

EXECUTIVE SUMMARY

INTRODUCTION

The Assessment of Development Results (ADR) in the Lao People's Democratic Republic (Lao PDR) is an independent country-level evaluation conducted by the Evaluation Office of UNDP in 2010. Its objective is to assess UNDP's overall performance and contribution to development in Lao PDR during its most recent programming cycle (2007-2011) and to draw lessons for future strategies, particularly for the next programming cycle.

DEVELOPMENT CHALLENGES AND THE GOVERNMENT STRATEGY

Lao PDR has been striving for progress against arduous conditions. It has an ethnically diverse population in a mountainous terrain, the majority relying on subsistence agriculture with limited access to infrastructure, public services and modern market. The unprecedented bombings during the Second Indochina Wars left a vast portion of the countryside littered with unexploded ordnances (UXO) that threaten the lives and livelihoods of the poor. The ecosystem, on which the vast majority of the Lao people critically depend for their livelihood, is coming under severe pressure in recent times. The experience and institutional infrastructure necessary for dealing with the challenges of market-led development have been lacking.

For nearly a decade since the establishment of the Republic in 1975, the country was governed with a communist-model one-party political system and a centrally planned economy. A major turning point came in 1986 when the New Economic Mechanism was introduced to launch the transition to a market economy. Since the late 1990s, the country has also been actively pursuing integration with the global economy, by joining

the Association of Southeast Asian Nations (ASEAN) in 1997 and applying for accession to the World Trade Organization (WTO) in the same year. This has opened up Lao PDR to the burgeoning regional economy and, by signaling the policy of engagement with the global economy, provided the impetus for the start of rapid economic growth experienced by many of its neighbours. During the past decade, the country's economic growth has averaged around 6 to 8 percent annually. The government has been also active during this period in bringing its legal framework within global norms and standards. Lao PDR is now a party to six of the nine core international human rights treaties, as well as to ten multilateral environment agreements.

The constitution of Lao PDR, promulgated in 1991, recognizes the Lao People's Revolutionary Party (LPRD) as the nucleus of the political system. While the LPRD provides overall political leadership, the politburo and the central committee of the party make policy guidelines. Their decisions are ratified by party congresses held at five-year intervals. The government is run by the council of ministers. The National Assembly, whose members are popularly elected within a one-party format, performs legislative and oversight functions. An emerging judiciary is attempting to bring itself in line with modern judicial systems.

In recent years, the government has been engaged in administrative and legal reforms. Development policies have been guided by a succession of five-year National Socio-Economic Development Plans (NSEDP). The latest plan, the Sixth NSEDP, is coming to an end in 2010.

The first major strategy for poverty reduction was articulated through the National Growth and Poverty Eradication Strategy (NGPES), adopted

in 2003. The strategy identified the private sector as the main engine of pro-poor growth with the twin objectives of promoting sustainable growth and alleviating poverty. It pays special attention to the development of 72 poor districts, particularly the 47 poorest ones.

The government is also keen to develop strategies to meet its commitment towards the Millennium Development Goals (MDGs). These streams came together in the Sixth NSEDP, which integrated the NGPES and MDGs with mainstream development planning. These efforts have been motivated by Lao PDR's dual objective of meeting the MDG targets by 2015 and graduating from Least Developed Country (LDC) status by 2020.

The objective of graduating from LDC status within the next decade seems achievable in light of the rapid growth of the economy in the last two decades. GDP has grown at the rate of 6.5 percent per annum in the two decades since 1990, while per capita income has risen by 4.3 percent. The growth has been fast enough to bring poverty down through the trickle-down process. The poverty rate has come down from 46 percent in 1992-1993 to 33.5 percent in 2002-2003 and further to 27.6 percent in 2007-2008. At this rate, the country seems poised to meet the MDG target of halving poverty by 2015.

This would be a major accomplishment, but a number of development challenges remain. First, the high growth has been driven mainly by the expansion of resource-intensive sectors (forestry, mining and hydroelectric power). Since these sectors are not particularly labour-intensive, employment opportunities have not increased commensurately. Consequently a significant part of the population has not benefited from the growth. Disparities are particularly marked among the rural poor, women and ethnic groups.

Second, the latest analysis of progress towards achieving the MDGs shows a mixed picture. The country seems on course to meet a number of MDG targets such as those related to poverty

rate, access to safe water, child mortality, and primary school enrolment. However, a number of other targets, such as those on child malnutrition and maternal mortality, seem beyond reach. The targets of gender equality in various spheres of socio-economic life are off track. Expansion of resource-intensive sectors made meeting of some environment targets difficult.

At the time of present evaluation, the Government of Lao PDR was preparing the Seventh NSEDP for 2011-2015. The Seventh Plan is expected to fully integrate achievement of MDGs in 2015 as a key policy goal.

The Government of Lao PDR, in collaboration with its development partners, has developed an elaborate structure of aid coordination. The aim is to harmonize the aid programmes of various donors and to improve their effectiveness. Institutionally, the lynchpin of the aid coordination system is the Round Table Process (RTP), in which UNDP plays a leading role in assisting the Government of Lao PDR. This process has a vertical structure at the apex of which lies the Round Table Meetings (RTMs), convened every three years in Vientiane for high-level representatives of the government and the development partners to discuss ODA mobilization around major policy issues. Following the relocation of the RTMs from Geneva to Vientiane in 1999, the process has become largely government-led and managed with technical advisory support, mainly from UNDP and, to a lesser extent, from other development partners.

UNDP'S RESPONSE AND STRATEGIES IN LAO PDR

UNDP's country programme for the current cycle (2007-2011) is derived from the United Nations Development Assistance Framework (UNDAF) for Lao PDR covering the same period. The UNDAF defined its three broad outcomes in the areas of poverty and food security, social sectors, and democratic governance. These outcomes are closely aligned with the development objectives of Lao PDR as articulated in the Sixth

NSEDP. In formulating the country programme for 2007-2011 and the subsequent Country Programme Action Plan (CPAP), UNDP focused on two of the three broad themes of UNDAF – poverty and democratic governance. The third theme, social sectors, was left primarily to other UN agencies, although UNDP did have a project on HIV/AIDS and also responded to the outbreak of avian influenza through a joint UN response.

CPAP specified nine expected outcomes involving (1) improving access of the Lao people to land and natural resources, (2) developing pro-poor planning mechanisms, aid harmonization and disaster management, (3) creating an enabling environment for growth with equity, (4) strengthening capacity for gender empowerment and poverty reduction, (5) achieving success against HIV/AIDS, (6) ensuring a greater degree of people's participation in and contribution to public policy, (7) strengthening the rule of law and equitable access to justice, (8) improving public administration at national and local levels, and (9) ensuring progressive realization of international treaty obligations, including protection of human rights.

UNDP pursued these objectives through both programmatic interventions and other channels such as policy dialogue and awareness-raising activities. The total UNDP budget package for the projects and activities on achieving the nine outcomes over the programme period was USD 54.6 million. The resources that UNDP could actually mobilize, together with its own regular resources, exceeded this amount at the end of 2010. It is estimated to exceed the planned figure by around 35 percent by the end of the programme period.

MAIN CONCLUSIONS

Conclusion 1: UNDP of Lao PDR has been able to align its activities very closely with the stated goals and priorities of the government for long-term development and has been able to respond to unforeseen short-term needs.

The highest priority of the Government of Lao PDR is to graduate from the LDC status by 2020. To this end, the government has devised strategies to ensure rapid and pro-poor growth, to develop a legal and governance structure commensurate with a modern globalized economy, and to pursue economic growth in an environmentally sustainable manner. In all these areas, UNDP has been playing a major role in assisting the government in devising as well as implementing strategies. UNDP has also made a major contribution on the issue of special significance to Lao PDR – mitigating impact of UXO inherited from the Second Indochina War. While focusing mainly on long-term development, UNDP has also responded flexibly to meet the short-term needs of the government in dealing with natural disasters and epidemics.

Conclusion 2: UNDP has acquired the status of the most trusted and valuable development partner of the Government of Lao PDR quite out of proportion to the resources it contributes directly. While this has provided UNDP great leverage in pursuing its objectives with the government, sometimes it has compelled the organization to stretch its resources beyond its capacity and competence.

UNDP's perceived status as a 'neutral' development partner almost always stands it in good stead in terms of trust and respect from the governments with which it collaborates. This is also true in Lao PDR. An additional boost to UNDP's influence in the country comes from the leading role it plays in the aid coordination process.

To some extent, however, this position of trust and influence has acted as a double-edged sword. On the one hand, it gives UNDP a high degree of leverage in providing policy advice to the government and in pursuance of its programme objectives. On the other hand, it places excessive burden on the organization as it strives to fill the gaps in assistance, sometimes even when providing such assistance might be beyond its capacity and competence.

Conclusion 3: UNDP has performed its leadership role assiduously and effectively in assisting the government in the aid coordination process. This has provided the organization with a high degree of leverage in policy advocacy and made an impact on the formulation and evolution of successive NSEDPs. It requires continuous effort from all parties, especially UNDP as the lead development partner in this area, to ensure that development assistance is provided in a coherent, effective and efficient manner through coordination.

In a country where ODA accounts for over 80 percent of public investment and close to half of the national budget, coordination and harmonization of foreign aid assumes critical importance in the development process. UNDP has performed its role as the lead development partner assiduously and effectively in assisting the government in the aid coordination process. This has given it considerable prestige and influence with the government and among development partners. The impact is evident in the formulation and evolution of successive NSEDPs.

While much has been achieved, there are inherent difficulties of aid coordination that stem from differences among development partners in their agenda, policies and practices. Given Lao PDR's heavy reliance on ODA for public spending, it becomes all the more important for all the parties involved to make an extra effort to reach consensus on the strategy to follow, the roles to share and the approach to take. This would help to ensure that development assistance is provided in a coherent, effective and efficient manner.

Conclusion 4: UNDP has made serious attempts to promote the organization's values in the country's development process through its programmes and policy advocacy. There are, however, areas where further efforts are needed to make a difference in the lives of the Lao people at large.

Promotion of UN values – for example, with regard to poverty reduction and human development, achievement of the MDGs, respect for

human rights, elimination of gender discrimination, and sustainable development – has been a guiding principle of UNDP activities in Lao PDR. Meeting the MDG targets by 2015 has been declared by the government as the primary focus of the Seventh NSEDP (2011-2015). UNDP's policy advocacy has played a major role in ensuring this focus and its support in costing the MDGs has provided the foundation for formulating the sectoral policies of the plan. Lao PDR has made much progress in recent years towards ratifying the core international human rights treaties and multilateral environment treaties, thanks in large part to UNDP support.

Yet much remains to be done to ensure full respect for human rights within the country, especially to overcome capacity constraints in implementing policies and to provide effective access to justice to all the people, particularly those in remote areas. Something similar is true about gender equality and women's empowerment. There has been notable progress in some areas – for example, in increasing representation of women in the legislature and in the executive branch of the government at the national level. Gender discrimination, however, remains rife in a large part of social life, manifesting, for example, in violence against women. The gender-mainstreaming effort of UNDP's programme itself has had mixed results at best. The notable exception is a small but pioneering radio programme at the local level that has achieved remarkable success in raising awareness about gender-related issues within the target community.

Conclusion 5: A major objective of UNDP's programming in Lao PDR is to ensure that the country's quest for rapid growth is pursued in a pro-poor manner. It has achieved great success in putting the poverty and equity issues on the policy agenda of the government and in the formulation of national development strategies. However, the result achieved so far has been limited in terms of strategy implementation and resource allocation in a sufficiently pro-poor manner. UNDP's programme itself has not been pro-poor enough, making tangible results on the ground elusive.

Thanks in large part to UNDP's effort, the government's strategy has become increasingly pro-poor, and 'growth with equity' is now firmly on the agenda. The government has undertaken some pro-poor policies such as targeting development programmes to the poorest districts, and vocational training programmes run by some ministries. However, overall resources devoted to pro-poor policies and programmes have been too modest to make a significant impact. As a result, despite the high rate of economic growth in the last two decades, poverty has declined far too slowly, especially in the regions and population groups suffering most from high poverty incidence.

Even within UNDP's programme itself, activities have often been not specifically pro-poor where they could have been. For example, UNDP's trade-related projects have undertaken activities that may contribute to trade expansion in general, but do not promote policies that would direct the gains from trade to the poor or stimulate the pro-poor economic sectors. The project to support the private sector through the Lao National Chamber of Commerce and Industries was designed to strengthen entrepreneurship but did not address key constraints faced by the poor in translating the knowledge into practice. The UXO programme has contributed significantly to minimizing UXO's impact on all, but has not introduced a clear 'pro-poor' policy in its support in which the prioritization process could have directly targeted the alleviation of problems faced by the poor, especially of those whose livelihood compulsions make them vulnerable to UXO.

Conclusion 6: UNDP's support to governance reforms at the sub-national level has yielded some important lessons and achieved some good results. Follow-up actions are needed to translate these lessons into effective development outcomes and to sustain the results achieved by the reforms.

UNDP's experimentation with alternative financing mechanisms for development activities at the sub-national level has highlighted the potential of the District Development Fund (DDF), which gives adequate discretionary power to local authorities and at the same time

involves communities in the decision-making process. DDF strengthened the capacity of sub-national administrations to undertake development activities that are valued by the communities themselves. However, for this capacity to be sustained, it must be supported by increased flow of resources, which DDF as an experimental approach cannot itself provide. There is, however, a potential for linking up DDF with the World Bank's Poverty Reduction Fund (PRF), which also provides resources for local development but has not so far sought to strengthen the capacity of local administration.

Conclusion 7: UNDP's efforts at strengthening people's voice and participation in decision-making processes are yielding some tangible results.

UNDP undertakes a range of activities to strengthen the people's voice and participation in decision-making processes at both national and local levels. While this is not an easy task, some tangible results are emerging in a number of areas. The National Assembly members are better able to absorb and reflect the grievances of the public, thanks to a live hotline during parliamentary sessions and a streamlined system for complaints management. Village communities are better able to participate in planning for local development through a variety of initiatives involving poverty reduction, local-level governance, and sustainable use of natural resources. Small communities are better able to voice their concerns through their local radio. A legal framework has recently been put in place allowing civil society organizations to emerge and function more effectively.

Conclusion 8: UNDP's activities in the area of sustainable environment required reorientation of support to the implementation of policies and programmes and to local-level adaptation to environmental damage, paying particular attention to the environment-livelihood linkages. A beginning has been made in moving towards the right direction.

Until recently, UNDP's environment programme has heavily focused on strengthening national capacity to better understand and implement

global environmental concerns and conventions, especially those related to climate change. These efforts have raised awareness of the issues and increased the government's capacity to develop necessary policy frameworks and programmes. To effectively address the environmental challenges of the country, it is imperative to scale up the effort to help implement policies and programmes.

Moreover, UNDP should pay greater attention to the linkage between economic and developmental activities and environmental and natural resources. It is not so much the global climate change as the economic activities undertaken within the country that threatens the sustainability of both natural resources and people's livelihoods. Until recently, UNDP's environment programme did not pay this reality the attention it deserves.

This has been changing, however, with the introduction of, among others, the Poverty Environment Initiative (PEI), the GEF Small Funds Programme (GEF-SGP), and the Support to Lao PDR Water and Wetland Policy (LWP). As these initiatives are still very new, it is not possible at this stage to judge their potential impact. However, there is reason for hope, since all of them have put the right ingredients in place. Two of these ingredients are especially important: first, the recognition that environment and livelihoods are integrally linked, and, second, the realization that a sustainable environment-livelihood nexus can be created at the local level only with the help of the communities themselves.

Conclusion 9: UNDP can improve in several ways the efficiency with which its resources are used towards realizing its desired outcomes.

First, there is scope for exploiting potential synergies both across UNDP's own portfolio of activities and with other development partners working in similar areas. This is especially true of a whole range of activities each of which tries independently to involve the local community in participatory planning for local development. Second, UNDP can try to redress an evident mismatch between the scope of its programme and its resources, which compromises the

efficiency of resource use in several areas. It should not respond to every request that comes its way without taking into account its managerial capacity. Finally, whenever UNDP collaborates with other development partners in the same project, there is scope for improving the efficiency of resource use by avoiding as much as possible multiplicity of procedures for managing information and accounts. This, in turn, would help to avoid a heavy toll on the management capacity of the agencies they seek to help.

Conclusion 10: Sustainability of development outcomes promoted by UNDP of Lao PDR is subject to positive and negative influences. While the alignment of government priorities and UNDP's support is ensuring the ownership of results, the national institutional and financial capacity is still very weak for sustaining the results achieved without further support.

UNDP-supported activities are so well aligned with the priorities of the government that there is little question about the ownership of the effort and its results. The government will probably be keen to carry them forward. On the other hand, national capacity to continue necessary activities that ensure the sustainability of results is still very weak without support from donors. With a few exceptions, as in the case of support to the planning process, the projects have yet to create the national capacity for independent functioning. In a few cases where capacity has been created, as with the Community Radio Project and the DDF, sustainability requires supplementing capacity with sustained flow of resources.

RECOMMENDATIONS

Recommendation 1: As the government's lead development partner in aid coordination, UNDP should continue to take initiatives to ensure the system functions effectively. UNDP could also support the capacity development of the government and the National Assembly on monitoring and evaluation of policy impact and development assistance.

Effective aid coordination is crucial for Lao PDR, given its heavy dependence on external assistance. As the leading development partner in aid coordination, UNDP should take pro-active steps to ensure the process functions effectively. It should do this by helping the government to reinforce the sectoral working groups so that assistance is coordinated at the practical and programme levels, and by enhancing government capacity to monitor these groups' performance. It should also further promote closer involvement of emerging donors in the aid coordination process.

Further, for effective implementation of the National Socio-Economic Development Plan and maximizing contribution from development assistance to its implementation, the capacity of the government to monitor and evaluate policy and programme impact would need to be strengthened. UNDP could support such capacity development of the government as well as the National Assembly.

Recommendation 2: Taking advantage of its leadership role in aid coordination, UNDP should help the government to build consensus among development partners on priority actions for achieving national strategy goals, how the roles should be shared, what approach should be taken in implementing the activities, and how the activities should be financed. Through such a coordinating mechanism, UNDP should involve partners from the conceptualization stage of its projects and activities, rather than coming up with a proposal of its own and trying to mobilize funds ex post.

UNDP should take advantage of its leadership role in aid coordination, and help the government garner support around priority actions needed to achieve national strategy goals, while achieving better role sharing among development partners and securing funding required for implementing agreed priority actions. Through such a coordinating mechanism, UNDP should involve partners from the conceptualization stage of its projects and activities, rather than coming up with a proposal of its own and trying to mobilize

funds ex post, so as to ensure that partners are fully on board from the outset.

Recommendation 3: UNDP should focus on projects and activities more closely linked to its human development mandate and comparative strengths, reorienting existing activities where necessary.

While working together with the government and development partners through aid coordination, UNDP on its part should focus on activities that accord more closely with its human development mandate and comparative strengths – namely, directly poverty-focused activities, strengthening people's voice and participation, improving administrative capacity for better service delivery for the poor, and forging a strong nexus between sustainable livelihoods and sustainable environment.

Recommendation 4: UNDP could pursue the cause of gender equality more vigorously, based on a coherent strategy, in collaboration with UN Women, Lao Women's Union, Committees for the Advancement of Women at the national, provincial and district levels, and possibly other development partners. In doing so, it should also strive for better mainstreaming of gender in its own programmes as well as in various government departments and agencies.

In the present programming cycle, UNDP's efforts on the gender front have been seriously handicapped mainly by the failure to mobilize adequate resources for its Gender Empowerment and Poverty Reduction project. UNDP could seize the opportunity provided by the new joint project on gender to learn from past failures and to pursue the cause of gender equality and women's empowerment in Lao PDR more vigorously.

In working with partners, UNDP could bring in its expertise and experience in other sectoral areas, for example, to strengthen judicial system to handle violence against women in relation to legal sector reform, to extend the outreach of HIV/AIDS prevention measures to vulnerable groups, and to strengthen linkage between gender empowerment and poverty reduction in its policy support.

Recommendation 5: Based on the national strategy that features growth with equity, UNDP should make greater efforts to support the government in mobilizing resources towards implementing policies and programmes that would stimulate the pro-poor economic sectors, direct gains from economic growth to the poor and remove key constraints they face. UNDP should also pay more attention to designing its projects and activities in a pro-poor manner, addressing key constraints faced by the poor in the country, especially those who have difficulties in participating in and gaining from the growing economy.

The achievement of MDGs in general and poverty reduction in particular have now become central features of Lao PDR's national strategy. Translating this framework into actual policies and programmes that have a real impact on poverty reduction, however, requires much more effort and support. This includes directing and mobilizing resources to sectors and programmes that have strong poverty implications. UNDP should intensify its effort to support and advise the government in this regard. UNDP itself should pay much more attention to designing its projects and activities in a pro-poor manner, so that they are really addressing key constraints faced by the poor in the country, especially those who have difficulties in participating in and gaining from the growing economy.

Recommendation 6: The DDF mechanism for strengthening the capacity of sub-national administrations should be scaled up, replicated throughout the country, and supported with greater infusion of resources for its sustainability. UNDP should also attempt to spread the use of such mechanisms as the Citizen Report Card, the One Door Service, the Service Delivery Information System to improve the quality of service delivery.

Of the several alternative financing mechanisms for development projects at sub-national levels that UNDP has experimented with, the DDF has

proved the most promising. It should be scaled up and replicated throughout the country, but this needs additional resources. The mechanism developed would also not be sustainable without funds flowing through it. UNDP should explore the ways to secure resources to this end, including the possibility of linking DDF with the PRF, which provides a much larger volume of resources for development projects at the local level but without directly involving the sub-national administration.

The Citizen Report Card, the One Door Service, the Service Delivery Information System are also all promising innovations that, if scaled up efficiently, can potentially transform the quality of service delivery in Lao PDR.

Recommendation 7: UNDP's good work in strengthening people's voice and participation should be continued, with stronger efforts to involve the emerging civil society in the development process.

Starting from a base where civil society was virtually non-existent, UNDP has made a good beginning by helping the government create a legal framework within which local civil society organizations can operate. The next important step is to strengthen the emerging civil society by involving it in various activities of UNDP. Here, too, a beginning has been made, for example, by the GEF-SGP that aims to conserve biodiversity, improve water quality or reduce land degradation through cooperation with local communities supported by civil society organizations. This practice should be broadened across UNDP's portfolio involving such diverse areas as poverty reduction through participatory planning, governance reforms for better service delivery, and sustainable environment.

Recommendation 8: The environment programme of UNDP should continue its reorientation towards policy implementation and local-level interventions that aim to achieve both sustainable environment and sustainable livelihoods.

This reorientation is needed because locally created threats are more immediate and more pervasive in the case of Lao PDR. The reorientation process has already begun through projects such as the PEI, the GEF-SGP and the LWP. This process should be strengthened with greater infusion of resources. The funds available for climate change adaptation could also be reoriented towards these objectives.

Recommendation 9: The model of the Community Radio Project should be scaled up and replicated across the country.

The Community Radio Project in Khoun district has been highly successful in raising awareness among the ordinary people about issues affecting their daily lives and in enabling them to voice their concerns and interests more forcefully. This experience should be scaled up and replicated widely, in collaboration with other development partners and international NGOs with experience at the grassroots level. Ideally, UNDP could cooperate with an NGO (or an appropriate

non-profit entity), which could be entrusted with the operational responsibility of managing the expanded projects. UNDP, for its part, could play a coordinating role among development partners involved both as donors and as users of the radio.

Recommendation 10: For greater effectiveness and efficiency of resource use, UNDP should seek to exploit potential synergies among its various activities, especially with its local-level activities.

Great potential for synergies exist especially in the area of participatory planning for local-level development as several UNDP projects – spanning such diverse areas as poverty reduction, governance reform, environment and disaster risk reduction – have components that impinge on this area. Greater coordination across the projects can yield rich dividends. The potential synergy between these activities with the new Inclusive Finance project being launched jointly with UNCDF should also be explored.