

INDICATIVE COOPERATION PROGRAMME (ICP V)

between

the Grand Duchy of Luxembourg and

the Lao People's Democratic Republic

2022 – 2026

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Chapter 1: THE FOUNDATIONS OF THE PARTNERSHIP BETWEEN THE GRAND DUCHY OF LUXEMBOURG AND THE LAO PEOPLE'S DEMOCRATIC REPUBLIC

1.1 History and main bilateral agreements between Luxembourg and Lao PDR

The first development cooperation relations between the Lao PDR and Luxembourg were established in 1997. Luxembourg support has been provided to the Lao PDR through a range of different funding modalities, including bilateral and multilateral aid, cooperation agreements, support through non-governmental organisations (NGOs) and tri-partite arrangements. Initial cooperation activities began with infrastructure development in the health sector, but support has since broadened to concentrate on four sectors, namely health, local development, vocational training in tourism and hospitality, and promotion of the rule of law and inclusive governance, with a main geographic focus on the four target provinces Bokeo, Bolikhamxay, Khamouane and Vientiane. Particular emphasis is placed on reducing poverty and ensuring inclusive governance as overarching goals while the cross-cutting themes of gender equality, environmental sustainability and climate change have been progressively mainstreamed across all programmes over the years.

The strengthening of the relations between Lao PDR and Luxembourg resulted in the signing of a General Cooperation Agreement in 2000, complemented in 2003 by the first Indicative Cooperation Programme (ICP I, 2003-2006) of a total budget of 18 million euros. Since then, successive five-year ICPs have provided progressively increasing support and funding. Under ICP IV (2016- 2020) the total contribution of Luxembourg attained nearly 94 million Euros.

Luxembourg also takes part in the European Union joint programming (EUJP) initiatives with the Luxembourg embassy assuming the EU sectoral lead for health. This continued support has confirmed Luxembourg's commitment to Lao PDR as a long-standing reliable partner and has established mutual trust and understanding between the two countries in support of Lao PDR's endeavour to achieve its sustainable development objectives, including its envisaged graduation towards the status of middle-income country.

Bilateral Partnership Commission meetings are held, in principle, annually at ministerial level to exchange views on the strategic orientation and scope of cooperation. The latest Partnership Commission between the two countries was held in September 2019, during which Luxembourg affirmed its continued support under ICP V, which will run from 2022 to 2026. Both governments agreed to maintain and deepen collaboration in the same thematic priority areas, mainly in the same four target provinces as under ICP IV, but linking them through the strategic approach of adhering to an integrated **human capital development approach** as the underlying thread linking the different interventions.

1.2 Lao PDR's Development Strategy

The aim of the 9th **National Socio-Economic Development Plan, NSEDP (2021-2025)** is to translate the resolutions of the Lao People's Revolutionary Party's 11th Congress and to continue the implementation of the Development strategy (2016-2025) as well as the Vision 2030 of the Lao PDR. This Plan defines fundamental direction for creating a turning point in socio-economic development in the coming years, and ensuring the improvement and strengthening of the existing political-ideological factors, economic system and the material basis, including human resource development, public governance and administration, national defense and public security and foreign affairs actions with the aim to develop all potentials of the country into spearheading production and service sectors in line with the green and sustainable development direction, improve the people's wellbeing, ensure a well-balanced system for international trade and settlement and ensure comprehensive preparations for the country's firm graduation from the least developed country status, with economic development continuing to be the core task of the entire Party and the entire people.

The Plan emphasises the following principles: **Quality:** Quality development which refers to a new quality of public investment, public-private partnerships as well as domestic and foreign private investment with increased efficiency and effectiveness in line with the direction of socio-economic development goals. Emphasis will be placed on evaluation and prioritization of priorities, ensuring that the bidding process is used to select the most qualified enterprises and that there is a continuous monitoring of implementation. Focus is also given to transforming and raising the production of goods and services to international standards and competitiveness, creating a skilled and disciplined workforce that meets market demands and utilising the results of modern scientific and technological researches as a driver for sustainable development in the age of Industry 4.0; **Focused:** Focused development aiming at developing the potentials of different areas and regions that are important and priorities to perform as the engine of national development. Public Investment will be targeted in provinces with potentials, focusing on building the infrastructure needed to facilitate private investment and poverty alleviation, encouraging private investment in the production of high-potential commodities, especially in agriculture particularly agricultural processing plants, handicrafts, tourism and logistics services such as dry ports and others, in the provinces with the railway passing through and using official development assistance for target development purposes; **Green:** Green development refers to efficient, effective and sustainable development that protect the environment as well as manages and optimizes the limited natural resources for maximum economic benefits, which will help reduce poverty and improve the living standards of the people in a comprehensive and equitable manner while also reducing pollution, waste and greenhouse gas emissions as well as reducing the risks and vulnerabilities of the economy to natural shocks and economic volatility; **Sustainable:** Sustainable development ensures that the economic development goes hand in hand with socio-cultural development in order to stabilise the macroeconomy, diversify production to meet the needs of society, alleviate poverty, improve the quality and sustainability of the social sector and protect the environment by encouraging the participation of all sectors of society and ensuring inclusive, equal and equitable benefits and thereby moving towards self-sufficiency and self-reliance.

The overall objective of the 9th NSEDP are to:

1. Continue to comprehensively prepare to lead the country out of the least developed country status; provide people with decent jobs, improve the people's living standards with inclusive, equal and fair access to benefits; ensure political stability, building a peaceful, united, democratic, just, civilized and orderly society; and achieve socio-economic development and effectively implementing the national Green Growth strategy and the sustainable Development Goals 2030;
2. Achieve breakthroughs in overcoming weaknesses, setbacks and obstacle in development, address financial and monetary difficulties effectively and increase preparedness to deal with emerging challenges such as the impact of COVID-19, climate change and international and regional uncertainties;
3. Develop quality human resources as an important factor in promoting socio-economic development; create quality economic growth by reforming the economic structure in each sector and locality and enhance the factors that promote the potential of the country by using the appropriate information and communication technologies (ICT) to create opportunities and be a force and a cornerstone for bolstering key production and service sectors as well as to be the engine for growth to gradually build a strong foundation for economic strength and self-sufficiency.

The 9th NSEDP has the following six outcomes:

1. Continuous quality, stable and sustainable economic growth achieved;
2. Improved quality of human resources to meet development, research capacity, science and technology needs;
3. Enhanced well-being of the people;
4. Environmental protection enhanced and natural disaster risk reduced;

5. Engagement in regional and international cooperation and integration is enhanced with robust infrastructure and effective utilization of national potentials and geographical advantages;
6. Public Governance and Administration improved and society protected by effective rule of law.

Changes in four key areas are envisaged for the successful implementation of the 9th NSEDP, namely: (i) altered attitudes; (ii) human resource capacity; (iii) enhanced administrative systems and legal frameworks; and (iv) poverty reduction with the intention of building a well-targeted socio-economic infrastructure.

The NSEDP has been developed through a participatory process involving all relevant stakeholders, and it is based on an analysis of the domestic, regional and international context and challenges, which integrates the current uncertainties caused by the Covid-19 pandemic. The NSEDP integrates the Agenda 2030 for Sustainable Development and the SDGs, as well as the Paris Agreement on Climate Change. The 9th NSEDP Outcomes also match with European Partners' main priorities in the Lao PDR: (i) Addressing climate change and environment challenges; (ii) Promoting ASEAN integration and Mekong River Basin management; (iii) Increasing EU-Laos trade and investment; (iv) Accompanying Laos transition for smooth graduation from LDC status and supporting inclusive growth; and (v) Promoting Rule of Law and Democracy. The Green *TeamEurope* Initiative is fully supportive of the 9th NSEDP's objectives for sustainable, inclusive and green growth (as well as the Lao PDR's green growth strategy 2030).

Lao PDR is highly committed to achieving the 17 SDG priorities and, in 2018, formally adopted an additional national SDG 18 called "Lives safe from Unexploded Ordnance (UXO)" to guide its development plans and policies. Lao PDR was one of the first countries to localize the SDGs and integrate them into its national planning framework.

1.3 Strategies and fundamental principles of Luxembourg's Development Cooperation

In response to a changing development cooperation landscape driven by global climate change, health pandemics, socio-economic challenges, regional conflicts, persisting gender inequalities and a shrinking space for civil society, and the resulting increase in forced displacements, refugee movements and migration among others, Luxembourg adopted a new general development cooperation strategy titled "the Road to 2030" in 2018.

The main objective of Luxembourg's development cooperation and humanitarian action is to contribute to the eradication of extreme poverty and the promotion of economic, social and environmental sustainability. Towards this end, Luxembourg strongly supports and promotes multi-stakeholder partnership approaches within the framework of the 2030 Agenda for Sustainable Development and achievement of the SDGs while concurrently ensuring the respect of international humanitarian law. In particular, Luxembourg aims at ensuring a minimum level of livelihood, in a rights-based environment, and creating equal opportunities for all, particularly for the most vulnerable and unprivileged, so everyone can actively determine the course of their own lives and achieve their full potential. The principle of "*Leaving no one behind*" is at the heart of Luxembourg's general development cooperation strategy. It is therefore a leading principle for all of Luxembourg's supported ICP's, as it values human dignity, prioritizes the advancement of the most vulnerable groups, and calls on actors to resolve the systemic causes of injustice and marginalization that affect them, by notably addressing issues of intersectionality and other types of discrimination.

Under its strategy, Luxembourg also strives to support and implement effective action and reform within the international development cooperation system. In that regard, Luxembourg promotes a whole-of-government approach to development action, in order to make sure that national policies are in line with the Agenda 2030 and the principles of policy coherence for sustainable development. Furthermore, the Road to 2030 sets the guidelines to strengthen effective donor coordination with the European Union (EU), its member states, and other like-minded donors, to promote enhanced coherence, notably through simplification and harmonisation

at all levels. To this end, Luxembourg development cooperation is an active stakeholder of joint EU and member states actions at partner country level such as EUJP and the *TeamEurope* Initiatives (TEIs). Luxembourg is fully committed to the principles underlying the Global Partnership for Effective Development Cooperation (GPEDC) and thus ensures that its development programmes adhere to international standards of best practices in development cooperation: i) national ownership, ii) focus on results, iii) inclusive development partnerships and, iv) transparency and mutual accountability.

In line with the principles of development effectiveness and recognising, that capacity development remains dependent on the quality of governance of the organisations in which individuals work, institutional, organisational and individual capacity development will remain at the core of Luxembourg's cooperation interventions in Lao PDR.

Luxembourg's development cooperation strategy focuses on four interrelated thematic priority areas, which are: (i) improving access to quality basic social services, (ii) enhancing socio-economic integration of women and youth, (iii) promoting inclusive and sustainable growth and, (iv) strengthening inclusive governance. Common to all of Luxembourg's development cooperation activities, is furthermore the systematic integration of three cross sector priorities, encompassing human rights, gender equality and environmental sustainability.

All these elements demonstrate that Luxembourg's development cooperation strategy is aligned with Lao PDR's development priorities as defined in the 9th NSEDP. There are clear opportunities to contribute to the achievement of Lao PDR's SDGs and LDC graduation objectives building on the significant overlap between the two countries' respective thematic priority areas and target SDGs – particularly in terms of socio-economic development and governance outcomes.

ICP V will particularly aim to build on Luxembourg's longstanding expertise and take a leading role in the areas of local development, health service delivery and access, promotion of the rule of law and vocational training.

The ICP V thematic focus facilitates the promotion of integrated and more coherent approaches across sectors, partners and instruments and hence better addresses the increasingly complex and multidimensional nature of development. More importantly, this thematic framework will enable Luxembourg to maintain and build upon existing sector priorities and strategies in Lao PDR whilst ensuring that they feed into NSEDP outcomes, Luxembourg's thematic priorities and contribute to meaningful progress in achieving Lao PDR's target SDGs.

In alignment to Luxembourg's Road to 2030 strategy, ICP V will support mainly 13 SDGs, in particular: SDG 1 (No poverty), SDG 2 (Zero hunger), SDG 3 (Good health and well-being), SDG 4 (Quality education), SDG 5 (Gender equality and women/girls' empowerment), SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 13 (Climate action), SDG 16 (Peace, justice and strong institutions), SDG 17 (multi-stakeholder partnerships), and Lao PDR's nationally adopted SDG 18 (Lives safe from UXO).

Integrating sectors across several thematic areas also presents the advantage of supporting and justifying the establishment of a higher-level, strategic ICP V monitoring framework, which can effectively capture and quantify Luxembourg's contribution to the government of Laos (GOL's) development priorities.

In order to promote the sustainability of Luxembourg interventions, ICP V aligns with other key GOL policy instruments, including the national decentralisation policy "Sam Sang" (three builds), the Vientiane Declaration on aid effectiveness and National Strategies on Green Growth, Climate Change, the Legal Sector Master Plan, the Health Sector Reform Strategy, Nutrition, technical and vocational education and training (TVET), Rural Employment and Gender Equality (2016-2025) strategies. Good results in all these policy areas have been

achieved under ICP IV. ICP V will largely maintain its previous geographical focus while the scaling-up and replication of successful programme achievements to other provinces under regular GOL programs or alternative projects will be further promoted. ICP V will also capitalise on the following results and main lessons learned from the implementation of previous ICPs that can serve for advocacy and decision-making purposes:

- Integrate human capital development as an overall vision for all future interventions as the underlying thread that links them together.
- Place greater emphasis on information management, monitoring, disaster risk management, gender equality, inclusive governance and green growth across all sectors.
- Further, strengthen the national decentralization processes (Sam Sang), with a strong focus at the local level.
- Ensure a greater focus on village and district levels, particularly considering vertical communication and upward integration with the province and higher levels.
- Enhanced emphasis on informal, village-level vocational training and youth employability to capitalise on the country's relatively young population through appropriate skills development, in line with demand of the domestic and regional labour markets.
- Strengthen the programme's engagement with key private sector industries in target provinces.
- Become more pro-active in supporting the implementation of legal frameworks for climate change and environmental protection.
- Ensure that gender equality has a more prominent role in the next ICP since poverty reduction cannot be adequately addressed without overcoming gender barriers.

Building on Luxembourg's active support to the development effectiveness agenda, ICP V will continue promoting the five goals of the Vientiane Declaration on strengthening development effectiveness efforts in Lao PDR:

1. **Government Ownership** is promoted by the close involvement of Ministry of Planning and Investment (MPI) and a broad consultative process in the design of ICP V programs, that are consistent with the 9th NSEDP. Luxembourg places a particular interest in the strengthening of multi-stakeholder partnerships, including participatory planning at village and district level.
2. **Alignment** is ensured by ICP V design being in close accord with the government's main development strategies and policy priorities, most notably the NSEDP, SDGs, Sam Sang (three builds), LDC graduation, and key National Strategies.
3. **Harmonisation** is clearly demonstrated by ICP V's coherence with the 9th NSEDP Thematic Directions, the evolving EU joint programming strategy (2021-2025) and the "Team Europe" approach.
4. **Managing for Results** orientation of ICP V is reflected in its results-oriented approach and its aim to improve information management to provide relevant and timely information for decision-making.
5. **Mutual Accountability** is promoted by Luxembourg's participation in and support for the Sector Working Groups and the Roundtable process.

An indicative results matrix with clear indicators and main risks specific to ICP V will be developed in parallel to the ICP V programme formulation phase. This framework will serve as a basis for the development of an adapted and flexible risk mitigation plan, which will be regularly monitored and adjusted throughout the implementation of ICP V (see Chapter 5.2).

1.4 ICP V - Strategic and operational orientations

The ICP IV Mid-term Review (MTR), conducted in 2018, confirmed the relevance and efficiency of the approaches adopted and the achievement of positive results. All stakeholders were appreciative of the interventions due to their continuity and alignment with both Lao PDR's 8th NSEDP and Luxembourg's development cooperation

strategy. The MTR also noted that synergies between ICP IV programs could be further enhanced and that additional efforts on both sides are needed to ensure more sustainable development in the long-term.

Based on the conclusions of the MTR and guided by a long-term 10-year vision, Luxembourg's interventions under ICP V will shift from a previously sector-based focus towards a more holistic, coherent and inclusive strategic approach, focusing on the sustainable development of **human capital and institutional capacities** as the common thread connecting all interventions. This anchoring and strengthening of existing structures represent essential conditions to ensure sustainability. The aim is to contribute to the creation of an enabling environment to raise the productivity of Lao citizens and support them to benefit more fully from economic opportunities.

This strategic reorientation presents an opportunity to shift the focus on how interventions are being undertaken by following the principle of results based programming, which promotes strategic management and the achievement of measurable impacts. To ensure the sustainability of ICP interventions and contribute to inclusive governance that is "*Leaving no one behind*", ICP V will focus on further **strengthening capacities at the levels of individuals, institutions and the enabling environment** by placing capacity building at the core of the programme and making it also a cross-cutting dimension. Thereby, a particular emphasis will be placed on organisational and institutional capacity development as a way to support Lao PDR in building up the complex systems on which social and economic development depends. It will be essential to design a demand-driven capacity development strategy that builds upon successful approaches established in the prior ICPs and which is also able to adapt quickly to emerging needs. Over time, it is anticipated that this will enable GOL agencies and target beneficiaries to plan, implement and monitor development activities in a more sustainable manner.

Besides building its human capital, pursuing a greener and more equitable growth path are other key areas to make Lao PDR's development further inclusive and sustainable. The new ICP will therefore explore opportunities that could link more closely the public and private sectors and if feasible open up space for enhanced private sector participation, since strengthening the role of the private sector is equally important for raising productivity and sustainable job creation for Lao citizens.

Respecting the division of labour and development effectiveness principles, ICP V will not expand into new priority focus areas, and thus **maintain its current focus on health and nutrition, skills development and employability, local development, as well as inclusive governance and the promotion of rule of law**. To maximize impacts and outcomes in these priority areas, Luxembourg furthermore promotes and supports multi-stakeholder partnerships, as well as integrating innovative approaches for development by supporting cutting-edge partnerships, approaches and instruments in areas where it can leverage its distinct comparative advantage, particularly in information and communication technologies (ICT), data and cybersecurity, e-health, e-education, business development and in the areas of sustainable and innovative finance. The strengthening of inclusive banking and financial systems and the development of sustainable finance schemes, for instance through "Appui au Développement Autonome" (ADA) and House of Training (ATTF/ HoT), remain in this context a key pillar of Luxembourg's cooperation policy.

While the **geographical focus** will remain the same, and some programs will continue to have national and regional components, ICP V aims to better concentrate its interventions to enhance their overall effectiveness and efficiency, following the principle of "*doing less, but doing better*", with the aim to scale-up good practices and successful approaches. On the local level, the strong partnerships and networks already established with provincial authorities from the four provinces of intervention allows ICP V to work on sustainability and institutionalisation strengthening, rather than setting up new mechanisms. Promising results in this regard have already been achieved, in particular related to capacity building in the previous health and local development programmes. The limited geographic approach allows to further capitalise on and/or expand to high priority Sam

Sang or poverty districts within the four intervention provinces. The desired outcomes are to match ambitions with means and thus maximise the impact of interventions. If opportunities arise, ICP V interventions could support further replications in other provinces under regular GoL programs and/or with additional funding from other donors.

ICP V will introduce some additions and changes compared to ICP IV to better align with the 9th NSEDP and national policy priorities and to support a more inclusive and sustainable pattern of economic growth in the future. These adjustments to ICP V include a **strong local level focus**, particularly at the village level, where feasible, in order to address rural poverty based on the existing Local Development (LAO/030 programme) planning platform to intensify and integrate the focus of all sectors. Thereby it will be crucial to further take into account the different vulnerabilities that are linked to remote rural living, including inequalities and disproportionate exposure to environmental issues. In accordance with its focus on “*Leaving no one behind*”, Luxembourg will adopt an integrated approach, focused on ensuring that basic needs of vulnerable populations are met to enable their progressive transition towards more sustainable livelihoods.

Increased emphasis will be placed on the role/empowerment of youth in national development to capitalise on Lao PDR’s demographic dividend and to pay greater attention on tackling a number of cross-sectoral issues, including inclusive governance, fundamental rights, gender equality and women’s empowerment, green growth, as well as environmental and cultural preservation and innovation and technology (connectivity/ e-Health). In addition, ICP V includes response aspects related to the social and economic impacts of the Covid-19 pandemic, focussing on system strengthening and resilience.

CHAPTER 2: JOINT ANALYSIS OF THE INTERVENTION CONTEXT OF ICP V

2.1 Assessment of the national context in Lao PDR

Strong economic growth has enabled Lao PDR to move from the status of low-income economy to a lower middle income country in South East Asia. Despite being one of the fastest growing economies in South East Asia in recent years with great progress in poverty reduction since 2000, Lao PDR still remains among the poorest and least developed countries in the region. The country is ranking 137th of 189 countries in the 2020 Human Development Index. Economic growth has mainly been driven by foreign investment, particularly in mining and hydropower, and the country remains highly dependent on these sectors. Annual growth in gross domestic product (GDP) averaged 7.3 percent per year between 1993 and 2019, largely from exploitation of natural resources and the poverty rate more than halved, falling from 46 % to 18 % during the same period. In spite of the impressive achievement in regards to poverty reduction, inequality has increased among regions and population groups. A high public debt (estimated at over 68% of GDP at the end of 2020) and fiscal deficit (estimated between 7.5-8.8% of GDP at the end of 2020), and weak revenue collection are major constraints. Further, it is anticipated that the socio-economic effects of the Covid-19 pandemic will impact negatively on growth and on all these poverty reduction gains.

Since 1986, the Lao government has been moving gradually from a centrally planned economy to a more market-based system: economic transition has included the lifting of restrictions on private sector activity, the liberalization of prices and exchange rate, and expansion of trade with neighbouring countries and overseas markets. The opening of Lao PDR’s economy has accelerated since the country joined the Association of Southeast Asian Nations (ASEAN) in 1997 and the ASEAN Economic Community in 2015. After more than twenty years of striving to graduate from “least developed country” (LDC) status, Lao PDR is finally eligible to graduate in 2026, after meeting the graduation criteria twice (in 2018 and 2021) and an extended 5-year preparatory period.

The Lao PDR is a landlocked ethnically diverse and mountainous country with an estimated population of 7.3 million (of which approx. 50% are women). The population is composed of 49 officially recognized ethnic groups. The country faces many unique human development challenges, with 65% of the population living in rural and remote areas with poor infrastructure, unequal service delivery and low living standards. The economy is based mainly on the agricultural and industrial sectors. Almost a fifth of the population still lives below the poverty line.

Because of its location, the mountainous terrain and tropical climate, the population density is very low with 27 people per km². The ethnic diversity, low population density and limited availability/accessibility of primary health care in rural areas gives the Lao population an average life expectancy of 68.9 years (male: 67; female: 70.8). The country has the distinction of having the highest total fertility rate (TFR) among ASEAN countries in recent years. Despite significant developments in the last years, maternal mortality rates (185 deaths/ 100,000 births), infant mortality rates (33 infant deaths/ 1000 live births) and under-5 mortality rates (45.5 deaths per 1000 live births) remain one of the highest within the region. Malnutrition is still representing a key development challenge in the Lao PDR. Despite recent gains in reducing stunting levels, its prevalence remains considerably higher than the regional average, and there are also significant inequalities in stunting, both across provinces and between different wealth groups and ethnicities.

The country's geographical conditions restrict both the quantity and the quality of agricultural land and pose difficulties in the development of trade, social infrastructure, transport and communication links. The effectiveness of service delivery should be improved in terms of both coverage and quality.

With one of the youngest populations in the region (young people aged between 15 and 35 accounting for 62% of the population), Lao PDR is projected to benefit from the "demographic dividend" as a potentially valuable economic development driving force that remains to be fully exploited. There is no gender preference for children but the conditions and opportunities for both remain unequal. Especially poor rural women and girls continue to be deeply disadvantaged in relation to education, access to formal work, and positions of authority and decision-making.

Although the Human Capital Index (HCI), which measures the amount of human capital that a child born today can expect to attain by age 18, increased from 0.41 to 0.46 between 2012 and 2020, the Lao PDR is still only ranked 126th out of 174 countries. The government has implemented cooperation projects with development partners such as the World Bank and the United Nation network to put in place several measures aimed at creating policies and legal environment conducive to abolish corruption, promote inclusive governance and promote the rule of law. Challenges remain particularly with regard to their effective implementation and enforcement, as well as creating awareness about existing policies and laws. Local administrations still face significant human and financial resources challenges to fully achieve the objectives and the wide-range public administration reform envisaged in the national decentralisation "Sam Sang" policy.

The availability of arable land is limited due to the mountainous terrain and UXO contamination that still covers almost 25% of the land making it hazardous for cultivation. Casualties due to UXO accidents have dropped in recent years, due to the Lao government's comprehensive mine-risk education and victim assistance programmes but significant needs remain. The great majority of Lao farmers are engaged in either paddy or upland rice production. Lowland farmers generally plant one or two crops of irrigated paddy, while upland farmers grow rain-fed rice and other crops in rotational swidden systems. The country is particularly prone to environmental and climate change-induced hazards, including droughts, frequent floods and typhoons and, consequently, to widespread food and nutrition insecurity, largely due to its dependence on climate-sensitive natural resources. In years with normal harvests, the Lao PDR is self-sufficient in rice production overall, but many families in most remote villages still suffer rice shortages. Lao PDR's rural population that depends upon

agriculture for their livelihood and subsistence is particularly vulnerable to natural and man-made disasters, resulting in loss of income, destruction of livelihoods and loss of lives.

Despite the above challenges, the Lao PDR possesses endowments and characteristics with the potential to lift future development and to achieve the intended outcomes of the 9th NSEDP. Key potentials include the country's rich resource base, its abundant water resources, its relatively young population and its strategic location.

2.1.1 Covid-19 impact and response

Due to its efficient response management, Lao PDR initially avoided a large-scale sanitary crisis. However, current and potential future developments of strong community transmission of the virus represent a significant challenge to the resilience of the Lao health system. Whilst Lao PDR only recently experienced severe health impacts of Covid-19, the economic and social impacts in the Lao PDR caused by the reduction in global trade, travel, investment and economic upheaval have been immense, exacerbating the already fragile sanitary and socio-economic situation of the country and will continue through the life of ICP V. The economic vulnerability, the sanitary measures imposed by the Lao government to contain the spread of the virus and the complete isolation of the country, due to closed borders to neighbouring countries since the beginning of the pandemic, further add to the numerous development challenges. As a result, the productivity of Lao PDR has dropped substantially and thus put more pressure on public finances. The already vulnerable segments of the population are hardest hit by these repercussions translating in loss of incomes and deteriorating livelihood conditions. This, coupled with weather-related diminished rice yields in 2019 and 2020, led to widespread food insecurity in many of the villages targeted under ICP IV. The return of approximately 200,000 migrant workers from neighbouring countries added to the already tense and fragile rural living conditions. Mitigating the multidimensional impact of Covid-19, as well as addressing the pre-existing development challenges of the country will therefore be crucial not only to the country's planned economic recovery, but also in view of Lao PDR's SDG progress. As such, a comprehensive programme response to address and mitigate the economic and social impacts of Covid-19 and other pandemics that could occur in the future will be considered as key elements of ICP V. Although the Covid-19 virus seriously affected GOL service delivery, it also demonstrated the potential benefits of digital technology for electronic communication, online teaching, e-commerce and other applications that could be used in the future to improve the efficiency and cost-effectiveness of GOL service delivery.

Luxembourg, as well as other donors have played a crucial role in supporting Lao PDR to create favourable conditions to contain the spread of the virus through a comprehensive Covid-19 response package, strengthening national and provincial systems and coordination mechanisms for economic recovery. While a strong and rapid response at the beginning of the pandemic was crucial in containing the virus, ongoing and future preparedness in this respect should be an important element under ICP V. With the aim of *"building back better and safer"*, Luxembourg will continue supporting the government's national Covid-19 response strategy, while a particular focus should be put on strengthening prevention, preparedness and risk management measures to build resilience against future pandemics.

2.1.2 Gender equality

Lao PDR has made substantial progress in poverty reduction and improving livelihoods for women and men over the last years. In this environment of change, gender relations within the families and communities and in society in general are also changing. New risks and emerging issues affect women and men differently and will need to be addressed with appropriate services and skills that meet the needs of each gender identity. To address this challenge, the government of Lao PDR has made gender equality and equity one of its top priorities. Despite the progress in women's empowerment and political participation, significant challenges in economic and social integration and access to services at the grass root level, especially in remote rural areas and particularly for rural women in these regions continue to exist. Moreover, Gender-Based Violence may have increased during the

Covid-19 pandemic and women's access to justice is hindered by the lack of a comprehensive legal aid scheme to support, particularly, the most disadvantaged women. The pandemic and its resulting economic downturn also had a particularly negative impact on sectors with a significant female workforce (e.g. agriculture, tourism, services, healthcare, and garment factories), increasing women's and other disadvantaged groups' socio-economic insecurity.

Other key challenges to gender equality are in enabling access, particularly for rural and marginalized women and girls to opportunities and resources. Addressing the low-level of women's effective participation in decision-making bodies, especially of poor and ethnic women, is essential for the Lao PDR to achieve its goals of poverty reduction and improved living standards. In terms of reproductive health services, maternal mortality, or education Lao PDR has seen some significant improvements but is still lagging behind other countries of the region. In addition, access to health services, including sexual and reproductive health and rights, literacy, education, food and nutrition security, decent employment and access to justice are inconsistent throughout the country, depending on various factors, including geographical, socio-cultural and linguistic barriers. Migration for work, whether within or outside the country, entails significant risks for women. Young uneducated rural women are exposed to higher risks of violent or coercive sexual encounters, unwanted pregnancy and unsafe abortions.

To support Lao PDR in the implementation of the SDGs that truly benefit women and girls in all aspects of life, all future ICP V interventions will systematically mainstream gender equality in line with the principles and priority areas outlined in international gender conventions, political and strategic orientations developed at international, European and national levels, Lao national gender strategies and Luxembourg's development cooperation gender strategy.

2.1.3 Environmental sustainability

The Lao PDR is vulnerable to climate change, notably due to its relatively high dependence on natural resources and river flows for both people's livelihoods and for economic development. Droughts, floods, extreme weather events as well as major infrastructure development are affecting food security, drinking and irrigation water supply, public health systems, environmental management and lifestyles. It is predicted that temperatures will continue to rise, dry seasons will get longer, rainfall will become more erratic and storms, droughts and floods will become more severe and frequent. In particular, the north and north-western parts of Lao PDR are vulnerable to drought, and the Mekong river provinces in the central and southern regions are vulnerable to flooding. Future projects will seek to reduce the vulnerability of communities to climate change, through the design of climate-resilient infrastructure and better preparedness to withstand and respond to natural disasters. Women's roles in climate mitigation and adaptation have not yet been fully tapped to date. Their traditional responsibilities in the household and community as stewards of natural resources position them well to contribute to strategies for adapting to changing environmental realities. To ensure sustainable investments that will not degrade Lao PDR's natural resources, greater efforts on green growth are required, while ensuring that the private sector is more fully integrated. To support Lao PDR's growth in an inclusive and sustainable manner, the future ICP V interventions will systematically integrate environment and climate change issues outlined in international environmental conventions, political and strategic orientations developed at international, European and national levels, Lao environment and climate strategy national strategies and Luxembourg's cooperation environment and climate strategy.

2.2 Policy coherence for development and complementarities between development partners

To make effective use of available development financing, it is essential to assess the interdependence and coherence of all public policies and their potential effect on shared development outcomes. Therefore, both governments commit to ensure coherence of their policies towards the achievement of Agenda 2030 and to

avoid any negative impacts on development cooperation activities. Policy coherence for development will be discussed during annual Partnership commissions held at ministerial level while the operational follow-up of these exchanges will be made through cooperation at country level.

In accordance with SDG 17 “Partnerships for the achievement of the SDGs”, Luxembourg will continue strengthening, developing and brokering effective **multi-stakeholder partnerships** to support sustainable development in Lao PDR at country and international levels. Deepening these partnerships will play an important role in improving capacity development effectiveness, increasing ownership and enhancing counterpart accountability. In that regard, Luxembourg will remain actively involved in national donor coordinating mechanisms such as the Round Table Meetings and Sector working groups.

European Partners’ Joint Programming Strategy (EJPS, 2021-2025) and Team Europe approach

Building on Luxembourg’s firm commitment for coordinated engagement of EU partners towards sustainable development, ICP V design has evolved in close cooperation with the development of the European Partners’ Joint Programming Strategy with the Lao PDR (EJPS, 2021-2025). As a result, ICP V will actively contribute to the achievement of EJPS goals in relevant priority areas. The EJPS combines the cooperation priorities and indicative commitments of European partners (the EU, its member States and Switzerland) within a common framework. This common approach of the European partners aims to demonstrate the value added and maximised impact of working better together, by streamlining and effectively coordinating development cooperation efforts, leveraging collective capacities and comparative advantages in a cohesive and coherent approach. The *TeamEurope* approach and the *TeamEurope* Green initiative, which form an integral part of the EJP Strategy will be a guiding principle throughout ICP V in order to “*build back better and greener*”.

In Lao PDR, European partners are focusing on six priority sectors, clustered in three priority areas: i) Green and Inclusive Economy, ii) Human Capital, and iii) Governance. Luxembourg has actively contributed to the different stages of the development of the EJPS and has the coordinating role in the health sector. The EJPS will focus to a large extent on green priorities, particularly sustainable agriculture & forestry/biodiversity, climate change mitigation and adaptation, supported by green skills development and business/trade facilitation, which together form the basis of the *TeamEurope* Green initiative. Further synergies with European and like-minded partners will be sought throughout ICP V, also in order to leverage additional funding from EU financed programmes.

Enhanced coherence across Luxembourg government departments and domestic partners

Considering the Luxembourg government’s ambition to promote enhanced coherence and coordination between Luxembourg institutions and other domestic actors at all levels in support of sustainable development outcomes and a unified partnership approach with Lao PDR, ICP V will, when relevant, actively promote strengthened complementarities and cross-fertilization of available capacities, resources and know-how across partners, policy areas and sectors, in support and beyond traditional development cooperation.

CHAPTER 3: ICP V - STRATEGIC IMPACT AND EXPECTED RESULTS

3.1 Long term vision and strategic goal and objectives

The **expected long-term impact of the partnership between Lao PDR and Luxembourg** is to contribute to the achievement of Lao PDR’s 2030 vision, focusing on promoting green growth and sustainable development, maintaining steady socio-economic growth, achieving a constant reduction of poverty, strengthening the rule of law and graduating from the least developed country status.

Lao-Luxembourg partnership vision

Taking into account the lessons learned and the expertise acquired during the previous ICPs, including the conclusions of the ICP IV Mid Term Review (MTR), Luxembourg will focus its support on areas where it holds a specific comparative advantage and can deliver the greatest added value for maximised impact. Building on the national contexts of both countries, and their respective national plans, principles and priorities, as well as the EU Joint Programming Strategy (2021-2025), the partnership between the Lao PDR and Luxembourg will therefore be guided by the following **10-year vision**: “**By 2030, Lao PDR has a healthy, well-educated, productive and empowered population in a rights-based and inclusive governance environment ensuring sustainable socio-economic development for all.**”

ICP V - Overall Goal and strategic objectives

While the Lao-Luxembourg partnership vision represents the long-term approach for change by 2030, the ICP V programming and budgeting cycle is maintained over a five-year period (2022-2026), focusing on the three-fold objectives of the 9th NSEDP. To achieve the long-term partnership vision, the **overall goal of ICP V** is to “**support Lao PDR in the strengthening of an enabling inclusive governance environment for the sustainable development of human capital ensuring enhanced access to opportunities for individual well-being and improved income for all, with a specific focus on youth and women**”. Luxembourg's commitments within the framework of ICP V are resolutely aimed at eradicating extreme poverty, by placing human capital development on the one hand and strengthening governance on the other at the core of its interventions.

Capacity strengthening for the development of human capital

Human capital is the body of knowledge, skills, and health conditions that individuals accumulate throughout their lives and that enable them to realize their full potential as productive members of society. Human capital development can be defined as a means of equipping people and society with the skills and competences they need to meet contemporary social and economic demands and fulfil the country's own development goals. Beyond utilitarian definitions that conceive human capital as an intangible factor of production, the development of human capital in the context of the ICP V remains dependent on a more general development of the real capacities and aptitudes of individuals to be able to lead their lives, and thus take into account the context in which communities live, including institutions, social norms and public goods. Capacity development should not be seen in terms of a gap that can be bridged but rather as a continuous matching of needs, contexts and purposes under the leadership of individuals, institutions or countries. When referring to capacity this means a process by which countries, through their stakeholders, fulfil their objectives and match needs and resources to obtain efficient results. It is essential to differentiate between those two concepts; capacity strengthening is to be considered as the main implementation modality, whereas human capital development represents another intermediate goal on the way to poverty reduction. Luxembourg's support of capacity for the development of human capital should inform the complete programming cycle, providing needs assessment and assistance for specific capacity building actions in the different relevant fields to ensure that the Luxembourg's contributions are more effective. This requires investments in health services, and nutrition quality education, skills development, and access to jobs.

To implement its long-term vision and overall goal and following its core principles and strategic orientations (cf. section 1.4.) of geographic and thematic concentration for enhanced impact, ICP V will focus its interventions in the following four outcome areas:

- i) Health and Nutrition;
- ii) Skills development and Employability;
- iii) Local Development;
- iv) Governance and the Rule of Law

In line with the long-term vision and ICP V overall goal and to support Lao PDR in making its rapid economic growth more sustainable and inclusive, **two interlinked specific objectives (SOs)** and **four strategic outcomes** have been jointly identified for ICP V by the governments of Lao PDR and Luxembourg, as follows:

- **Specific objective 1 (SO 1):** By 2025, contribute to the strengthening of equitable and inclusive provision and access to quality basic social services and opportunities for sustainable employment, income generation and livelihoods for all, with a particular focus on the most vulnerable populations.
- **Specific objective 2 (SO 2):** By 2025, contribute to the further strengthening of inclusive governance at national and local levels to ensure enhanced rule of law, access to justice, the protection of human and fundamental rights, gender equality, and environmental sustainability, leaving no one behind.

The expected results are to increase the capacity of beneficiaries, as rights holders, to become actors in their own development. While recognising Lao PDR's potential for socio-economic development, without losing sight of the challenges the country will have to face in the medium and long term, Lao PDR and Luxembourg consider that strengthening inclusive governance, based on transparency, accountability, more efficient institutions and balanced public finances (SDG 16), is an essential vector for sustainable development. Both countries consider that more effective and transparent governance at the service of and closer to the population through decentralised actions should, in the long term, allow the deployment of the State so that it can fulfil its obligations in terms of human and fundamental rights, in particular social and economic rights. The expected results relate to the supply, and therefore the inclusive and equitable provision of quality public services through the strengthening of the institutional capacities of the state and the public administration as duty bearers.

While the achievement of SO 2 aims to equip the beneficiary communities in their journey towards the effective enjoyment of their human and fundamental rights, by seeking to eliminate the obstacles and inequalities that hinder or limit their development, the attainment of SO 1 aims to contribute to an enabling environment for sustainable and inclusive development. Improved living conditions, such as access to water and sanitation (SDG6) and, food and nutrition security (SDG2) are preconditions for the empowerment (SDG5) and education of beneficiary communities, especially youth and women (SDG4), with a view to contribute to their socio-economic inclusion (SDG8) through a revitalised labour and employment market. Healthy, well-nourished and educated youth with employment opportunities are better equipped to exercise their rights more freely, including those related to sexual and reproductive health. In this sense, investment in basic social services, education and training - the development of human capital in its multidimensional interpretation - will aim to contribute to the capture of the demographic dividend.

In order to achieve the objectives targeted under ICP IV, four outcome areas have been identified and will form the priority fields of action of the partnership between Lao PDR and Luxembourg by 2025. These will be supplemented and amended as necessary during the ICP V life cycle. If deemed relevant, they may be maintained until 2030.

- **Health and Nutrition Outcome Area:** Enhanced national capacities and governance structures for the provision of and access to strengthened social protection and quality public health coverage and nutrition services for all, particularly for the most vulnerable populations.
- **Skills Development and Employability Outcome Area:** Strengthened skills and employability aligned with labour market needs and development of opportunities for diversified and sustainable socio-economic and financial inclusion, particularly for women and young people.
- **Local Development Outcome Area:** Improved provision and access to social services, sustainable livelihoods and socio-economic opportunities, and enhanced public administration capacities for effective decentralisation reform implementation and participatory planning at national and local levels.

- **Inclusive Governance and Rule of Law Outcome Area:** Strengthened capacities for inclusive and accountable governance, rule of law and justice systems, including the empowerment of women and girls and environmental sustainability for improved livelihoods and fulfilment of human and fundamental rights for all, particularly for the most vulnerable populations.

On the basis of these two strategic objectives and four outcome areas, a **vision statement for change** has been developed to identify the strategic and intermediate transformations to be targeted and how these can contribute to the achievement of the ICP V overall goal and long-term vision of the Lao-Luxembourg partnership. Establishing human capital development as the central thread of ICP V implies the application of a strengthened systemic approach towards development planning, implementation and monitoring to foster more coherent and enhanced cross-agency collaboration while concurrently avoiding partner based approaches focusing too much on their own specialised mandate. Human capital should be perceived as a policy focus and a central tool to achieve the goal of poverty reduction and eventual eradication. Since the achievement of the ICP goals and strategic objectives aim at changes in access, status and behaviour, the framing and structuring of capacity development through Theory of Change (ToC) processes will be further developed during the formulation process of ICP V projects and programmes.

3.2 ICP vision statement for change and strategic orientations

When driving social and environmental development, increased attention needs to be paid to diversify the economy and strengthen inclusive growth that enhances livelihood opportunities, that does not exacerbate vulnerability and does not prejudice the human and fundamental rights of vulnerable people. To ensure more sustainable and effective development, including the protection of human and fundamental rights, the existing economic strategies would need to be complemented by policies to promote sustainable agriculture, as well as manufacturing, services and technology industries. Those in turn require a well-educated, healthy and skilled workforce that can only emerge as a result of sustained investments in global health, education, the population's well-being, empowerment of women, social protection, and lifting people out of poverty and into productive and sustainable employment.

In the **health sector**, despite achievements in the provision of health care services, inequalities in coverage of quality health services are revealed by negative health outcomes amongst the poorest living in rural and remote areas. A functional social protection system is required to reduce multi-dimensional poverty and to provide for equal opportunities for all. ICP V will therefore support the Lao government's efforts towards the establishment of a comprehensive social security system and contribute to expand and strengthen the health care system at all levels. The benefits of introducing a holistic approach to delivering health care (public goods and services) pursues the objective to address the total package of health needs, including user demand and needs and not only supplier preferences. To achieve better public health outcomes, following and implementing a "One Health" approach is critical.

Whereas Lao PDR has made good progress in building its human capital base by improving access to education and nearly achieving universal primary education, the country still needs to increase skilled labour and secondary education completion rates, as well as improving the quality and relevance of education offered at all levels. There is still room for improvement to jointly address this remaining challenge and establish cooperative TVET models, which provide flexible and needs-oriented qualifications for enterprises. The aim of the ICP V is to support the Lao PDR in the areas of TVET for young people in order to increase the number of graduates that better respond to labour market needs and who subsequently will find meaningful employment. Cooperation with stakeholders will aim at strengthening the regulatory framework and delivery systems, including for informal core skills provision as one of the key constituent factors of employability. Throughout, enhanced

private sector involvement will be promoted to enable youth to grow in a sustainable and inclusive manner and create jobs. Thereby, Lao PDR's vast human resources, both young and job-seeking, present a real opportunity to boost the private sector. Greater emphasis should thereby be placed on stimulating job creation and supporting the integration of young people and women to take advantage of opportunities for continuous training and learning.

The ICP V will focus its support on improving service quality in health (SDG 3) and education (SDG 4) as two major components of human development required for Lao PDR's sustainable economic growth, increased resilience and poverty reduction (SDG 1). As gender represents an important factor for ensuring the quality of human capital, the new ICP V should foresee adopting measures to prevent and address gender-based violence, gender issues in health, education and employment, and women's participation in decision-making. Health and education, as well as other social services with bottlenecks in adequate service delivery and financial planning and management also need to be addressed through an inclusive governance lens.

Despite improved access to roads, water, electricity and public services, many communities in disadvantaged areas still face poverty and its related challenges. Future ICP V **local development** interventions will build on the experience from the local development projects currently under implementation and notably seek to significantly enhance the focus on governance strengthening in terms of improving the systems and capacity of government staff to support effective poverty reduction, including through enhanced local participation in planning and monitoring processes. Governance should thereby be closely linked to capacity development at all levels. Further improving the organisational and institutional capacity development will help to promote improved governance at all levels, including for the effective implementation of sector policies and technical interventions for improved service delivery and policy dialogue. While environmental issues were already partially included in former ICP IV local development interventions, climate change adaptation, disaster risk management, as well as gender equality will be further emphasised across all project components under the ICP V local development outcome.

Governance reform is widely recognized as being one of the mainstays for sustainable progress in terms of socio-economic development. An efficient administration, backed by the rule of law and wide public participation in civic matters, can provide a cornerstone for stability and equitable economic growth. With the aim to contribute to **inclusive governance**, improved transparency, and the promotion of human and fundamental rights in the Lao PDR, Luxembourg will continue to promote and strengthen the consolidation of genuine and well-functioning **rule of law** as one of the overarching objectives of the ICP V. This includes improving the effectiveness and accountability of public service delivery, supporting public administration reform (including the Sam Sang decentralisation policy), strengthening the management of public finances and collection of domestic revenues, reinforcing the justice system, as well as enhancing the operating environment of civil society and people's participation, while supporting the promotion and protection of human and fundamental rights. Most importantly, efforts to strengthen the rule of law must aim to change attitudes and behaviour, as well as strengthen relationships between the people and state institutions. Finally, more spaces to trigger debates, policy dialogue and decision-making based on evidence should be created. Each of these areas plays a critical role in ensuring the balanced and sustainable development of Lao society. ICP V will support the government in strengthening the justice system to provide an efficient system that is accessible to all, particularly the most vulnerable groups. The programme will further support decentralization as an effective tool for addressing governance challenges through the implementation of the decentralization policy, which seeks to strengthen citizens' participation in development plans. Continued advancements in the enabling environment and operational capacity of Lao civil society will enhance national socio-economic development, as recognized by the NSEDP and the Vientiane Declaration on Aid Effectiveness.

Besides its relevance for building strong and accountable institutions, the priority outcome area of inclusive governance and rule of law is also essential in achieving gender equality (SDG 5), reduced inequalities (SDG 10) and access to justice for all (SDG16). The realization of women's and girls' protection and environmental issues also relate to several governance issues. The ICP V also puts a special emphasis on contributing to the governance area as a transversal theme that addresses several governance-related issues, in order to promote the effective protection of human and fundamental rights, gender issues and environmental protection.

Appropriate indicators to measure progress of the outcomes, as well as activities under each of the outcomes will be identified in the formulation phase in consultation with relevant stakeholders.

3.3 Cross-cutting priorities and horizontal programme modalities

ICP V aims to provide a holistic and multi-faceted approach to supporting Lao PDR's sustainable development by building on a demand-driven capacity development approach as the common thread of its four outcome areas. Underlying each outcome area is a focus on three cross-cutting priorities - human rights, gender equality and equity as well as environmental sustainability - that will be systematically mainstreamed throughout all interventions. In addition, ICP V interventions will include, when feasible and relevant, the horizontal and vertical application and piloting of innovative programming modalities and approaches in areas where Luxembourg holds a comparative advantage based on its expertise and existence of domestic eco-systems and partners.

- To contribute significantly to the advancement of human rights, a **rights-based approach** is applied throughout the life cycle of ICP V. As an integral part of inclusive governance, the principles of non-discrimination, participation and inclusion of marginalized groups, transparency and accountability will be integrated throughout the programme/project management life cycle, systematically assessing and monitoring their potential implications for right holders and duty bearers. Particular focus will be given to enable the large population of ethnic groups to maximize vocational training opportunities, obtain full access to health and reproductive care, and to obtain meaningful access to justice.
- In accordance with the orientations of the feminist foreign policy of Luxembourg and in line with the gender approach of Luxembourg's Development Cooperation, each ICP V programme and project will systematically follow an integrated gender approach prioritizing the **promotion of equal rights, women empowerment and balanced gender participation**. This inclusive and multidimensional approach will fully integrate the differentiated needs between gender dimensions in strategic decision-making and in the development of institutional policies, structures and processes. A particular interest will be paid to structural barriers that still prevent women from the full realization of their human and fundamental rights.
- In order to support the improvement of Lao PDR's capacities in facing increasing challenges related to **climate change and environmental sustainability**, ICP V interventions will systematically aim to mainstream climate change adaptation and resilience measures in each outcome area. ICP V will capitalize on innovative and solid approaches and techniques in order to contribute to the preservation of ecosystems, to strengthen capacities to adapt to climate change, extreme weather events, droughts and floods and to gradually improve local infrastructure.

To enhance the achievement of results within the four outcome areas and facilitate horizontal synergies, specific emphasis will furthermore be attached to the piloting and deployment of innovative solutions and programming modalities where Luxembourg's expertise can deliver a specific added value.

- These include the promotion of **innovative and sustainable finance schemes and instruments**.

- Luxembourg's Development Cooperation has been leveraging digital tools for more than 10 years. Building on this, ICP V will explore the development of **digital and technological approaches** to enable timely and accurate data processing notably to inform evidence-based policy and development programming including tracking and documenting of SDG progress. This will furthermore support the fostering of reliable data and information management solutions for effective planning, implementation and monitoring of human-centred e-governance applications and the gradual deployment of e-health and e-learning services.
- A specific emphasis will additionally be attached to the promotion of **innovative research and development** approaches with a specific emphasis on boosting effective multi-stakeholder collaboration between academia and research institutions, public and private sector actors as well as civil society, including between Lao and Luxembourg actors and within the context of regional and triangular cooperation.

3.4 ICP Outcome areas

3.4.1 Health and Nutrition

The current goal of the **Health Sector Reform** in Lao PDR is to achieve universal health coverage by 2025 based on five pillars: (i) Health services, (ii) Human Resources for Health, (iii) Health financing, (iv) Governance, Management and Coordination, and (v) Monitoring and Evaluation. Along the other priority areas, the GoL has identified human resources for health as a key priority area, noting the importance of having a sufficient number of skilled professionals. This notably includes a focus on reinforcing the skills of existing healthcare workers as well as providing high quality education and training to future healthcare workers, adequate forecasting of required skills needed at various levels of health care and the right mix of human resources.

Although progress is being made, significant challenges still remain. Government funding is insufficient, and public spending on health per capita remains the lowest in the region. A National Health Insurance system is in place, but coverage is still low and out-of-pocket expenses remain high. Data collection and information management is inconsistent and not used effectively. The functionality of the drug supply system remains weak. Furthermore, governance, management and coordination remain challenging in this area. The Reproductive, Maternal, Newborn, Child and Adolescent Health (RMNCAH) policy is broad and difficult to operationalize. Early marriage and pregnancy continue to place young women at risk of health complications. Finally, malnutrition and over nutrition in Lao children remain disturbingly high.

Luxembourg's **previous interventions** in the health sector began in 1997 focusing on infrastructure construction, but over time have evolved from a project-based approach to a broader, programme-based approach. Support over many years has resulted in Luxembourg now being recognized as a leading contributor with a comparative advantage in the sector. Luxembourg support has had a particular focus on maternal and child health using a range of funding modalities: (i) bilateral funding implemented through LuxDev, (ii) multi-lateral support through WHO, UNFPA and UNICEF, and (iii) support through health related institutions such as the Pasteur Institute of Laos and Luxembourgish Non-governmental organisation (NGOs) such as "Aide au Développement de la Santé" (ADS). Notable achievements of Luxembourg's support include (i) the Joint Participation Mechanism (JPM) used for financial management ensuring budgets reach designated targets, on a timely basis, (ii) effective hospital information systems, (iii) a strong gender and ethnic focus ensuring positive impacts on vulnerable groups and (iv) the Covid-19 related work of the Pasteur Institute of Laos to support the containment of the virus. Since 2015, Luxembourg is supporting the Universal Health Coverage (UHC) Partnership in Lao PDR to promote UHC by fostering policy dialogue on strategic planning and health systems governance. Together with the EU, Luxembourg is one of the founders of this universal programme.

The **ICP V health sector objective** remains strengthened universal health coverage, expanding basic social and quality health services to all, with a specific focus on vulnerable groups and maternal and child health services. ICP V health sector interventions are strongly aligned with the 9th NSEDP, most notably NSEDP outcomes 3 (Material and mental well-being and food security) and 6 (efficient public administration, and service delivery to a well-protected society). ICP V interventions here directly support the SDGs of zero hunger and reduced malnutrition, good health and well-being, clean water and sanitation and reduced inequalities.

No major changes are therefore intended in health sector support, but rather adjustments in emphasis, in particular to enhance alignment with the three other ICP V outcome areas. The structural dimensions, which surround the health sector such as education/TVET, but also adequate facilities and health instruments are key. Therefore, individual, institutional and organisational capacity development will continue as a priority.

In support of green growth, increased attention will be paid to improving resilience to climate induced health risks. Information collection and management will be targeted as a priority, and the current emphasis on reaching out to remote vulnerable groups will be expanded to ensure that “*no one is left behind*”, notably also by exploring the possibility to deploy innovative e-Health platforms that establish telecommunication connections via satellite in order to offer remote consultations. As part of the overall ICP V integrated approach, health interventions at the local level will use the local development platform, implemented under ICP IV, as the basis for planning and implementation. The JPM for financial management will be continued and further capitalised under ICP V.

The need for a well-functioning and well-structured health system is once again highlighted by the current Covid-19 pandemic. The Lao government is currently developing a 5-year Covid-19 response strategy to build national capacity for pandemic preparedness and readiness for future emergencies. ICP V will collaborate in this effort with other health sector partners, in the formulation and implementation of this plan. A substantial part of the Health sector support programme will also be used to support the response to Covid-19.

Under ICP V, LuxDev will be mandated to extend the health sector support programme to a third phase, in cooperation with the Ministry of Health. A particular focus of this programme will address the Covid 19 response of the GOL and the preparedness against future pandemics. The activities of the Luxembourgish NGO ADS and the Lao-Luxembourg Heart Center will be integrated into the bilateral component of the health sector support program. The health program will amongst others, work with the Lao Red Cross to explore the modernization of the country’s blood transfusion system particularly the blood banks and its cold chain. In collaboration with the bilateral components, UNICEF, WHO and UNFPA could be mandated to further provide support to the Ministry of Health in regards to RMNCAH. Luxembourg will also remain a substantial donor to the *Institut Pasteur du Laos* via different ways, including a next phase of the Partnership for Research and Capacity Building in Infectious Disease Surveillance (PARECIDS) conducted in collaboration with the Luxembourg Institute of Health (LIH).

3.4.2 Local development

Government policy in this domain puts a high priority on **poverty reduction and socio-economic development**, and impressive progress has been achieved over the years. Unfortunately, it is forecast that the socio-economic effects of the Covid-19 pandemic will impact negatively on the previously achieved poverty reduction gains.

The delivery of government services in rural areas is very variable, and is often not optimally aligned with local needs. Vertical communication and coordination from village to district and to province remains challenging and affects more effective and efficient planning and implementation processes consistent with the national decentralisation policy “Sam Sang”. In addition, improvements in technical, institutional and organisational capacity are needed to promote inclusive governance, particularly at the local level. Provincial Assemblies are increasingly becoming involved in local development, which is an encouraging trend and is helping to promote more effective rural development planning, implementation and monitoring.

Luxembourg's **previous interventions** in local development began in 1999 with a succession of district-based projects initiated in Bolikhamxay Province. The Local Development Programme (LAO/030), initiated under ICP IV, saw an expansion into three new provinces (Khammouane, Vientiane and Bokeo) and was able to further increase its impact through an ongoing partnership and additional funding from Switzerland. Other Luxembourg support in the local development sector includes several international non-governmental organisation (INGO) projects active in various other provinces of Lao PDR.

The LAO/030 programme supported GoL's poverty reduction strategy, focusing on the 14 poorest districts in the four Luxembourg target provinces. The programme prioritized three main components: (i) governance and capacity development to strengthen the ability of the government in local development, (ii) community-led development to improve target villagers' livelihoods and well-being, and (iii) the upgrading of village infrastructure such as school's village water supplies, bridges and access roads. The project's MTR conducted in late 2018 scored the programme highly for all criteria and was seen as extremely relevant and timely in regard to GoL's policy priorities' and the NSEDP most notably the delivery of positive development impacts in target villages, innovative rural and local development modalities and the capacity building as well as material and financial support provided to government agencies and central and local levels.

Despite these positive aspects, some weaknesses remain. Coordination among provinces, districts and villages has been difficult, land governance issues were insufficiently addressed and GoL's Participatory Land Use Planning (PLUP) procedures were not being used effectively. Other identified areas of improvement were associated in relation to more focussed support for Strategic Environmental Assessments (SEAs), enhanced consideration of climate change resilience and village level environmental protection and strengthened attention in adequately addressing subsistence rice deficits.

Under ICP V, the local development programme will be adjusted with an emphasis to better align with the three other ICP V outcome areas. These adjustments include a stronger focus on: (i) gender, (ii) improved food security and nutrition, (iii) sustainable natural resource management and environmental protection, including waste management, (iv) climate change adaptation and resilience, (v) disaster risk management including UXO clearance, and (vi) land governance issues.

The LAO/030 programme has created an effective platform for directing development based on community needs, identified through inclusive participatory planning. Building on this, the platform will also continue and enhance support to communicating plans from the local to the central level, along with effective horizontal coordination at all levels, in alignment with the goals of the "Sam Sang" policy.

Under ICP V, the local development programme will be continued and expanded with the aim to create, at the local level, synergies between all four outcome areas, notably building upon the successful village development platforms, established under ICP IV. Building on the effective Switzerland-Luxembourg cooperation under ICP IV, the formal continuation of this partnership will be actively explored in the area of local development.

3.4.3 Skills development and employability

Having one of the youngest populations in the region, Lao PDR's economy is projected to benefit from a "demographic dividend" in the medium-term, but only if young men and women are better equipped with the appropriate skills and competencies, and if adequate job creation keeps pace with the growth of the working-age population. Although the employability rates of university graduates in urban areas have improved, those for TVET college graduates in rural areas continue to lag behind or do not have the acceptable skills level demanded by the private sector; many of them were unable to find work in their field of training and were therefore absorbed into employment in agriculture or being unemployed. The quality and relevance of the

education offered could be further improved at all levels, with significant regional disparities. Another challenge consists in a lack of demand-oriented cooperative TVET in some provinces. Now is a critical time for Lao PDR to strengthen investment in TVET and skills development for enhanced employability, effectively linking the TVET system with labour activation programmes and employment creation schemes for engaging its youth in productive employment to ensure the country's competitiveness and help overcome the socio-economic impacts of the Covid-19 pandemic. These skills are needed in both the formal and informal sectors, including through support to self-employment via micro and small business creation.

Over the past decade, progress has been made to close gender gaps in education and TVET. Girls' primary enrolment rates have improved, as have adult literacy rates for women. Despite these improvements, women and girls continue to lag behind in access to education and TVET, with an increased gap at higher education levels. Although girls account for 40 % of TVET students, they continue to be under-represented in traditionally male-dominated technical fields such as electronics and mechanics.

Luxembourg's **previous interventions** and ongoing support for TVET has focused on the tourism and hospitality sector. Good progress has been made and more than 9,500 youths have benefited from the last programme, which was co-funded by Switzerland. The programme has demonstrated an ability to reach populations from disadvantaged backgrounds, and prior to the Covid-19 pandemic, appeared to be on track of achieving its objective of high employment rates for the people trained. The programme was well aligned with the NSEDP and the SDGs and has contributed to improvements to the governance of TVET in Lao PDR and to the National TVET Strategy.

Despite the achieved progress, further support is needed, particularly to link vocational education and training to employment opportunities and connecting TVET policy with labour market needs. Insufficient labour market information and compliance with relevant ASEAN standards are major constraints that still need to be addressed.

ICP V interventions on TVET are well aligned with the 9th NSEDP which emphasises human capacity as a key thematic direction and is strategically placed to raise human capital in the other outcome areas through appropriate training. The training and employability of young people, particularly women, remains in that regard an insufficiently tapped opportunity for sustainable socio-economic growth. Introducing new technologies offered by digitalisation into the management of the TVET sector could further help to reach out to a higher number of learners and to improve access to quality and relevant education and training, while complementing the traditional way of schooling.

Considering the social and economic impacts of Covid-19, the TVET focus under ICP V will adjust to respond to economic recovery more broadly. Although developing skills for employability in the tourism and hospitality sector will continue, intended changes include: (i) improving access and equity by mainstreaming gender and disability issues, (ii) diversifying TVET and skills development to cover other employment opportunities, including entrepreneurship and self-employment, (iii) increased focus on youth at the local level with skills based on needs identified by the young themselves, (iv) mobile informal TVET and /skills development responding to the needs identified, (v) TVET focused on community service provision, (vi) increased private sector engagement in TVET needs identification, planning and management, (vii) stronger networking via ASEAN to identify regional employment market needs and opportunities and (viii) research conducted for new knowledge and innovation.

Subject to approval by Switzerland, LuxDev will continue to be the implementing agency for the joint Luxembourg-Swiss initiative in support of TVET in the tourism and hospitality sector. Luxembourg will furthermore consider the possibility to broaden the scope of the joint TVET/skills development initiative to other sectors, including at the local level as an integrated component of the local development platform. Enhanced collaboration with local and international NGOs will also be explored in view of their contribution to the expected

outcomes in TVET and employability as well as synergies with major development stakeholders active in this field in Lao PDR.

3.4.4 Inclusive Governance and the Rule of Law

An inclusive governance environment is the basis for effective, transparent and accountable public institutions a robust public sector management and a more inclusive participation of civil society in planning and decision-making processes. ICP V will therefore continue to address these aspects horizontally and in a coherent manner throughout its four priority outcome areas while strengthening at the same time its interventions to further promote and reinforce the rule of law, based on the experience and lessons learned under ICP IV.

The attainment of Lao PDR's development aspirations is critically dependent on the effectiveness of the country's systems, institutions and practices of governance. A strong governance framework is critical for promoting local investment and attracting foreign direct investment. While progress has been made in expanding legal and policy frameworks, challenges remain particularly with regard to effectively operationalizing and strengthening public financial management, targeting institutions that can generate and disseminate timely information on public budgeting and expenditure and integration of service delivery standards for the public sector, as well as translating policies into practice. Efforts need to be geared towards supporting the improvement of legal and policy environments to protect the vulnerable and "*leave no one behind*". Luxembourg will support the GOL in its efforts to increase access to justice and strengthening capacities to improve public service delivery and local development, with a specific focus on social inclusion in local government planning efforts, particularly for women and disadvantaged ethnic groups.

In 2009, the Lao government adopted a **Legal Sector Master Plan (LSMP)** that established the framework to develop effective institutions in the entire legal sector as the foundation for the effective rule of law. Furthermore, the Lao PDR's 8th National Development Plan (NSED, 2016-2020) addressed the cross-cutting issue of the enhancement of the effectiveness of public administration and governance. These goals highlight GOL's priority of developing a legal system that is complete, harmonised, clear, reliable and accessible to everybody.

The 9th NSED has adopted the concept of the rule of law as one of the priority outcomes in order to achieve improved public governance and administration. The priority shifted towards strongly developing the effective rule of law by focusing on developing and revising laws and secondary legislations to become more comprehensive and consistent with international norms and treaties; improving the legal dissemination network via different means and channels by taking into account target audiences; and raising legal awareness among the public and engaging people in the legal dissemination.

Positive trends have been observed since the development of the LSMP, particularly in the areas of access to justice and in compliance with ASEAN legal standards, but much still remains to be done. Progress has also been made in strengthening higher education in the legal sector through improvements in curricula in university law faculties. In addition, the legal framework continues to be strengthened with regard to access to justice although further improvement is still needed.

Other challenges remain, most notably increased transparency and awareness of the law, the fact that most legal conflicts do not go to court. Foremost this is also due to the time, expense and complexity of the legal process, high costs of running legal aid facilities and insufficient numbers of qualified lawyers, law professionals and judges, which creates large backlog of legal cases awaiting court proceedings. Trans-border crime also needs to be addressed through improved cooperation with neighbouring countries. Over the past years, the legislation has been well developed integrating international norms, however enforcement of these laws needs to be improved.

The legal frameworks for environmental protection and climate change also need to be improved along with strengthened law enforcement in these areas. The lack of a strong legal framework for individual and communal tenure also needs to be addressed. Attention needs to be paid to strengthening commitments to gender equality, restrictions on civil society organisation activities, limited social accountability and lack of legal awareness and knowledge within the legal sector itself, among government officials, including law enforcement and among Lao citizens.

Luxembourg's **previous interventions** in the legal sector included three main support areas: (i) the bilateral support programme for legal teaching and training and for the promotion of rule of law jointly implemented by LuxDev and the Institute for Legal Support and Technical Assistance (ILSTA) (LAO/031), (ii) a cooperation agreement between the University of Luxembourg and the National University of Laos, and (iii) a partnership agreement between the ILSTA and relevant Lao national authorities, for legal training and capacity development.

The support programme for legal teaching and training and for the promotion of the rule of law concept (LAO/031), implemented under ICP IV, aimed at promoting two major outcomes: (i) reinforcement of an enabling environment for access to justice, and strengthened legal processes, and (ii) strengthening of legal education and training. The programme, supported the Judiciary, the Peoples Supreme Court, the Office of the Peoples Supreme Prosecutor as well as different agencies from Law enforcement and the State Inspection Authority through training in various branches of law and institution building. The main beneficiaries of the project are legal practitioners and civil servants active in the legal sector and academic staff and students of the Faculty of Law and Political Science of the National University of Laos (NUOL) in Vientiane and of the Faculty of Law and Administration of Champasak University.

Since 2016, the University of Luxembourg and the Faculty of Law and Political Science of the NUOL have collaborated under an inter-university cooperation agreement. The agreement supported advanced teaching in the field of law, teacher training, legal documentation and research, while also strengthening university governance and local structures. Under the agreement, Master and PhD students, researchers and administrative staff had the opportunity for regular inter-university exchanges in the form of teaching and research visits, scholarships and administrative internships.

In regard to **ICP V interventions**, a number of priority needs in the legal sector have been identified which will be addressed under the new multi-annual Programme: (i) enhanced government capacities to coordinate, monitor, and identify resources to strengthen the rule of law including the capacities to develop, implement the laws and secondary legislations and to administer criminal, civil and administrative justice (ii) improved capacities to plan, budget and evaluate public sector programmes at national and sub-national levels; (iii) improved delivery of key services; (iv) expanded and systematized use of evidence-based policy and legislative-development; (v) strengthened capacity of Lao PDR to harmonize with, and transpose international obligations and standards into domestic law and practices; (vi) improved access to justice and justice service delivery for citizens, (vii) supporting international cooperation; and (viii) increased public awareness of legal rights and responsibilities, and confidence in justice institutions.

LuxDev and ILSTA will continue support to the development of the legal sector and the promotion of the rule of law, as equal partners, while the University of Luxembourg has already signed a new partnership agreement with the NUOL, Faculty of Law and Political Science to further support legal teaching and legal education in Laos. The Lao-Luxembourg Project in Statistics has also been extended to a second phase in order to increase the national Lao statistics system capacity in data collection, analysis and processing.

CHAPTER 4: IMPLEMENTATION MODALITIES

4.1 Implementation modalities

A wide range of implementation modalities is used by Luxembourg to adapt to the specific partner country situation and context and to maximise development effectiveness and impact.

4.1.1 Bilateral cooperation

Operationalised through direct collaboration between the competent Luxembourg and Lao authorities, the bilateral cooperation component represents, with an indicative budget of 85 million euros, the main modality of intervention under ICP V. Under the general coordination of the Ministry of Planning and Investment and the Luxembourg Embassy in Vientiane, the bilateral cooperation programs will be mainly implemented by LuxDev, the Luxembourg development cooperation agency. LuxDev will mobilize expertise from relevant Luxembourgish actors and institutions. In addition, it is planned to mobilize, to the extent possible, additional funds from partnerships with other donors, especially within the framework of the EJP. In the field of sustainable finance, Luxembourg will continue supporting ADA and ATTF/ HoT and explore potential new partnerships.

4.1.2 Multilateral cooperation

Given the importance that Lao PDR and Luxembourg attach to multilateralism, the two countries recognize the added value and specific technical expertise that multilateral development organizations can offer in effectively complementing bilateral efforts undertaken under ICP V. On that account, up to 10 % of the indicative ICP V budget will be available to provide technical and/or national policy-oriented support through multilateral channels, in line with ICP V outcome areas. Capitalizing on the results and good practices from multilateral support delivered under previous ICPs, multilateral interventions could be continued in the health sector with a specific focus on policy advice and implementation on reproductive, maternal, newborn, child and adolescent health, in complementarity to the bilateral programme implemented by LuxDev. Furthermore, ICP V will pursue funding to UXO clearance operations to support Lao PDR in achieving the national SDG 18 “Lives Safe from UXO”. In line with the Vientiane Declaration on strengthening development aid effectiveness, capacity strengthening of Lao government will also be pursued through various mechanisms such as donor and sectoral working group coordination or the Roundtable Implementation Meetings. When relevant, the UN agencies should identify, initiate and implement joint programmes to increase synergy, impact and efficiency. Additional multilateral support might be explored during the ICP V programme and project formulation process, on a needs basis, and taking into account its specific relevance and comparative advantage within the targeted outcome areas.

4.1.3 Triangular, South-South and regional cooperation

Under ICP IV, Luxembourg development cooperation has started a triangular cooperation project in the Finance Sector between Vietnam, Laos and Luxembourg (LAO/032). An additional example of such a triangular partnership is the cooperation agreement between LuxDev and Thailand International Development Cooperation Agency (TICA) signed in October 2020. The objective here is to provide triangular or regional assistance to Lao PDR in the sectors of TVET, social protection, public health, rural development and agriculture. ICP V will in particular draw on the lessons learned under the previous programmes in the health, legal and finance sectors to explore further opportunities for leveraging south-south cooperation, notably in the area of e-health, building on good practices from the telemedicine project in Mongolia.

The aims of **regional cooperation** are: i) facilitating exchanges between regional partners, ii) encouraging south-south cooperation, iii) supporting Lao PDR’s policies on regional integration, and iv) responding to cross-border challenges that cannot be addressed solely bilaterally. Previous interventions under ICP IV included support to a joint programme on regional land governance funded by Switzerland, Germany and Luxembourg and implemented by Land Equity International, based in Vientiane (MRLG Project – Phase II). Further support for a potential third phase will be assessed based on the project’s performance and identified needs to consolidate

the results achieved so far. Support for regional cooperation in sustainable water resource management has also been provided under the framework of the Mekong River Commission (MRC) and will be continued under ICP V.

4.1.4 Engagement with NGOs and Civil Society Organisations

Luxembourg directly supports Luxembourg-based NGOs working in a range of sectors in the Lao PDR. Numerous civil society organisations (CSOs), community-based organisations (CBOs), Non-Profit Associations (NPAs) and local NGOs are additionally working at the grass-roots level in ICP V target sites. Further involvement of these actors will be considered as valuable means for community empowerment and to enhancing ICP V programme impacts at the local/village level. Luxembourg-funded NGOs working closely with local CSOs will also contribute to capacity development of their local partners. Where possible, ICP V implementing partners will look for further synergies and possibilities for collaboration with those NGOs, as has been the case under previous ICPs. ICP V will further promote an enabling environment for citizen's engagement, allowing for local CSOs to contribute to the implementation of ICP V activities and the sustainable development of Lao PDR.

The Embassy of Luxembourg in Vientiane provides additional funding to local NPAs, through attribution of small grants for micro-projects.

4.1.5 Public-private partnerships

ICP V will seek to strengthen the programme's private sector focus by pro-actively engaging with relevant private sector actors to promote their participation where opportunities exist for mutual benefits to both parties. Engagement with the private sector, not limited to but especially in the TVET sector should be increased, to better address and assess TVET labour market needs at provincial and district levels and establish sustainable partnerships between TVET schools/colleges and the private sector.

4.1.6 Humanitarian Assistance

In line with Luxembourg's humanitarian strategy, humanitarian assistance is an integral part of its external action. Guided by fundamental humanitarian principles, good humanitarian donorship practices and the promotion of respect for international humanitarian law (IHL), Luxembourg's humanitarian assistance can be delivered through inter alia multilateral channels, the Central Emergency Response Fund (CERF) and UN Common Humanitarian Funds, the Disaster Relief Emergency Fund (DREF) of the the International Federation of the Red Cross and Red Crescent Societies (IFRC), the International Committee of the Red Cross (ICRC), as well as humanitarian NGOs. Luxembourg's humanitarian action aims to be needs-based, responsive and flexible while being open to innovative solutions to improve the efficiency and predictability of the responses provided. Luxembourg also provides humanitarian assistance in case of natural disasters, notably through flexible contributions to CERF and DREF that can quickly allocate necessary funds in emergencies.

4.1.7 Programme support

Programme support is provided through the supply of qualified human resources for development cooperation. This includes Junior Professional Officers to UN agencies and Junior Experts to the European Union Delegation, UN Volunteers, aid workers and related professionals and interns.

4.1.8 Additional implementation modalities

Alternative implementation modalities, in addition to those funded under ICP V, may be mobilized depending on the specific context and available resources to maximise impacts and development effectiveness of the Lao-Luxembourg partnership. Such support, to be identified on a needs-basis, can notably include funding from the Luxembourg Directorate for Development Cooperation to support capacity strengthening in the financial services sector as well as projects conducted through other Luxembourg ministerial departments supporting amongst others climate change resilience and other jointly identified areas for enhanced partnerships between the two countries beyond traditional development cooperation. In addition, and complementary to ICP V priorities,

Luxembourg will furthermore explore co-funding opportunities of programmes implemented by other partners, particularly European Development agencies in relevant ICP V outcome areas.

CHAPTER 5: PROGRAMMING, STEERING AND MONITORING

5.1 Steering and Coordination

The Ministry of Planning and Investment of Laos and the Directorate for Development Cooperation and Humanitarian Affairs of the Ministry of Foreign and European Affairs of Luxembourg together with the Embassy of Luxembourg in Vientiane will be responsible for the strategic management, decision-making and monitoring of ICP V. The Ministry of Planning and Investment will ensure general and operational coordination of the bilateral components of ICP V, together with the Embassy of Luxembourg in Vientiane and the technical support of LuxDev.

Annual Partnership Commissions, if possible at ministerial level, will take place alternatively in Luxembourg and Laos, to assess progress and jointly agree on any needed adjustments to the programme. The Partnership Commission is co-chaired by the Minister of Planning and Investment of Laos and the Minister for Development Cooperation and Humanitarian Affairs of Luxembourg or their representatives. Before every Partnership Commission, the Lao government will proceed to measure progress indicators, as defined in the results framework of ICP V and will produce a progress report, upon which the political dialogue will be based.

Continuous review of implementation of ICP V programmes and projects will be done in exchange with all implementing partners in the framework of steering committee meetings to take place at least once per year.

5.2 Monitoring and Evaluation

In order to strengthen the strategic management, monitoring and evaluation of ICP V, a pragmatic and integrated monitoring system and set of instruments will be developed. The results framework of ICP V will be aligned, as much as possible, to national and sectoral reference frameworks and indicators as well as relevant areas supported within the EU Joint Programming strategy. The results framework will be developed in parallel to the ICP V programme formulation phase. Regularly updated, the results framework will inform the analysis of ICP V implementation progress in general and the achievement of objectives within the four outcome areas. This analysis will facilitate strategic decision making, in the framework of the Lao-Luxembourg political dialogue and steering entities between the two countries.

An external and independent MTR of the ICP V outcome areas will be conducted to assess the achievement of expected results and propose adaptation measures if needed. The terms of reference for this in-depth review will be elaborated jointly by the Lao and Luxembourg authorities and will be conducted by an experienced and reputable independent consulting agency, following a public call for tenders published by the Ministry of Foreign and European Affairs. The conclusions and recommendations of the MTR will be presented in a workshop organised in Laos, to which all participating stakeholders are invited. The relevant conclusions and recommendations of the MTR will be adopted by mutual agreement and accompanied by a roadmap specifying timeframes and monitoring modalities for implementation.

In addition to annual progress reports, every programme and project financed through ICP V is subject to periodical internal and/or external evaluations and audits.

In line with the promotion of multi-stakeholder approaches, ICP V will when relevant and feasible explore the participation in joint and technical reviews with other development partners to generate and capitalize on joint learning outcomes to strengthen human and institutional capacity development.

5.3 Budgetary and financial planning

The implementation of ICP V is based on an indicative amount of **95 million euros over a five-year period**.

This budget will cover all activities decided jointly within the framework of ICP V and supported areas within the EU Joint Programming strategy and thus in respect of the NSEDP priorities. Commitments and disbursements of the indicative budget will be equally balanced over the duration of the ICP and the indicative budget will be spent as far as possible during the years 2022- 2026. Actual figures can be adapted over the duration of ICP V, taking into account the implementation progress of programmes and projects and any changes in the government of Luxembourg's general development cooperation budget.

5.4 Lao PDR contribution

In alignment with the General Cooperation Agreement between Lao PDR and Luxembourg, the Lao government will contribute to the implementation of ICP V. The Lao government commits to contribute to the creation of an institutional environment that strengthens political dialogue, coordination and regular exchange of information, by involving all technical and financial partners and other stakeholders. In order to generate a multiplier effect, in addition to the achievement of the SDGs, the Lao government will also ensure an optimal use and maintenance of the infrastructure and equipment financed through Luxembourg's development cooperation, as well as the provision of adequate human resources involved in the framework of ICP V interventions. This contribution will materialize in different financial and in-kind contributions, determined under mutual agreement during the bilateral programme formulation phase and detailed in every respective programme protocol. Furthermore, the Lao government commits to use financial support from Luxembourg for the sustainable development of the Lao population, on which it will capitalize to strengthen and consolidate the impact for the main beneficiaries. The Lao government commits to speedily solve any administrative issues related to the implementation of ICP V Programs, such as expeditiously granting MoUs for Luxembourg funded NGO projects and other administrative matters.

5.5 Innovation and technical assistance fund

In addition to ICP V interventions, an Innovation and technical assistance fund is set up, with an indicative amount of 250,000 euros. Funds can be allocated, as needed, to conduct : a) economic, social and institutional feasibility studies, assessments and research activities relating in particular to gender equality, environmental sustainability and the promotion of actions furthering the participation and social inclusion of marginalized populations, in particular women and youth , and b) piloting and promotion of innovative initiatives and cooperation in line with the priorities of the Lao-Luxembourg partnership, including through south-south and triangular cooperation. The Fund primarily targets public actors, community and civil society associations, private operators and societal impact companies (SIS), including academia and research centres, with the aim of encouraging multidisciplinary and multi-actor cooperation supporting the socio-economic development of Lao PDR. Projects and initiatives to be supported will be identified based on mutual agreement and following an exchange of letters between the Directorate for Development Cooperation and Humanitarian Affairs of the Ministry of Foreign and European Affairs of Luxembourg and the Lao Ministry of Planning and Investment.

5.6 ICP V – Indicative budget by outcome area

Indicative Cooperation Programme 2022-2026 (ICP V)	
Health and Nutrition, including Covid-19 response	42 500 000 €
Skills Development and Employability (including sustainable inclusive economic growth)	10 500 000 €
Local Development	28 000 000 €
Inclusive Governance and Rule of Law	13 750 000 €
Innovation and Study Fund	250 000 €
ICP V - TOTAL INDICATIVE BUDGET	95 000 000 €

Vientiane/Luxembourg, 08 July 2021

For the Government of
the Grand Duchy of Luxembourg



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For the Government of
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