

Independent Evaluation of

The Laos-Australia Rural Livelihoods Program (LARLP)

Main Report

Prepared for DFAT Vientiane by Peter Bazeley (Evaluation Leader), Heather Clark (Financial Inclusion Specialist) and Lisa Hannigan (Poverty & Social Transfers Section, DFAT Canberra) with contributions from Somchay Soulitham and Wanna Lassamee (National Consultants)

Finalised August/September 2016

Outline Map of the Lao PDR

LARLP's three field-program provinces, in the south east of the country, are shaded.



Contents

Map of the Lao PDR	Inside front cover
Acronyms and Abbreviations	v
Exchange Rates	vi
Acknowledgements	vi
Contacts	vi
Executive Summary	vii
I. Introduction	1
Background to the evaluation	1
Methods employed	2
Limitations	3
II. Findings and Analyses	5
Context	5
Design Relevance	5
Financial Inclusion component	5
Social Protection & Sustainable Livelihoods component	6
UXO Action	8
Learning Facility	8
Effectiveness	9
Financial Inclusion component	9
Social Protection & Sustainable Livelihoods component	11
UXO Action	18
Learning Facility	18
Efficiency	19
Financial Inclusion component	19
Social Protection & Sustainable Livelihoods component	19
UXO Action	20
Learning Facility	21
Impact	21
Financial Inclusion component	22
Social Protection & Sustainable Livelihoods component	22
UXO Action	22
Learning Facility	23

Sustainability	23
Financial Inclusion component	23
Social Protection & Sustainable Livelihoods component	24
UXO Action	26
Learning Facility	26
Gender Equality	26
Financial Inclusion component	26
Social Protection & Sustainable Livelihoods component	27
UXO Action	28
Learning Facility	28
Overall	28
Monitoring & Evaluation	29
Financial Inclusion component	29
Social Protection & Sustainable Livelihoods component	29
UXO Action	30
Learning Facility	30
Risk Management.....	31
Financial Inclusion component	31
Social Protection & Sustainable Livelihoods component	31
UXO Action	32
Learning Facility	32
Innovation & Private Sector	32
Financial Inclusion component	32
Social Protection & Sustainable Livelihoods component	33
UXO Action	34
Learning Facility	34
III. Conclusions and Recommendations	35
Context	35
Key Questions	36
Recommendations	39
Annexes	
1. In-country Mission Schedule / Persons Met	45
2. Approved Evaluation Plan.....	49
3. Relevant Concepts and Definitions	59
4. GIZ-AFP Performance Indicators	65
5. UNCDF-MAFIPP Performance Indicators	67
6. SPSL Performance Indicators	73

Acronyms and Abbreviations

AFI	Alliance for Financial Inclusion
AFP	Access to Finance for the Poor
APB	Agricultural Promotion Bank
AUD	Australian Dollar
BCEL	<i>Banque Pour Le Commerce Extérieur Lao Public</i> – a state-owned commercial bank
B-COME	BCEL's Community Money Express product
BMZ	<i>Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung</i> - Germany's Federal Ministry for Economic Cooperation and Development
BoL	Bank of Laos
BRAC	An international non-governmental development organisation (the largest NGO in the world) based in Bangladesh (formerly the Bangladesh Rural Advancement Committee)
CGAP	Consultative Group to Assist the Poor
DAC	Development Assistance Committee of the OECD
DFAT	Australian Government Department of Foreign Affairs and Trade
DFID	The United Kingdom Department for International Development
DFS	Digital Financial Services
DHOM	Deputy Head of Mission
EUR	Euro
FI	Financial Inclusion
FIF	Fund for Inclusive Finance
FSP	Financial Services Provider
GEID	Gender Engagement & Inclusive Development (strategy)
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> – German Corporation for International Cooperation
GoL	Government of Laos
HOM	Head of Mission
ILO	International Labour Organization
LAK	Lao Kip
LADLF	Lao-Australia Development Learning Facility
LARLP	Laos Australia Rural Livelihoods Program
MAFIPP	Making Access to Finance More Inclusive for Poor People
MFA	Lao Microfinance Association
MFI	Micro-Finance Institution
MLSW	Ministry of Labour & Social Welfare
MoU	Memorandum of Understanding
NGO	Non-Governmental Organisation
NSO	Network Support Organisation
OECD	Organisation for Economic Co-operation and Development
PRF II	Phase II of the World Bank Poverty Reduction Fund
RLP	Resilient Livelihoods for the Poor – a sub-program of SPSL
SCA	Senior Citizens' Allowance
SCU	Savings & Credit Union
SPSL(P)	Social Protection and Sustainable Livelihoods (Program)
ToC	Theory of Change
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USD	US Dollar
UXO	Unexploded Ordnance
VB	Village Bank

Exchange Rates (July 2016)

USD 1.0000 = AUD 1.3108 = EUR 0.9006 = LAK 8091.0

Acknowledgements

We are most appreciative of the time and insight that the Government of Laos and the program's many stakeholders and implementing partners provided to the evaluation: as we stated at the outset, the robustness of a short evaluation such as this is heavily dependent on the ability to learn from those who live with the program every day and really understand what it's all about.

Staff from World Education, GIZ and SPSL kindly arranged relevant and useful field visits in Saravan Province and accompanied us throughout: we are very grateful.

DFAT Vientiane prepared meticulously for the evaluation, well in advance, and provided open and candid briefings of much help to us.

Our national evaluation counterparts, Somchay Soulitham and Wanna Lassamee, were most diligent in their support to the evaluation, and their local company EDC delivered flawlessly on logistical arrangements.

Contacts

Peter Bazeley (Evaluation Leader)
Heather Clark (Financial Inclusion)
Lisa Hannigan (Poverty & Social Transfers)
Wanna Lassamee (National Consultant)
Somchay Soulitham (National Evaluation Specialist)

peter.b@zeley.com
heather_clark@comcast.net
Lisa.Hannigan@dfat.gov.au
wlassamee77@gmail.com
somjai.edc@gmail.com

DFAT contact: Mone Sysavath (Program Manager)

Mone.Sysavath@dfat.gov.au

EXECUTIVE SUMMARY

This evaluation is of the AUD 32 million, multi-component, Laos-Australia Rural Livelihoods Program (LARLP). LARLP commenced in January 2014 with the goal of increasing the economic security and resilience of poor women and men in rural areas by implementing:

- A **Social Protection and Sustainable Livelihoods** (SPSL) program (AUD 16 million), the responsibility of managing contractors Maxwell Stamp plc and partner NGOs, comprising:
 - A *Social Protection Policy* component; and
 - A sustainable livelihoods component (*Resilient Livelihoods for the Poor* – RLP), providing finite-term support to identified groups of rural poor through transfers of cash and physical assets combined with access to financial services, skills development and other livelihood support activities.
- A **Financial Inclusion** (FI) program, comprising:
 - *Access to Finance for the Poor* (AFP) (AUD 5.6 million) – augmenting, through co-financing, a pre-existing GIZ-managed BMZ project, focused on developing sustainable village-level banking and financial literacy in SPSL provinces. (Including support to regulatory developments.)
 - *Making Access to Finance More Inclusive for Poor People* (MAFIPP) (AUD 5.95 million), focussed on central policy and regulatory functions and supportive infrastructure – expanding access by the rural unbanked to financial services through an innovation fund for Financial Services Providers (FSPs), and introducing digital financial services (DFS). (Implemented by UNCDF.)
- **Unexploded ordnance clearance (UXO Action)** through a grant to UXO Lao, a government initiative, conducting UXO clearance, risk-education and community-awareness activities on demand for other components of LARLP (AUD 9 million).
- The **Lao-Australia Development Learning Facility** (LADLF) aimed at providing support for monitoring and evaluation, policy dialogue and improved integration across DFAT's country portfolio. (AUD 4.4 million).

Collectively these programs constituted a 'portfolio approach' intended to enhance impact through the accumulation of benefits to common stakeholder groups, and through cross-learning and coherence.

Although originally intended as part of a 10-year DFAT investment in rural development in Laos, Australia's reduced aid budget and subsequently Aid Investment Plan for the country means that LARLP will now terminate after three to four years.

Findings and Analysis

Generally the individual components of LARLP have performed well, but the program as a whole probably did not produce the synergies and cumulative impacts that were intended. In particular, the foreshortening of the overall program has significant implications on its likely impact and whether the benefits of the program as a whole will outweigh its costs and complexities – and indeed the risks borne by its stakeholders.

Individual components

Social Protection Policy

In retrospect, program design did not correctly identify the government's lack of readiness to embark on a new social protection initiative (a proposed Senior Citizens' Allowance - SCA) which was politically and financially challenging. The SCA was therefore dropped from LARLP and instead the program focused on social protection policy development, advocacy and exposure of policy-makers and officials to the concepts and benefits of social protection.

This was relevant, and has been well received, but is clearly part of a longer term process of supporting reform ... and one that that will now not be seen through.

Resilient Livelihoods for the Poor (RLP)

This component seeks to tackle intractable rural poverty and unequal access to the wherewithal to benefit from economic growth. It is doing so through a BRAC-style 'graduation model' (Annex 3 of the report outlines how this works). Under this model, participants remain in the program for 18 to 36 months during which time they receive:

- A 'livelihood asset' (normally livestock) with which to establish a viable enterprise;
- A regular but temporary cash transfer to cover needs while the participant is learning how to earn an income from the transferred asset;
- Access to savings (and potentially credit) to build assets and instil financial discipline;
- Training to learn how to care for the asset and to earn an income from it, as well as mentoring on wider aspects of entrepreneurship and financial literacy.

The original intention was for RLP's initial phase to support 3,000 households – about 15,000 beneficiaries. However budget cuts reduced this to 1,200 households (6,000 beneficiaries). Delays in early implementation (principally relating to procurement, contracts and government MoUs) mean that we are yet to see how well the participants will emerge from the program and fare in an unsupported environment.

However all is now progressing as it should (although we have some concerns over the sustainability of the necessary animal health services) and the signs are positive.

A critical issue is over timing the termination of RLP support to households following the foreshortening of LARLP as a whole: at present there is a distinct risk of walking away from participants before they are ready – in which case the program may ultimately have done more harm than good.

Financial Inclusion (FI)

While also providing direct inputs to the RLP program (above) via GIZ's Access to Finance for the Poor (AFP) program, LARLP's financial inclusion component principally sought to bring about change in the policies, institutions and processes that shape poor rural people's access to financial services – a key issue in rural Laos.

AFP works to develop sustainable forms of village-level banking – as much as is practical co-locating these services with RLP villages. AFP-supported village banks and their Network Support Organisations (NSOs) are on track to reach at least 31,600 male and female members by mid-2017. As of March 2016, 174 village banks operated in the 505 villages included in the

target areas. The total number of clients stands at 31,611 and the total number of village bank accounts reached 19,699.

By contrast, but with complete complementarity, UNCDF's Making Access to Finance More Inclusive for Poor people (MAFIPP) program worked at the central level to expand the reach of formal Financial Services Providers (FSPs). It is making reasonable progress towards its ambitious target of 408,000 additional active financial services users (approximately 10% of the adult population). It has enabled better regulation of FSPs that have expanded to underserved areas and adopted new models of service delivery, including digital financial services.

Unexploded Ordnance (UXO)

The legacy of unexploded ordnance in Laos is massive – particularly that of unexploded cluster munitions. Although injuries from UXOs are now relatively few, their ubiquitous presence in many areas is a constant constraint to bringing land into productive use, whether for infrastructure or agriculture.

The 'UXO Action' component of LARLP was about making safe the land areas being used for household-level productive livelihood activities supported through its RLP component. DFAT's grant-funding to UXO Lao was for them to provide a 'service on demand' for those RLP activities specifically. It was not, in the first instance, about the more strategically planned and sequenced national UXO clearance programme (geographically prioritised on the basis of surveys and identified hot-spots) that constitutes UXO Lao's principal responsibility and preoccupation.

These two responsibilities did not – initially at least – sit well together under UXO Lao's established systems and processes. Conflicting priorities led to delays clearing RLP project locales in many cases – although the backlog was eventually cleared.

Notwithstanding some initial frustrations, UXO Action successfully made safe all village-level RLP sites such that they could proceed with planned livelihood initiatives. Performance against the target set of annually clearing 190 hectares of RLP-related has been as follows:

2014: 459 hectares
2015: 142 hectares
2016: 23 hectares (to May 2016)

Risk awareness activities were provided to 22 villages (11,940 participants) in 2014 and 23 villages (10,631 participants) in 2015.

The Lao-Australia Development Learning Facility (LADLF)

This new model of providing for the analysis of development interventions (including political, fiscal and social contexts) appears interesting and relevant. The Learning Facility's focus has shifted from 'research' to more targeted analyses that can provide a robust evidence-base for resource allocation and decision-making at country-portfolio level.

Some initial uncertainties over its role – particularly regarding inappropriate cross-program 'coordination' functions – have been resolved and this modestly-sized unit should become a permanent mechanism contributing to the relevance and effectiveness of the aid program.

The program as a whole

The individual components of LARLP have – after some teething troubles – performed reasonably well and are on track to achieve their objectives (albeit down-sized in most cases). However the concept that LARLP would somehow deliver on more than the sum of its parts (through a ‘portfolio approach’, including colocation of initiatives to deliver cumulative benefits for common participants), cannot be said to have been well-founded.

While the program’s design was relevant, and while it may have had impressive results if it had been allowed to run for the 10 years originally envisaged, it is unlikely in its foreshortened form to impact at a scale that would justify its cost and complexity. There is even some question over whether some elements of the program may – through early termination – do more harm than good for the poorest and most vulnerable of its participants.

If significant synergies were to be achieved from this meld of six different programs then there would need to have been a more robust and influential coordinating mechanism, through which the activities and resources of the program as a whole could be adjusted and sequenced in the light of experience and evolving priorities. Contracting and procurement processes would also have had to be different.

Important contributors to positive outcomes at implementation include:

- A systematic approach to addressing some of the most fundamental policy and institutional determinants of rural poverty, combined with more transactional inputs at household level. (One of the most structured approaches in implementing a *Sustainable Livelihoods Approach* – see Annex 3 – that we have seen.)
 - But note comments below on the utility of ‘colocation’.
- ‘Chasing change’ in the financial inclusion sector – deepening, broadening, speeding-up and improving the quality of change that was already nascent and already had champions in relevant institutions in Laos – rather than introducing or inventing change that stakeholders were not ready for.
 - But note comments below where this was not the case.
- In that same context, leveraging and amplifying the substantial knowledge, skills, experience and influence of pre-existing programs and personnel through co-financing. (GIZ and UNCDF in the financial sector, UXO Lao with unexploded ordnance, etc.)
- Achieving some degree of scale on the ground (on an annual basis) in the more transactional components of LARLP (RLP) by partnering with multiple NGOs.
- The willingness to shift the emphasis and direction of the social protection work from something that did not, as it eventuated, have the government’s support (the Senior Citizens’ Allowance) to something more relevant (support to policy development and learning).
- Bringing in-house (to DFAT Post), mid-program, the responsibility for cross-program coordination.
- The commitment, support and direct engagement of DFAT Post in policy dialogue and – as far as it could – in resolving design issues and mitigating earlier design-related coordination failures.

Contributors to less-than-positive progress and outcomes at implementation include:

- Insufficiently robust or insightful political and policy analysis, and policy dialogue, at design, resulting in incorrect assumptions about the government's buy-in to important aspects of the program's approach.
 - This represented the opposite of 'chasing change' (above) with some consequences of lack of ownership and buy-in.
- A worthy attempt by DFAT to streamline the process of agreeing the necessary MoU(s) ultimately proved difficult for the Government of Laos (GoL) and – in hindsight – resulted in significant delays as well as some enduring relationship and management issues.
- Central policy imperatives [apparently] dictating what sort of partnerships should be put in place for implementing the program, as opposed to constructing management and implementation structures, and properly sequenced contractual arrangements, most efficiently to achieve the program's objectives.
- Lack of meaningful coordinating mechanisms across the various elements of the program (each of which have their own, standalone, management and financing arrangements), such that the emphasis and direction of the separate initiatives could be sequenced and adjusted to suit evolving contexts and emerging issues. ('Coordination failure' – see Annex 3.)
- Lack of appreciation at design and early implementation of the complexities and requirements (particularly animal health and nutrition) of embarking on (specifically) livestock distribution, feeding, breeding and marketing enterprises.
 - Including a 'paravet' program that may not be sufficiently well resourced or sustainable.
- Confusion, initially, over the place and role of the Learning Facility and an unrealistic assumption that it might have a coordinating role.

Summary recommendations

- Judicious extension of key components would improve the likelihood of the net benefits outweighing the net costs of the program.
- Bringing RLP to an earlier-than-envisaged end implies a shift in objectives and the balance between the transformative and the transactional. There may need to be some reflection on what other aspects of the program might also now assume higher or lower priority.
- If a portfolio approach is to deliver a suite of complementary activities which by working together are to yield more than the sum of their parts, it should possess coordination and management structures (including contractual obligations) that can identify and respond flexibly to evolving priorities, allocate or reallocate resources accordingly across the program in the correct sequence, and provide the necessary incentives and sanctions for compliance.
- Support MFA and capacity building initiatives, such as financial literacy, to advance the state of financial capability and human resource development in the private financial sector.

- Support further development of digital financial services, including agent banking and mobile money.
- Investigate how both financial inclusion components of the LARLP might be consistent with the Australian government's Private Sector Policy, particularly with respect to human resource development in the financial sector, and supporting those organizations that advance it.
- Create the space, time and funding for 'Cohort 2' to be supported through to the point of its full and proper conclusion.
 - What represents a point of 'full and proper conclusion' needs to be determined on the basis of solid and empirical indicators of self-sustainability among the majority of beneficiaries.
- Fund an evaluation of RLP after the cohorts have been out of the program for a number of years, perhaps through the Learning Facility.
- DFAT should engage on social protection as far as it can through strategic technical support to MLSW, advocacy with the National Assembly and capacity building among supportive local academic institutions.
- RLP paravet schemes need to be reviewed for their robustness against best practice norms and standards.
- The roles and functions of the Learning Facility need to be made clear.
- Future requirements in the UXO sector are presumably for an evidence- and survey-based, more strategically prioritised approach to UXO clearance: a different requirement to LARLP's more specific needs.

I. INTRODUCTION

Background to the evaluation

1. This is a single evaluation of the AUD 32.2 million¹, multi-component, Laos-Australia Rural Livelihoods Program (LARLP). The in-country element of the evaluation was conducted over two weeks in April / May 2016. (Schedule at Annex 1.) This report was finalised, following feedback on an earlier draft, in August/September 2016.

2. LARLP commenced in January 2014 (some elements were delayed) with the goal of increasing the economic security and resilience of poor women and men in rural areas by implementing:

- An experimental² **Social Protection and Sustainable Livelihoods (SPSL)** program (AUD 16 million).
 - At program design, social protection was to be provided through the introduction of a Senior Citizens' Allowance (SCA), but this was dropped at the government's request. It was replaced by support to central policy development – the *Social Protection Policy* component.
 - A micro-enterprise challenge fund was also to form a component of the SPSL program, but was not progressed due to budgetary limitations.
 - A sustainable livelihoods component (*Resilient Livelihoods for the Poor* – RLP) is based on a BRAC-style 'graduation model' (see Annex 3 for a description of this) providing finite-term support to identified groups of rural poor through transfers of cash and physical assets combined with access to financial services (see below), skills development and other livelihood support activities.
 - Overall responsibility for SPSL rests with managing contractors Maxwell Stamp plc with sub-contracted partner international NGOs (CARE International, Health Poverty Action, and World Education, and their local partners) delivering the program in three provinces. (See map, inside cover.)
- A **Financial Inclusion (FI)** program, comprising two sub-components:
 - *Access to Finance for the Poor* (AFP) (AUD 5.6 million) – augmenting, through co-financing, a pre-existing GIZ-managed BMZ project, focused on developing sustainable village-level banking and financial literacy in SPSL (above) provinces. (Including support to regulatory developments.)
 - *Making Access to Finance More Inclusive for Poor People* (MAFIPP) (AUD 5.95 million), focussed on central policy and regulatory functions and supportive infrastructure – expanding access by the rural unbanked to financial services through an innovation fund for Financial Services Providers (FSPs), and introducing digital financial services (DFS). (Implemented by UNCDF.)
- **Unexploded ordnance clearance (UXO Action)** through a grant to UXO Lao, a government initiative, conducting UXO clearance, risk-education and community-awareness activities on demand for other components of LARLP (AUD 9 million).

¹ An adjusted figure provided by DFAT at the time of the evaluation.

² Or what effectively turned out to be experimental, as with LARLP's fore-shortening replication to achieve impact at scale will not be possible within the DFAT country program.

- The **Lao-Australia Development Learning Facility** (LADLF – or the ‘Learning Facility’), also reduced in scope due to budgetary limitations, aimed at providing support for monitoring and evaluation, policy dialogue and improved integration across DFAT’s country portfolio. (AUD 4.4 million).
3. DFAT’s AUD 23 million contribution to the second phase of the World Bank Poverty Reduction Fund (PRF-II), a community-driven infrastructure development program sometimes referred to as a component of DFAT’s rural portfolio, is not included in this evaluation.
 4. Collectively these programs constituted a ‘portfolio approach’ intended to enhance impact through the accumulation of benefits to common stakeholder groups and through cross-learning and coherence.
 5. It was originally intended that LARLP would be part of a 10-year DFAT investment in rural development in the Lao PDR. However a reduced Australian aid budget, and a new Australian Aid Investment Plan for the Lao PDR, means that LARLP will now terminate after three to four years.

Key Questions

6. DFAT asked that the following key questions be addressed:
 - What factors, positive and negative, affected progress toward LARLP objectives?
 - How did the portfolio approach add value to the LARLP?
 - To what extent was the LARLP investment relevant in the Lao PDR context?
 - The effectiveness (etc.) of LARLP’s form of ‘graduation’ model.
 - The utility of constructing a ‘portfolio’ of programs within one sector.
7. Conclusions are drawn around these and other questions in Part III of this report.
8. Within each of these key questions, the evaluation framed its enquiries around the established OECD DAC evaluation criteria of Relevance, Effectiveness, Efficiency, Impact, and Sustainability as well as DFAT’s special criteria of Monitoring & Evaluation, Gender Equality, Risk Management and ‘Innovation and Private Sector’.
9. Although this was an evaluation of the LARLP as a whole, and aware that the ‘portfolio approach’ is a feature of the program, for the most part the evaluation has had to report against its various components separately. They represent very different and separately-managed activities operating in different contexts with different factors affecting their performance. However, we also attempt to draw some cross-program conclusions in Section III.

Methods employed

10. Given the compact timeframe for the in-country part of the evaluation (see below), and the schedule of meetings and visits already established by DFAT, the methods employed were not complicated:
 - The evaluation team completed a review of background documents and program reports prior to the in-country mission.
 - An Evaluation Plan (Annex 2) was developed, submitted to stakeholders and subsequently approved by DFAT. This required a certain amount of preparation by implementing teams, including presentations to the team on arrival.

- Initial meetings with DFAT and the component teams were used to gain – from prepared presentations – a rounded understanding of the various initiatives and their design, the context in which they have been operating, the progress they have made and the challenges they have faced.
- Other meetings and interviews (stakeholder focus groups, partner meetings, etc.) followed a semi-structured format exploring pre-defined key questions (as above) and wider issues raised by our background reading and by the respondents themselves.
- The choice of field visits was made by DFAT and LARLP prior to the evaluation – presumably with logistical and ease-of-access factors in mind as well as purpose and representativeness. Field visits were an opportunity for the evaluation team to contextualise the work of the program and appreciate the dimensions of both progress and challenges faced. Wherever possible, multiple perspectives were sought on key or contentious issues, including from other analyses and other programs. (Triangulation.)
- The evaluation team met regularly throughout the evaluation to reflect on findings, form opinions, reach consensus on the robustness of any judgements made and establish where further information was required. This included periodic meetings with DFAT as the evaluation progressed to ensure the evaluation was on track.
- An aide-mémoire setting out findings and interim conclusions was circulated prior to an end-of-mission debriefing with program stakeholders. Stakeholders provided comments on these before the evaluation report was drafted.

11. The evaluation mission’s schedule and list of persons met is provided at Annex 1.

Limitations

12. The decision, after this evaluation was first mooted, to terminate LARLP implied a different evaluation requirement. The intended scope shifted from a substantial early-term formative³ evaluation (also to have been informed by preceding component evaluations) to a more compact, near-end-of-term, evaluation intended to be principally normative⁴ and summative⁵.

13. What eventuated was a short evaluation (10 days of data-gathering), no longer informed by preceding component evaluations. The program’s multiple components and range of implementing partners and other stakeholders groups meant that the schedule was largely filled with set-piece interviews and relatively limited field visits. Field visits were all relevant and useful, and provided insight into the program and its context, but the evaluation was able to gather few primary data of its own. The quality and robustness of the evaluation was always therefore going to depend largely on the quality and robustness of the information made available to it by the implementing partners themselves.

14. The extent to which the meetings – and in particular the field visits – provided representative data and information was also in part a function of the choices made by DFAT Post and the implementing partners in setting up the schedule of meetings and visits.

³ A ‘formative’ evaluation is undertaken early- to mid-term during implementation when a program’s strategies and tactics are still being, or can be, ‘formed’ or adapted to improve performance in the light of early experience.

⁴ A ‘normative’ evaluation is principally about lesson-learning for future programming elsewhere – or the establishment of ‘norms’ and best practice models.

⁵ A ‘summative’ evaluation ‘adds up’ the program’s achievements and ‘worth’, principally for *ex post* accountability purposes.

15. As is often the case, robust, outcome- and impact-level, monitoring and evaluation systems were not always well established by the time of this (relatively early-term) evaluation. (Or if they were in place, many of the components had not yet run their course and had time to impact on higher-level objectives – or even assess the likelihood of so impacting.)

16. There are always logistical and technical issues (as well as ethical ones) surrounding the examination of the counterfactual (*i.e.* what might have happened in the absence of the intervention) by interviewing people not benefiting from or connected to a program. Short timeframes and small sample sizes do not lend themselves to a robust analysis of all the factors which may or may not have contributed to different outcomes among different stakeholder groups. The evaluation did nonetheless seek to find out ‘what has changed?’ for stakeholder groups that have been involved in the program.

II. FINDINGS AND ANALYSES

Design Relevance

Overall

17. LARLP, taken overall, was both conceptually and in its implementation, highly relevant to the challenge of tackling the country's complex and hitherto seemingly intractable problems of delivering equitable poverty reduction and rural growth. It tried to understand and address the fundamental lack of 'livelihood assets' (see Annex 3) among the poorest that are necessary for a sustainable livelihood, and it did so in a rational and holistic, people-centred, way.

18. While some of its tools and methodologies needed, in retrospect, greater Government of Laos (GoL) buy-in at the outset, and some of its design complexities needed ironing-out, LARLP is a program that reflects the broad thrust of government policy. It was also at the vanguard of the approach that Australian aid program was pursuing in rural development at the time.

Financial Inclusion (FI) component

19. Investment in financial inclusion is relevant in the Lao PDR context, where 47% of the adult population have access to formal financial institutions (banks and formal non-banks) and 25% are considered excluded with no access or use of formal or informal financial services. The bulk of the excluded are located in rural areas, and most of those that are included are served by informal services. (Finscope, 2014)

20. Generally, the financial sector in Laos is plagued by low penetration of services, particularly in the rural areas, high delinquency and default, and over-abundance of "village funds" which are often set up with no expectation of performance and more often fall prey to corruption or mismanagement. Yet village banks/village funds are most often the only accessible financial services available to poor and low-income rural people. Micro-Finance Institutions (MFIs) and Savings & Credit Unions (SCUs) generally tend to serve larger rural towns or urban populations, including micro- and small-scale enterprises in these areas.

21. The FI component showed a robust relationship between the different levels of the theory of change. The LARLP interventions were necessary, but not sufficient – particularly in the context of a reduced time frame and unlikely continuance of support that requires additional time to see substantive change take place.

22. The intended effects included the creation of a village banking system accountable to authorities and customers, financial consumer protection policy and regulation, and digital finance regulation with pilots in a position to provide experience for further market development and enabling regulatory initiatives. These intended effects are underway, but the pace of achievement is weakened by DFAT's withdrawal. Others have not been identified or stepped up to fill the gap.

23. AFP and MAFIPP efforts intended to change the way the financial system works in some fundamental ways with innovative initiatives, such as digital finance, financial consumer protection, and transparent and accountable village banks (VBs) within the Network Support Organisation (NSO) system. In this respect, the theory of change and planned interventions may have underestimated the length of time required for policy change, buy-in and the readiness of organisations to pilot new services. The importance of additional donor involvement in funding roles, and the need to bring on-board funding agencies that are committed to building inclusive

financial sectors, may also have been underestimated in the planning phase with respect to identifying risks and vulnerabilities.

Social Protection & Sustainable Livelihoods (SPSL) component

24. During design both social protection in the form of a Senior Citizens' Allowance (SCA) and a 'sustainable livelihoods' program (Resilient Livelihoods for the Poor – RLP) were discussed with government. However after design the government's fiscal position worsened and GoL declined to proceed with the proposed SCA. A proposed Micro Enterprise Fund was also removed following a mid-term review in 2014.

25. There was also government anxiety over the stipend element of RLP's asset transfer program, initially (and correctly) referred to as a cash transfer. When recast as an "asset support stipend" government gave its approval. Cash provided tied to a specific purpose was seen as more palatable – common when governments are not used to providing unconditional cash transfers.

26. So while there was government engagement at design, it appears that the understanding of, and the depth of support for, the approach and its alignment with the actuality of government policy were low. The sustainable financing of social protection initiatives such as the SCA, and cash transfers as a development tool more widely, was therefore called into question.

27. At the time of design, the logic of having a pension component was to demonstrate that cash transfers could provide needed support to a vulnerable group and that they were a valid means of providing that support. The government subsequently showed that they were not ready for this. Social protection was a new concept at the time and, with the fiscal situation, there was nervousness about committing the government to financing such programs after SPSL finished. It is unclear whether the design team misread the government's initial support or whether the fiscal crisis eroded that support: it is likely a combination of both.

28. The subsequent social protection policy work that followed the pension program's demise, which focused on readiness and advocacy, was more relevant to the government's level of understanding of social protection.

29. The rationale provided in the design document for supporting social protection is robust but the activities chosen do not follow well from that rationale. As already stated, the government was not ready for pensions.

30. The RLP program was more acceptable to the government, focusing on livelihoods and people helping themselves, but it did not necessarily advance the social protection agenda. Asset transfer programs are complex and labour intensive. Few governments run these programs alone, and none has built a social protection system on the back of an asset transfer program. Social protection requires regular and predictable transfers to households when they need them. Asset transfer programs are sometimes viewed as part of a social protection system but, by design, people exit these programs when they "graduate", whether they still need assistance or not.

31. While the RLP was contained within the "Rationale for AusAID support for Social Protection" section of the design, nowhere within the "Rationale for Investing in the Resilient Livelihoods of the Poor scheme" does it state how this investment will advance social protection. Indeed, it states that while it aims to create more resilience (in part through the regular cash transfers), there will be a need for people to access a more secure and sustainable social security

system. The way RLP was going to support the development of social protection in Laos was thus never clear. It was clear how it was going to support resilience for those households who were part of the program but not how it would support more robust – or more widely provided – social protection for those households or others.

32. So, of all of the things DFAT could have funded, was this the right thing to do at the time? There were not the strongest of links to social protection but RLP was going to focus on sustainable livelihoods and moving people out of extreme poverty, which was a priority of both Australia and Laos. RLP was a calculated gamble: the asset transfer model had never been trialled in Laos. Asset transfer programs had worked in Bangladesh⁶ and looked positive enough for CGAP/Ford Foundation to try them in other countries in a variety of contexts. (But the results were not in on these other programs when the design was done.)

33. The focus of the rural program in Laos at the time of design was getting very poor rural people out of poverty and the model had been successful in doing this elsewhere. However, over the course of the evaluation, the issue was raised of whether it was appropriate for an impermanent source of external funding (*i.e.* the finite and sometimes changeable funding of a bilateral project) to mount a long-term, transactional, program like this in the Laos context.

34. It was nonetheless a reasonably similar model to the Chars experience in Bangladesh where DFID funded an asset transfer program with no expectation of the government providing co-funding: the donor identified a group of people not being reached by government and invested directly to improve their welfare. It was probably a reasonable proposition at the time for the Australian government to provide comparable support in Laos - it was a time of rapid scale-up of the Australian aid program and AusAID was looking to spend more in Asia. However in retrospect, with the donor later finding itself unable to see the experiment through, it becomes much more questionable.

Social protection policy support

35. The social protection policy support which filled the gap left by the Senior Citizens' Allowance is highly relevant. For change to come about, the government needs to be ready. They need to have a good understanding of what social protection is and why all countries adopt social protection measures. SPSL's focus has been on this readiness and they have provided deeper support (scoping a child grant, for example) when requested. This has made SPSL a valued partner of the Ministry of Labour & Social Welfare (MLSW). SPSL's engagement with local academic institutions in taking the debate forward is also appropriate, as is its focus on the National Assembly.

What is the Resilient Livelihoods for the Poor program (RLP)?

RLP provides a package of support with the aim of providing a pathway for participants to improve their lives and move out of poverty. It was initially planned that this support would last for 24 months for all participants.

The support package includes:

- An asset worth approximately \$321. (Usually, but not necessarily, small livestock.)
- A bank account with the Agricultural Productivity Bank (APB) into which participants receive a monthly stipend of approximately \$15.
- Fortnightly household visits from RLP facilitators for various trainings: financial literacy, asset care and management and regular mentoring support.

⁶ Some fundamental differences in social and economic contexts, duration and financial capacity and scale of operation were not discussed, though, in replicating the BRAC model in Laos.

36. The government's support to SPSL's work on the child grant when it did not support the SCA does not indicate that the government has a greater focus on children than the elderly. The ILO is currently doing comparable scoping on an elderly pension. Rather, it indicates that some government views on social protection have shifted over time, especially within MLSW, which is a positive thing.

UXO Action

37. The legacy of unexploded ordnance in Laos is massive – particularly that of unexploded cluster munitions which were dispersed considerable distances into unexpected places, which remain on or near the surface, and which are still easily detonated by inadvertent movement. Although injuries from UXOs are now relatively few, their ubiquitous presence in many areas is a constant constraint to bringing land into productive use, whether for infrastructure or agriculture.

One RLP implementing partner reported that in just about any 10-metre by 10-metre planting plot that they create for project beneficiaries, they will often come across four or five unexploded cluster munitions.

38. While external assistance with UXO clearance, and awareness-building, is clearly highly relevant – and a long-term endeavour⁷ – it is important to differentiate what LARLP's involvement with UXO clearance was all about:

39. The UXO Action component of LARLP was about making safe the land areas being used for household-level productive livelihood activities supported through its RLP component. DFAT's grant-funding to UXO Lao was for them to provide a 'service on demand' for those RLP activities specifically. It was not, in the first instance, about the more strategically planned and sequenced national UXO clearance programme (geographically prioritised on the basis of surveys and identified hot-spots) that constitutes UXO Lao's principal responsibility and preoccupation.

40. These two responsibilities did not – initially at least – sit well together under UXO Lao's established systems and processes. Conflicting priorities led to delays clearing RLP project locales in many cases – although the backlog was eventually cleared.

41. This led some to question whether more flexible service-provider contracts with the several private sector and NGO UXO operations in the country might have been a more relevant, effective and efficient means to the LARLP end. However others, including UXO Lao, do not believe that such other service providers could have achieved the same level of coverage.

Learning Facility

42. AusAID / DFAT have historically found it difficult to achieve the levels of performance tracking and (in particular) robust, meaningful, monitoring and evaluation of programs that might be expected of it. In one long-term analysis undertaken five years ago, over 60% of evaluations in the Australian aid program scored 'monitoring and evaluation' poorly.⁸

43. Since then the Australian aid program has sought to improve its ability to understand how its activities are performing and – increasingly – to do so with a much more astute analysis of the political context and the complexities of the social and economic determinants of equitable and sustainable development beyond the direct influence of its programs. The Lao-Australia

⁷ Europe is still busy dealing with unexploded ordnance 70 years after WWII hostilities ceased.

⁸ Study of Independent Completion Reports for the Independent Review of Aid Effectiveness, AusAID Canberra, 2011

Development Learning Facility (LADLF) is potentially at the vanguard of reconfiguring how DFAT does this.

44. The Facility has sought to make itself more relevant to this agenda, moving beyond 'research' to a focus on supporting performance-based aid delivery. It works across DFAT's country program and bridges the development assistance and the political/economic work of the Embassy.

45. To the extent that LADLF can broker relationships and support the Embassy's convening power, and effectively contribute to a shared and credible evidence-base, the Facility is an unusual but relevant investment in a small, complex, country program.

Effectiveness

Financial Inclusion (FI) component

46. The two implementing agencies, GIZ and UNCDF, focused expertise in two areas of financial services provision offered by the majority of financial service providers (FSPs) in Laos: village banks (VBs) (the informal providers), and formal banks and micro-finance institutions (MFIs) (the formal sector). There was some beneficial overlap in research and policy advocacy between the two implementing agencies. The two-pronged approach to bolster rural finance through both VBs in the informal sector and the banks/MFIs in the formal sector, as well as working in partnership with the Bank of Laos (BoL), enabled the FI component of the LARLP to advocate for appropriate policy and regulation on several fronts considered priorities by the BoL. These initiatives included the new MFI regulation (drafted 2015), digital finance policy and regulation, financial consumer protection regulation (under discussion) and recognition of Network Support Organisations (NSOs) (under consideration with expectation of approval in 2016).

47. The GIZ-managed AFP focuses on strengthening village banks (VBs) in rural areas, building support and supervision systems to strengthen VB performance, and provides much needed financial literacy to both RLP and AFP clients. AFP also has a role in promoting policy and regulation, particularly with respect to national strategy on financial education and regulation on financial consumer protection.

48. UNCDF-managed MAFIPP focuses on strengthening the policy and regulatory environment, developing supportive infrastructure such as capacity building and exploring and supporting new initiatives such as digital financial services, and supporting existing FSPs to expand financial services to unbanked people.

49. AFP and MAFIPP have complementary roles in the financial inclusion component of LARLP. It was appropriate to work with two very different financial inclusion approaches – AFP and MAFIPP – to ensure a comprehensive sector development approach given the stage of development of the overall financial inclusion environment in Laos. In this way, sector progress is informed by micro, macro and supportive infrastructure initiatives.

50. The FI program's accomplishments have been considerable, notwithstanding a challenging context. Enabling factors include high quality dedicated teams; leveraging the skills and experience of pre-existing initiatives and funding streams; clear separation of activities and focus areas (emphasizing collaboration and limiting duplication); and a government counterpart through BoL that is interested, involved and keen to work with both the GIZ and UNCDF teams.

51. In terms of outreach, MAFIPP worked towards its ambitious target of 408,000 additional active financial services users (approximately 10% of adult population) by supporting eight FSPs to expand operations. To support the programme, UNCDF leveraged funds from its global MicroLead programme, and supported two FSPs directly through the Fund for Inclusive Finance (FIF). While there is some concern about selected FSPs' ability to complete outreach targets, UNCDF has enabled formally regulated FSPs to expand, adopt new models of service delivery and offer services to underserved areas, which may bolster the number of active clients.

52. AFP-supported village banks and the Network Support Organisations (NSOs) in the DFAT co-financed areas are on track to reach at least 31,600 male and female members by mid-2017. As of March 2016, 174 village banks operated in the 505 villages included in the target areas. The total number of clients stands at 31,611 and the total number of village bank accounts has reached 19,699.

53. See Annexes 4 and 5 for output and outcome indicators, and AFP and MAFIPP progress toward reaching end-date targets as of December 2015. The results of sex-disaggregated data tracked by AFP and MAFIPP standardised M&E requirements and reporting formats are also included in those annexes.

Policy

54. Both MAFIPP and AFP worked together with the BoL to put financial inclusion on the government agenda as a priority, and completed regulatory improvements with respect to start-up and licensing of new FSPs, including digital financial services.

55. Other policy areas that are important for an effective, systematic approach to financial inclusion and that are receiving MAFIPP, BoL and AFP attention include financial literacy, future plans to develop a national financial education/literacy strategy and groundwork undertaken to develop a financial consumer protection policy (and subsequent regulatory framework). AFP has developed six financial literacy modules, which have reached 3,045 individuals in the project target areas, among them 1,423 women.

56. Discussions with BoL have started the process of establishing a national strategy on financial literacy. Based on AFP field-work BoL prefers to pilot individual measures first and to set up a national financial education/literacy strategy at a later stage when experience gained from the pilots can be consolidated and serve as useful and informative resources. The implementation of well-designed and coordinated activities will help BoL and other agencies gain a better understanding of financial literacy issues in the context and pave the way for future efforts to bundle the activities and responsibilities into a national strategy.

57. BoL is currently drafting a prime-ministerial decree on financial consumer protection slated to be final by mid-2016. In 2015, AFP provided technical advice on formulating the decree, organised consultation sessions with regular project staff, hired a consultant to provide further advice remotely, and organised training on financial consumer protection held in Vientiane in December 2015. In this respect, BoL may consider further conversations with the Alliance for Financial Inclusion's (AFI's) Consumer Empowerment and Market Conduct Working Group, and should consider AFI membership.

58. MAFIPP has worked intensively with the BoL to develop regulation for licensing and start-up of digital financial services. A Digital Finance Working Group exists and performs a knowledge exchange and coordination function. MAFIPP has enabled BoL to contract an experienced DFS consultant to support development in Laos. In addition, MAFIPP has provided funds and technical

assistance for the BCEL agent-banking pilot and has sought to accelerate the UNITEL mobile money pilot launch by providing support. Experience gained by both pilots will be essential to build effective DFS as part of the financial system, even though the Mobile Network Operation pilot has been delayed. While DFS require substantial up-front investment, they have the potential to increase financial inclusion dramatically reaching excluded rural areas and transforming the way the banking system works, and work should be strengthened in this area.

59. The shortened timeframe for the LARLP and curtailment of DFAT funding will have a negative effect on achieving planned policy and regulatory work, which undoubtedly requires a longer timeframe.

Supportive Infrastructure

60. To increase financial inclusion, MAFIPP has supported FSPs' retail services, supportive infrastructure (including mobile money and digital financial services) and policy-level initiatives. In our view, some of the most significant financial backing for financial inclusion is at the supportive infrastructure and macro policy levels. MAFIPP may be in a position to further expand support for infrastructure and policy work, if this does not curtail advances of the primary outreach target established for FIF.

61. With joint MAFIPP and AFP/GIZ technical, strategic and operational support, the Microfinance Association (MFA) transformed from an informal working group into a legal entity, an Association that is recognised by the BoL as an organisation that represents their membership, works to strengthen the financial sector and advocate on behalf of members. Currently, the MFA has 69 members (53 FSPs). Fund-raising will present challenges for the MFA: members pay an annual fee and training is also fee based. MFA offers a certificate course in microfinance management in addition to training in the Smart Campaign client protection appraisal methodology.

62. The Bankers' Institute's 3-year diploma course (pending upgrade to Bachelor's degree), has yet to prove itself as a long-term capacity-building initiative, but it enables BI to offer a professional qualification and support a process that will expand microfinance offerings for degree candidates. It will also open opportunities for collaboration with regional and international training institutes and networks, and private sector organisations.

[Social Protection & Sustainable Livelihoods \(SPSL\) component](#)

63. The social protection sub-component of LARLP contributes to the three original outcomes:

- Increased income-generating opportunities for poor women and men, including through greater commercial and sustainable exploitation of natural resources;
- Increased access to social transfers and enhanced livelihood opportunities for the most vulnerable families within selected communities;
- A clear policy direction on social protection by the Government of Laos.

Issues affecting progress

64. Early issues across LARLP that impacted progress and compromised effectiveness included:

- The delay in signing SPSL MOUs.
- Lack of government ownership. If the rationale was to obtain some level of government participation down the track there should have been broader and deeper government engagement strategy on SPSL.
- Wanting to get this activity up and running quickly, DFAT assessed that there was not time to procure the managing contractor first and then allow them to select their implementing partners (IPs) and negotiate working and contractual arrangements. The IPs were procured by DFAT at the same time as the managing contractor. This gave the managing contractor no say over the implementation arrangements for which it was ultimately responsible.
- International non-governmental organisations (INGOs) were used as IPs as, reportedly, this was a DFAT Canberra priority at the time. But the managing contractor (we were told) would not have chosen to use international NGOs. They would have likely used local NGOs. It is impossible to say what the quality of delivery would have looked like under this scenario but is it likely that the tension between the IPs and the managing contractor would have been less under such a model. If DFAT deems it needs a managing contractor, it needs to allow them to have decision-making power.
- Personality clashes and frustrations over the multiple layers of management decision-making involved across multiple in-country and out-of-country offices (especially matters involving human resources) made the relationship between SPSL and the IPs tense, although it has improved over time. DFAT was aware of the problem, and taking on the coordination function at the end of 2015 helped.
- Two of the IP's expressed surprise that there was not a greater depth of social protection expertise that could be drawn on from the managing contractor's headquarters. All IPs were critical of the limited value-add of the managing contractor and its staff turnover but they did highlight a number of areas where they received support (such as when livestock were dying during the first distribution), which was appreciated.
- Overall, there is a general sense of being hamstrung at all levels. DFAT, the managing contractor and the IPs would all like to have done / be doing things differently.

65. Comments on progress against the results framework indicators across RLP and the policy work is included in Annex 6. The results framework for SPSL (which is a subset of LARLP) was modified to exclude the Senior Citizens' Allowance and include the new policy work and it was changed to reflect the reduced numbers of beneficiaries as a result of the budget cuts. However, it was not modified to reflect developments in thinking around the policy work or to reflect the MOU delays which shifted deliverables such as transfers of assets to beneficiaries.

Adequacy of progress to date - RLP

66. After the eventual MOU signing there was a rush to deliver on 'Cohort 1', but progress now appears adequate across the following key aspects of the program for both cohorts.

Targeting

67. The four-step targeting process is reasonably robust. There is some concern about the relevance of the Health Equity Fund as an indicator of poverty but generally the process appeared to identify the poorest households.

68. One IP raised a concern about targeting. They said they witnessed elites skewing the process. Another said it was the best part of the program. All villagers interviewed (beneficiaries

and non-beneficiaries) were supportive of the inclusive process and said that they thought the right people were identified and there were no obvious exclusions.

69. SPSL suggested that perhaps whole villages should have been included instead of choosing identified people within villages. This is potentially valid in some areas, but it is likely that most villages include a significant number of people who are not extremely poor and not constrained by a lack of assets. Thus the current process appears appropriate.

Stipend

70. Stipends are a core part of all asset transfer models. CGAP/Ford Foundation refer to the stipend as “consumption support”. BRAC calls it a “cash stipend” (despite giving half of it in food). Households use the stipend at different times of the year. SPSL reports that during the lean season it is more common to purchase food with the stipend. At the time of the evaluation team’s visit to LaoNgam, many households there were spending it on fodder and other costs associated with keeping livestock, but some were saving it as a safety net. The stipend allows participants to make that choice for themselves as their needs change through the season or over time. From Agricultural Promotion Bank (APB) data it appears that more than half of the recipients let their balance rise but, so far, it is uncommon for additional deposits to be made. A key benefit of the stipend is introducing households to the financial system. They learn about savings and planning with access to the formal financial sector. Many of the participants had never saved before, even informally.

71. One of the early challenges with implementation was how to get the stipend to the beneficiaries. GIZ did some work on this and created a mobile phone application which looked like a promising way to transfer funds, but it was expensive and work on it stopped with the DFAT budget cut. Fortunately, at the same time, SPSL were negotiating with APB and they had the capability to undertake this task.

72. The stipend was rolled out on time and APB now pays the stipend every month. People know the timing and the amount but some do not seem to know when it ends. People reported using the stipend for a variety of purposes.

Assets

73. The delay in MOU signing caused a rushed delivery of livestock for ‘Cohort 1’. Delivery was in the rainy season and quarantine procedures were not well established. Many animals died as a result, both before and after they were delivered to the beneficiaries.

74. It took about three months for all ‘Cohort 1’ members to receive their assets. This appears a reasonable timeframe given the procurement difficulties which included there being no established local markets for goats. Lessons learned from ‘Cohort 1’ about procurement, quarantine and timing of delivery have been incorporated into ‘Cohort 2’ delivery. ‘Cohort 2’ were still receiving their assets at the time of the evaluation and were not reporting comparable problems. Despite huge improvements from ‘Cohort 1’, maintaining animal health and nutrition remains a risk for the program.

75. In terms of whether the market linkages for the outputs of the livestock interventions are adequate, it is too early to tell. Some households had been selling assets but, at the time of the evaluation, most had not. Selling assets is part of the training for cohort one that is still to be delivered.

Paravets

76. The assets transferred have mostly been livestock – usually goats, pigs and poultry. Many beneficiaries have not kept such livestock before, and landlessness presents particular husbandry challenges.

77. Supporting smallholder livestock-keeping is a development intervention in itself: feeding, breeding, housing, vaccinating, controlling parasites and mitigating against the impacts of endemic and epidemic diseases are not small matters for the experienced livestock keeper, let alone the novice.

78. It is rare for state or private sector veterinary services to reach down to village level in countries such as Laos. Village *paravet*, (or ‘Community-Based Animal Health Worker’) models have proved effective and sustainable elsewhere, but imply a number of prerequisites in terms of maintaining technical proficiency, safety (particularly regarding escalating antibiotic resistance in humans), access to supplies, maintenance of cold-chains (for heat-susceptible vaccines and medicines), and financial sustainability. The independent evaluation team’s assessment of RLP’s paravet program was only tangential, but we do have some concerns as to whether (from what we did see) it yet represents a sufficiently robust model.

Training

79. Training is being delivered to both cohorts through fortnightly visits. ‘Cohort 1’ is in the middle of their training and ‘Cohort 2’ has only just begun. Beneficiaries report this as being an extremely useful part of the program but they still have much to learn from the outstanding modules.

Government involvement

80. Government at both local and central level knows the program well and is supportive of it. The central level had initially been sceptical of the stipend but approved it when described as an ‘Asset Support Stipend’. The Department of Planning and Investment in LaoNgam said that they would consider funding households under this model but could only afford part of the required coverage. The Provincial Labour and Social Welfare officials in Saravan were also supportive and mentioned writing a proposal to obtain government funding for an RLP-like program. Both of these organisations viewed the cash transfer component of RLP as a useful part of the program.

Graduation

81. No household has exited the program to date. “End of Project” criteria are being developed by SPSL with cooperation from the implementing partners. Draft criteria currently include:

- Income and enterprise growth
 - Sold at least one round of assets for livestock; two rounds of assets for poultry and non-livestock⁹
 - Reinvested income from sale into enterprise growth and/or diversification into another economic activity
- Financial inclusion
 - Has savings of at least 240,000 LAK (25% of the stipend value for 12 months)
 - Has made at least one deposit into their account

⁹ Note that this implies SPSL support to a point in the production and marketing cycle, which is often related to seasons and markets rather than any more arbitrary time period.

- Empowerment and future thinking
 - Using a 'progress staircase,' participants should feel that they are closer to achieving their financial goal as compared to baseline (participant should have moved up at least two steps on the 'staircase')
 - Participant should have a six-month plan for how they will take forward their enterprise and stock of savings
 - Readiness and willingness to take a microfinance loan

82. Currently absent are criteria on food security and education of school-aged children.
Moving people out of poverty - sustainably

83. One of the appeals of asset transfer programs is their ability to move people out of poverty sustainably. These are participants who are from the poorest part of the community and who have historically missed out. These sorts of programs have been successful in transferring and helping people to build – and then sustain – the necessary forms of livelihood capital¹⁰ they need and in linking them to services. The RLP program is at an early stage but it is showing positive signs that some people's lives may be changed for good as they have been elsewhere. No end-of-program results are known but the program is proceeding as it should. The early end to the program does mean, though, that planned support work with graduates will not proceed and one cohort is likely to be cut short. Both of these things will likely impact on the extent of sustained exit from poverty.

Effectiveness of the financial inclusion work as it relates to RLP

84. One of the features of BRAC's graduation model (see Annex 3) is that, at exit, the participants have access to financial services – they can save and borrow. All RLP participants have savings accounts, some more convenient than others.

85. It is unclear if households in more remote areas would continue to save with APB. In these more remote areas, it is likely that people would prefer to save in a bank that was nearer their homes but, in villages closer to APB branches, it appears that the formal system could be preferred. If participants are charged fees post-program, this preference may not remain.

86. The colocation of the GIZ-supported village banks and the RLP participants was initially thought to be a synergy that would add value. There is some overlap, but many RLP villages do not have a village bank. At this stage it is difficult to assess whether this is an issue or not given access to APB for savings. It is unlikely that they will be considered potential borrowers of APB post-program due to APB lending criteria. It is more likely, but unclear, whether any of the participants would be able to access adequate credit services from village banks, at least initially, as they could be seen as a high risk. The cohorts are not yet at the stage of the program where they would be discussing borrowing (and participants generally have no interest in borrowing now) but adequate savings and credit services both need thought before the participants leave the program. The training is being developed and RLP is starting discussions with GIZ to determine appropriate post-program support, if only on the savings side.

¹⁰ See Annex 3 for an explanation of the concept of 'livelihood capitals' and the 'sustainable livelihoods approach'.

Doing no harm?

87. Development assistance is by nature difficult, risky and full of uncertainties. In this context 'Do No Harm' is a fundamental principle of economic cooperation and development agreed by the OECD.

88. A concern of DFAT and the implementing teams is whether the early withdrawal of support is doing harm. For 'Cohort 1' it is unlikely. Participants will have exited the program by then, and while some post-program support was planned, it was never a major feature of this or other 'graduation model' designs. There will likely be a slightly shortened program duration but they will have enough time in the program to participate in all learning modules and have access to program facilitators for any required assistance. However 'Cohort 2' requires more thought. If the program ends in December 2016 (a provisional end date given after the budget cuts), some participants would only have had six months of support. If the program ends in May 2017 as was being proposed when the evaluation team was in-country, they will only have one year of support.

89. No asset transfer program anywhere else has been run for such a short period. It is generally accepted that 18 months is the minimum time required. For 'Cohort 2', at best, the naturally entrepreneurial will continue to do well. The average household, however, will do less well. At worst, households who have forgone some of their normal livelihood strategies for potential returns from their new assets may be in a more vulnerable position than before the program started, if they don't receive enough training and support to make adequate income from their new assets. We were advised by IPs that this is the case for some households – *i.e.* some participants are particularly vulnerable and taking any time out of their normal livelihood activity already represents a risk for them. If they do not get the corresponding return from RLP they may be in a worse position than when they started in the program. This equates to doing harm. There is no experience in Laos to inform such analysis and the evidence from 'Cohort 1' is not yet available. A decision for an extension would have to be made before 'Cohort 1' reaches the one-year mark.

90. 'Cohort 2' should only have started if there was a commitment to take them through the full asset transfer model. There is no evidence that a shorter model works. By funding 'Cohort 2', DFAT surely has a moral commitment to supporting them until they finish. It would be unethical to promise something to a poor household, give them half the support needed (but not enough to make it profitable), then walk away.

Government buy-in to RLP

91. There is definitely some government interest in the approaches championed by RLP at the local level. They are supportive of the model. Various government actors are engaged in it and talk positively about the potential of replication in some areas. If the program successfully improved the lives of extremely poor households and the government could see them sustainably improving their lives after the cohorts left the program, it is likely that their interest would increase. Given the existing government funds for rural development activities are low (outside the Poverty Reduction Fund), it is unlikely that there would have been any significant investment in replication or in a partnership with Australia no matter how well the program did over the ten years. From this vantage point, not knowing how the government's financial priorities might change over this period, it remains a guess about what would have happened in the future. However, that there would be some form of sustained financing at scale beyond DFAT support – whenever that was to finish – was possibly a 'killer assumption' in the theory of change.

Adequacy of progress to date: social protection policy

92. Like RLP, the policy dialogue work got off to a slow start, but over the last 18 months the government has become increasingly interested in engaging with SPSL on social protection. In 2010, the government signed up to the ILO-initiated Social Protection Floor but it has only been recently that its engagement, including with SPSL, has increased on social protection. SPSL and the Ministry of Labour and Social Welfare (MLSW) have agreed on the content of the proposed social protection work. Given the low base of understanding, capacity building has been a key focus which has been undertaken through tailored courses, study tours and sending people for externally-run international training. Policy briefs were developed and shared widely within government. SPSL has been working closely with MLSW but also engaging with other government actors including the National Assembly and the National Committee on Rural Development and Poverty Eradication. They have done some in-depth work on a child grant with various cost simulations. Discussions on this and the work ILO is doing on pensions will further the government's understanding and help them envisage the type of social protection system that would be appropriate for them. MLSW has already determined that they will start with transfers for one of either children, working aged poor, the elderly or persons with disability.

93. The Ministry of Labour and Social Welfare is only one actor in getting a social protection system up and running in Laos – but it is an important one. This Ministry is appreciative of SPSL's support to date and mentioned that it has helped them to build knowledge about social protection among officials in other relevant government departments. The work on the national strategy and the child grant with which SPSL is involved in appear particularly important and influential. Broad-based support appears to be building and there are positive noises being made within MLSW about planning for social protection.

94. More work needs to be done with the National Assembly to get buy-in from Party members. There has been some work done to date with them and more is planned, particularly with the Committee for Social Affairs. While this is happening, it is appropriate that the work with MLSW continues which will provide the necessary readiness if support from the Party is forthcoming. The necessary decrees, regulations and strategies are being put in place now and the MLSW has a plan after the social protection strategy. After the strategy is approved, work on detailed plans for the selected social protection programs will start. MLSW stated that they will then be well positioned to request funding for social protection with the argument that a budget line already exists for social insurance ... "so why not one for social assistance too?" The SPSL support has been useful to date and will continue to be useful as the strategy is developed, program selection is made and detailed design and planning starts. The Ministry is keen to continue to access external support for social protection.

95. Measurement of policy change is difficult. A perceptions study has been undertaken recently but SPSL agrees that a baseline should have been undertaken at the beginning of the project. From this study and from the evaluation team's meeting with MLSW, the government counterparts with whom the program has been dealing (people who were known previously not to like use of the term "cash transfer") seem to be developing a more informed view on social protection. It will be important for this perceptions work to be undertaken again at the end of the program to get a better understanding of the impact of DFAT's investment.

96. There is no guarantee that the funding will be available for a new social protection system nor whether other necessary stakeholders will come on board, but, at this stage in the process (of building-up the demand for social protection and the knowledge of what an appropriate system

for Laos might look like) progress is adequate towards building a sustainable system. Laos will develop a social protection system and, while the timing of the system's development remains unknown, it is highly likely that SPSL inputs at this critical stage in development will have been influential.

UXO Action

97. See the commentary on UXO Action under 'Relevance', above, which also touches on effectiveness and efficiency.

98. Wider objectives aside, and notwithstanding some initial frustrations, UXO Action successfully made safe all village-level RLP sites such that they could proceed with planned livelihood initiatives. Performance against the target set of annually¹¹ clearing 190 hectares of RLP-related has been as follows:

2014: 459 hectares
2015: 142 hectares
2016: 23 hectares (to May 2016)

99. Risk awareness activities have also been provided to 22 villages (11,940 participants) in 2014 and 23 villages (10,631 participants) in 2015.

Learning Facility

100. LADLF outputs in recent years (which, while unquantifiable, appear to have been welcomed and well received by the GoL) that have a direct line of sight to DFAT diplomacy or Aid Investment Plan implementation include:

Portfolio Monitoring

- Annual Rural Development Sector Progress Report
- Aggregated development results analysis
- Monitoring Information System mapping of PRF-II, UXO Lao and AFP data to support co-location of activities

Evaluative Studies

- Social Protection in the Lao PDR: Frameworks, Vulnerabilities, Coping Strategies and Gaps
- UXO Lao Post-Clearance Readiness Assessment)
- Good agricultural practice notes for RLP asset transfer activities
- Commercial Leverage of ODA
- Readiness for and early response to digital financial services in Lao PDR
- Root cause analysis of poor basic education outcomes in Lao PDR
- Options for Promoting Economic Growth through ASEAN Economic Community
- Sam Sang in practice: early lessons from pilot implementation
- Enterprises and people benefiting from trade facilitation – 7 TDF Case Studies
- Good practice mining – supporting graduation from LDC status
- Household response to access to finance through AFP-GIZ village banks program
- Stocktake of participatory processes used on Laos
- Perceptions of the value of basic education in poor and remote households and the drivers and constraints to regular participation and completion of basic education
- Teacher employment, deployment and allocation in primary schools in Lao PDR

¹¹ This target does not take into account the foreshortened demand from the curtailed RLP program.

- The extent to which primary school teachers and principals in Lao PDR are ready and motivated to change teaching content and style so that they can perform as effective teachers

Quality assurance

- Quality assessments of the BEQUAL Results Framework, LAI Progress Report, BEQUAL Progress Report, BEQUAL M&E Plan, LAI mid-term review report, HR-TC design

Research

- Village banking and microfinance in Saravan and Champasak provinces (LASS)
- NERI ex-ante survey report for three villages in Saravan and Champasak
- National research for development forum on pathways for sustainable development in Lao PDR
- Institutional constraints to effective implementation of the nutrition policy in Lao PDR
- Qualitative baseline assessment of research-policy-practice perceptions in Lao PDR

Knowledge management, communications and coordination

- LARLP Program Learning Workshop
- Laos Australia Rural Development Learning Conference
- LARLP 2014 Outputs – InfoGraphic posters in Lao and English
- Facilitated coordination meetings for LARLP and PRF-II partners
- Case studies on women’s economic empowerment
- Multimedia communications output for household responses to Access to Finance through GIZ Village Banks

Efficiency

Financial Inclusion (FI) component

101. AFP’s and MAFIPP’s shared roles in supporting the Laos financial sector imply a coordination requirement, as both organisations work at the policy, supportive infrastructure and FSP levels. Both organisations have coordinated efforts well, and in an efficient way, preventing redundancy and maximizing cost effectiveness through sharing venues, advocacy platforms and lessons learned with each other and the broader financial inclusion community. Efficient operations are further enhanced as the BoL’s department in charge of non-banks, the Financial Institutions Supervision Department, is the counterpart for both AFP and MAFIPP. (Through different teams but the teams get exposure to both programmes.) The AFP, BoL and MAFIPP teams bring skills and technical resources to inform knowledge of the financial sector, challenges of financial inclusion, innovations in digital finance, and technical assistance and capital that build FSPs’ ability to serve poor and low-income people in rural areas on a sustainable basis. Coordination efforts have yielded results and benefits for the sector, although concerns have been raised about undertaking too many things at once, particularly with the importance of working with the BoL as the main partner on many fronts.

102. Both teams are recognised as high quality teams with good management that create professional relationships with partners to reach mutually shared objectives. Particularly strong relationships have been built with government partners. Incentives appear to be aligned to build a more effective financial system that includes poor and low-income people in rural areas, and benefits them by providing access to safe, affordable and permanent financial services.

103. AFP and MAFIPP take a systems approach to financial inclusion, contrasting with the direct delivery of services of the RLP. Thus we can expect efficiency gains and leverage through the adjustment of policies, institutions and processes.

Social Protection & Sustainable Livelihoods (SPSL) component

104. Delays in implementation had an obvious impact on value for money. Costs were incurred with no solid tangible results. (For RLP this was mitigated to a certain extent by the IPs not procuring the human resources needed for implementation until the MOUs were signed.)

105. In comparison to ten other graduation model pilots being monitored by CGAP/Ford Foundation (albeit in other contexts), RLP is very expensive at USD 1,657 per beneficiary¹². All but one pilot (a small one in Haiti) cost significantly less per beneficiary. (Range, excluding Haiti, USD 88 – USD 674 per beneficiary). It is impossible to do any cost benefit analysis at this stage of the program as the benefits have not yet been realised. It is likely though, that when this analysis is done, it will show RLP, as it is currently designed, as an expensive way to deliver benefits to participants. An international contractor overseeing three separate international NGOs was never going to be a cheap model for an asset transfer program.

106. SPSL design issues and initial procurement and contracting arrangements resulted in significant inefficiencies and – in particular – multiple layers of management^{13, 14} which did/do not appear to add value commensurate with their complexity and cost.

107. However a more substantive and complex inefficiency is that implied by the recent budget cuts and early curtailment of the program. This has catapulted RLP from a program that stood a chance of impacting by virtue of scale to [just] a pilot program that did not have the opportunity to assess its performance, make the necessary modifications and be developed into a model for replication. Pilots are often expensive as they trial delivery strategies in unfamiliar environments. If they are going to be taken forward they need the time to learn and develop improved strategies and tactics in the light of experience. If the program was to continue, it is likely that it would have achieved greater efficiency.

108. (See also, in this regard, the discussion in Annex 3 about the limited impact a wholly *transactional* (q.v.) intervention such as RLP will have in the absence of being able to achieve significant scale.)

109. The readiness work undertaken on the SP policy side has been going well since the MOU signing but was at a standstill before that. Starting with the ill-fated Senior Citizens' Allowance delayed the commencement of the more relevant policy work.

UXO Action

110. As discussed elsewhere, providing an 'on-demand' UXO clearance service to clients such as RLP is not UXO Lao's core business. Its systems and processes, and in particular how it prioritises its work and deploys its resources, are geared to more strategic, longer-term area-wide, survey-based and nationally-prioritised UXO clearance programs.

¹² Source: Learning Facility

¹³ Involving both geographical and seemingly unduly hierarchical separation of management functions, as well as the often-challenging interface of profit and not-for-profit implementation organisations.

¹⁴ An assertion by some of the NGO implementing partners that the managing contractor lacked the full suite of skills and expertise that were necessary in-country, as well as some clear personality conflicts, served to exacerbate these tensions.

111. This led to frustrations and – initially at least – unpredictable availability and scheduling of services from most RLP implementers’ perspectives ... notwithstanding the upfront grant made by DFAT to UXO Lao to provide such a service.

112. UXO Lao expressed some frustration too that sufficient and timely information was not always provided about target locations, and that mounting a full-scale UXO clearance operation (involving much preparation and significant safety procedures) to clear very small or low-contamination sites represents considerable inefficiency for them.

113. Ultimately all RLP UXO clearance requests were fulfilled however. Whether the choice of service provider (the government UXO clearance agency as opposed to a private sector or NGO contractor), and the contractual arrangements established, led to the most efficient service cannot be evaluated. From a purely financial point of view, UXO Lao claim to be the cheapest operator in the country when measured per beneficiary.

114. There may have been mixed objectives in melding Australian political support for UXO clearance at scale in Laos with the more localised and immediate needs of implementing the RLP.

Learning Facility

115. The Learning Facility represents a development in DFAT’s approach to monitoring, evaluation and learning for the purposes of building high-quality, evidence-based, country programs. Programs that better understand the context (including the policy and political context) and address the right and most relevant issues.

116. The Learning Facility is in itself therefore something that is all about improving the relevance, efficiency and effectiveness of the aid program.

117. However it also probably represents a comparatively efficient mechanism for gathering and delivering contextual and performance data and information. It is a small but full-time staffed unit, able to ‘learn its way in’ to the Laos context, institutions and organisations, over time, more effectively and at lower overall cost than the usual model of multiple short-term consultancy missions.

118. LADLF estimates that for an investment of ± AUD 1.1 million it has generated outputs that in a simplistic alternative delivery analysis would have cost around 450 person days of consulting inputs, conservatively costing ± AUD 800,000. But the quality advantage of having a small team in the context and also spending time maintaining relationships probably adds more value.

Impact

119. At activity and output level, progress has been assessed regularly and has certainly been adequate – and often good – since the signing of the MOUs. However this evaluation cannot meaningfully assess outcomes and impact:

- The program has been curtailed, and is being evaluated, well before its design intentions have been fulfilled as regards outcomes and impacts;
- Few or no robust baseline data are available in either control or intervention groups;
- Any policy, systems or institutional changes (at community, provincial or central levels) that have been achieved cannot generally be said to have yet passed the test of time and sustainability.

120. We make the following comments as regards likely future impact:

Financial Inclusion component

121. The future impact of the FI component is founded on transforming policies, institutions, and processes such that they will – if all goes well – have a positive and enduring effect on the lives and livelihoods of the population as a whole – including poor people. Good progress has been made towards transforming those policies, institutions and processes.

122. That said, it is still too early to tell whether the transformations brought about, or being brought about, will prove durable, even though they have effected change during the life of the projects.

123. See Annexes 4 and 5 for AFP and MAFIPP progress toward achieving output and outcome indicators, and an assessment of the likelihood of achievement before June 2017.

Social Protection & Sustainable Livelihoods component

124. By contrast, RLP is essentially ‘transactional’ in that impact is predicated on the extent of the direct provision of donor-funded resources (essentially livelihood capital) to beneficiaries. (See Annex 3 for a discussion of transformational vs. transactional development, and of livelihood capital.) Unlike the systems-orientated, transformational, financial inclusion components, the impact of RLP on poverty in Laos will thus be a factor of the number of people whose livelihoods have been directly touched by the RLP program – no more and no less. This in turn ultimately depends on the scale and duration of LARLP.

125. Thus any discussion of impact must first establish greater clarity over what – really – ‘success was to look like’ for the RLP component, particularly in terms of scale.

126. Was RLP a pilot to be taken up and replicated under some other form of more sustainable funding (for example GoL recurrent budgetary funding), or was DFAT’s contribution to be so expansive and long-term that it would, of and in itself, permanently transform the extent and nature of poverty in Laos (to a significant degree)? (The basis of comparable BRAC and DFID programs in Bangladesh, for example.)

- If the former (replication of a model that RLP developed, through other forms of funding), then there appears to have been insufficient policy dialogue over this with GoL at design.
- If the latter (impact through DFAT-funded scale), then the curtailment of funding and duration almost certainly reduces the impact of RLP to – essentially – a [probably successful] experiment but with [probably] little chance of further development or replication.

127. On the social protection policy work, SPSL is heading in the right direction and building buy-in. How this translates to actually having the beginnings of a social protection system in place is yet to be seen. SPSL is helping the government take the necessary first steps in transformational change and it is looking positive – but still too early to tell.

UXO Action

128. As discussed earlier, the LARLP’S UXO Action component cannot be said to have impacted significantly at the level of resolving the country’s huge UXO problem, and may even have diverted resources away from that endeavour. However, that was probably not the objective: what UXO Action did clearly do was successfully enable the RLP program to progress and secure

the lives and livelihoods of RLP's beneficiaries by removing the threat of UXO (and by improving UXO awareness) in RLP project locales.

Learning Facility

129. While this intelligent model of learning and feedback into aid investment planning seems more appropriate and useful than the somewhat mechanical, framework-related, means of portfolio-level monitoring and evaluation, there is little convincing evidence of the Facility's early products being a significant determinant of DFAT portfolio planning or management decision-making. Other aspects of the political economy of aid and its configuration probably have greater impact on development effectiveness at this stage. More recent output from the Facility has focused less on research and more on program theory and the root causes of sub-optimal development in the country, and this is reportedly having some influence on program design. (Notably BEQUAL.)

130. The model should be continued and built on as it represents a potentially impactful means to better understanding the context and contribution of aid in complex political, institutional and social environments.

Sustainability

Financial Inclusion (FI) component

131. This evaluation of the FI component of the LARLP cannot assess the sustainability of all retail FSPs, including VBs supported by AFP and FSPs supported by MAFIPP. Both AFP and MAFIPP work towards bringing retail financial services providers to a level of organisational and financial sustainability. Evidence to support this broader program aim is the focus of this report.

132. Village banking is often considered a traditional model for providing financial services to excluded populations that are located in areas that are too remote for mainstream financial services providers to reach effectively or profitably. But developing a financial system that reaches deep into rural areas requires a systemic change that providing direct benefits to individuals or establishing isolated village funds will not accomplish. Unfortunately, VB and similar community-managed savings groups are vulnerable to mismanagement, corruption and theft; they are rarely incorporated into a broader sustainable system. A sustainable system requires strengthening retail financial services providers, establishing technical and supervisory mechanisms that will work in the long run to shore up the system to provide adequate oversight, offer technical advice and training, develop new products and services to serve new customers and programs to strengthen customer awareness about the risks and the benefits of financial services.

133. The AFP program works on a transformational financial system that will bring VBs and their clients into the formal financial system by providing safe financial services to poor rural populations. It introduces network support organisations (NSOs) that will fill a critical gap in technical and managerial support to VBs, as well as bringing about a needed supervisory support structure that requires accountability and offers capacity building for VBs to become sustainable.¹⁵ In the long run, with the advent of digital financial services, it may be that AFP village banks become more transformational than envisioned.

¹⁵ VBs are not regulated by the Central Bank.

134. While outreach figures are impressive, more important for establishing the permanence of financial services in village banks is the system designed to support VB sustainability – both financial sustainability and the sustainability of good management and governance. The AFP program works on a transforming financial systems such that VBs and their clients are brought into the formal financial system. It introduces network support organisations (NSOs) that will bring about a needed level of support, capacity building and supervision to VBs that have the potential to enhance their long-term sustainability. Currently over 90% of village banks cover their operating costs and are likely to sustain operations and grow in the future. With these fundamental building blocks in place, the creation of a system of viable village banks linked to NSOs that are integrated into the formal financial system will also be possible.

135. AFP is on track with the target to develop a sustainable support and supervisory system for village banks with NSOs supporting at least 15 village banks each, and an established plan to reach financial sustainability. The project held numerous business-plan trainings in 2014/15 and all NSOs have developed business plans with project management agreements. As of December 2015, the licensing process for three NSOs is in progress.

136. The vitality of the VB-NSO management capacity-building and supervision system is critical to improving the transparency and credibility of VBs that are vulnerable to corruption and mismanagement. For Saravan province, Savings and Credit Union (SCU) Vanmai, an entity built and supported by World Education, was integrated into the AFP project to function as NSO for local VBs. The existing GIZ-AFP NSO in Vilabouly received the approval from BoL to expand its business to cover operations in the two districts of Phin and Sepon. In Champasak, the NSO received a first license to operate a business from the Department of Commerce and Industry but the licensing process as Non-Deposit Taking MFI has been stopped due to internal discussions on the most suitable legal form for the NSOs in relation to village banks. A Savings and Credit Union, as in Saravan province, is currently considered to be the most suitable legal form for NSOs. The licensing process is expected to be finished in mid-2016.

137. The DFS initiatives supported by MAFIPP also have potential to become sustainable (e.g. BCEL's B-COME and Digital Financial Services (DFS)). Because they are positioned on the financial inclusion frontier there is no single DFS model and timeframe that serves as a standard for comparison, yet there are models worldwide that serve to inform the Laos experience. Consulted stakeholders generally recognise the importance of advancing the digital finance frontier in Laos, while they are quick to note that currently many potential future players sit on the side-lines observing BCEL's progress.¹⁶

138. At the micro level, the sustainability of FSPs supported by MAFIPP is monitored with performance-based agreements using industry standards of measurement, and based on the FSP's projections. The MAFIPP M&E system also allows for comparing performance of MAFIPP grantees to Laos MFI industry averages. MAFIPP grantees perform well above the average, particularly MFIs supported by CARD and MAFIPP.

139. While there is some critique that MAFIPP supports larger and more well-off FSPs working in financial inclusion¹⁷, this is balanced with the evidence that stronger FSPs are better positioned and able to deliver differentiated products, expand to new areas and serve more difficult-to-reach rural customers such as women, indigenous people and the previously unbanked.

¹⁶ MAFIPP Mid-Term Evaluation 2016

¹⁷ See Mid-Term Evaluation of the Making Access to Finance More Inclusive for Poor People (MAFIPP) Program, June 2016

140. Perhaps one of MAFIPP's greatest long-term contributions to the sustainability of FSPs is through policy support, regulatory reform, and innovation. MAFIPP has successfully introduced DFS through a pilot agent-banking network with a large commercial bank (BCEL). And a mobile operator, UNITEL, has shown initial interest in exploring a mobile money pilot. Even though these efforts are nascent and require a long-term commitment by management and the financial ability to absorb risk and start-up costs, growth in DFS has the potential to be a financial inclusion game-changer, and a profitable endeavour.

141. Support to meso-level organisations such as the BI and MFA aim to increase and improve the human resource base within the financial sector – both government and private sector organisations, which should have a positive effect on the sustainability of retail organisations.

142. Essential MAFIPP support through the FIF will require additional donor funding, even though evidence-based policy tools and techniques, such as Finscope and MAP will continue to be jointly funded by donors and policy-making bodies. Financial sector stakeholders, including the BoL, are currently mining the benefits of the Finscope study. Among these benefits are:

- Providing a basis for evidence-based policy making, which the BOL requires to ensure its FInclusion efforts are well-designed, properly supported and effectively monitored;
- Using data and information to design and support a financial inclusion strategy, involving multiple partners from the private and public sectors; and finally
- Designing a methodology to support policy making that is based on data, not dogma, including work with training staff of the Lao Statistics Bureau (LSB) to carry out and analyse results of future surveys.

143. MAFIPP, through FIF, supports two FSPs, in addition to five supported by UNCDF's MicroLead program. One of MAFIPP's most valuable roles is that of deal maker, such as the brokering and support for private sector investors in FSPs. MAFIPP was instrumental in brokering the first international equity deal between a leading Lao MFI and a private equity fund.

144. The shorter lifespan of DFAT's investment will negatively affect the sustainability of many of the elements of the program that are important for shoring up the progress and future of financial inclusion in Laos. These elements include important initiatives at the meso and macro level, including the future of digital finance, financial consumer protection regulations and practices, financial literacy, and strengthening meso-level organizations to advance and improve the human resource base in FSPs in Laos and their supporting organisations, such as the Microfinance Association (MFA).

Social Protection & Sustainable Livelihoods (SPSL) component

RLP

145. A program such as RLP lends itself to sustaining outcomes, provided markets are mature enough. Asset transfer models generally do not have any support for cohorts once they exit the program. Built into the model is an expectation that with the transferred assets, skills building and financial knowledge imparted, participant households would not only have climbed out of their poverty (by virtue of now engaging in productive livelihood strategies) but also have built up the resilience and wherewithal to be better able to weather any future shocks. In other contexts, this sustainability has been demonstrated. In Laos, there is an expectation of increased resilience but it will only be in the years after the participants have left the program that it will be possible to measure this to see if the gains from the program are sustainable.

146. RLP was planning on monitoring the cohorts, at least while the model was still being tweaked, to determine whether any minor additional support would be required after the cohorts had exited the program. With the Australian aid program's shortened support to RLP, this will not occur.

Social protection policy support

147. The work to date in social protection policy support and advocacy has certainly impacted some officials' and academics' views. At least for the Ministry of Social Welfare, this is translating into a work program which, if it continues and gets Party support, may lead to sustainable outcomes through the development of a social protection system.

148. SPSL has recognised the importance of having Laotian proponents of social protection to ensure that the dialogue does not manifest as a foreign imposed idea. One of the university academics that will be leading that dialogue is currently working on a model to simulate the impacts on poverty reduction in Laos of social protection programs. This is of strong interest to the government and is being presented to the Minister and the Vice Ministers of relevant line ministries shortly. The likely continued engagement of these academics after SPSL funding ends adds to the likelihood of sustainable outcomes.

UXO Action

149. The successful clearance of UXOs from RLP sites was clearly an enabling factor in promoting sustainable livelihoods in target areas.

150. It is not however otherwise relevant to discuss sustainability in the context of the extraordinary and long-term task that Laos faces in ridding itself of the massive legacy of unexploded ordnance. Strategic, area-wide, UXO clearance of UXOs will require the efforts and finance of both the Government of Laos and its international partners for many years to come.

Learning Facility

151. Again, the LADLF is a mechanism for promoting aid effectiveness – including sustainability – in the Australian aid program in Laos (something that will be required for as long as there is an aid program), but it is not in itself intended to develop into a self-sustaining facility.

152. However, its support to, and influence in, counterpart agencies – for example the Department of International Cooperation in the Ministry of Planning and Investment – is likely to have a sustained beneficial impact on development planning and management more generally.

Gender Equality & Inclusion

Financial Inclusion (FI) component

153. AFP has dedicated resources to address the tricky issue of a dearth of women leaders and managers in village banks in an effort to increase their number, and inspire others to participate in the business of the banks. The initiatives included focus group research on why women do not participate in meetings, and developing training and coaching techniques to increase participation. The findings of this research led GIZ and its implementing partner BoL to amend AFP targets. A new output indicator for female participation in village bank decision-making bodies was added in 2013. Village bank bylaws were amended and several activities were implemented to ensure that through better female representation in the committees, female

village bank members would see reduced impediments in their access to financial services. The program's monitoring and evaluation systems were adapted accordingly and are recording gender-disaggregated data and female participation on various levels and aspects.¹⁸

154. In mid-2014, nearly 24% of VB committee members were women, up from 22% in 2013 and slated to reach 28% in 2016. Given the starting point and how leadership tends to become entrenched over time, the performance is good. More importantly monitoring the number of trained women leaders is now an officially measured indicator, and "what gets measured gets managed." Results for women's leadership are expected to improve over time, since the Financial Literacy program is dedicated to empowerment through education and addresses some of the main reasons women do not participate in meetings, let alone in governance.

155. Of the 19,699 accounts established in AFP-supported VBs, ± 60% are run as family accounts with 24% held as single accounts by women, and 15% held as single accounts by men.

156. MAFIPP constantly urges its partner financial institutions to prioritise women customers: gender specific targets are included in the mandatory targets of each performance-based agreement with local financial institutions.

157. In nearly all initiatives of MAFIPP the outreach to women exceeds the outreach to men: 60% of women clients of traditional financial services as of end 2015, 51% for the SmartKids programme, which targeted primary and secondary students in Vientiane. MAFIPP also makes sure that DFS development has a special gender emphasis: the share of female unique-users of BCOME is now close to parity as of mid-2016 with 49.3% female customers, but with more transactions made by women than men) while it stood at 38% at end 2015, even with the slight statistical disadvantage for women to access DFS given that 51.5% of cell phone owners are men. (Source: Finscope Laos, 2014.)

Social Protection & Sustainable Livelihoods (SPSL) component

158. A social development specialist was engaged within SPSL and a Gender Engagement and Inclusive Development (GEID) strategy was written in 2015 for SPSL. The indicators suggested in the strategy are largely not being used for regular data collection (we were not told why) but some may be used in the process evaluation. It will be important to take this a step further and focus on a disaggregation of outcomes by gender, ethnicity and disability, as the indicators suggested are very output focused. It may still be too early for 'Cohort 2' but, for 'Cohort 1', there is scope to capture some early outcomes during the process evaluation.

159. RLP has an emphasis on women but different implementers have interpreted that differently in the selection of beneficiaries. World Education had the highest proportion of men as the main beneficiary amongst the three IPs. They said that an assessment was made that in some cases it makes more sense for the wellbeing of the whole family for the man to be the primary beneficiary. This was not the assessment made by other IPs, at least not to the same extent. If RLP was going to be extended to another cohort, this issue would need to be examined in more depth.

160. Training IPs and district government authorities on inclusion is a core part of RLP and covers the importance of working with women and people with disabilities. (Disability is one of the

¹⁸ John Fargher. Lao PDR Rural Development Sector Investment Plan: rapid appraisal of investment portfolio at mid-term. (Dec 2015)

inclusion criteria for RLP). A training video is currently being developed on why and how RLP engaged with women and the importance on understanding gender roles within the household. CARE has been providing assistive devices through one of their innovation activities.

161. No women's empowerment indicators have been developed for RLP which can be tracked regularly. This would have been a useful addition to the project had it continued but there should be some capture of empowerment as part of the process evaluation. If the program continued, SPSL could have considered developing empowerment indicators similar to those used within other asset transfers programs which include measures of empowerment within households (e.g. joint decision making) and outside households (e.g. being invited to community events).

UXO Action

162. The UXO Action component is essentially a service-on-demand provider for the RLP component of LARLP: it clears the plot of land to be brought into productive use by village-level RLP projects and provides awareness training to those beneficiaries¹⁹. In practice, therefore, gender dimensions to the UXO Action component are going to be related to the gender dimensions of the RLP projects and are not separately monitored.

163. That said, there will likely be differing impacts of unexploded ordnance between different segments of society (depending on, for example, the different land-related activities undertaken by men, women and children), and any future support to UXO clearance should consider those in its strategies and tactics.

Learning Facility

164. Gender equality and inclusion in development means so much more than being able to differentiate and report how many women, men, children and people with disabilities are included in project activities. Rather, it means better understanding how complex interactions between policies, institutions and processes (and changes to those) have different impacts on different segments of society, and how development interventions can best take those into account in design and implementation.

165. The Learning Facility has conducted studies that may inform actions that contribute to gender equality – for example evaluative studies on BEQUAL, digital financial services and access to finance studies. However, in its own submission to the evaluation, the Facility does not make a significant contribution to bringing about gender equality. But it can certainly champion a broad-based and intelligent analysis of gender and inclusivity in development in Laos and should, therefore, be an important player in future programming in this regard.

Gender Overall

166. As discussed above, data suggest that the component parts of LARLP have been conscious of the need to promote, and have generally succeeded in ensuring, relatively high levels of gender equality in terms of access to the flow of benefits deriving from the program. (*I.e.* at program input and activity level.) Measurement of how that flow of program benefits is impacting on beneficiaries at outcome level is not well advanced, although that should be part of the process evaluation being mounted by SPSL.

167. Across LARLP there does not appear to have been a particular focus on analytical work to investigate and establish how the assumed determinants of rural livelihoods impact differentially

¹⁹ This includes awareness among specific target groups, such as children who play in the fields and forests, and the adults who care for them.

on different groups – by gender, age or disability for example. And by extrapolation therefore one cannot estimate how the targeting and configuration of program interventions – from UXO clearance and livestock distribution to central policy and regulatory reforms – might impact differentially either. This is the sort of analytical work that may well have evolved as the program matured and consolidated its approaches on the basis of evidence and lessons learned, but that now seems unlikely. It may be that the Learning Facility could pick this up.

Monitoring & Evaluation

Financial Inclusion (FI) component

168. AFP and MAFIPP monitoring and evaluation frameworks and systems are reasonable, appropriate and suitable to support quality analysis, risk management, and the objectives of the LARLP financial inclusion component.

169. Processes and procedures are in place to obtain data, report to the various stakeholders (such as BOL and DFAT) and use the data to manage adjustments to operations. Both MAFIPP and AFP systems use appropriate financial indicators, such as *Portfolio at Risk*, *Return on Assets* and *Return on Equity*, and pay attention to consumer protection principles championed by the Smart Campaign and adhered to by much of the financial inclusion community. AFP requires monthly reports from NSOs and VB, appropriate for the heightened risk profile. MAFIPP requires quarterly and annual reports from established FSPs, and grant requirements include meeting targets incorporated into performance based-agreements, or face monetary sanctions. Both programs complement written reports with frequent site visits.

170. The core monitoring system is complemented by establishing processes and research, such as the 'Making Access Possible' (MAP) process, including the FinScope Study which provides support for evidence-based policy making in financial inclusion. For AFP, good examples of using action research to inform program design, identify priorities and address them in AFP operations, include "Assessing Financial Literacy in Rural Laos (2015)" which informed the development of the Financial Literacy program, and "Rural Finance in Laos: GIZ Experience in Remote Rural Areas (2012)" which was undertaken to view experience and problems in-depth, and address them in AFP operations. As a result more female representatives on village bank committees were trained, increasing active governance roles and visible role models in the community.

171. Specific progress and monitoring reports add oversight and depth to the system.

172. See Annexes 4 and 5 for output and outcome indicators, their status as of December 2015, and the evaluation's assessment of the likelihood of achievement by June 2017.

Social Protection & Sustainable Livelihoods (SPSL) component

Social Protection Policy

173. Policy outputs are being tracked but it has only been recently that a perceptions survey was undertaken. SPSL recognises that this should have been undertaken before the readiness work had begun to better track the impacts of the policy work. It will be repeated towards the end of SPSL's engagement to track changes.

RLP

174. Monitoring – certainly at output level – is strong. SPSL has robust systems to track all beneficiaries, including their asset levels and how stipends are being spent. They have undertaken baseline reports for both cohorts. Due to the nature of the assets being transferred, they also closely track animal health. To provide a clearer picture of the potential turnaround in beneficiaries' lives, SPSL is tracking 15 people closely as case studies and asking them to assess their own progress up a 'staircase' to make results more easily digestible. These represent a diversity of beneficiaries living in different areas and undertaking different livelihood strategies.

175. The monitoring remains quite output focused which is often the case at this stage in a program. The process evaluation, which is being undertaken in June, will be the opportunity to start looking for more meaningful changes in people's lives and where the desired behaviour changes could be starting to materialise. That internal evaluation will focus on:

- To what extent the program has been implemented as intended?
- What factors contribute to successful implementation at each site?
- How do RLP participants experience the project activities?

176. It is this last question that will provide some insight into the extent to which people's lives have been turned around. It will look at the extent to which any new knowledge and skills are being incorporated into their livelihood strategies.

177. As mentioned earlier, to determine whether there has been any real, sustainable changes to people's lives an evaluation will have to be undertaken post-program – but without a control group this will be challenging.

178. People are keen to understand how well this model can work outside Bangladesh. It is possible that the IPs that are considering continuing the asset transfer programs with funding from elsewhere may undertake an impact evaluation. If not, DFAT's Laos program should undertake this work through the Learning Facility or another funding source. It will be challenging however, for whoever undertakes the evaluation, as no control groups were established at the outset.

UXO Action

179. UXO Lao maintains excellent records of its activities, and its wider more strategic UXO clearance activities are entirely survey- and evidence-based.

Learning Facility

180. LADLF has a well-resourced monitoring information system and has invested in data visualisation and communication, particularly since 2015. This included novel reporting approaches for Laos including infographics and video summaries of complex reports. LADLF did not implement the performance assessment framework set out in the M&E Plan prepared for the Facility in 2014. This was a deliberate decision – after the budget change it was decided to focus on delivering outputs rather than measuring the effectiveness of the facility. This decision was partly because of the inception phase in BEQUAL (when evaluative enquiries would have added little value and been an irritating diversion for the busy team which the Facility needed to engage with) and the significant delays in SPSL delivery (when there was little change to measure that could have been attributed to LARLP). Now that the Facility is extended, then there is an opportunity to strengthen assessment of changes resulting from LADLF outputs, particularly in BEQUAL, MoES, MPI and DFAT.

Risk Management

Financial Inclusion (FI) component

181. Risk management in the financial inclusion components is embedded in the systems innovations involved, and discussed below under 'Innovation and Private Sector'.

Social Protection & Sustainable Livelihoods (SPSL) component

182. In the social protection activity design document, a risk matrix outlined the major risks for the overall activity as well as for the specific components: a Senior Citizens' Allowance (SCA) and the RLP. The following two risks that were outlined in the overall assessment did transpire and had the biggest impact on the project.

Risk	Likelihood	Impact
Government ownership is limited, leading to delays and limited engagement from provinces and districts	Medium	High
It will take significant time for MOUs with government to be agreed – beyond the six months set aside for this process – which could delay activities	Medium	High

183. Government ownership of the SCA did prove to be limited. So limited that the government did not agree to start the project. This was not foreseen in the risk matrix. The worst that was envisaged was delays and limited engagement from the provinces and the districts. The replacement activity; the social protection policy work, was an appropriate response. The government was not ready to test an elderly persons' pension but was ready to receive advice around policy options (although the government did have initial concerns about the word policy even being used) and related capacity building on social protection.

184. On the second risk, the signing of the MOU did take significant time: 12 months from when Maxwell Stamp's contract was signed and a further six months to get the Implementing Partner (IP) MOUs signed. DFAT put much effort into trying to fast-track the process including direct engagement by the HOM and the DHOM. The aim was to speed up the approval by agreeing an umbrella MOU that would cover the whole of SPSL; the contractor and the IPs. DFAT secured agreement from the Ministry of Planning and Investment to take this approach but the Ministry of Foreign Affairs ultimately disagreed. The IPs were frustrated by this process as – in their opinion – that approach was unlikely to work. This seemed to be one of the key causes of early tensions between the IPs and DFAT and its managing contractor.

185. The delay impacted on the ability of the IPs to roll out the program in a considered way. When the MOUs were eventually signed, there was a sense of urgency to get things happening quickly. Teams were mobilised and the project began without the necessary time for appropriate analysis of the context and options for – in particular – livestock procurement. Many of the animals died (a risk not identified in the risk matrix) in the 'Cohort 1' asset distribution. One of the preferred assets was goats but there were no local markets for goats making procurement at scale problematic. Animals were coming from various sources and sick animals were being mixed with healthy ones. Procurement of the animals was being done in the rainy season which made them more susceptible to stress and illness. As a result of the high mortality rate, timing of procurement and quarantine procedures were significantly changed for 'Cohort 2' and animal deaths substantially reduced.

186. Not having experienced these MOU delays, the financial inclusion component moved ahead which led to difficulties in the alignment of village banks with RLP villages. GIZ's criteria for

selecting locations was different to RLP and, while there were some efforts made for colocation, the delay in the commencement of RLP meant that alignment was not as great as initially envisaged.²⁰

187. Maxwell Stamp and the IPs have managed the risks well. RLP is a complex program, with many moving parts, and solutions have been found to the various problems that have arisen including the premature ending of the program. This completely unforeseen risk has had the biggest impact on the success of the activity.

UXO Action

188. Clearly dealing with unexploded ordnance is all about risk assessment and risk reduction. This evaluation was not equipped to assess the extent to which UXO Action represented good or best practice in such a specialised technical area, but noted their seemingly highly professional approach and excellent track record. No operator accidents have occurred during the LARLP period.

189. A more subtle risk is a developmental and political risk: if at a political and policy level Australia assumed that this LARLP-related UXO engagement was ticking the boxes in terms of supporting more strategic, area-wide, UXO clearance activity, then it wasn't: it was a much more limited engagement focused on enabling other development activities to proceed.

Learning Facility

190. LADLF developed a risk matrix and management plan in 2014. This remains broadly relevant but the nature of the Facility and its outputs means that the key risks are contextual (public sector readiness for change; working environment and fiscal space to implement new practices etc.) rather than operational.

191. Another risk relates to relevance. Since 2015 the Facility has managed its program of work to ensure alignment between evaluative studies and the DFAT portfolio. It no longer commissions studies through a competitive, undirected process and studies are now designed to generate knowledge that can be used to improve aid effectiveness by DFAT and its partners. However, LADLF could be more explicit about its mandate and framework of interest to ensure a better fit between the information needs of implementing partners/counterpart agencies and the outputs from evaluative studies.

Innovation & Private Sector

Financial Inclusion (FI) component

192. Both AFP and MAFIPP operations serve poor rural communities with financial services but they work from two different perspectives. As such, two very different risk mitigation strategies emerge within the Financial Inclusion component of LARLP. These risk mitigation strategies are also innovative and focus on developing private sector financial organisations, their staff and management and their customer base.

193. As mentioned elsewhere, the main risks in the VB model are corruption, fraud or mismanagement due to lack of timely professional skills building and qualified outside oversight.

²⁰ But the evaluation elsewhere notes valid reasons why colocation was not always going to be relevant anyway.

Customers are vulnerable to local power structures that resist participatory approaches. This is particularly critical for women, due to their deficit of financial skills, poor education and inability to communicate well and confidently in the Lao language in public forums, such as VB meetings, which are chaired and staffed by men for the most part.

194. However, village banking is a popular model to serve poor rural populations in Laos, and it has been for decades without proper risk management approaches or requirements. The money flows from donors or the many government offices that support village funds without clear accountability requirements, or distinctions made between villages funds and village banks that are intended to be a reliable and sustainable source of financial services for poor rural communities. As a result, the great number of failed and dried-up village funds over the years has damaged the integrity of this model among the rural population and the erstwhile village bank customer base. As the GIZ research on this topic notes, "little is known about the quality of these funds".

195. **AFP's** strategy is to strengthen leadership, oversight and membership to create effective and sustainable financial services in poor and low-income rural communities. The main risk mitigation approaches use a healthy degree of innovation and private sector involvement. These approaches to risk mitigation are:

- Perfecting and using the NSO model, which is all about managing risk through more operational oversight, capacity building and building competency to expand safe financial services to rural poor and low-income people.
- Ensuring that the financial literacy program gets to the heart of the problem of low financial capacity among men and women clients, but particularly women. The program also employs pedagogies that remove barriers to speaking in public about financial subjects.
- Building women's leadership through considered research, analysis and integration into program operations and targets. (See section on Gender Equality)
- Ensuring VBs within the AFP program meet high financial, governance, management, and ethical and social performance standards, such as gender equality and client protection principles.
- Developing a recognised quality brand that integrates these high standards, distinguishing AFP VBs from "village funds/banks" that do not abide by such high standards.

196. **MAFIPP** works with regulated MFIs (such as EMI and XMI), Savings and Credit Unions, and Banks (such as ACLEDA Bank Lao) to test and expand innovative delivery of basic financial products to rural areas. The Financial Inclusion Fund (FIF) has provided grants to private sector FSPs to develop effective rural finance alternatives to models such as village banking. To serve poor and low-income rural communities FSP grantees have experimented with a "centre methodology distribution channel" which provides professionally managed financial services connected to the parent organisation. XMI, an FSP with village banking operations comprising 50% of the loan portfolio value in the 4th quarter of 2011, noted that the village bank portfolio comprised only 10% of the total portfolio value at end 2015 and also had grown only 10% over the four years. The "centre methodology" distribution channel appears to be effective in rural areas and popular with rural customers. The extent to which the methodology is replicable and under what conditions is yet to be fully examined.

197. MAFIPP risk management includes several principles of operation such as:

- Rely on local partners, which may be difficult and slow, but eventually pays-off;

- Keep on testing avenues knowing few will succeed, requiring reasonable expectations of achievement and judicious decision-making;
- It is risky, difficult, and sometimes impossible to deliver results in specific locations. MAFIPP can entice a recipient FSP to move faster to an area than where it would have grown or moved 'organically', but MAFIPP cannot direct an FSP to an area where it would not otherwise go;
- MAFIPP also relies on a 'Risk-Issues-Lessons Learnt' log, which is regularly updated and discussed among staff and partners.

Social Protection & Sustainable Livelihoods (SPSL) component

198. All work on social protection involves the private sector. Beneficiaries of social protection programs are normally private sector actors. They often work in small, family run businesses (including small scale farming activities). They have little ability to tolerate risk and are often reluctant to expand their activities due to the risk that this can involve. By providing predictable support, social protection can promote risk-taking and entrepreneurship. The work that the social protection policy support is undertaking brings the development of a social protection system, and hence the support to vulnerable members of the private sector, one step closer.

199. On innovation, asset transfer programs are seen globally as an innovative model to address extreme poverty. DFAT was willing to trial this innovation in Laos and learn lessons from the outcomes. Unfortunately, the funding cuts mean that the approach could not be well tested and be positioned to take the next appropriate step, whether that was expanding coverage or co-funding with the government or other partners. But some innovations tested within the program could potentially provide some interesting learning. Funding was provided to each implementing partner to allow for the testing of innovations or to allow for deeper analysis into certain issues. This was in recognition that the IPs each have different skills and are working in different contexts. A range of different work under this funding stream was undertaken from nutritional baselines (with planned end-lines) to providing assistive devices to participants with disabilities.

200. Using APB to make the transfer of the stipend could also be seen as innovative. It pulled a group of poor people into the formal financial system, many of whom had never saved before, even informally, let alone had a bank account. How useful this formal financial access will be after the program has ended is yet to be seen. It is unlikely to be particularly useful to those without easy access to APB. Any follow up evaluation of RLP should include this as a focus.

UXO Action

201. As previously discussed, there was some suggestion that private sector and/or NGO service providers might have been able to provide a more flexible and responsive service-on-demand to RLP. While UXO Lao claims to have the lowest costs per beneficiary, it does not exercise full cost recovery and thus stands the risk of crowding-out a more diverse and perhaps more agile private / NGO sector capacity.

Learning Facility

202. As discussed above, LADLF is an innovation of itself and may prove to be a more useful and relevant way of providing the evidence-base necessary for aid effectiveness. Adaptions of DFAT LADLF model are also now being trialled elsewhere.

III. CONCLUSIONS AND RECOMMENDATIONS

Context

203. Laos has a particular problem with persistent poverty in rural areas and the benefits of growth not reaching the very poor. Over the past decade, growth in Laos has been much more favourable to the non-poor than the poor. Poverty declines in Laos have been slow compared to the rate of economic growth.

204. As elsewhere, such intractable poverty and inequality requires special attention in terms of policy adjustments and resource allocations. LARLP is a large, multi-faceted, program aimed at addressing these complex and deeply engrained issues. Conceived in an era of expanding aid budgets and an explicit focus on poverty reduction, it pursues a technically challenging approach that seeks to address multiple determinants of poor rural people's abilities to survive and thrive. Needless to say, such an endeavour was never going to be a quick fix if it was to impact sustainably and at scale.

205. Echoing much of the international thinking about what constitutes a 'sustainable livelihood', and in particular 'graduation' approaches being piloted elsewhere (Annex 3 explains some of these terms and concepts), LARLP is as innovative as it is ambitious. It sought to develop poor people's livelihood assets in various forms and through various means, from evidence-based policy advocacy (social protection) and systems reform (financial services) to the direct provision of productive assets to poor rural people (the Resilient Livelihoods for the Poor program).

206. This spectrum of interventions constitutes a complex of transformational and transactional elements (see Annex 3) with (implicitly) different kinds of intermediate outcomes to be achieved in different places at different times. A substantially foreshortened lifespan for the program thus presents the evaluation with contextual shifts that have significant implications for the assessment of program-level relevance, effectiveness and sustainability.

207. The overall budget and duration of program will clearly have a direct, straight-line, relationship to the quantum of impact achieved through its essentially transactional elements (principally RLP):

- The more time and money invested in those transactions (the asset transfers and associated household-level support) the greater the total impact.
- The less time and money invested in those transactions the less the total impact ... but with the difficult question emerging of 'did we do enough to make a difference, in proportion to the effort expended in design, commissioning and start-up?' ²¹

208. In contrast there is not such a straight-line relationship between time, money and impact with the more transformational aspects of the program – principally the policy and regulatory reforms. Those elements have a more binary outcome: enough is done to bring about policy and regulatory reform or it isn't. (And achieving such impacts is nothing like as resource-intensive.) The difficult question that emerges from any discussion of foreshortening the program with respect to

²¹ But also, as per Recommendation #7 below, 'have we done enough to secure the livelihoods of those whom we have started to provide support but may not be able to see through to the extent originally planned?'

the more transformational components of LARLP is different. It is 'have we achieved what is necessary, and what else needs to be done to secure the intended reforms?'

209. Recommendation #1, below, is therefore about assessing the impact of foreshortening through this analytical lens.

Conclusions on the Key Questions (asked by DFAT)

What factors, positive and negative, affected progress toward LARLP objectives?

210. This was an ambitious program that accepted a higher than usual level of development risk to achieve challenging but important ends. It was a correspondingly well-resourced program, both financially and in terms of the skills and experience it brought to the task. These factors, combined with its originally long-term perspective, boded well for the achievement – over time – of particularly relevant and important outcomes in rural development. It may well, had it run its intended course, have turned out to be one of the most innovative, important and impactful initiatives in the Australian aid program.

211. Important contributors to positive outcomes at implementation include:

- A systematic approach to addressing some of the most fundamental policy and institutional determinants of rural poverty, combined with more transactional inputs at household level. (One of the most structured approaches in implementing the Sustainable Livelihoods Approach – see Annex 3 – that we have seen.)
 - (But note comments below on the utility of 'colocation'.)
- 'Chasing change' in the financial inclusion sector – deepening, broadening, speeding-up and improving the impact of change that was already nascent and already had champions in relevant institutions – rather than introducing or inventing change that stakeholders were not ready for.
 - (But note comments below where this was not the case.)
- In that same context, leveraging and amplifying the substantial knowledge, skills, experience and influence of pre-existing programs and personnel through co-financing. (GIZ and UNCDF in the financial sector, UXO Lao with unexploded ordnance, etc.)
- Achieving some degree of scale on the ground (on an annual basis) in the more transactional components of LARLP (RLP) by partnering with multiple NGOs.
- The willingness to shift the emphasis and direction of the social protection work from something that did not, as it eventuated, have the government's support (the Senior Citizens' Allowance) to something more relevant (support to policy development and learning).
- Bringing in-house (to DFAT Post), mid-program, the responsibility for cross-program coordination. This was essential, given the structure of the several contracts at play.
- The commitment, support and direct engagement of DFAT Post in policy dialogue and – as far as it could – in resolving design issues and mitigating earlier design-related coordination failures.

212. Contributors to less-than-positive progress and outcomes at implementation include:

- Insufficiently robust or insightful political and policy analysis, and policy dialogue, at design, resulting in incorrect assumptions about the government's buy-in to important aspects of the program's approach. "A nod is not enough", as a recent evaluation of policy dialogue in the Australian aid program²² emphasised.
 - This represented the opposite of 'chasing change', as above, with somewhat predictable consequences of lack of ownership and buy-in.
- A worthy attempt by DFAT to streamline the process of agreeing the necessary MoUs with GoL ultimately proved difficult for the government to process and – in hindsight – resulted in significant delays as well as some enduring relationship and management issues.
- Central policy imperatives [apparently] dictating what sort of partnerships should be put in place for implementing the program, as opposed to constructing an optimal mix of partnerships and properly sequenced contractual arrangements most efficiently to achieve the program's objectives.
- Lack of meaningful coordinating mechanisms²³ across the various elements of the program (each of which have their own, standalone, management and financing arrangements), such that the emphasis and direction of the separate initiatives could be sequenced and adjusted to suit evolving contexts and emerging issues. ('Coordination failure' – see Annex 3.)
- Lack of appreciation at design and early implementation of the complexities and requirements (particularly animal health and nutrition) of embarking on a new program based on livestock distribution, feeding, breeding and marketing.
 - Including a 'paravet' program that may not be sufficiently well resourced or sustainable.
- Confusion, initially, over the place and role of the Learning Facility and an unrealistic assumption that it might have a coordinating role.

How did the 'portfolio approach' add value to the LARLP?

213. LARLP was to represent a 'portfolio approach' to managing a suite of complementary investments that were meant to relate to each other to enhance impact through the accumulation of benefits to common stakeholder groups. (Through collocation, interrelated policy work or simply through cross-learning and coherence.)

214. However there was little designed-in to the program to ensure such complementarity in practice, and certainly no means of adjusting, re-sequencing or reallocating resources across the program to meet emerging program-level requirements. While a passive form of 'coordination' (essentially information sharing) was delegated to the Learning Facility (with no powers of decision-making or enforcement) there was effectively 'coordination failure' across LARLP. (See Annex 3 for an explanation of the term.)

²² Thinking and Working Politically: an evaluation of policy dialogue in AusAID (2013), Office of Development Effectiveness, AusAID/DFAT, Canberra.

²³ The Learning Facility was initially seen to have a coordinating function. However (disregarding its other more central functions) that facility never had any authority or mechanism to bring about shifts in the other LARLP sub-programs' emphasis, direction or resourcing. This would ultimately have involved some degree of authority over the budgets of the other components, and they all had their own contracts, and management and financing arrangements with DFAT.

215. In retrospect, for a complex and policy-sensitive program such as LARLP, comprising several vital and inter-related components that needed to be nuanced as experience was gained and the context evolved, DFAT should not have been contracting-out program coordination.

216. In terms of LARLP's village-level activities, we were not convinced that the concept of co-locating different elements of the program, with the intent of enhancing impact through the accumulation of benefits to common stakeholder groups, was particularly relevant or as valuable as was presumed.

217. For this to happen compromises would need to have been made. For example, it does not make sense for GIZ to operate in an area where a village bank would not be viable just as it does not make sense for RLP to operate in very integrated areas with few extremely poor households. The assessment of the potential for colocation must take into the consideration of fundamental differences in objectives and approach. (Including the largely transformative, systems-related, nature of some of the work, not requiring co-location for its effectiveness.)

[To what extent was the LARLP investment relevant in the Lao PDR context?](#)

218. The extent and nature of enduring rural poverty in Laos makes a substantial, impactful, rural livelihoods program highly relevant, as noted throughout Section II. And the political, institutional and social complexities that constitute the context for any such initiative imply the need for something that goes beyond traditional, piecemeal, technical fixes: one that captures the importance of adjusting the policies, institutions and processes that shape poor rural people's livelihoods as much as it supports livelihood strategies at household level.

219. In terms of attempting to meet these ends, LARLP was potentially at the vanguard of good development.

220. It is a complex program, employing innovative approaches that carry some development risk, but this was a legitimate strategy to overcome otherwise intractable problems.

221. However, its foreshortening has largely negated the scale and durability of the impact it was set to have as a program. Its individual components will likely achieve their immediate objectives – as individual components – but the foreshortened timeframe means that the necessary policy adjustments are left precariously incomplete (if they have happened at all), and the scale achieved by the household-level programs – impressive though it has been so far – will be insufficient to make a real dent on rural poverty nationally.

222. This last point also begs a fundamental question about what success was to look like for the RLP: was it a model to be replicated under more sustainable (for example government) funding, or was DFAT's involvement to be so substantial and long-lasting that it would fix the problem through its own means? The answer to that is not clear, but in either case the program's foreshortened lifetime means that probably neither form of success will eventuate.

223. The conclusion has to be that LARLP was relevant and may have had impressive impacts if it had been allowed to run for the full ten years originally envisaged, but in its foreshortened form it is unlikely to impact at a scale that would justify its cost and complexity.

Recommendations

Program-level

Recommendation #1:

Under current plans, the total costs of LARLP are likely to exceed the final value or benefit delivered. Judicious²⁴ extension of key components would improve the likelihood of the net benefits outweighing the net costs of the program.

Attention: DFAT Post

Recommendation #2:

Bringing RLP to an earlier-than-envisaged end also implies a shift in objectives and the balance between the transformative and the transactional. Depending on the financing envelope available to bring 'Cohort 2' support to a responsible end-point, there may need to be some reflection on what other aspects of the program might also now assume a lower priority. (Because they cannot realistically achieve their objectives in the shortened timeframe.)

Attention: DFAT Post

Recommendation #3:

If a portfolio approach is to deliver a suite of complementary activities, which by working together are to yield more than the sum of their parts, it should possess coordination and management structures that can identify and respond flexibly to evolving priorities, allocate or reallocate resources accordingly across the program, and in the correct sequence, and provide the necessary incentives and sanctions for compliance with the necessary (contractual) authority.

While Post did the right thing in bringing program coordination in-house mid-program, the disparate contractual arrangements established at the outset still limited, in practical terms, the ability to mix, match and redirect resources as the (substantively experimental) program progressed.

Attention: DFAT units responsible for program design and program design guidance

Financial Inclusion

Recommendation #4:

Strengthening policy and regulatory initiatives, particularly working groups within BoL and outreach to other agencies with respect to financial inclusion strategies, financial education strategies and financial consumer protection regulation have the potential to advance financial inclusion in Laos.

DFS experience in Laos is nascent, but has the potential to become a game-changer for financial inclusion, as it has in many other countries in Asia and Africa. DFS require substantial up-front

²⁴ Principally those elements of the program that have a demonstrably transformative (See Annex 3) element, given that the foreshortening of the program will limit the impact of any purely transactional elements.

financial and human resource investments, commitment by entrepreneurial senior management and the ability to act with a responsible customer interface. The benefits include a financial system that increases access equitably and in favour of women and poor rural populations, as well as reaching eventual economies of scale and reducing transaction costs for the provider and the consumer.

It makes sense to continue support for further development of these types of private-public sector collaborative efforts, including digital financial services (DFS) through MAFIPP. To date, activities include support for DFS consultancies, pilot licenses, capacity building and space to innovative with agent banking models, such as BCEL's BCOME, and a mobile network model that has garnered UNITEL's initial interest. It is important to experiment with both models.

Attention: UNCDF in consultation with DFAT Post

Recommendation #5:

The AFP VB NSO model managed by GIZ continues to show good results and improvements in VB performance. AFP policy and regulatory work to formalise technical and supervisory relationships between VB and NSO will enable a giant step for VB to become part of the formal financial system through their NSO relationships. With respect to the VB NSO tiered structure, avoid the temptation to create a third tier unless there is a clear and compelling reason.

Attention: GIZ in consultation with DFAT Post

Recommendation #6:

The AFP and MAFIPP financial inclusion initiatives have demonstrated transformational value by stretching existing boundaries. Several of the most successful have been supporting new policy initiatives by engaging private and public sector participants together in the process; shoring up capacity building in both traditional and innovative ways to increase and improve the financial sector's human resource base; and, driving FSPs to experience new ways of doing business such as developing new products, risk management processes, governance structures and proxies for oversight and supervision were none existed. These are merely a few of the ways the financial inclusion components of the LARLP might be consistent with the Australian government's Private Sector Policy, and fit with new Australian aid priorities.

It seems opportune to further investigate how both financial inclusion components of the LARLP might be consistent with new aid directions and priorities. What are the scenarios where inclusive economic growth through small, micro and 'nano' enterprises and fuelled by private/public partnerships would be compatible with the Private Sector Policy? How might financial literacy play a role in strengthening the public education system in addition to building capability of the financial consumer? How can the MFA and BI more substantially contribute to the development of the human resource base in the private financial sector? What type of private/public sector partnership might substantially advance digital financial services, and how can viable partnerships be facilitated?

Attention: GIZ and UNCDF in consultation with DFAT Post

Resilient Livelihoods for the Poor (RLP)

Recommendation #7:

It is necessary to create the space, time and funding for 'Cohort 2' to be supported through to the point of its full and proper conclusion. As things stand, there are risks of doing harm rather than good to those identified as the poorest of the poor, and of compromising the reputations of organisations working with those communities for the duration.

What represents a point of 'full and proper conclusion' needs to be determined on the basis of solid and empirical indicators of self-sustainability among the majority of beneficiaries. SPSL is currently working on such indicators, and the IPs have important contributions to make to this too. (For example, that beneficiaries have got to the stage of making a rational and strategically-timed decision to market livestock offspring.) If there is doubt about the appropriate length of time, 18 months should be the default. No shorter period has proved to be effective elsewhere. DFAT decided to start 'Cohort 2' so DFAT must provide appropriate funding for an adequate exit - not a condensed model that has never been tested.

DFAT's decision to cut the program comes with inevitable costs which must be borne if the commitments that have been given to participants are to be honoured.

Attention: DFAT Post in consultation with the managing contractor and the implementing partners

Recommendation #8

If a managing contractor model is chosen, DFAT must provide the managing contractor with the wherewithal to select, configure and manage inputs and activities such that it can efficiently deliver the program and be held responsible for its delivery. With RLP, DFAT made the decision for the managing contractor that they would use Australian NGOs as implementing partners and then made the follow-up decision as to whom those NGOs would be.

In addition, DFAT must also have greater consideration of value for money issues: reaching households through DFAT's chosen model was never going to be cheap. This cost could have been justified on the basis of pilots normally being expensive, but the early end to the program meant that changes to the program that represented better value for money over the life of the program could never be trialled or implemented.

Attention: DFAT Post and DFAT Canberra program design advisers

Recommendation #9:

DFAT should fund an evaluation of RLP after the cohorts have been out of the program for a number of years, perhaps through the Learning Facility. This will provide the required evidence to the GoL and other interested stakeholders about whether this approach delivers the expected results to allow for replication if appropriate.

Attention: DFAT Post

Social protection policy

Recommendation #10:

Opportunities for policy work on social protection are often constrained by appropriate entry points. But DFAT is in the enviable position in Laos of having an entry point with at least parts of the government keen to engage. This has only happened recently. There is now reasonably strong support within MLSW for the development of a social protection system. MLSW says that the government does not need to be convinced anymore that they should have a social protection system. MLSW is confident of its importance and they have a plan to progress program development and funding. They have moved to the specifics of how and what.

However it is overly optimistic to assume that this view is shared as deeply outside MLSW. There would still be many parts of government and the Party unfamiliar with social protection and with typical objections, but the more support they receive over this period the greater the likelihood of influence and the better the ultimate system – a system which will impact on millions of poor households.

DFAT, through SPSL, is playing an important role in social protection policy support. It makes sense for DFAT, while this window of interest is open, to push as far as it can through strategic technical support to MLSW, advocacy with the National Assembly and capacity building among supportive local academic institutions. The cost of supporting this push is small compared to the impact of the policy and public expenditure shifts that might eventuate and backup technical support from DFAT's Social Protection Hub would be available to Post to lessen the human resource burden. A continued engagement could sit under DFAT's private sector pillar (or even education if the government selected a child grant as its first program). It would fit with the desire of DFAT for this Pillar to be doing more to reach the poor in the private sector. There is precedent for this in other DFAT programs. (In the Philippines, support for social protection now sits within the private sector and economic growth pillar of the country program.)

The rationale for continued engagement is not about doing no harm but rather about being strategic in exploiting a valuable existing opportunity to assist the government spend its own money better, which will have influence across the sectors of current priority to DFAT in Laos.

Attention: DFAT Post

Paravets

Recommendation #11:

Given the emphasis on livestock that has eventuated, establishing effective, safe and sustainable village-level basic animal health services is clearly important. RLP paravet schemes need to be reviewed for their robustness against the best practice norms and standards that have been established now in many parts of the world. This is likely to include reviewing the extent to which district-level support to village-level animal health workers is, or can be, provided by government services.

Attention: SPSL managing contractor in consultation with RLP implementing partners

Learning Facility

Recommendation #12:

The Learning facility represents an important development of DFAT's ability to deliver an evidence-based country program. It should be continued. However the roles and functions of the Learning Facility needed to be clearer at the outset, and still cause some uncertainty across the program. They need to be made clear. It should:

- Set out its approach and work-plan, emphasising (in particular) the analysis of:
 - The political, institutional, fiscal and social contexts in which the Australian aid program operates in Laos;
 - The monitoring of the intended and unintended impacts of development interventions at the highest level (in terms of, for example, changed behaviours, coping strategies, and policy and regulatory shifts), and supporting individual programs to do so at program level.
- Clarify expectations in terms of policy influence, particularly where there might be overlap with component-level policy work.
- Clarify the division of labour between programs and the Learning Facility.
- Clarify the limits of any coordination function that it is appropriate for the Learning Facility to be responsible for.

Attention: Learning facility in consultation with DFAT Post

Recommendation #13:

As DFAT requested, LADLF designed and delivered a monitoring information system (MIS) to inform portfolio coordination. However, the output is little used by LARLP implementation partners or DFAT and it has not, it is reported, resulted in any program or portfolio changes. Although its costs are modest, there therefore seems little point continuing with the MIS. The dataset and system is available to legacy programs and they should remain free to use it if needed.

Attention: Learning facility with DFAT Post's approval

Donor engagement on unexploded ordnance

Recommendation #14:

Now that a UXO clearance 'service on demand' will no longer be required for RLP beyond the completion of current field activities, there needs to be some reflection on what and how future support to UXO clearance needs to be scaled and configured to achieve political, human and economic objectives. The requirement is presumably for an evidence- and survey-based, more strategically prioritised approach to UXO clearance.

Attention: DFAT in consultation with UXO Lao and other unexploded ordnance stakeholders



In-Country Schedule

25 April to 10 May 10 2016

Date	Schedule	Persons Met
25 April 2016	DFAT staff LARLP overview Expected outcomes	Rachel Jolly (First Secretary, Development Cooperation) Mone Sysavath, Program Manager Soulivanh Souksavath, Program Manager
	Briefing with Senior Management Expected outcomes	John Williams (Head of Mission) Andreas Zurbrugg (Deputy HOM) Rachel Jolly (First Secretary)
	Department of International Cooperation (DIC), Ministry of Planning and Investment	Sysomboun Ounavong (DG, Department of International Cooperation) Khouthong Sommala (Head of Asia and Pacific Division, DIC, MPI)
	Learning Facility	John Fargher, LADLF Team Leader Frances Barns, Senior M&E Specialist
26 April	Deposit-Taking Micro Finance Institution Working lunch to discuss perceptions and attitudes study preliminary findings	Somphone Sisenglath, CEO Ekphathana MFI Damdouane Khouangvichith Gender and Socio-Economic Development Specialist Prof. Phouphet Kyophilavong\ Vice Dean; Faculty of Economics and Business Administration, NUOL
	UNDP (UXO Component)	Vanthong Khamdala, Deputy Director of UXO Laos Allan Poston, CTA, UXO Mine Action Sector (UNDP) Saomany Manivong (PO/PI) and UXO Lao staff
	SPSL team	John Rook, Team Leader Karishma Huda, Social Protection Specialist Keolabthavong Songsamayvong, Deputy Team Leader
27 April	RLP implementing partner, CARE International	Glenn Bond, Country Director Alison Rusinow, Program director
	AFP team	Dennis Fischer, AFP Microfinance Advisor Marc-Andre, AFP Financial Literacy Advisor Bandid Sisoukda, Micro Finance National Advisor Bilan Yan Hagen, Micro Finance National Advisor
28 April	MAFIPP team	Cedric Javary (CTA) Viratsamay, Program Analyst, UNCDF Laos, and 3 other Laos staff
	Former Australian Aid program manager responsible for coordinating LARLP design	Dulce Carandang-Simmanivong

	BCEL (State Own Enterprise Bank)	Sisamone, Manager Sengchanh, BECOME Officer Oulayphone Narisack
	UNITEL manager (Telecom operator)	Le Dang Ngoc, Deputy General Director of IT
	RLP implementing partner, World Education	Colette McINERNEY, Country Director Chris, RLP Program director
29 April	RLP implementing partner Health Poverty Action (HPA)	Ronaldo ESTERA, Country Program Coordinator Greg Kannard, Rural Livelihoods Program Manager
	Lao Banking Institute	Keasorn Manivong Deputy Director of Banking Institute Project Coordinator
	World Bank PRF	Satoshi Ishihara, Senior Social Development Specialist
	Micro Finance Association (MFA)	Vansy Chindavong (Chair MFA) Pamuan Phetthany, MFA Executive Director Franz Schuetz, Microfinance Advisor, MFA
	Financial Inclusion Regulator	Visone Saysongkham, Deputy director of FI supervision department and other 5 Lao officers
	National Committee for Rural Development and Poverty Eradication	Bounkouang Souvannaphanh Executive Director Julien Rossard Senior Advisor
30 April	Background reading / drafting	
1 May	Background reading / drafting	
2 May	Travel to Pakse and LaoNgam	
	RLP Project overview and staffing and plan for village visits, at RLP office, Q&A AFP Project overview and staffing and plan for village visits, at RLP office, Q&A	RLP World Education field office team AFP and NSO team DDG of FISD Staff from FISD Director of Southern branch office of BoL
	Official dinner with District Governor / Vice Governor, District Social Welfare, Rural Development Office, DAFO, DPI, DPO, UXO Lao Saravan coordinator, BoL, RLP team, AFP team	LaoNgam District Governor Provincial government counterparts (PoLSW, DPI, UXO Laos Saravan) District government Counterparts (DAFO, DoLSW, ...) RLP World Education field office team AFP and NSO team DDG of FISD Staff from FISD Director of BoL branch office
3 May	RLP Project briefing at RLP field office	
	Visit RLP isolated village (1) – Ban Dongbang	In Ban Dongbang: met with beneficiaries cohort 1: approx. 15 male and ? 25 female met with village bank: 6, female 2
	Visit RLP isolated village (2) - Ban Huey Thakid	In Ban Huey Thakid met with beneficiaries cohort 2: approx. 21 male and 24 female

		met with 3 village facilitators met with field para-vet met village authority
	Visit Salavan town: Provincial Department of Planning and Investment	Vixiane Navikhounvice, Governor Phosy Keosiphandone DG of DPI
	UXO Laos Saravan province	Thongbeuay Singkhaopphet, Provincial Coordinator Thongmany, Finance officer Keo-Oudone Phomsoupha, Technical staff
	Provincial Department of Labour and Social Welfare	BounYong Phasee. DG Souddalay Indavong, DDG Bouaphan, Head of Social Welfare Division Khamsook, Head of Admin division
4 May	AFP Project briefing at SCU Vanmai Office. Purposes: to discuss how SCU is working including its structure, savings, credit profile, etc...	Soukhavy, President of SCU Vanmai SCU Vanmai team AFP advisors
	Visit AFP target village (1): Meeting with VB committees and members and financial literacy activity. Village name: Ban Dong	Village Bank Committee Approx. 15 Village Bank members AFP/NSO financial literacy trainer Observed Financial literacy training class – approx. 23 participants
	Agriculture and Promotion Bank Nayobai Bank, RDO in LaoNgam.	Sykhamb Lungsathanapb Phoxay Thongkeomany Rural Development Office (RDO)
	Round table interview: DAFO, DoLSW, RDO, UXO, DPI	Bounphan Naphaivanhdafo Bounphone. DoLSW Vixay Bounmany.... Planning district office Phoxay Thongkeomany RDO Somephone UXO Lao
5 May	Visit RLP + AFP + UXO village (3) close to town: meeting with beneficiaries, Pakthor	Met village authority Focus group discussion with approx. 20 beneficiaries (mix male and female) including members of village bank Discussed with approx. 5 non-beneficiaries
	PB Travel to Vientiane	
	Visit AFP target village (2): Meeting with VB committees and members, Dacheernoy LH, HC Travel to Vientiane	Met village bank committee 6, female 1 Village bank member approx. 23, female 10
6 May	Donor Roundtable meeting	Andreas Zurbrugg (DHOM) Rachel Jolly (First Secretary, DC) Mone Sysavath, Program Manager Satoshi Ishihara (PRF - WB, Senior Operation Manager) Ernst Hustaedt, GIZ Country Director Bilal Yan Hagen, Micro finance Advisor, GIZ Mayu Sakaguchi, UNDP/UXO unit Inpone Senekhamty, program officer, EU
	SPSL government partner	Leepao, DG, DoPC, MLSW and other 2 Lao officers

7 May	Team meetings Drafting Aide Memoire and presentation Departure of Lisa Hannigan Meeting with AFP Program Director, Thorsten Fuch	
8 May	Drafting Aide Memoire and presentation	
9 May	Revise and Prepare Presentation	
10 May 2016	Presentation on Preliminary Findings, recommendation, ways forward Feedback/reflection on the presentation	Andreas Zurbrugg (DHOM) Rachel Jolly (First Secretary, DC) Mone Sysavath, Program Manager, DFAT Soulivanh Souksavath, Program Manager, DFAT Phanthakone Champasith, Program Manager, Australian Embassy Viratsamay Visonnavong, Program analyst, UNCDF Dennis Fischer, Microfinance Advisor, AFP, GIZ Thorsten Fuch, AFP program director, GIZ Chris, RLP program director, World Education Allan Poston, CTA, UXO sector, UNDP John Fargher, Team Leader, LADLF Frances Barns, Senior M&E specialist, LADLF Glenn Bond, Country Director John Rook, Team Leader, SPSL Karishma Huda, Social Protection Specialist, SPSL Representatives from HPA

Evaluation Plan

Prepared by Peter Bazeley (Evaluation Leader), Heather Clark (Financial Inclusion Specialist) and Lisa Hannigan (Poverty & Social Transfers Section, DFAT Canberra)
V.2 - 1 April 2016

Summary Contents

- This Document explains what this 'Evaluation Plan' is and from what it is derived.
- [What's Being Evaluated and the Changed Context](#) clarifies what the evaluation will and won't cover and the implications of Australia's changed country program.
- [The Purpose and Emphasis of the Evaluation](#) sets out the objectives of the evaluation (principally lesson-learning for future programming), and who its intended users are (principally DFAT, but hopefully others too).
- [Limitations](#) emphasises how the condensed evaluation means expectations need to be managed.
- [Key Questions](#) suggest the broad areas of questioning to expect.
- [Approach, Methods](#) sets out how we will go about the evaluation.
- [Ethical Issues](#) highlights some ethical dimensions to the evaluation.
- [Evaluation Team and Allocation of Responsibilities](#) provides a snapshot of who the evaluation team members are and how they will divide their responsibilities.
- [Enhancing Utilisation](#) relates to an objective of the evaluation being to inform future programming, including beyond the Laos context.
- [Scheduling / Timeline](#) gives the reader an idea of what to expect and when.

This Document

224. This document is a provisional evaluation plan, drawn up and circulated to stakeholders prior to the evaluation commencing and before the conclusion of the evaluation team's review of program reports and background documents. More contextual information will be revealed as the document review is completed and in the briefing sessions at the start of the in-country mission. The evaluation may need to be nuanced accordingly.

225. The evaluation will therefore be flexible and adaptive to these and other emerging contexts.

226. The purpose of this provisional evaluation plan is to:

- Set out the evaluation team's *ex ante* understanding of the task and our approach to addressing it – so that stakeholders can provide feedback and correct any misunderstandings or inappropriate emphasis before we start the in-country mission.

- Provide likely interviewees with an idea of the approach to be adopted and the broad questions to expect, and of the kind of information we would like to gather.
227. A draft (as at 1 April) schedule of meetings and visits is attached at [Annex 1](#).
228. The plan has been drawn up on the basis of:
- Terms of Reference for the evaluation provided by DFAT Post, as amended;
 - Initial reading of key background documents;
 - Correspondence (including on an earlier draft of this evaluation plan) and telephone discussion with DFAT Post, and also with the program’s Learning Facility;
 - Initial conversations among the international evaluation team members. (The national consultants were only appointed as this plan was submitted.)
 - A detailed, separate, evaluation plan ([Annex 2](#)) requested for the Financial Inclusion (FI) component, drawn up by the FI specialist.

What’s Being Evaluated and the Changed Context

229. This is a single evaluation of the [now] AUD 32.2 million²⁵ Laos Australia Rural Livelihoods Program (LARLP) as a whole. LARLP commenced in January 2014 (some elements were delayed) with the goal of increasing the economic security and resilience of poor women and men in rural areas by implementing the following components (DFAT contributions at design in brackets):

- A Social Protection and Sustainable Livelihoods (SPSL) program (AUD 16 million).
- A Financial Inclusion (FI) program, comprising two sub-components:
 - Access to Finance for the Poor (AFP) (AUD 5.6 million); and
 - Making Access to Finance More Inclusive for Poor People (MAFIPP) (AUD 5.95 million).
- UXO Action, which conducts clearance and Unexploded Ordnance (UXO) risk-education and community-awareness activities on demand for LARLP (AUD 9 million).
- A Learning Facility aimed at providing support for portfolio-level monitoring and evaluation, policy dialogue and improved portfolio integration (AUD 4.4 million).

230. DFAT’s contribution (AUD 23 million) to the second phase of the World Bank Poverty Reduction Fund (PRF-II), a community-driven infrastructure development program sometimes referred to as another component of LARLP, is not included in this evaluation. However, it has some bearing on LARLP’s overall relevance.

231. Collectively these programs constituted a ‘portfolio’ approach intended to enhance impact through the accumulation of benefits to common stakeholder groups and through cross-learning and coherence.

232. It was originally intended that LARLP would be part of a 10-year DFAT investment in rural development in the Lao PDR. However a reduced Australian aid budget, and a new Australian Aid Investment Plan for the Lao PDR, means that LARLP will now terminate after ± three years, on 30 June 2017.

²⁵ An adjusted figure provided by DFAT.

233. This implied a shift in the intended scope of the evaluation from a substantial early-term formative²⁶ evaluation, to have been informed by preceding component evaluations, to a near-end-of-term evaluation which is intended to be principally normative²⁷ but also has summative²⁸ elements.

234. As there are to be no prior component evaluations, the depth and breadth of the data and evidence-base for this evaluation will be somewhat reduced.

The Purpose and Emphasis of the Evaluation

235. DFAT has asked the evaluation to assess overall program performance and adequacy of progress to provide evidence, information and lessons to inform DFAT aid investments in rural development, social protection and livelihoods in other countries, as well as economic growth, aid-for-trade and governance investments in Laos. There is an accountability aspect to the independent evaluation of LARLP, but looking forward beyond the completion of LARLP the main focus should be on learning and what lessons can be taken from LARLP to inform future DFAT programming.

236. The above suggests that the principal user of the evaluation is DFAT, at both country and agency-wide levels. However we are committed to a constructive and forward-looking dialogue with all LARLP's partners and hope that it will also serve their interest as well.

237. Others such as the CGAP-Ford Foundation, which promotes similar approaches internationally, may also be interested in the results of this evaluation.

Limitations

238. This is a short evaluation (10 days of data-gathering) which will no longer be informed by the originally-intended preceding component evaluations²⁹. The wide range of implementing partners and other stakeholders groups involved means that the schedule is inexorably filled with set-piece interviews and relatively limited field visits³⁰. These will all be relevant and useful, and should provide much insight into the program and its context, but the evaluation will be able to gather very little primary data of its own. The quality and robustness of the evaluation will therefore depend largely on the quality and robustness of the secondary data made available to it by the implementing partners.

²⁶ A 'formative' evaluation is undertaken early- to mid-term during implementation when a program's strategies and tactics are still being, or can be, 'formed' or adapted to improve performance in the light of early experience.

²⁷ A 'normative' evaluation is principally about lesson-learning for future programming elsewhere – or the establishment of 'norms' and best practice models.

²⁸ A 'summative' evaluation 'adds up' the program's achievements and 'worth', principally for *ex post* accountability purposes.

²⁹ Although the questions in the terms of reference remain essentially the same as when prior component evaluations were to inform this evaluation.

³⁰ The program of which DFAT Post has kindly already established.

239. The extent to which the meetings and – in particular – field visits provide *representative* data and information will in part be a function of the choices made by DFAT Post and others in setting up the schedule for the evaluation.

Key Questions

240. DFAT has asked that the following key evaluation questions be addressed:

A. *What factors, positive and negative, affected progress toward LARLP objectives?*

- This should interrogate the design and the underlying logic of the program to assess adequacy of progress towards designed end-of-program objectives; the variance between planned and actual quality, reach and coverage of LARLP outputs; and sustainability of any changes resulting from the program in the current Lao PDR context.
- The evaluation should identify what factors, positive and negative, affected progress towards end-of-program objectives and use this information to assess the relevance, value for money (and related efficiency measures) and effectiveness of each component including the gender inclusion and performance management of each component.
- The above questions should be addressed in relation to LARLP overall and individual components: SPSL, AFP, MAFIPP, UXO Action and the Learning Facility. Lessons from the PRF Impact Evaluation and most recent progress report should also be used to inform responses to this key question.

B. *How did the portfolio approach add value to the LARLP?*

- The extent to which the underlying logic and modality in the LARLP design resulted in co-location and/or resulted in cumulative benefits, the relationships and information sharing between actors managing implementation of components in the portfolio, and an assessment of what, if anything, held the portfolio together.

C. *To what extent was the LARLP investment relevant in the Lao PDR context?*

- Analysis of whether the program appropriately addressed causes of economic insecurity, lack of resilience or lack of financial inclusion in Lao PDR.
- Assessment of the appropriateness of the investment in the Lao PDR development and governance context as well as key Government of Laos and DFAT policy frameworks.
- Evaluation of the appropriateness of the graduation model in the Lao PDR context and lessons learned for its broader application in DFAT programs.

241. Within each of these key questions, the evaluation will frame its enquiries around the established OECD DAC evaluation criteria ([Annex 3](#)) of Relevance, Effectiveness, Efficiency, Impact, and Sustainability as well as DFAT's special criteria of Monitoring & Evaluation, Gender Equality, Risk Management and 'Innovation and Private Sector'.

***** These will form the 'structure' of the evaluation team's initial ('semi-structured') interview questions, and are what the evaluation's respondents should expect and prepare for. *****

242. The evaluation will follow LARLP's theories of change ([Annex 4](#)) and at each stage seek to establish:

- Was there a robust *cause-and-effect* relationship between the different levels of the theory of change?
- Were LARLP's interventions both *necessary and sufficient* to have the effect intended?
- What *assumptions* were made about external factors and influences in the cause-and-effect logic, and did these hold true?
 - Including assumptions about DFAT's role.
- What *other factors, influences and interventions*, external to LARLP, might have had an effect and how significant (or insignificant) does this make LARLP's contribution to change?

243. DFAT has suggested that it will be particularly interested in two specific areas, for the purposes of informing future DFAT programming:

- The effectiveness (etc.) of LARLP's form of 'graduation' model (see [Annex](#) for the generic ingredients of a graduation model). The evaluation will, among other things, need to understand how such a model might be sustained in the Lao PDR institutional and budgetary context, and to see how well some of the technical choices made (for example livestock distribution) have worked out. What influence did LARLP have on government policy and public expenditure choices, and how did design reflect government priorities?
- The utility of constructing a 'portfolio' of programs within one sector. What synergies were achieved, how and at what cost? How was the portfolio managed (including allocation / reallocation of resources to match emergent demands), and how was collaboration and complementarity incentivised?

244. Given the interest in learning lessons for adoption elsewhere, the evaluation will be interested in how the effectiveness of the program has been context-specific. (This will also include enquiries over site-selection.)

245. Given the now much shorter intended lifespan of DFAT's sectoral investment, the evaluation will pay particular attention to sustainability issues, and to what extent elements of the program might inform, or contribute to, DFAT's new Aid Investment Program.

- (Note: 70% of adults in the Lao PDR are small-scale self-employed private-sector.)

246. Similarly, what is the Lao PDR government's perspective on maintaining such programs in the future (particularly budget-demanding social protection programs) and how are such values expressed in terms of budgetary allocations?

Approach, Methods

247. Given the evaluation's limitations (para 238 above), and the schedule of meetings and visits established by DFAT, the approach and methods will be reasonably uncomplicated:

- The evaluation team will complete a review of background documents and program reports prior to the in-country mission;
- We will take on board any feedback on the Evaluation Plan (this document);
- We will seek clarification on a number of points, and be further briefed as to DFAT's and the Lao PDR government's priorities and expectations, on arrival in-country;

- Initial meetings with the component teams (see In-Country Schedule, [Annex 1](#)) will be used to gain a rounded understanding of the various initiatives and their design, the context in which they have been operating, the progress they have made and the challenges they have faced.

***** For these initial meetings, component teams are asked to prepare a short presentation along these lines, around which to frame subsequent questions and answers. See Annex. *****

***** Component managers are also asked to prepare a tabular self-assessment of progress against the outputs and outcomes set out in their component's performance assessment framework, or monitoring and evaluation framework. *****

As stated above, the quality and robustness of the evaluation will depend largely on the quality and relevance of the data and information made available to it by the component teams and implementing partners.

- Follow-up meetings with component teams may be requested during the evaluation, or email requests made, to check the evaluation's understanding of particular issues or to seek further data and information.
- All other meetings and interviews will follow a semi-structured format where the team will divide the responsibility for gathering data, information and opinion on the questions set out in the preceding section of this plan.
- The choice of field visits has been made by DFAT and LARLP prior to the evaluation or this evaluation plan – presumably with logistical and ease-of-access factors in mind as well as purpose and representativeness.

While a number of rapid rural appraisal techniques (mapping, ranking, most significant change, etc.) may be employed if time and circumstances permit, the field visits will principally be an opportunity for the evaluation team to contextualise the work of the program and appreciate the dimensions of both progress and challenges faced. The short field visits scheduled are not in themselves likely to yield reliable, statistically significant, primary data.

- There are logistical and technical issues (as well as ethical ones – see section below) surrounding the examination of the counterfactual (*i.e.* what happened in the absence of the intervention) by interviewing people not benefiting from or connected to a program. Short time-frames and small sample sizes do not lend themselves to a robust analysis of all the factors which may or may not have contributed to different outcomes among different stakeholder groups.

The evaluation will instead seek to find out 'what has changed?' for stakeholder groups that have been involved in the program – before and after.

- Wherever possible, multiple perspectives will be sought on key or contentious issues, including from other analyses and other programs. (Triangulation.)
- The evaluation team will meet regularly throughout the evaluation to reflect on findings, start to form views and opinions, reach consensus on the robustness of any judgements made and note where further information is required.

- An aide-mémoire setting out findings and interim conclusions will be drafted for the end-of-mission debriefing. Stakeholders will have an opportunity to comment on these before the evaluation report is drafted.
- It is likely that the evaluation team will also need to further analyse data collected during, or requested subsequent to, the in-country mission before finalising its report.

248. LARLP was included in a 'rapid appraisal' of DFAT's Lao PDR Rural Development Sector Investment Plan in December 2014. This evaluation will not seek to second-guess that earlier appraisal's analysis but will, rather, capitalise on it.

Ethical Issues

249. The Terms of Reference for the evaluation state that field work should "ideally ... include a counterfactual sample of villages that did not participate in or benefit from LARLP". As above ('Limitations') there are logistical and technical issues that make this challenging. However there is also an important ethical issue, *viz.* the one of demanding the time of busy people, and delving into their personal poverty, when there is nothing for them to gain from the exercise. (Particularly now that LARLP is coming to an end and there is little chance of expansion of the program's coverage.) For this reason, as explained above, we currently have no plan to include a counterfactual sample, but will instead seek to understand *significant change* for sample LARLP beneficiary groups.

250. That said, it may be possible and appropriate to quiz non-beneficiaries within a beneficiary community on their perceptions about targeting criteria, and also any 'spill-over' benefits that accrued to the community as a whole. (For example livestock extension advice, etc.)

251. The evaluators will take their own written notes of meetings and visits. They are not intended for publication but they will be retained and can be referred to in the event of any questioning of the team's interpretation of data and evidence.

252. Interviewees will not be identified with particular responses, unless they are consulted and agree to being quoted. During interviews we will tell participants that their responses will remain anonymous, unless they explicitly agree to be quoted.

253. If any of the evaluators wish to make audio or photographic records of meetings and visits, they will first seek permission.

254. The evaluation team will throughout be mindful of DFAT's *Child Protection Policy* (<http://dfat.gov.au/about-us/publications/Documents/child-protection-policy.pdf>) and abide by its *Code of Conduct* (including its requirements regarding work-related photography).

Evaluation Team and Allocation of Responsibilities

255. **Peter Bazeley** is a UK-based consultant working on international development strategy and aid effectiveness at program, country and international levels. He was an early champion of sustainable livelihoods approaches in rural development. He has worked across Asia, Africa and the Pacific, including in the Lao PDR. He will **lead the evaluation** in-country and be responsible for producing its aide-mémoire, draft and final reports (with contributions from other team members). During the in-country meetings and visits he will cover **sustainable livelihoods**

questions and the **Learning Facility**. He will also be particularly interested in issues of relevance, efficiency and effectiveness across the whole program, and the extent to which lessons learned can be taken forward in other contexts.

256. **Heather Clark** is an independent consultant based in the USA specialising in **financial inclusion**. Her assessment of LARLP's financial inclusion component will review gender equity and social inclusion (poverty and educational levels), will assess the effectiveness of the financial inclusion approach in the Lao PDR context, and any innovative approaches developed to include marginalised groups. AFP and MAFIPP will be reviewed for incorporating responsible finance and client protection measures into policy initiatives, regulations, supervision and program operations. (See also [Annex 2](#).)

257. **Lisa Hannigan** is an Australian public servant and directs the Poverty and Social Transfers Section in DFAT's Development Policy Division in Canberra. She has much experience of policy analysis and interventions on poverty and social transfers in S.E. Asia and will cover the **social protection** components of the evaluation, as well as the evaluation's understanding of the Lao PDR **poverty context**. She will have a particular role in considering how lessons from the evaluation may best be presented for wider uptake across the Australian aid program.

258. **Wanna Lassamee** is a national consultant who will work on those aspects of LARLP and also facilitate (and interpret during) meetings and field visits.

259. **Somchay Soulitham** is a national evaluation specialist experienced in a number of monitoring and evaluation tools and approaches. She will assist in data collection and analysis across the whole program and will also facilitate (and interpret during) meetings and field visits.

260. A more detailed allocation of tasks (including UXO questions) will be decided when the team first meets in-country.

Conflicts of Interest

261. Peter Bazeley has undertaken much analytical work for DFAT in the past, but has no prior involvement with its Lao PDR country program or the LARLP.

262. Heather Clark previously worked for UNCDF, and later as an independent consultant for their Bangkok office, but not on programs funded by DFAT. She has had no previous involvement in UNCDF MAFIPP in the Lao PDR, or any previous relationship with DFAT.

263. Lisa Hannigan is a DFAT public servant and is obliged to take into account the values of the Australian Government. However her unit in Canberra functions independently of DFAT's country program in the Lao PDR and she will be able to take an informed and critical view of LARLP. She was not involved in the design of LARLP.

264. The two national consultants to be provided by Enterprise & Development Consultants (Vientiane), Somchay Soulitham and Wanna Lassamee, have had no prior involvement with LARLP.

Enhancing Utilisation

265. Reports and presentations will be pitched at being of practical use in the take-up of the evaluation's lessons and recommendations. They will be succinct, non-academic and jargon-free and will focus on informing the future rather than judging the past³¹.

266. The inclusion in the evaluation team of a Canberra-based DFAT official working in the development policy area is expected to enhance the utilisation of the evaluation's findings across the Australian aid program.

Scheduling / Timeline

267. The evaluation team will continue to review background documents and program reports prior to the in-country evaluation mission commencing on 25 April 2016.

268. **Annex 1** provides a draft schedule of meetings and visits to be held during the **in-country mission, 25 April to 10 May**.

269. A **debriefing** for DFAT and program partners (MSP, AIS, UXO Lao, GIZ, BMZ, UNCDF, UNDP, INGOs) will be held on **Tuesday 10 May, 09.00 – 11.30** (to be confirmed).

270. An aide-mémoire summarising key findings and interim conclusions will be produced at that time. The aide-mémoire is not the final report, nor does it necessarily represent the evaluation's final position:

- There will likely be further data to analyse after the in-country mission.
- Stakeholders will be encouraged to highlight any errors of fact, which will of course be corrected.
- Stakeholders will be encouraged to provide comments and feedback on the mission's findings and interim conclusions and these will be taken into account, where appropriate, in producing the evaluation report.

271. *** Stakeholders are asked to submit to the evaluation team (contacts inside front cover) all **comments** on the in-country mission and its aide-mémoire **by 20 May 2016**. ***

272. A **draft evaluation report** will be submitted to DFAT Post by **15 July 2016**.

273. Following timely receipt of comments on the draft report, a **final evaluation report** will be completed by **30 August 2016**.

³¹ Although the evaluation does also have an accountability element.

Relevant Concepts and Definitions

'Chasing change'

Donors rarely introduce change from outside. But they can help accelerate, deepen or improve the quality of nascent, indigenous, forms of change. 'Chasing change' is about getting behind the movers and shakers of change (either personal or institutional) and is a good aid-effectiveness principal. Conversely donors shouldn't waste time and resources where change really isn't happening or likely to happen.

'Coordination Failure'

'Coordination Failure' is a term used in governance contexts. It is not the failure of people and organisations to sit around a table, communicate and share information. Rather it refers to a lack of institutional arrangements to ensure that multiple actors and organisations act collectively and in a balanced way to achieve shared higher-level objectives.

It is about being able to read and respond to the context of the program as whole, adjust strategies accordingly, determine where and how resources need to be allocated or reallocated, and – importantly – be deployed in an appropriate sequence. This will almost certainly imply some form of decision-making powers or the establishment of incentives or sanctions that promote the appropriate response at component level.

Financial Inclusion

Financial Inclusion seeks to ensure that all households and businesses, regardless of income level, have access to and can effectively use the appropriate financial services they need to improve their lives.

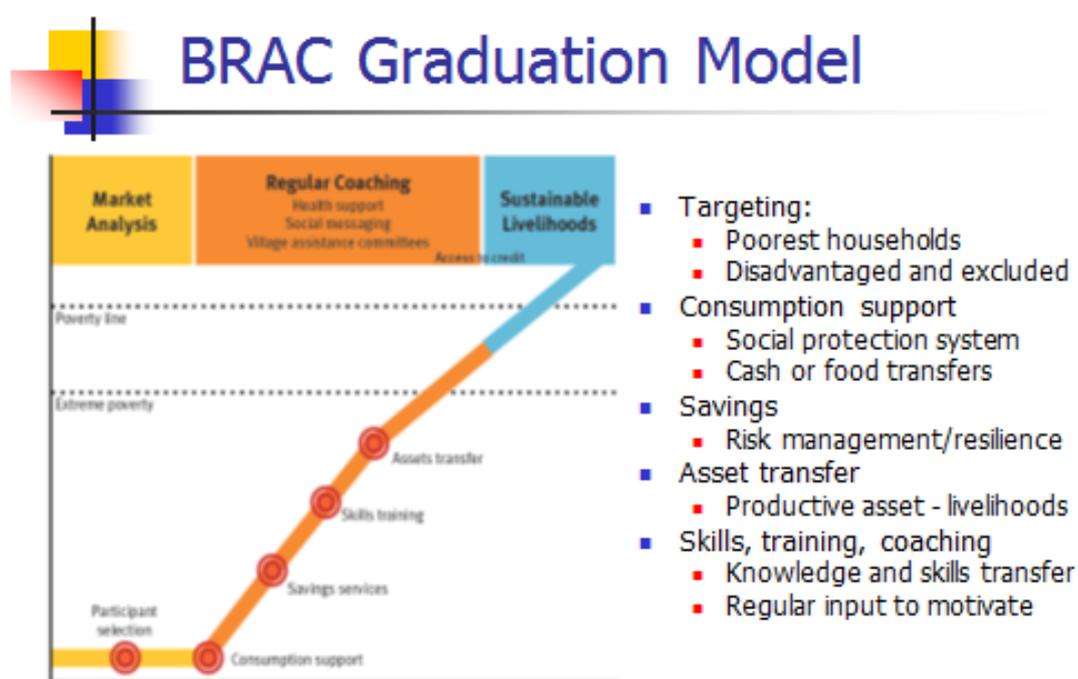
Being included in the formal financial system helps people:

- Make day-to-day transactions, including sending and receiving money;
- Safeguard savings, which can help households manage cash flow spikes, smooth consumption and build working capital;
- Finance small businesses or microenterprises, helping owners invest in assets and grow their businesses;
- Plan and pay for recurring expenses, such as school fees; mitigate shocks and manage expenses related to unexpected events such as medical emergencies, a death in the family, theft, or natural disasters; and
- Improve their overall welfare.

The benefits of financial inclusion are not only significant for individuals but for economies as well. Financial inclusion is linked to a country's economic and social development, and plays a role in reducing extreme poverty. Recent research indicates that financial inclusion is not only positively correlated with growth and employment, but it is generally believed to causally impact growth. (Source: CGAP)

'Graduation' Models

The graduation approach was developed by the BRAC in Bangladesh (the largest NGO in the world, active for over 40 years) to help address the needs of those too poor to access microfinance services. The approach has since been piloted in other countries by the World Bank's Consultative Group to Assist the Poor (CGAP) and the Ford Foundation.



1

Source: AusAID (2012) Australia-Laos Rural Development Delivery Strategy 2012-2016, Annex 1 (pp48-52)

Participants remain in a graduation program for 18 to 36 months and are assessed for success at the end of their time in the programs using 'graduation criteria'. These criteria differ depending on the program but normally include a measure of the increase in assets and savings.

The sequenced interventions of the graduation approach normally includes the following:

- Targeting the extreme poor;
- An asset transfer - normally livestock in rural areas. The asset is often provided to the adult female in the household;
- A regular – but temporary – cash transfer to cover needs while the participant is learning how to earn an income from the transferred asset;
- Savings to build assets and instil financial discipline;
 - Skills training to learn how to care for the asset and to earn an income from it.

'Graduation' models emerged in part in response to the concept of building-up 'livelihood assets' and how best to develop a critical mass (or 'stock') of such assets on which very poor people can build a sustainable livelihood. (See below under '*Sustainable Livelihoods*')

Social Protection

Social protection refers to programs that address risk, vulnerability, inequality and poverty through a system of transfers in cash or in kind. The transfers can be funded by contributions from recipients (social insurance) or by government (social assistance).

Social protection is widely accepted as having three core functions:

- Protection of the poor from the worst impacts of poverty;
- Prevention against income shocks and drops in wellbeing;
- Promotion of opportunities and livelihoods.

These functions work together to make people more resilient to stresses and shocks.

The fundamental rationale for supporting the development of a social protection system which reaches the poor is that it puts funds into the hands of people who know best how to maximise their own welfare.

There is no evidence from low and middle income countries that social protection leads to dependency or that it negatively impacts labour market participation.

Sustainable Livelihoods

The concept of 'sustainable livelihoods' and 'Sustainable Livelihoods Approaches' (SLAs) emerged from the recognition of the complexity, risk and diversity of poor people's lives and the inadequacy of conventional discipline-led approaches to poverty reduction. SLAs have been applied by several development agencies, particularly in the context of rural poverty.

SL approaches seek to place poor people at the centre of the analysis and understand the multiple and shifting factors that determine their ability to survive and thrive. Somewhat different to 'integrated rural development', SLAs recognise in particular:

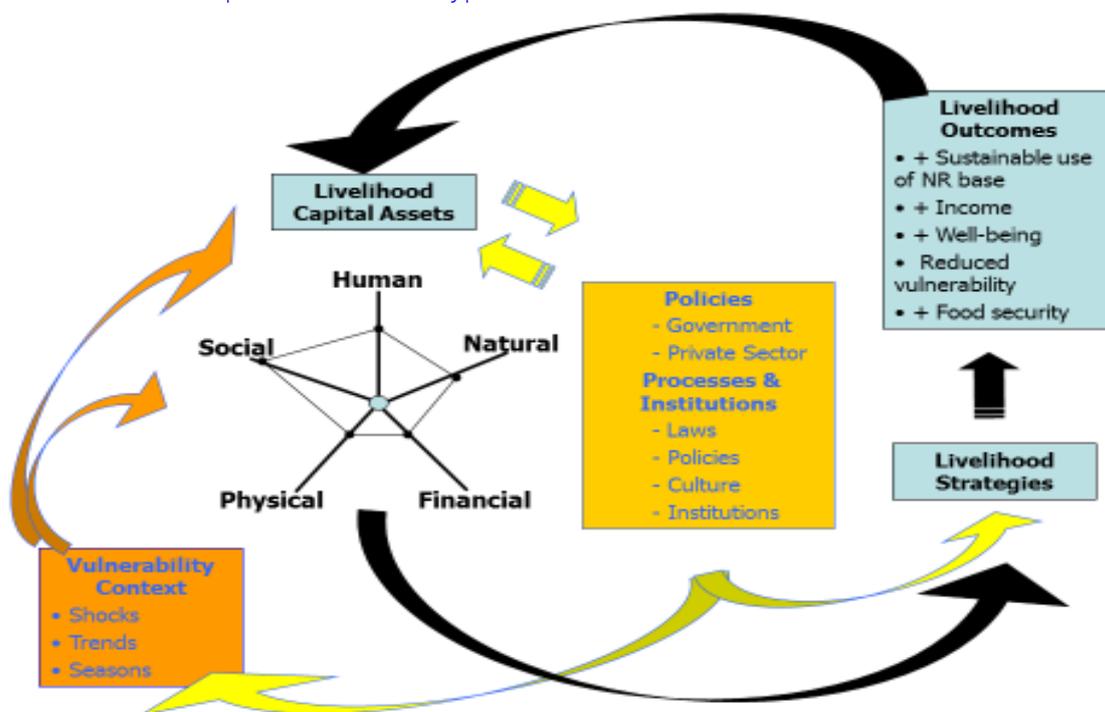
- The impact of policies, institutions and processes beyond the influence of ordinary citizens;
- The context of poor people's vulnerability to external stresses and shocks – temporary (for example seasonal), unpredictable (for example market shocks) or permanent (for example loss of grazing) – and their causing a falling-back into deeper poverty;
- The multiple ways in which poor people develop 'livelihood strategies' in the context of their vulnerabilities and limited assets, which may or may not result in optimal utilisation of the resources available to them.

At the centre of sustainable livelihoods thinking is the concept of helping poor people accumulate a more robust 'stock' of 'livelihoods assets', or 'capitals', viz.:

- Financial Capital – savings, credit, remittances, pensions
- Human Capital – skills, knowledge & information, ability to work, health
- Natural capital – land, water, livestock, wildlife, biodiversity, environment
- Physical Capital – transport, shelter, clean water and sanitation, energy, communications, physical access to services (including banking)
- Social Capital – networks, groups, trust, access to wider institutions, ability to 'demand'

The five livelihood capitals may not necessarily all have to be expanded in concert: the accumulation of a robust stock of one form of (appropriate) livelihood asset may partially (or even totally) substitute the need for another, although that may introduce further risk.

A representation of a typical 'Sustainable Livelihoods Framework'



Source: Bazeley, P., in various DFID materials

Transactional vs. Transformational Interventions

'Transactional' aid is about supplying or paying for things that are needed, but change nothing in terms of the systems or societal institutions (or "rules of the game") that ultimately shape people's lives and livelihoods.

- The epitome is food-aid. We buy bags of rice to hand out to people affected by food shortages. They survive, but nothing's changed to stop it happening again.

The impact of transactional aid is essentially no more than the sum of its parts: you need to do a lot of it have a lot of impact.

'Transformational' development is about investing in systemic change. The costs relate to the processes of bringing about changes to the 'rules of the game' by which citizens and businesses are able to go about things. The costs of the aid investment may be comparatively modest – but the value is far greater and relates to the impact that changes to systems and institutions have on the ability of whole populations (or whole segments of society and the private sector) to survive and thrive.

The value of the intervention is greater than the sum of the parts – hopefully greatly so.

- An example, of course, is the support LARLP is providing to the development and regulation of new forms of banking and financial systems. The result will hopefully be a transformation in how people and businesses can access and utilise financial institutions, with economic benefits (far greater than the cost of the aid) seen across the whole population – including the poor.

A transformational agenda is likely to involve a high degree of evidence-building, advocacy and policy dialogue. It's also often going to require a solid **understanding political and institutional values**. Values which might be quite different between donor and partner government.

An important principle in this is to chase change (see above).

By contrast much of RLP would be classified as transactional. DFAT is ultimately filling a financing gap. An important criterion, then, will be to **get those resources down to where they are needed efficiently**, and to establish a degree of **scale**.

GIZ-AFP Performance Indicators

AFP Performance Indicators: Baseline, Targets and Status as at March 2016				
Indicator	Baseline 2014	Target 2017	Status	As of March 2016:
Outreach: Increase VB membership	26,182	48,000	Achieved	51,902 member accounts with 81,046 account holders. DFAT: 31,611 men and women with access to accounts
Usage: VB members adhere to monthly savings dates	54% of 31,209 VB members keep to transaction dates	60% of future VB members keep to the transaction dates	Achieved with qualification	62% of VB members adhere with a significant difference between new NSOs (74% in SVK-Sepon-Phin) and old NSOs (ATT: 39%).
Sustainability: Four NSOs cover their entire operating costs with income generated (at least 80%) from core business with village banks.	0 NSOs	4 NSOs	Likely to achieve target by 2017	3 NSOs located in Hongsa, Khob, LNT are likely to cover operational costs in 2016. NSO Vilabouly may not due to merger w/ Sepon/Phin Income generated at least 80% from VB core business reached in LNT NSO only.
Gender: The ratio of women in village bank committees increases At least 40% of newly opened individual accounts are owned by women	24% (346 women out of 1,461 VBC)	33% of future VBC	Achieved	30% (646 women out of 2,170 VBC members overall) – in DFAT regions the ratio is 34% In DFAT target areas: 60% are family accounts. Of the remaining individual accounts, 62% are female owned.
Regulation: At least 3 BoL regulations covering cover the following areas are implemented and monitored. These areas are: 1) conducive microfinance sector policies and strategies; 2) an effective microfinance regulatory and supervision system that conforms with best practices of CGAP; and 3) Consumer Protection			In Progress	1) Implementing Guidelines to Decree PM 460 (2016) 2) Regulation & Supervision based on CAMEL 3) Consumer Protection Decree under discussion (2016)

<p>Responsible Finance: Three measures in the field of “responsible finance” are implemented by BoL, other government institutions or set as industry standards.</p>	<p>In Progress, and likely to be achieved by end of project.</p>	<p>Work on Consumer Protection Decree and supervision ongoing (expected 2016) SMART Campaign principles are reviewed; incorporated into consumer protection regulations drafts Financial Literacy roll out, BoL engaged in FL national strategy development (expected 2016-2017)</p>	
<p>Sustainable VB- Support: Three NSOs in the DFAT target areas expand their village bank network to more villages and work towards financial sustainability.</p>	<p>Achievement likely</p>	<p>- 174 village banks (52 new in 2015) Financial Sustainability of NSOs shown above.</p>	
<p>High quality financial literacy modules are produced and 3,000 women and men in the geographical locations of the NSOs set up under DFAT co-financing have become functionally financially literate.</p>	<p>Achievement likely 6 modules produced and in use, trainers identified and ToT conducted As of Mar 2016 4,386 people including 2,064 women have participated in financial literacy courses in NSO DFAT geographical locations. 203 students (60% female) in vocational schools reached in Saravan, Attapeu and Luang Namtha. (Pilot training.) 6,326 participants (57% women) watched financial literacy theatre plays.</p>		
<p>In DFAT LARLP Supported Provinces (in AUD)</p>			
	<p>Dec 2014</p>	<p>Dec 2015</p>	<p>Mar 2016</p>
<p>Average Savings per Account</p>	<p>57</p>	<p>137</p>	<p>141</p>
<p>Value of member Savings</p>	<p>1,026,144</p>	<p>2,568,831</p>	<p>2,802,466</p>
<p>Average Loan Amount</p>	<p>413</p>	<p>486</p>	<p>522</p>
<p>Number loans outstanding</p>	<p>2,287</p>	<p>5,381</p>	<p>5,677</p>

UNCDF-MAFIPP Performance Indicators

MAFIPP Performance Indicators: Baseline, Targets and Status as at December 2015			
Program Indicators:	Baseline 2014 and Targets 2017	Status	As of Dec 2015:
Outcome: +408,000 additional users by end 2017 (minimum +300,000)			
# of low-income households and microentrepreneurs with access to financial services	408,000 (desired) / 300,000 (minimum) additional active users by 2017. Initially (until 2013): 140,000 additional active savings clients and a minimum of 70,000 additional active loan clients by end 2014 208,000 additional active users of traditional financial services (60% female) by 2017	Likely to come close to achieving the minimum target of 300,000 additional active users by mid-2017	137,228 additional active users 40,000 youth savers (EMI Smart Kids)
# of low-income households and microentrepreneurs with access to financial services	200,000 users of DFS by 2017 (35% female and 15% previously unbanked)	DFS users likely to increase with BCEL's BECOME Service (launched June 2015) Expansion, unlikely to reach target, as projections made based on two models (mobile money and agent banking) and more DFS providers	773 DFS users; 43% female
Outputs at the Macro Level			
Output1: Policy makers more able to improve the policy and regulatory environment in line with operational realities of financial service providers nationally and accepted good practice internationally			
	Baseline 2014 and Targets 2017	Status	As of 03/2016:
Number of FSPs licensed under microfinance regulation	Baseline: December 2010 = 28 Initially 40 by end 2014, and 60 by end 2017	Achieved	80+ licensed FSPs under BoL/FISD supervision

<p>Openness and responsiveness of the policy-setting bodies to environment issues and demands for the financial sector regarding financial inclusion</p>	<p>Baseline: Low Target: Moderate to highly responsive</p>	<p>Achieving and likely to maintain</p>	<p>Financial inclusion strategy</p> <ul style="list-style-type: none"> • BoL open to Market Systems approach to foster innovation • Evidence-based policy making getting traction • Completion of field work on Finscope Laos 2014, consumer survey on usage of formal & informal financial services • FINSCOPE process undertaken, baseline data exists, local staff trained in data collection techniques and methodologies; MAP process accepted by BoL • BoL taking ownership of MAP process to produce its FI strategy with formulation of FI roadmap. • Analysis of results, on national scope and also for specific target groups (farmers, women) and activities (remittances). • Supply-side and regulatory research → comprehensive diagnostic on state of Financial Inclusion • FinScope indicators/analysis considered by MPI for the results framework of 9th NSEDP, but not accepted by BoL. • Lao Statistics Bureau using FinScope to promote research for policy-making: FinScope data books handed-out to MPs.
<p>Demonstration of clear process to assess the need for a policy on branchless banking and a policy where the need is found to be compelling</p>	<p>Baseline: No process Target: Policy process completed and results are acted on</p>	<p>Achieving. Only one pilot (BCEL) likely to achieve moderate scale by mid-2017</p>	<ul style="list-style-type: none"> • 1st DFS draft regulation presented to industry by BOL at DFS Working group; active internal discussion on 2nd draft underway. • Draft pilot policy on DFS completed, engaging stakeholders in process; and BOL developed application guidelines for DFS licenses. • 3 DFS pilots approved by BoL (BCEL, ETL, Unitel).

BoL exposed to lessons learnt and experiences shared by fellow central bankers in developing countries	No indication of baseline Target: Moderate to high	Achieving	BOL exposure trips to Tanzania Uganda (with highly developed DFS) together with DFS consultant Participation of 2 BoL reps (MAFIPP NPM & IRD DDG) to AFI Global Policy Forum. AFI membership for BOL approved BOL participation in ACCU forum
Availability of reliable sector-wide monitoring data	Baseline: Patchy and incomplete Target: Comprehensive and highly reliable with a quick lead-time	Partial achievement likely	Sector-wide data tools and monitoring systems activities postponed until 2016
Outputs at the Meso Level	Baseline 2014 and Targets 2017	Status	As of 03/2016:
Output 2: The financial sector development infrastructure more capable to meet the needs of financial service providers			
FIF attracting additional funding with term extending beyond end of MAFIPP	Baseline not applicable. Target 2017: Additional funding with term beyond 2017	Some significant funding likely to be leveraged for a few FIF partners by end of project.	MAFIPP works to crowd in investors, such a BOPA interest in placing equity in XMI, and perhaps later EMI
Growth in the numbers of finance professionals sensitised to the down-scaling of financial services	Target 2017: 2,500 banking and finance professionals receive training at BI with microfinance module of international standard + 700 trained on distance learning course Initially: 2,500 banking and finance professionals receive training at BI without a microfinance module + 40 trained on distance learning course	Partial achievement likely	MFA established as MF industry body and training provider (SCUs continue as members) MicroFinance Master Course Certificate offered by the MFA 2015: Completion of curriculum; Completed Training of Trainers; Completed training and certification of 17 trainers & substitutes: 6 female;11 male. Held course for 28 trainees from 24 MFIs & BoL/FISD (4), mostly senior management: 17 female/11 male Empowering Banking Institute: Int'l consultant for BI on board in December 2015.14 textbooks completed and 1,680 copies were delivered to BI.
Numbers of FSPs disclosing audited financial statements on MiX Market or on their website to demonstrate their commitment to transparency	Baseline 2010 = 1 FSP) Target 2017: FSPs covering collectively 80% of the national low-income and microentrepreneurs market. Initially: 80% of FSPs with more than LAK 80 million in outstanding loan portfolio	Likely to achieve targets	46% of FSPs with assets> LAK 1 billion disclosed publicly 2014 key financial and operational performance indicators via MFA 36% of FSPs with assets> LAK 1 billion disclosed financial statements through Mix Market, and 69% via MFA in3Q15.

Growing numbers of FSPs contribute membership fees and senior management time to the MFWG [MFA] <u>Milestone 4Q15:</u> 70% of FSPs with assets > LAK 1 billion contribute	Baseline end 2011 = FSPs covering collectively 58% of the microfinance sector, excluding village funds Target 2017: FSPs covering collectively 80% of the national low-income and microentrepreneurs market	Achieved	4Q15: 74% FSPs with assets > LAK 1 billion contributed financially in 2015 and attended quarterly meetings
Extend rural financial inclusion through use of mobile financial services	Baseline: Zero Targets: 10,000 in 2015; 150,000 in 2016; 250,000 in 2017	Unlikely to reach targets by June 2017	See Outreach targets (above)
Output 3: Financial service providers more responsive to the financial service needs of poor households and micro- entrepreneurs			
Outputs at the Micro Level	Baseline 2014 and Target 2017	Status	As of 03/2016:
FSPs receiving technical assistance offer diversified and more suitable financial services	Baseline: very narrow range of products through a unique delivery channel) Target 2017: 80% of FSPs have added at least 1 product; 60% of FSPs use additional delivery channel		
FSPs receiving technical assistance and support are recognised as market leaders as evidenced by the quality and growth of their portfolio outpacing the microfinance sector	Aggregated loan portfolio with PAR30 < 3% of supported FSPs grows 1.5 times more than the control group (microfinance sector less FIF grantees) each year (no indication of baseline) Initially: 70% of supported FSPs have more than 100% OSS and collectively hold 90% of market share	Reached Likely to be maintained	Growth from 4Q 2014 through 3Q 2015: - Loans outstanding: +8% for supported FSPs vs. +1% for rest of MF sector. - PAR30=2.84% on 4Q15 for supported FSPs (vs. 5.9% as of 3Q15 for non-supported FSPs) <i>Loan Outstanding XMI 48% annual growth while containing PAR to a commendable 1.22%.</i> - Savings outstanding: +24% for supported FSPs vs. +8% for rest of the MF sector

Consistent trend in improvements in the performance of FSP that have received support from FIF compared with others that have not (key measures to include portfolio at risk, cost per client, clients to staff ratio, operational self-sufficiency, and ratio refinancing to loans outstanding)	Annual trend constantly 1.5 times better than control group (microfinance sector less FIF grantees) for 4 indicators out of 5 (no baseline)	On track	
FSPs receiving support from FIF attract additional funding Milestone 4Q15: \$3.0mn external funding	(baseline not applicable)	Likely to achieve brokered equity from BOPA to XMI. Unlikely to achieve total amount anticipated in Q4 2015 milestone.	After due diligence visit Dec 2015, BOPA interested for 30% equity stake in XMI, intending to invest once XMI obtains a deposit taking MFI (DTMFI) license.
Extend rural financial inclusion through LPSI 40,000 savings clients with 350,000 funds transferred annually by 2017 Additional product(s) offered	(end 2011 baseline = 17,000 savings clients with 100,000 funds transferred annually) and no additional product)	Will not achieve	LPSI sent official letter to BoL to request postponement of assistance to 2016. High-level meeting expected 2Q 2016 to resolve deadlock over LPSI supervision

SPSL Performance Indicators

Sub-component	Comment
Policy support activities	
<i>Outcome 3: A clear policy direction on social protection by the Government of Laos.</i>	
- Outcome indicator 5: Ministerial support for a social protection policy/program in Laos	Solid progress has been made in getting ministerial support. Training courses and materials have assisted them. MLSW is firmly supportive having approved various scoping studies and requested assistance with the drafting of the Social Welfare Fund Decree. MLSW are working with other relevant ministries on social protection but it is their level of support unclear.
<i>Output 4: Government of Laos selecting priorities for a social protection policy</i>	
Output indicator 4: Number of meetings on social protection where SPSL and GoL are both present	Adequate number of meetings with senior government officials (including DG level at MLSW). Three meetings with the National Assembly (Foreign Affairs Committee, Social Affairs Committee).
Output indicator 5: Increasing exposure of GoL officials to social protection issues developed by SPSL	A mixture of international training courses, policy brief, presentations, conference and study tours.
Resilient Livelihoods for the Poor	
<i>Outcome 1: Increased income generating opportunities for poor women and men, including through greater commercial and sustainable exploitation of natural resources.</i>	
Outcome indicator 1: Number of poor women and men with increased incomes	Baseline done and income and expenditure survey carried out but still too early to capture increased incomes.
Outcome indicator 2: Increasing number of income generating activities undertaken by target households	Too early to capture diversification.
Outcome indicator 3: Productive assets accumulated by poor households	Too early to capture increase in productive assets.
Outcome indicator 4: Improved knowledge of asset transfer recipients providing SPSL with lesson learning opportunities.	Case studies of 15 households has given a deeper insight into typical cohort one participants.
<i>Output 1: Microenterprise types studied by SPSL</i>	
Output indicator 1: Number of potential microenterprise types studied by SPSL	An enterprise study carried out with six enterprises recommended but NGOs have flexibility if assets, other than the identified six, are more relevant.
<i>Output 2: Poor rural households have received income-generating assets</i>	

Output indicator 2: Number of additional poor women and men able to access social transfers	Stipend seems broadly accepted by national and local government. (It has been renamed "Asset Support Stipend".) All RLP participants receive the stipend.
<i>Output 3: Poor rural households are trained in caring for and increasing the value of their income generating assets</i>	
- Asset transfer recipients receiving livelihoods training directed at improving asset performance and value.	All RLP participants receive the training.
Cross cutting activities	
<i>Output 5: SPSL has communicated information and lessons learned to the wider development community</i>	
Output indicator 6: SPSL M&E and communication activities provide information of best practice to stakeholders	Policy advocacy and RLP work communicated to government and others. Most work translated into Lao.
<i>Output 6: SPSL has increased the capacity of partner organisations (IPs and other partners)</i>	
Output indicator 7: Number of training programs offered to partner organisations that target increased capacity	Various relevant training offered to implementers and government counterparts.
<i>Output 7: SPSL has demonstrated clear ethical considerations throughout its activities</i>	
- Output indicator 8: Examples of promotion of ethical standards by SPSL	Various training and technical support on gender and inclusive development.
- Output indicator 9: Number of GEID sub-indicators achieved SPSL and IP partners.	Basic information on GEID captured through baseline reporting and regular monitoring. More detailed data on GEID to be collected as part of the process evaluation.

