etc.) participate in ECE at lower rates. Nearly all (91 percent) of primary entrants in Vientiane capital have attended ECE, while only 57

⁷ Program Document, p. 12. LAYS is the product of the quantity of schooling for the average person times the average learning during those years. For more details, see [Filmer et al. \(2018\)](#). These projections are based on simulations using the World Bank Simulation Tool (Acevedo et al. 2020).

⁸ Source: MOES, Annual School Census 2019-2020

⁹ Source: MOES, Mid-Term Review, 2018

¹⁰ Source: MOES, MTR 2018 and World Bank, SABER 2017 cited in Program Document

percent have attended ECE in Saravan Province. In the 40 districts identified as priority by the Ministry of Education and Sports (MOES), ECE enrollment of 5-year old's is 76 percent, compared to 82 percent nationally. The disability prevalence for the general population is between 2.8 percent and 12.7 percent, depending on how disabilities are defined. Given the Education Management and Information System (EMIS) does not yet collect disability data, the extent to which children with disabilities are included in the education system is unknown. The ESSDP underscores the intent to remedy this gap and improve education access and outcomes for children with disabilities.

According to the Lao Social Indicator Survey 2017, 90 percent of primary-school-age children attend school, and another 2 percent attend ECE, leaving 8 percent of primary-school-aged children outside of the formal education system. The percentage increases in higher levels of education, with 19 percent of the lower secondary and 38 percent of upper secondary-age children out of school.¹¹ Inequities in access are evident across ethnic groups, with 94 percent of Lao-Tai children attending primary schools, compared to 83 percent for Mon-Khmer, 87 percent for Chinese-Tibetan and 88 percent for Hmong-Mien ethnicities.¹² Just 78 percent of the poorest-quintile children attend primary school, in contrast to 97 percent for the richest quintile. Only 28 percent of children from the poorest quintile attend lower secondary education, while over 90 percent of children from the wealthiest quintile attend.

MOES has identified 40 disadvantaged districts within the ESSDP, considering social development and education indicators. ESSDP pays special attention to strategies aiming to reduce disparities, including financial incentives, training teachers on multi-grade teaching, continuation of school meals in food-insecure areas, and revision of district operational budgets so that they can better support small and remote schools. Twenty-seven percent of classes in the primary sub-sector are multi-grade, creating additional challenges for teachers and students.

1.2.2. Learning outcomes:

Assessment of Lao Student Outcomes (ASLO) 2017 at grade 3 indicated poor learning outcomes. In Lao language, 34 percent of grade 3 students were judged ready for promotion to grade 4, while up to another 24 percent could be promoted if they received intensive remedial teaching. On average, as many as 42 percent of grade 3 students had not mastered skills taught in grades 1 and 2. In mathematics, 18 percent of students were qualified for promotion to grade 4, and another 19 percent could be promoted with remedial teaching. An

¹¹ Source: UNICEF, Lao Social Indicator Survey II (LSIS-II), 2017

¹² Source: UNICEF, Lao Social Indicator Survey II (LSIS-II), 2017

additional 13 percent scored very low, with limited understanding of the grade 1 math content. Students from Vientiane Capital, Sayaboury and Luangprabang provinces performed better than others, and those from Sekong, Houaphan and Saysomboun lagged behind students of other provinces. Girls scored higher than boys in Lao language nationally, and while there was no significant gender difference for math, there was a difference in favor of boys in two provinces. Although the ASLO 2012 and 2017 results cannot be compared because of a change in the test content and methods, future ASLOs (e.g. 2022) will be linked, therefore enabling proper comparison over time.

A World Bank study in 2016 found that grade 4 teachers had mastered only about half of the content they are teaching, and their pedagogical skills were inadequate.¹³ Quality of pre-service and in-service training is also mentioned as an issue in the 2018 mid-term review (MTR) report, although efforts have been ongoing to strengthen these. A major challenge to ensure higher completion and improved learning is the large proportion (38 percent) of children who cannot speak or understand Lao language when they begin primary school, as it is the language of instruction from pre-primary onwards.¹⁴ As ASLO 2017 showed, even at grade 3, slightly less than half of all students do not have sufficient Lao oral language and listening skills to be ready to understand the stories they have listened to. The mean scores in Lao language and mathematics were significantly higher for Lao-Tai students than for Hmong-Mien students¹⁵

1.2.3. Efficiency:

Primary repetition rates have fallen from 4.8 percent in 2015-16 to 3.1 percent in 2019-20, but some areas still have high rates (over 5 percent in 26 out of 148 districts). Drop-out rates also declined slightly from 4.7 percent to 4.3 percent in the same period. The previously high grade 1 repetition rates have seen a large drop from 11.5 percent to 6.3 percent. However, in Sekong province, 22 percent of children repeat grade 1, followed by 13.8 percent in Attapeu.¹⁶ Moreover, grade 1 drop-out rates remain high at 6.4 percent in 2019-20. The 2018 MTR notes that these repetition and dropout rates from grade 1 are an indication of the effectiveness (or lack thereof) of ECE and early literacy strategies. And while the progressive promotion policy has likely reduced repetition and dropout rates, it is recognized that more information is needed on further improving efficiency.

¹³ Source: MOES, MTR 2018

¹⁴ Source: MOES, ESSDP 2021-2025

¹⁵ The mean score for Lao language of grade 3 Lao-Tai students in ASLO 2017 was 524, compared to 453 for Hmong-Mien. In mathematics, this was 537 and 489 respectively.

¹⁶ Source: MOES, Annual School Census 2019-2020

Inefficiency and inequity in teacher deployment were described as the major challenges in the 2018 MTR, with many primary schools having an under-supply of teachers and some having an over-supply. The consequence of this inefficiency is a high number of volunteer teachers as sub-national levels try to fill this gap. Ten percent of the primary teachers are volunteer (unpaid) teachers.¹⁷ Similar to many countries, rural and remote schools suffer from a shortage of qualified teachers. Teachers' level of education and completion of professional training are relatively homogenous; 85 percent of teachers have either a diploma or an advanced diploma from a Teacher Education Institution (TEI).¹⁸

1.2.4. Monitoring of Sector Performance:

The local education group, known as the Education Sector Working Group (ESWG) is chaired by MOES, and co-led by the EU and DFAT. The co-coordinating agencies (CAs) having specific coordination responsibilities around GPE grants and processes are UNICEF and DFAT, as the Lao PDR partners preferred this arrangement rather than the LEG co-chairs serving as the CA. The ESWG consists of an executive-level ESWG (chaired by the Minister and co-chaired by Ambassadors) and a technical-level ESWG. Five focal groups (ECE, general education, post-secondary education, education and sports management and administration, education and research) allow the ESWG to have more technical and detailed discussions. Development partners in the ESWG are: DFAT, EU, JICA, Swiss Development Cooperation, UNFPA, UNICEF, World Bank, World Food Program, Child Fund, Hand of Hope, Lux Development, Save the Children, World Vision, Humanity and Inclusion and Plan International. ESWG partners have all endorsed the ESSDP and the ESPIG. Besides international NGOs, civil society participation in the ESWG is fairly limited due to the country's political stance. All Lao groups are required to register as "non-profit associations" (NPAs) and, along with INGOs, are highly regulated and comprehensively monitored. NPAs in the education sector are still at a nascent stage and participate in technical-level ESWG meetings and some focal groups. They are active around the issue of inclusion and children with disabilities and have endorsed the ESSDP.

The sector monitoring process is being strengthened. The EU and UNICEF have provided funds to strengthen data quality, management and utilization. The M&E framework in the country has been fragmented and data is not systematically used to inform policy. This support includes strengthening of the Lao PDR Education and Sports Management Information System (LES MIS) (also ESSDP high-level outcome 10) and the ongoing situation analysis of M&E in the education sector that resulted in the M&E framework of the new ESSDP. The 2018 MTR had pointed out the discordance between the different monitoring tools (such as the Annual Sector Performance

¹⁷ Source: MOES, Annual School Census 2019-2020

¹⁸ Source: World Bank, SABER Service Delivery

Reports produced by the Department of Planning and the M&E Framework Updates produced by the Department of Inspection), processes and their timing, as well as the necessity to come up with an alternative to the discontinued Joint Sector Review Missions (JSRM). Indeed, the lack of JSRM created a void in terms of space to discuss policy successes and bottlenecks. Over the past years, the GPE Secretariat has underscored the importance of establishing a joint monitoring mechanism based on annual reports/plans, as well as the development and use of a clear results framework, which the previous plan lacked. The new ESSDP proposes the reestablishment of the JSRM, alongside a detailed results framework and an M&E framework with clarity on how various planning and reporting processes and tools fit.

2. FIXED PART REQUIREMENTS

2.1. Requirement 1: A credible, endorsed Education Sector Plan (ESP)

The current ESSDP development process represents an important progress in the context of Lao PDR, as an independent appraisal commissioned by DPs was carried out and used for finalization and endorsement. For the last ESSDP, this GPE-recommended plan appraisal and endorsement process was not followed. In August 2020,¹⁹ Lao PDR submitted its newest sector plan, 9th ESSDP 2021–2025 to the GPE Secretariat. The ESSDP is aligned with the 9th National Socio-Economic Development Plan 2021–2025, and its development was led by the Division of Planning, MOES. Regional and sub-sectoral consultations fed into its development, including relevant government departments, development partners (DPs), NPAs and voluntary associations. Several sub-national consultations served to reflect views of provincial and district education bureaus, teachers and principals in the ESSDP. The Secretariat and DPs provided initial comments in June 2020, and the independent appraisal was conducted in July 2020. In response to the appraisal, the relevance of the policies and programs was strengthened through the systematic inclusion of evidence across all high-level objectives, and the inclusion of the results chain. The financial framework was also strengthened, as was the monitoring framework. The ESSDP was presented and endorsed by the executive-level ESG on August 18, 2020 (as the executive-level ESG includes the MOES, this signifies that the MOES approved the ESSDP). The plan was also presented at MOES' Annual Education Conference in late August.

ESSDP's financial framework is yet to be finalized given that the medium-term fiscal framework (MTFF) 2021–2025 produced by the Ministry of Finance (MoF) is delayed due to COVID-19. For this reason, the ESSDP includes two financing scenarios ("steady state" and "enhanced quality"). As a letter from the Minister to GPE from October 2020 mentions, once the MTFF is available, MOES

¹⁹ The country requested and was provided with two extensions, mainly due to COVID-19 delays.

will seek advice from MoF and commits to updating the ESSDP financing plan, with an ESSDP resubmitted to the GPE Secretariat. Lao PDR produces annual costed action plans. The 2021 annual costed sector plan should become available by the end of December 2020. There has been some delay in preparing it due to the planning and budgeting management information system (PBMS) being used for the first time.

Conclusion: *The Secretariat deems that Requirement 1 is met, with the suggestion that GPC requests a report back from the CA on the status of the ESSDP adjustment once the MTF becomes available.*

2.2. Requirement 2: Evidence of commitment to ESP or Transitional Education Plan (TEP) and its financing.

This is the first ESP application from Lao PDR under the current funding model. The Lao government has formally stated its commitment to increase the education share of the national budget in the 2007 Education Law, advising that 18 percent of the national budget be allocated towards education. However, according to the submitted financing matrix, the share of education expenditure as part of total public expenditures (excluding debt service) has been hovering around 13 and 14 percent in the past few years. This said, it is to be noted that the recurrent budget has represented around 19–20 percent of the national recurrent budget between 2013 and 2019, up from 14 percent in 2008.

Regarding future commitments to increase the share of the national budget allocated to education, despite efforts from MOES to provide data, the domestic financing matrix is currently incomplete as the future target values need to be adjusted due to COVID-19. The financial plan in the new ESSDP was based on the 2020 allocated budget since the MTF 2021–2025 needed readjustment following the COVID outbreak. However, in the meantime the 2020 budget was revised downwards for all sectors including education, making the projections (baseline) obsolete. While the original 2020 total government budget was cut by 7 percent, education saw a 5 percent cut. The MTF 2021–2025 has now been revised, but its finalization may take a few months, due to the National Assembly's recommendation to the MOF to consult provincial governors.

Over the past years, the Secretariat has been encouraging the MOES and DPs to work together to identify actions that could lead to a future budget increase (including joint advocacy by MOES and DPs to the MoF). Discussions were facilitated by the World Bank and UNICEF in 2019 to increase investments in education (and in the social sector more broadly), and there were plans to continue this work in 2020, although currently stalled due to COVID-19.

As per the UNESCO Institute for Statistics (UIS), the gross intake ratio (GIR) into the last grade of primary (grade 5) is 92.2 percent in 2019. As Lao PDR's primary education duration is five years, the estimated GIR in the first grade of lower secondary will be used as a proxy for grade 6 GIR. The Secretariat estimates this to be over 90 percent using available enrollment data and population estimates.²⁰ Based on the Secretariat's estimate, the sub-requirement on financing for primary education is not applicable.

Conclusion: *The requirement cannot be fully assessed as there are no future projections at this time due to the ongoing revision of the MTF in light of COVID. The Secretariat recommends that the Grants and Performance Committee approve the grant on the condition that the final revised MTF or a commitment letter from a government entity responsible for budget allocation/approval shows a progressive annual increase in the percentage of domestic financing allocation to education during the first three years of the ESPIG, or that the current percentage of domestic financing is maintained throughout the first three years if needed and if sufficiently justified.*

2.3 Requirement 3: Availability of Data.

Regarding sector analysis, a comprehensive MTR of the ESDP 2016–20 was completed in 2018 to inform the development of the ESSDP 2021–25. The MTR was enriched by the 2017 Lao Social Indicators Survey which provided broader demographic information unavailable in the EMIS. The MTR includes good analysis, including of equity (data and analysis by gender, regions, Lao/non-Lao language speakers) with better data disaggregation (broken down to the district level) and deeper analysis than past analyses from the country.

Multiple education information systems are in place, including the EMIS, personnel management information systems (PMIS), financial management information system (FMIS) and teacher management and information system (TMIS). Challenges remain around the availability and use of education data. MOES is addressing these under Outcome 10 of the ESSDP, focusing on evidence-based policy development. Strategies include linking the various information systems to better inform medium-term plans, strategies, annual budget allocations and more timely reports; and developing a regulatory framework to manage access and reporting of information once these databases are linked. As mentioned earlier, there is also scope for strengthening the joint monitoring mechanism, linking with the annual sector performance report and other existing MOES monitoring mechanisms and tools.

²⁰ 11-year-olds are estimated to be between 24.9 percent and 25.1 percent of the 11-14-year-old population. Applying this to the 2019-2020 school data, a GIR of 93 percent for grade 6 is obtained.

The most recent data provided by Lao PDR to UIS is for 2019, except for financial data for which 2014 is the latest data published.²¹ According to the 2018 GPE results framework, which looks at whether countries reported data for 2016, Lao PDR reported 9 out of 12 indicators to UIS. MOES has also implemented several national learning assessments (ASLO) of grade 3, 5 and 9 since 2006, and participated in a regional learning assessment (South East Asia Primary Learning Metrics) of grade 5 in 2019. ESSDP 2021-25 includes a commitment to develop a budget line and an action plan for undertaking more regular learning outcome assessments at primary and secondary levels, including ASLO plans for the upcoming years.

Conclusion: *The Secretariat deems that Requirement 3 is met.*

3. ESPIG

3.1. PAST ESPIG PERFORMANCE, IF APPLICABLE

Lao PDR has received two ESPIGs (called GPE I and GPE II) and a COVID-19 accelerated funding grant, of which two (COVID-19 and GPE II) are ongoing.

GPE I (Fast Track Initiative) ESPIG, US\$28.27 million, World Bank as GA, 2010–2014

GPE II ESPIG, US\$16.80 million, World Bank as Grant Agent, 2015 to December 31, 2020,²² 98.6 percent disbursement rate as of October 2020;

- Outcomes Rating: Moderately Satisfactory (Implementation Status Report June 2020);
- Main objective: To support the Government of Lao PDR in improving pre-primary and primary education quality. This is done by:
 - providing additional funding to school, district and provincial levels as school block grants, as well as strengthening overall capacity to manage these resources to achieve minimum education quality standards and,
 - enhancing the teaching and learning environment in schools through improved teaching practices, instructional resources and analytical products to support early grade literacy.

Given that the program is ongoing with some activities delayed as COVID-19 led to school closures, its full impact is yet to be assessed. In addition, a restructuring is under way to extend the program duration by half a year to compensate for COVID-related school closure. This will allow for an evaluation endline assessment to measure the impact of the Reading Readiness

²¹ The latest financial data submitted to the UIS is 2015/16. As Lao PDR's budget law requires reporting by budget chapters, it takes time to receive data from the provinces and consolidate them according to UIS requirements.

²² Closing extended from July 2019 to December 2020. Another extension to mid-2021 is currently under way.

Program to be carried out, as well as a reallocation of funds to the SBG to support COVID-19 response in schools (aligned with the COVID-19 AF grant from GPE). Key achievements reported to date are strengthened School Based Management, more District Education Offices using the Financing Reporting System, and SBGs being useful and allowing for flexibility to address local schools' needs.

COVID-19 Accelerated Funding Grant, US\$7 million, UNICEF as Grant Agent, June 2020-December 2021

Outcomes Rating: Moderately Satisfactory (October 31, 2020 quarterly survey)

Based on MOES' COVID-19 response plan, this grant funds activities such as:

- Provision of hygiene and cleaning kits for schools;
- Developing an online and offline teaching and learning platform and training materials for teachers to effectively support remote learning; and
- Developing a catch-up (remedial) program for children lagging behind.

Activities implemented to date include: Back-to-School campaign; surveys targeting students, teachers and parents to inform other COVID-19 interventions, and identification of target schools for WASH in school interventions. A digital teaching and learning platform for use by both students and teachers has been developed, based on UNICEF's global Learning Passport platform. Printing of textbooks and learning materials is ongoing, for distribution to over 750,000 students.

4.2 ESPIG DESCRIPTION

The objectives of **GPE III: Learning and Equity Acceleration Project (LEAP)** are to *improve learning outcomes in primary grades in target districts and strengthen teacher and system performance in Lao PDR*. To reach this objective, the program has three main components:

- 1) Prepared and Motivated Learners
- 2) Prepared and Motivated Teachers
- 3) Effective School Governance for Improving Teaching and Learning.

LEAP is a co-financed program that combines World Bank's IDA (US\$30 million) with the ESPIG (US\$7.5 million) and Multiplier grant (US\$10 million). Components 1 and 3 continue interventions from the World Bank-supported Early Childhood Education (ECE) Project (US\$28 million, 2014-2020) as well as the previous ESPIG, whereas Component 2 has new interventions. Component 1 uses an Investment Project Financing (IPF) modality. Components 2 and 3 use IPF as well as a result-based financing (RBF) approach using performance-based conditions (PBCs) as the Variable Part (VP). While the Variable Part supports the same strategies/objectives as the Fixed Part, its targets are placed further along the results chain toward outcomes.

The program has a nationwide focus for some interventions (guidelines and mandatory teacher training) and a provincial and district-level and ECE center or school-level focus for others, primarily concentrated on MOES’ 40 priority districts. The program will benefit students in early childhood settings (ages 3-5 years) and primary schools (350,000) and teachers nationwide (30,000).

The grant modality and the areas of investment were discussed and agreed upon through a consultative process among the MOES, World Bank as grant agent (GA) and the ESWG. A Coordination Committee involving MOES, DFAT, European Union, JICA, UNICEF and the World Bank steered program development. Following the Stakeholder Engagement Plan developed by the GA specialist, consultations were held at the central and provincial/district levels, including with teachers as primary stakeholders. The ESWG was also fully consulted and endorsed the selection of the GA. The GA was selected through a process in line with the GA selection guidelines and was conducted during the development of the EOI for the Multiplier.

Table A: ESPIG Components and Costs

Amounts in millions	GPE Financing US\$	percent of total GPE	World Bank Financing US\$	Total Amount US\$	percent of total
Total MCA	17.50		30.00	47.50	
Program Component					
1 Prepared and Motivated Learners	-	0%	8.73	8.73	18.38%
1.1 Child community development groups (CCDG)	-	-	4.79	4.79	
1.2 Multiage teaching (MAT)	-	-	1.03	1.03	
1.3 Development of Play-Based Contents and Activities for 3- and 4-year-olds	-	-	.08	.08	
1.4 Reading Readiness Program (RRP)	-	-	2.36	2.36	
1.5 Childhood disability screening	-	-	.47	.47	
2 Prepared and Motivated Teachers	15.65	89.43%	2.52	18.17	38.25%
2.1 Improving the quality of teacher professional development	11.65	-	1.30	12.95	
VP (PBC3): Learning <i>Improved teaching for students in the early grades</i>	2.50	-	-	2.50	

2.2 Improving teacher management	-		1.22	1.22	
VP (PBC1): Equity <i>Reduce disparities in teacher availability across schools in priority districts</i>	1.50	-	-	1.50	
Effective Governance for	1.25	7.14%	18.75	20.00	42%
3 Improving Teaching and Learning					
3.1 Effective School Governance	-	-	14.19	14.19	
3.2 Project Management and Monitoring and Evaluation	-	-	4.56	4.56	
VP (PBC2): Efficiency <i>Better data for efficient decision-making</i>	1.25	-	-	1.25	
Grant Agent's Implementation Support Costs*	.60	3.43%		.60	1.26%
Sub-total of Components	11.65	70%			
Sub-total Variable Part	5.25	30%			
GRAND TOTAL (with Grant Agent's Implementation Support Costs)	17.50	100%	30	47.50	100%
Agency Fees**	.30625***				

* Include Grant Agent's direct costs, such as Program Management, Administrative and other direct implementation costs.

** Agency Fee is not included in the MCA and is calculated as a percentage rate (agreed with each GA) from the Total Fixed Part and Variable Part.

*** Agency fees for the Multiplier grant are US\$175,000 and for the ESPIG US\$131,250.

4.3 ASSESSMENT OF THE PROGRAM DOCUMENT

The main recommendations from the Quality Assurance Review Phase II (QAR II) included providing more information on how the program would address the disparities outlined in the previous ESP, its MTR and the Lao Social Indicators Survey, and ensuring alignment to the ESSDP (which at the time was not finalized). QAR II also requested more evidence to justify the continued investment for certain interventions (such as multiage teaching (MAT) and child community development groups (CCDG)), provide further information on the large school block grant (SBG) investments, and clarify the use of country systems. All QAR II recommendations are addressed in the final program document.

LEAP's **program design** responds well to the challenges of the sector, notably poor learning outcomes, high grade 1 repetition and drop-out, inequitable teacher allocations and poor pedagogy, lack of capacity in management and governance, sub-national disparities, and

hence directly contributes to ESSDP objectives. The program is well crafted, results-focused and evidence-based. Its components are strongly aligned with GPE strategic goals of improved learning and efficiency, with an equity focus cutting across interventions. The program theory of change²³, is concise yet plausible. Supporting evidence is drawn from extensive prior experience in the sub-sectors, from impact evaluations, national learning assessments and international research.²⁴ The program also builds on experience from the World Bank ECE program and GPE II; lessons learned from various interventions (RRP, MAT, CCDG, SBGs) have fed into the program for their continuation or scale-up. For example, previous monitoring results suggested that both the CCDG and MAT programs have been effective in improving learning outcomes.²⁵ The program also considers how each component relates to one another and how they can build on the country's COVID-19 response.²⁶

Most of the GPE funds for the Fixed Part will support component 2 on teachers, which supports teachers' professional development. This includes trainings on how to teach the new grade 1-3 curriculum and a more equitable teacher allocation. Lessons learned from past teacher-related programs in the country and outside were considered, in identifying areas of training for the Master and Provincial Trainers, planning for peer-to-peer support to complement in-person trainings etc. QAR phase II recommended to clarify whether and how the issues of out-of-school children (OOSC) and ethnic teachers are addressed. Component 1 will help out-of-school children access ECE, and also reduce future dropouts through improved school readiness. Moreover, the 40 target districts have higher repetition and dropout rates than other districts, so the various interventions will also be helpful in reducing OOSC. While mother tongue-based instruction is not possible in the context of Lao PDR, ethnic teachers will receive enhanced training on the new curriculum²⁷ so that they can better support ethnic children to learn Lao language. The program will also hire an ethnic group development specialist to promote cultural sensitivity in teaching methods and materials. It is worthwhile noting that LEAP further echoes the ESSDP concern on children with disabilities, specifically through the childhood disability screening under the ECE component. While gender gaps in key education indicators are small in Lao PDR, the program includes interventions to reduce gender biases in the

²³ That strong school systems will lead to better trained and motivated teachers, leading to better learning, starting from the early years of a child's education path (before Grade 1).

²⁴ For example, the program draws on international research, such as World Bank research on student learning and evaluations on pre-service and in-service training.

²⁵ When examining the midline impact evaluation results by children's demographic characteristics, results show that the CCDGs were particularly beneficial for 4-year-olds and those in socioeconomic status quintiles 2 and 3.

²⁶ Lao PDR received the COVID-19 Accelerated Funding Grant in June 2020 for US\$7 million.

²⁷ As part of Component 2, enhanced material will be developed to train ethnic teachers on the new curriculum for Grade 1 to Grade 3. This activity is also reflected in the Results Framework by monitoring the percentage of non-Lao-Tai speaking teachers who received training in the new curriculum with this enhanced material.

classroom and increase advocacy for gender equality. Classroom observations, community campaigns, and conducting a gender analysis in the beneficiary assessment are among the actions included. LEAP will not use GPE funds to support for-profit provision or not-for-profit non-state provision of core education services.

Using IDA funds, LEAP proposes to continue SBM and SBGs previously supported through GPE II. To date, SBGs have shown to have the flexibility to address schools' immediate needs (such as addressing COVID-19 related school closures and openings) and there is anecdotal evidence of SBGs positively improving quality of schools. However, an impact evaluation is planned in LEAP to have clear evidence of SBGs' effect on student outcomes and on reducing learning disparities. SBGs are clearly important in ensuring schools have the capacity to analyze the teaching and learning needs and resources to respond to the gaps. Based on lessons from GPE II, targeting of SBGs will be more equity-focused under GPE III, as students in disadvantaged districts will receive more funds, and timeliness of SBG delivery will be improved. As the program document suggests, the proposed mid-term evaluation will be instrumental in adjusting the mechanism to maximize impact on students, but bringing the timing forward could be beneficial, given that SBM/SBG have been implemented since before GPE II.

The LEAP **program budget** includes unit costs and quantities that are based on similar prior interventions and are reasonable. The distribution of financing across the components seems to indicate that priority is given to governance factors (component 3, particularly to SBGs) but this is well justified as strong investments are needed in schools to support component 1 (learners) and component 2 (teachers). Close to 90 percent of the GPE funds will support the teacher component. Supervision costs are at 3.4 percent of the total grant amount and in line with GPE guidance, given the program duration and country classification.²⁸

In terms of **M&E**, LEAP will build on GPE II's M&E mechanism, including better alignment of management, building staff capacity for M&E, improving the system of classroom assessments, building a system to promote school accountability by disclosing credible and reliable data, and routine dissemination and discussion of findings through the ESWG. The M&E plan includes information on the frequency of data collection, data sources and responsible units and departments at MOES. As under GPE I and II, the ESWG will participate in the project steering committee to provide policy and strategy guidance, make key decisions on complex implementation issues, and review implementation progress and results. The program M&E framework is aligned with that of the ESSDP M&E framework, and the program development

²⁸ N.B. Lao PDR is classified as a fragile state. FY21 List of Fragile and Conflict-affected Situations, World Bank <http://pubdocs.worldbank.org/en/888211594267968803/FCList-FY21.pdf>

objectives and intermediate indicators reflect indicators for the first three of the anticipated eight high-level outcomes of the ESSDP.²⁹

Regarding **Fiduciary, Implementation Arrangements, and Readiness**, the implementation arrangements are fully described, clear, and reflect the breadth of experience and familiarity in the sector with both GPE- and World Bank-supported interventions (given prior GPE I and GPE II experience with World Bank as grant agent). For instance, disbursement and funds flow procedures are based on existing and familiar systems used in GPE II. The education coordination unit (ECU) within the MOES (ministry staff receiving government salary) will provide overall coordination for the project. ECU also coordinates GPE COVID-19 funds and other development partner projects with the Asian Development Bank (ADB) and UNICEF. An implementation support plan complements the main implementation plan and describes how the implementing units' capacity will be strengthened via technical and professional development and revised operating, financial and program implementation manuals. The program period of five years appears realistic.

LEAP identifies the main **risks to the program and provides relevant mitigation measures**. While the overall risk is *moderate*, the highest rated internal risk is the macroeconomic risk related to weak fiscal capacity, which may affect the disbursement of SBGs if there are more reductions in the non-salary operational budget. In addition, the program identifies the COVID-19 pandemic as the main external risk (the impact of which is yet to be measured as the full effects are still unknown). While these two risks are external to the program, mitigation measures are still proposed, such as including a transition period to gradually reduce the program's contribution towards SBGs and make them sustainable over the medium term, having the World Bank take up the broader context of macroeconomic stability and working closely with MOES to provide emergency response to minimize implementation delays related to COVID-19.

While financial **sustainability** is a challenge because of the scarce resources in MOES (as mentioned in the ESSDP and the program document), the program design includes measures to increase the sustainability of the interventions (such as incorporating the reading readiness program and multiage teaching into the curriculum) and includes capacity building and transfer of managerial and technical skills to increase the likelihood of continuing the approaches beyond program duration. In addition, as the program will continue or build upon ongoing interventions, there is clear data on where unit costs can be lowered and investments

²⁹ As mentioned earlier, due to COVID-19, the MTFE is not available from the MoF thus, targets in ESSDP are indicative and will be updated after the MTFE becomes available.

can be optimized. Last, the World Bank will support a Public Expenditure Review during the life of the program to further enhance the use of funds and the sustainability of the sector.

The program’s degree of **Aid Effectiveness** is stronger than that of GPE II. Since its inception, there has been a high degree of country ownership, both from the government and from development partners (and ESWG), partly because of the well-grounded nature of the program and its legacy of continuity and consistency from similar prior interventions. Although it does not use the same mechanism, there is a high degree of synergy with other development partner support such as JICA, Basic Education Quality and Access in Lao PDR (BEQUAL), EU and UNICEF. LEAP/GPE III has further evolved from GPE II by providing more aligned assistance, through use of country procurement rules in GPE III versus World Bank procurement rules in GPE II. In terms of use of national Public Financial Management systems, the budget is part of the voted national budget, and while the Variable Part uses national accounting and auditing systems, this was not yet possible for the Fixed Part due to grant agent assessment.

4. VARIABLE PART

4.1. Description of the variable part

30 percent of the total GPE financing of US\$17.5 million is proposed for the Variable Part using three PBCs totaling US\$5.25 million.³⁰ Heavier weightage is put on the learning dimension, with 47 percent of the total VP allocation, compared to 28 percent for the equity and 24 percent for the efficiency dimension.

VP	Strategy	Indicator	Targets and funding
(PBC 1) Equity			
Subcomponent 2.2	<i>Reduce disparities in teacher availability across schools in priority districts</i>	Districts that are compliant with teacher allocation protocols	<p>Year 2. Existing Ministry Decree is revised to enhance the regulations for teacher allocation and introduce an incentive plan. (US\$ 1 million)</p> <p>Year 4. 10 districts out of the 40 priority districts have 30 percent of government primary schools with enough teachers based on the set criteria. (US\$500,000)</p> <p>Total: US\$1.5 million</p>
(PBC 2) Efficiency			

³⁰ Out of the US\$5.25 million, US\$2.25 is funded through the Maximum Country Allocation and US\$3 million is funded through the GPE Multiplier.

Subcomponent 3.2	<i>Better data for efficient decision-making</i>	Improved data quality, management and utilization for monitoring and planning	<p>Year 1. The LESMIS platform becomes operational, pulling together data from various MOES databases, producing dashboards, and providing access to the platform for all stakeholders. (US\$750,000)</p> <p>Year 3. The LESMIS platform is being used to inform the Joint Sector Review Missions or Annual Sector Report. (US\$500,000)</p> <p>Total: US\$1.25 million</p>
(PBC 3) Learning			
Subcomponent 2.1	<i>Improved teaching for students in the early grades</i>	Teaching the new Grade 1 mathematics and Lao language curriculum effectively	<p>Year 1. (a) Strengthened existing classroom observation tools to become high-inference tool aligned to teacher standards and international best practice and feedback protocol and (b) Baseline report to measure whether teachers are teaching effectively the new curriculum, including details on the psychometric properties of the tool. (US\$1.5 million)</p> <p>Year 4. Additional 20 percent of teachers in Grade 1 in mathematics and Lao language improve their effectiveness. (US\$1 million)</p> <p>Total: US\$2.5 million</p>

4.2. Assessment of the variable part

QAR Phase 2 recommended including more direct connections between the ESSDP policies and the proposed VP strategies, providing more justification for the targets’ level of ambition, strengthening the theories of change, and better explaining their transformational effect and relevance in the system. This final version of the program addressed the recommendations.

The **equity dimension** on improved teacher allocation directly contributes to the ESSDP Intermediate Outcome 3.4 “Teacher allocation is more responsive to school level needs to reduce disparities and linked to Fundamental Quality Standards³¹ (FQS).” Inefficient teacher allocation was one of the five key challenges of the sector identified in the 2018 MTR. Improving this in the 40 priority districts, the poorest districts with weak education outcomes, is hoped to redress learning inequities. Indeed, 47 percent of the schools in the 40 priority districts are lacking teachers (and are hence hiring volunteer teachers), compared to the national average of 42 percent.³² Teacher allocation will be addressed through a Ministry decree to enhance teacher allocation regulation and introduce a district-level incentive plan in the priority districts,

³¹ FQS are to be used as part of the school self-assessment process to identify strengths and weaknesses to be included and addressed through the school development plan.

³² In other words, 52.6 percent of the schools in 40 priority districts and 58 percent of the schools nationally have a sufficient number of teachers as per the recommended pupil-teacher ratio, and some have more (surplus teachers).

which includes cluster-based plans for teacher rotation. While the strategy itself will reach 40 out of the 148 districts, one-third of the country, in terms of Variable Part indicators and targets, the Year 4 target may appear rather small, being "10 districts having 30 percent of schools having enough teachers." However, this counts the schools that exactly meet the pupil-teacher ratio fixed by the MOES, and excludes those that have more teachers than the minimum ratio, not to mention the baseline that only 1 out of the 40 priority districts currently meet this.³³ In addition, equitable teacher allocation is an outcome indicator, and the program document underscores its complexity in the poor districts and the challenges that have so far prevented the country to reallocate teachers, such as political economy constraints. Moreover, in the context of Lao PDR, differentiating and incentivizing is a rather new concept, and it will be the first time districts will go through such an experience. It will likely be challenging for MOES to effectively communicate the initiative to various stakeholders, and for districts to agree with local stakeholders, including teacher unions, on the plans and incentives. Synergies created with the efficiency dimension, which would make the analysis of teacher surplus and deficit more readily accessible to districts through the strengthened LESMIS data system would be useful.

The **efficiency dimension** supports better availability and use of data for education decision making. Improved data and evidence-based policies are needs stated in the ESSDP and the 2018 MTR. The strategy builds on current UNICEF and EU support to the development of an online LESMIS, but aims to improve the LESMIS platform and also to change the culture and use the data for efficient allocation of resources.³⁴ Providing access to the different datasets in one place, making it user-friendly through a geographic information system (GIS)-enabled interactive map and automatically generated reports are all important activities, but as the program document mentions, changing the way people work is a challenge. This Year 4 target incentivizes the use of LESMIS in the annual sector report or the JSRM. Previously, the indicators for this dimension were process indicators on the availability of data, but they have been strengthened after QAR phase 2 to include an outcome indicator that measures evidence-based planning. However, given the above-described context of weak joint monitoring mechanisms which are not firmly placed within the annual policy cycle, the indicator would have been even stronger if it measured the organization of JSRMs that use annual sector reports based on LESMIS. As it stands currently, disbursement can happen if JSRMs do not take place, as long as the reports are produced using LESMIS.

³³ Five criteria are set concerning the grades (incomplete/complete schools) and the number of teachers

³⁴ The program will benefit from and liaise with continuing EU/UNICEF support to data quality, management and utilization. For example, it will collaborate with the EU and UNICEF to make LESMIS operational; provide M&E technical assistance and training/workshops at the central, provincial, and district levels; and improve the M&E five-year plan and related activities to conduct regular subsector reviews.

The **learning outcomes dimension** incentivizes the effective use of the new grade 1 mathematics and Lao language curriculum, supporting the attainment of ESSDP high-level outcome 2 of “increasing the number of knowledgeable and competent teachers and principals meeting the teaching standards” as well as several other intermediate outcomes. Through strengthening existing classroom observation tools and establishing a baseline on teacher practices on the new curriculum, an ongoing system to collect data on effective implementation of the new curriculum for Grade 1 will be developed. This system will inform whether learning is improving over the years and allow for revisions to the training material. The system builds on Component 2 interventions around teacher professional development and development partner support to MOES on teacher training around the new curriculum and use of new teacher guides on mathematics and Lao. Given the low student outcomes demonstrated by the ASLO tests and the low teacher subject content knowledge and weak pedagogical skills, the Year 4 target of an additional 20 percent of teachers in Grade 1 improving effectiveness in mathematics and Lao language has significant potential to improve student learning outcomes. Although the indicator and targets do not measure learning outcomes per se, teachers using teacher guides and effectively deploying accompanying teaching practices in classrooms is a convincing proxy, which is ambitious to achieve.

There is good **reliability of means of verification**, with clear roles and responsibilities. For the target on Ministry decree under the equity dimension, verification will be based on a copy of the decree being made available by the MOES. For the remaining targets, based on reports and evidence supplied by MOES, an independent/ third party verification agency (IVA) hired by the MOES will verify results within three months of activity completion.³⁵ The results, alongside the MOES and IVA reports, will be presented to the ESWG for consultation, and the final decision on validation will be made by the Grant Agent. The costs for verification will be financed through Component 2.

Disbursement mechanisms are clear and adequate. Two of the six targets are scalable, whereby disbursements can be made when 60 percent of the targets are achieved. All targets can be met early and rolled over for up to one year. Upon the validation of the verification report results, MOES will request the MoF for payment, which will be transferred to MOES central, provincial, and then, district levels according to the government’s flow of funds procedures.

³⁵ For each PBC target, the reports from the IVA are circulated and presented to the ESWG. After the discussion, the final decision on whether to validate the verification report rests with the Practice Manager of the East Asia and Pacific Education Global Practice at the World Bank (QAR II memo)

Variable Part payments will be used to reimburse ex-post for expenditures made to meet the targets.

5. RECOMMENDATIONS

The Secretariat recommends the GPC to approve the application, with the following condition, observations and report-backs:

Condition:

Regarding Requirement 2 on domestic financing, while recognizing the circumstances due to COVID-19 which makes financial planning difficult, the government's commitment to increase the share of domestic financing to education in future years has been delayed and could not be assessed, so the Secretariat recommends the GPC to request submission of the domestic financing commitment prior to the transfer of grant funds. The commitment is expected to show a progressive annual increase in the percentage of domestic financing allocation to education during the first three years of the ESPIG, or that the current percentage of domestic financing is maintained throughout the first three years if needed and if sufficiently justified.

Observations:

The Secretariat finds that GPE III is a well-focused and sound program that builds well on past interventions and lessons, which addresses priorities in the Lao PDR education system of learning and equity. The program is crafted with careful attention to creating synergies with interventions supported by various DPs. The challenge lies in the implementation; to ensure that various trainings effectively lead to stronger capacities. Follow-up measures are proposed for this purpose, through for example District Education and Sports Bureau and Provincial Education and Sports Services follow-up and mentoring.

As for the SBM and SBGs, although GPE funds will no longer directly support these in the current program, given the significant investments by not only MOES and GPE but various partners over the years and yet to come, the Secretariat advises that GPC positively notes the plans to evaluate its impact before LEAP's mid-term review.

While the equity focus was strengthened in the ESSDP and LEAP including in the Variable Part, the Secretariat remains concerned about the situation of ethnic children and the country's language policy, which is about assimilation rather than mother-tongue based instruction. This has been raised for many years (also by various development partners) and also in the

previous GPC recommendation. However, measures proposed in the program to enhance learning outcomes of ethnic children appear reasonable at this point.

As for the equity dimension of the Variable Part, it will be a very challenging process to reallocate teachers (even within clusters), and the target itself will incentivize districts to increase the number of schools with the number of teachers in line with the MOES norm. The Secretariat advises that GPC recommend that stakeholders reflect on how districts can prioritize schools facing the acutest teacher shortages, as the detailed design of the strategies and incentives are developed.

Report-backs:

- Submission of the adjusted ESSDP once the new MTF is available
- An annual report back from the coordinating agency on the national budget allocation to the sector and expenditure, including how it is monitored through the annual costed implementation plans, annual reports and JSRMs
- An annual report back from the coordinating agency on the organization of JSRMs and its use of annual sector reports based on LESMIS