

Action Fiche for Lao People's Democratic Republic

1. IDENTIFICATION

| | | | |
|---------------------------------------|--|--------|---|
| Title/Number | Northern Uplands Development Programme - NUDP (2010/019-521) | | |
| Total cost | Total cost: €17.84 million EU Contribution: €8 million Other contributions: Agence Française de Développement (AFD): € 2.3 million (common pool fund) Swiss Agency for Development and Cooperation (SDC): €1.54 million (common pool fund) Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ): €4 million (Technical Cooperation) EU-Food Facility: €2.0 million | | |
| Aid method / Method of implementation | <u>Phase I:</u> Project Approach - Indirect Centralised Management with the French Development Agency (Agence Française de Développement AFD) <u>Phase II:</u> Sector Policy Support Programme – Direct Centralised Management conditioned by the positive conclusions of the NUDP Joint Mid Term Review that will include an institutional assessment of the criteria for Sector Budget Support conducted by the EU. In case the criteria are not met, Indirect Centralised Management with an assessed eligible partner will be used. | | |
| DAC-code | 31110 | Sector | Agricultural Policy and Administrative Management |

2. RATIONALE

2.1. Sector context

The Northern Uplands Development Programme (NUDP) is the result of a two-year preparatory dialogue between the Government of Lao **People's Democratic Republic** (henceforth Lao PDR) and four Development Partners (European Commission, Agence Française de Développement, Deutsche Gesellschaft für Technische Zusammenarbeit, Swiss Agency for Development Co-operation) leading to a joint understanding about a multi-sectoral programme-based approach for agriculture and rural development for the Northern Uplands provinces. The programme will not only help to strengthen agricultural productivity, mitigate risks of food insecurity, and improve land management and local planning processes for rural development, it will also contribute to capacity building and policy formulation for a broader programme based approach expected to be ready for implementation by 2014/15 and will also allow the development of a sector strategy.

This programme is a major step in implementing the Country Strategy Paper CSP 2007-13 which puts strong emphasis on entering into a policy dialogue with the government on

participatory assessment of available options for rural development in remote areas. To increase aid effectiveness and implement policies, the government's capacity in areas such as budgeting, financial management, procurement, reporting and monitoring and evaluation (M&E) requires strengthening. The European Commission and the other development partners in the Uplands Programme agree that a joint approach gives this process more weight.

The eight provinces of the Northern Region reported in 2006 a population of 2.07 million, more than one third of the total Lao population. The average GDP per capita at US\$ 425 (2006) is almost 25% below national average. The Northern Uplands are almost exclusively agriculture-based with households involved in crop and livestock production, complemented by the extraction of non-timber forest products. In the past, the region has repeatedly been subject to forced development and village relocation decisions. The rural economy of the North remains broadly affected by: (i) declining access to, and availability of land and forest resources, (ii) the poor state of the transport network, (iii) the limited availability of rural finance, (iv) poorly resourced and trained technical extension services for sustainable agriculture and natural resource development, (v) a generally underdeveloped private sector, (vi) small-scale and dispersed production areas that create marketing inefficiencies and limit the possibility for smallholder co-operative action, and (vii) Government sanctioned monopolist trading arrangements that limit marketing options for smallholders. These factors are further exacerbated by detrimental Government policies on stabilising shifting cultivation, village consolidation and relocation and a weak institutional framework.

In this context, the poverty rate stands at over 40% and is even higher amongst the predominant ethnic populations, as indicated by stunting. This situation has remained static over the past 10 years. The Government has prioritised public investment in 47 "priority poor districts", but the effectiveness of this strategy has been limited due to a lack of appreciation of what constitutes 'pro-poor' growth.

2.2. Lessons learnt

With more than 70% of the Laotian population being directly dependent on agriculture, the sector has traditionally received major support from several development partners, including the EU. On this basis, several key lessons with relevance for the new programme can be derived:

- 1) Massive investment and rapid growth in agro-business (mainly plantation farming), have not per se translated into sustainable economic development and poverty reduction, but led to increased dependency on perennial cash crops and loss of land for food crops. The problem needs to be addressed at policy level, and in close coordination between central and decentralised levels of government.
- 2) Rural development is a multi-sector concept and as such requires a sufficiently strong and wide platform for a coordinated and integrated policy dialogue between Government of Laos and development partners.
- 3) The government has so far been reluctant to enter into a concrete dialogue on the issue of village relocation. Several development partners had their project investments jeopardized by ad-hoc relocation and there is a need to advocate for participatory mitigation mechanisms of the relocation, endorsed at the highest level of the government.
- 4) Despite significant improvements, social and agricultural extension services delivery is still seen as a major impediment to development in the northern communities. The level of investment necessary for infrastructure can easily overburden agriculture and rural development projects. Stronger inter-sectoral coordination is necessary also with major infrastructure projects targeting the North.
- 5) The Government is aware of its administrative and capacity constraints and wishes a

gradual transition to a broader programme based approach starting with a clear geographic focus and a limited set of core activities, specifically including capacity building measures particularly at the provincial and district levels.

6) In view of sustaining investments in agriculture and rural development, a comprehensive public expenditure review covering the relevant sectors has so far not been done but could help analyze existing absorptive capacity and financial management problems and establish a baseline for future multi-year financial planning.

7) The Ministry of Agriculture and Forestry (MAF) alone is currently implementing between 70 and 80 multi or bi-laterally funded projects which has done little to consolidate government capacity, to lower transaction costs and to compile lessons to effectively alleviate poverty.

8) Despite the 2006 Vientiane Declaration on aid effectiveness (mirroring the 2005 Paris Declaration on aid effectiveness), donor coordination at the level of concrete project or programme activities is still in its infancy and the government is yet to take a stronger coordinating and guiding role.

2.3. Complementary actions

The EU is currently supporting a general budget support programme (€13 million as well as contributing to two multi donor trust funds on public finance management (€3 million) and trade development (€ 4.2 million). These programmes are broadly complementary to and supportive of the NUDP in strengthening Government capacity towards a programme based approach and increasing trade opportunities for marketing agricultural products.

The EU provides an additional €2 million from the Food Facility for 22 months for food security activities under NUDP. The EU Food Facility grant is matched by €2 million out of the €4 million TC-funds of BMZ for 48 months, allocated for governance and planning components under NUDP, implemented by GTZ. It is expected that the governance components and the food security components complement and reinforce each other.

Food security is the main focus of present NGO co-financed projects, bilateral actions and the EU Food Facility, with a total contract value amounting to €29 million. With a concentration of these projects in the north of the country, the EU will advocate close coordination with local government authorities in the NUDP area and other partner's involvement in programme planning and review. The EU Livestock Farmer Support Project (€5 million), scheduled to end in 2010, generated important lessons for livestock breeding in uplands farming conditions which can be taken up and sustained under the programme.

Rural development, agriculture and natural resources management are key sectors of the development of Lao PDR in which a majority of development partners involved in the country contribute.

2.4. Donor Co-ordination

Donor coordination at country level in Lao PDR follows the UN-led "Round Table" model. Under this framework, Government of Laos and Development Partners adopted in 2006 the Vientiane Declaration on Aid Effectiveness mirroring the 2005 Paris Declaration on aid effectiveness. Coordination efforts under this umbrella have so far been limited mostly to a dialogue mechanism at policy level and the sharing of information about project activities. In fact, the Uplands Programme will be one of the first major attempts in moving towards a joint sector-wide programme (a parallel process is presently going on in the education sector). Under the Round Table mechanism, a set of sector-specific working groups has been established. The Sector Working Group for Agriculture, Rural Development and Natural Resources is

presently Co-Chaired by "Agence Française de Développement" AFD together with Ministry of Agriculture and Forestry (MAF) and comprises a set of specific sub-working groups including the sub-working group on Uplands Rural Development that AFD and the EU co-Chair on the side of the Development Partners. The sub-working group on Uplands Rural Development includes over 30 Government agencies, development partners and private sector organisations.

3. DESCRIPTION

3.1. Objectives

The NUDP overall objective is to eradicate poverty and to achieve sustainable development in the Northern Uplands of Lao PDR. The NUDP specific objectives are (i) to secure and to improve livelihoods of the rural poor in selected areas of the Northern Uplands based on a sustainable land and natural resource management, and community driven approaches, (ii) to increase aid effectiveness and (iii) to prepare a wider programme based approach.

3.2. Expected results and main activities

Following GoL's proposal, the NUDP comprises of five thematic components¹ to be implemented in the nine districts of Luang Prabang, Phongsaly and Huaphanh provinces as well as three cross-cutting components² to be implemented mainly at central level. The NUDP will be conducted through a balanced approach between field activities on thematic issues and institutional support activities on cross cutting issues, essentially at the level of ministerial and provincial administrations.

For the thematic components, the overall results comprise of i) NUDP management capacities are in place, context is understood, and interventions are strategised, planned and launched; ii) land rights of rural households are ensured; iii) local ownership, implementation and coordination of village, kumban³ and district development plans are improved; iv) poor farmer in the target districts benefit from a more reliable and more favourable economic environment for agriculture production and national resources management; v) poor farmers in the target districts receive information, advice and training that enable them to improve household food security and increase their incomes; vi) poor farmers in the target districts improve their agricultural productivity, manage natural resources in a more sustainable and engage with market economy in better conditions through their own organisations.

The cross-cutting components will seek to achieve the following results: i) Government of Lao PDR agencies involved in the NUDP receive from their respective policy research/capitalisation units relevant policy and capitalization material related to Uplands rural development that enable them to formulate timely adequate Uplands policies, plans and programmes; ii) delivery of aid by development partners is increasingly based on Vientiane Declaration Principles and iii) more effective GoL systems for official development assistance (ODA) funded project/programme management are in place, notably conditions for the funding and implementation of a full fledged Programme Based Approach for the Northern Uplands rural development. Activities will be implemented mainly at central level, under the

¹ Under the responsibility of the Department of Agriculture and Forestry at district level (DAFO) and at province level (PAFO), in conjunction with ad hoc line ministries services at district and province level, including Industry and Commerce, National and Land Management Authority (NLMA), Planning and Investment (DPI) and National Leading Board on Poverty Alleviation and Rural Development (NLBRD).

² Under the responsibility of MAF (Department of planning-DoP), in close cooperation with other divisions of MAF, MPI and Ministry of Finance (MoF).

³ Clusters of villages.

responsibility of Ministry of Agriculture and Forestry (MAF) (Department of planning-DoP), in close cooperation with other divisions of MAF, Ministry of Planning and Investment (MPI) and Ministry of Finance (MoF).

a. Thematic components

i) Land and Landscape Management improved

In order to ensure the security of households land rights, the NUDP will support (i) participatory land use planning, (ii) registration of land at community and at family levels, (iii) land use zoning and suitability mapping, (iv) legal awareness of populations, (v) improvement of land concessions approval and management systems, (vi) improvement of land conflict resolution mechanisms, and (vii) establishment of a land information management system.

ii) Local governance and planning enhanced

In order to improve local ownership, the NUDP will support (i) integrated planning procedures amongst and between villages, kumbans and districts, (ii) the strengthening of the coordination of public investments and (iii) the development of tools enabling GoL officers to deal with local private investments and to align project interventions.

iii) Pro-poor rural economy fostered

In order to provide poor farmers with a more reliable and favourable economic environment for agricultural production and natural resources management, the NUDP will support i) the strengthening of districts authorities' capacity to regulate and foster commodity chains, ii) the creation of regulatory or development bodies (Commodity Chain Organizations) and iii) the provision of advisory services to farmers and farmer groups to increase their capacity to negotiate contracts with traders⁴.

iv) Farmer based organisations created and operational

In order to improve household's agricultural productivity and engage in the market economy in fair conditions, the NUDP will i) facilitate the creation and the development of Farmer Based Organisations (FBOs) and ii) will strengthen the capacity of District Agriculture and Forestry Offices (DAFOs) to advise and to provide organizational, technical and financial support for the creation of such organisations, where necessary. The financial support given to FBOs will be in the form of small infrastructure, equipment, tools and input.

v) Public sector agricultural services improved and widely used

In order to improve household food security and increase poor farmers' incomes, the NUDP will i) strengthen the human and organisational capacities of DAFOs in the target districts to improve the delivery of adequate services to farmers, ii) provide a budget for provincial and districts initiatives (e.g. livestock, crops, agro-forestry, conservation agriculture) according to the needs to be identified in a participatory approach, iii) direct efforts to ensure that Provincial Agriculture and Forestry Office (PAFO) staff have the capacity to provide the required training and back-stopping to field staff in all nine districts, and iv) ensure that DAFO and kumban staff have the knowledge and skills required to implement inclusive pro-poor methods and approaches.⁵

⁴ This component builds particularly on lessons learnt through the AFD funded *Programme de Capitalisation et d'Appui à la Politique de Développement Rural* (PCADR).

⁵ This component builds directly on methodologies and tools developed by the *Governance and Public Administration Reform* Xieng Khouang project funded by SDC.

b. Cross-cutting components

i) Policy making and capitalisation

This component is an NUDP cornerstone that will i) support different policy research centres and capitalisation units to produce relevant material on Uplands rural development allowing the Government of Lao PDR to elaborate evidence-based policy documents, ii) ensure that NUDP experiences are capitalized and disseminated, iii) mobilize stakeholders to elaborate and endorse a multi-sectoral strategy for the development of the Northern Uplands and iv) ensure that decentralized Government of Lao PDR structures know, disseminate and apply existing policies and strategies.

ii) Vientiane Declaration increasingly implemented

In order to increase the effectiveness of aid delivered by the Development Partners and make it increasingly based on Vientiane Declaration principles, the NUDP will support the implementation of the Sector Working Group process and the Vientiane Declaration Country Action Plan (VDCAP) in the agriculture and natural resource (ANR) sector, and in identifying gaps in the alignment of Development Partners support to Government of Lao PDR policies, specifically in the ANR sector. This component will complement that aiming at strengthening the Government of Lao PDR on policy making.

iii) ODA efficiently managed and Uplands PBA prepared

In order to strengthen GoL capacity to effectively manage ODA, particularly the envisaged full fledged programme based approach for Northern Uplands rural development, the NUDP will support a public expenditure review in key sector related to Uplands development, the development of financial and planning management tools and procedures for a wider. A particular emphasis will be placed upon the definition of a sectoral policy and expenditure framework conducive to an EU sector budget support.

c. Management and capacity building at central and decentralised levels, horizontal and vertical programme coordination

GoL decidedly wants to move towards a programme-based approach but acknowledges its weak capacities for financial management and operational implementation specifically at Provincial and District levels of government. The NUDP assumes high transaction costs for the Government particularly during the gradual transition towards a programme-based approach and takes this into account by providing significant funding for the enhancement of horizontal coordination between several sectors and the related line ministries and agencies (e.g. agricultural production, land management, water management), for better policy making and for optimising the vertical integration of the programme as well as increased efforts to the definition of a sector policy framework. The EU and other development partners' contributions will support the strengthening of cooperation between central and provincial levels of Government, in particular through the improvement of management capacities at District level. This capacity building will, in turn, support Government of Lao PDR ownership in this sector.

The EU support to this component is a key element contributing to the reinforcement of a sound policy dialogue with Government of Lao PDR and to the progressive elaboration of a Sector Strategy to which Development Partners could directly contribute in the future.

Components a.i) and a.ii) will be supported by Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ through technical cooperation) and the EU Food Facility.

Components a.iii) to v) will be supported by EU, AFD and SDC, with additional support for Component a.v) coming from BMZ and the EU-Food Facility.

Components b.i) to iii) will be funded by the four Development Partners.

Given the nature of components a. i), a. ii), b and c, implementation will mainly rely on the provision of services and supplies, whereas components a. iii), iv) and v) will also depend on major civil works. Concrete scope and nature of inputs, including the possible use of grant schemes, will be determined during the inception phase (see also section 4.2).

Since the NUDP follows a programme-based approach aiming at strengthening lower levels' capacities, each component's detailed activities, including the necessary monitoring and evaluation activities will be defined and planned through specific surveys and needs assessments at the local level. This will be conducted during the inception phase. The global work plan and budget will then be prepared, will have to be approved by the National Steering Committee and the Development Partners, and will be updated on an annual basis.

3.3. Risks and assumptions

(i) Poor community members, ethnic minorities and women are the primary beneficiaries of the programme. This will be ensured through awareness training of field workers, an appropriate community development process and the integration of suitable indicators in the monitoring system.

(ii) Programme adoption rates are sufficient to be economically viable. This will be ensured through training and capacity building of the relevant Government of Lao PDR staff, information and promotion of programme activities in the programme area, regular monitoring of beneficiary coverage and the inclusion of additional kumbans, if necessary.

(iii) Pool and parallel funded activities can be combined under this programme without jeopardising coordination and jointly contribute to the programme's objective. This will be ensured through regular monitoring and reporting against appropriate indicators and the use of the National Steering Committee and quarterly management meetings to allow for joint decision making and to provide overall strategic guidance and co-ordination in achieving the programme objective.

(iv) Government staff can be engaged at existing public service rates and motivated to work under the programme, particularly at lower levels of administration in remote rural areas.

(v) Counterpart funds are made available for operating costs of management structures and other areas included in the design in a timely manner. It is also assumed that the necessary inter-agency co-ordination can be achieved through the foreseen National Steering Committee with its multi-agency representation, and that provincial co-ordination can be achieved through provincial co-ordination committees under the leadership of the Province Governors.

(vi) Particularly at decentralised levels, the Government of Lao PDR has the capacity to mobilise qualitatively and quantitatively sufficient resources for the elaboration of a Sector Strategy.

Failure to meet any of these six conditions constitutes the main risks for this programme.

Furthermore, there is the risk of avoidance on the side of Government of Lao PDR of an open policy dialogue on sensitive issues. It is assumed by all four development partners that a joint institutionalised policy dialogue at regular intervals will help mitigate the political risks.

3.4. Cross-cutting Issues

All activities will be carried out according to three main principles of: i) priority participation by the poor, ii) equal participation by women in mixed gender fora, and iii) proportional representation of different ethnic groups on local committees. The cross-cutting issues of gender, poverty and ethnicity will also be part of governance training courses together with

the issue of relocation. Policy dialogue will have to explicitly include open assessments on the impacts of policy on relocation, achieving gender equality, poverty reduction, and ethnic group equality goals.

The primary focus of the programme is directed at sustainable agriculture and natural resource management that, by definition, will result in non-intrusive initiatives on the environment. The overall programme Initial Environmental Examination shows that most of the potential impacts will be positive and that no significant adverse impacts are anticipated for which there are no mitigating measures. A full environmental impact assessment is therefore not required.

3.5. Stakeholders

The target beneficiaries for field activities will be up to 14,104 poor households in 252 villages of nine districts: May, Khua and Samphanh in Phongsaly province; Pak Xeng, Phonxay and Viengkham in Luang Prabang and Viengthong, Viengxay, Huameuang in Huaphanh province. Based upon proportional representation, at least 60%⁶ of the beneficiaries will be from ethnic minority groups and 50% will be women. Improved agricultural technologies and producing surpluses for commercial purposes will also impact positively on the trade sector and small and medium enterprise development.

The target beneficiaries for institutional support activities will be officers of the different Government agencies at kumban, district, provincial and national levels, particularly the district and province offices of MAF. MAF is the executing agency and main project implementing partner. Extensive collaboration will be required with the and National Leading Board on Poverty Alleviation and Rural Development (NLBRD), chaired by the Ministry of Planning and Investment, and the National and Land Management Authority (NLMA). Other stakeholders include the Ministry of Industry, the Ministry of Public Works and Transport, the Water Resources and Environmental Administration and the Ministry of Health. Officers representing these agencies will be included in the membership of the programme National Steering committee.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

A Financing Agreement will be signed by the Commission and the Government of Lao PDR.

The foreseen method of implementation for the EU contribution to the programme is two-fold:

Phase I:

Years 1-2 (€3.8 million): Indirect Centralised Management through a Delegation Agreement with Agence Française de Développement (AFD). This Agency was chosen in acknowledgement of its participation as co-chair in the Sector Working Group and in several of its Sub-Working Groups and its experience within the sector and country. AFD complies with the requirements of article 56.1 of the Financial Regulation and is expected to provide an efficient structure for programme management, allowing contributions from multiple donor sources and future partnerships.

A separate budget item for independent evaluation, studies and audit (€0.2 million) will be managed by the EU, and used as needs arise.

⁶ There is on average 37% of Lao Thai in the three project provinces (Uplands Programme Feasibility Study, April 2009).

Phase II :

Years 3-4 (€4 million):

Sector Policy Support Programme – Direct Centralised Management conditioned by the positive conclusions of the NUDP Joint Mid Term Review that will include an institutional assessment of the pre-requisites for Sector Budget Support conducted by the EU; The assessment will be used as a basis for the amendment of the Financing Agreement for Phase II. In case the conclusions of this assessment are not positive, phase II of the programme will be implemented through Indirect Centralised Management. Given that at the beginning of phase II bodies currently present on the field may have left and new ones may be eligible, the selection of the implementing body will be done during year 3. In any case, the delegatee will be selected in an objective and transparent manner and it will have to show evidence of its solid experience within the sector and the country. The delegatee body will necessarily comply with the requirements of article 56.1 of the Financial Regulation and article 39 of the Implementing Rules.

A National Steering Committee (NSC) will be set up at national (vice-ministerial) level as the platform for the overall direction and supervision of the NUDP and for discussion over any strategic or policy issue. The NSC and the Development Partners will approve annual work plans, budgets and reports.

A donor consortium comprising all four partners is established for the overall supervision of financial planning, budget execution and implementation of the programme, covering both pool funded and parallel funded activities. Joint decisions in the consortium will be taken on the basis of a set of rules agreed between all four partners in a Code of Conduct. At the level of sector coordination with other development partners, the programme will use the Uplands sub-sector working group mechanisms.

4.2. Procurement and grant award procedures

All components of the NUDP include procurement of services, works and supplies, as well as grants, as identified in local level assessments, and approved by the NSC and the Development Partners.

Phase I (years 1-2):

The regulatory basis for procurement and grant award procedures in years 1 and 2 will be laid out in a Delegation Agreement to be signed with AFD.

1) Contracts

All contracts implementing the action will be awarded and implemented in accordance with the procedures and standard documents laid down and published by Delegatee. These procedures will necessarily be in accordance with the provisions of the Delegation Agreement and the Financial Regulation applicable to the general budget of the EU.

2) Specific rules for grants

The use of EU grant procedures is mandatory. The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget of the European Union.

Phase II (years 3-4):

The regulatory basis for procurement and grant award procedures in years 3 and 4 will be as follows:

- In case of Sector Policy Support possible complementary services will be awarded in accordance with the EU procedures.
- In case of Indirect Centralised Management, the same rules set out for the Phase I will apply.

In case the Phase II is implemented through Budget Support, criteria and disbursement modalities will be defined in the amendment of the Financing Agreement.

4.3. Budget and calendar

The total cost of the programme is estimated at € 17.84 million. The maximum EU contribution to the programme is €8.0 million.

Indicative budget - EU contribution to the NUDP programme

| Category breakdown | EU contribution (in €million) | Contracting/Paying Authority |
|--|--|-------------------------------------|
| 1. Delegation Agreement with AfD for phase I | 3.8 | European Commission |
| 2. Services | | European Commission |
| 2.1 Audit and evaluation for phase I | 0.2 | |
| 3. Budget support to GoL for phase II | 4 | European Commission |
| Total | 8 | |

The Government of Lao PDR will provide an in-kind contribution of approximately €1.82 million that will consist of the provision of personnel, premises, running costs, vehicles, etc. The Government of Lao PDR will contribute as follows: €0.01 million for the inception phase, € 1.36 million for the thematic components, € 0.15 million for the cross-cutting components and €0.30 million for management and capacity building.

Overall NU DP Programme financing

| | Pool fund | | | Other EU | | BMZ*** | Total | Government of Lao PDR | Grand Total |
|------------------------------------|-------------------|-------------------|------------|----------------------------|-----------------------------|--------------------------|--------------|-------------------------|-------------------|
| | AFD Phases I & II | SDC Phases I & II | EU Phase I | EU Phase II (DCA or SPSP*) | EU (parallel ⁷) | Phases I & II (parallel) | | Phases I & II (in-kind) | Including in-kind |
| NU DP Indicative Budget (€million) | | | | | | | | | |
| Programme Activities | 2.30 | 1.46 | 3.80 | 4.00 | 2.0**** | 3.00 | 16.56 | 1.82 | 18.38 |
| Other costs ⁸ | - | 0.08 | - | - | - | 1.00 | 1.08 | - | 1.08 |
| External audit and evaluation | - | - | - | - | 0.20 | - | 0.20 | - | 0.20 |
| Total | 2.30 | 1.54 | 3.8 | 4.00 | 2.20 | 4.00 | 17.84 | 1.82 | 19.66 |

* Depending on the outcome of the institutional assessment linked to the Mid-Term Review of the Programme

** Independent evaluations, audits, studies

*** Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ) € 4 million,

**** EU € 2 million (EU Food Facility) for parallel funding food security activities implemented by Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) commissioned by BMZ..

The project operational duration will be 48 months, as from the signature of the Financing Agreement.

4.4. Performance monitoring

Mechanisms for guidance, interagency coordination and management of the NU DP have been proposed by the Government of Lao PDR as a basis for further specification in a Programme Administrative Manual (PAM) which will be a key document for the Programme management, and an integral part of the Programme Document. The (PAM) can be amended by the National Steering Committee and on proposal from Development Partners.

Programme monitoring will be conducted at three levels:

- i. Activity monitoring on implementation progress: this is the responsibility of the Provincial Programme Coordination Units overseeing the various programme implementation units existing in each Province.
- ii. Assessment reports of performance in achieving expected outcomes (outcome monitoring): this monitoring is the responsibility of the Division of Planning of the Ministry of Agriculture, in consultation with the National Steering Committee.
- iii. Assessment of contribution toward the achievement of the overall Programme goal (impact evaluation): this will be achieved through external and independent evaluation(s) requested by the National Steering Committee and/or upon AFD's request.

⁷ Separate contracting, not part of common pool fund, will be directly contracted by the Commission Services

⁸ Preliminary calculation basis: up to 5% on EC and SDC common pool fund transfers; Long-term experts on GTZ contracts, backstopping, administrative support, overheads, and others

The programme will be monitored in line with the Objectively Verifiable Indicators as identified in the programme logframe.

In addition, it is expected that the programme will contribute to the Government overall objective of significantly reducing the number of 'Priority Poor' districts in the Northern provinces through the reduction of the number of poor households in each district of the NUDP, in line with its National Social and Economic Development Plan (NSED) and its agenda for the achievement of the Millennium Development Goals.

4.5. Evaluation and audit

A mid-term review (MTR) will be conducted by the four Development Partners and the Government of Lao PDR two years into the NUDP. A portion of the MTR, contracted by the EU, will specifically focus on the implementation of the EU's criteria Government of Lao PDR must meet to benefit from Sector Budget Support (sector policy and overall strategic framework; budget and medium term perspectives; sector and donors coordination system; institutional setting and existing capacities; performance monitoring; macroeconomic framework; public finance management systems). A joint final evaluation will be conducted in order to assess lessons learnt and assist in scaling up interventions for a wider programme based approach, post 2014.

Programme funds used by Government of Lao PDR will be subject to regular independent audits following the government system. In addition, AFD as the funds managing donor for the multi-donor pool fund, will ensure, in consultation with the other Development Partners, that international standard accounting practices are applied and will organise, as required, external audits.

The modalities for evaluation and audit during the Phase II will be adjusted to the adopted mode of implementation.

The Commission reserves the right to contract independent additional evaluation and audit missions using IFAC standards if deemed necessary and keeps separate funding for this purpose.

4.6. Communication and visibility

Active participation in the design of the programme and its advocacy at country level has significantly raised the EU visibility in Lao PDR in the Rural Development Sector. The EU is already recognised by the local authorities and donor community as a key partner in the sector.

As will be specified in the Agreement with AFD for Phase I, and under the responsibility of AFD, information given to the press, the beneficiaries of funds, and all related publicity material, official notices, reports and publications, shall acknowledge the European Union as co-financier and display in an appropriate way the European logo. For that purpose, the EU visibility guidelines will be followed to the extent possible and while respecting other development partners' visibility guidelines. The programme will also establish and maintain a web-site containing all relevant programme documents and information for the public. A logo including Development Partners' and Government of Lao PDR's emblems will be specifically designed for the NUDP and will contribute to ensure the visibility of the EU across the country and abroad.

At the time of the signing of the Financing Agreement with the Government of Lao PDR, there will be a media event. EU visibility will also be promoted through events related to EU interventions in the sectors covered by the programme (agriculture, land management, etc.). EU's involvement in the uplands rural development will feature prominently in EU

communications on its cooperation programme, e.g. in the Europe Day speech, media events for other EU-financed activities, official visits, etc.

A major programme activity to support the development of effective policies, of a programme based approach and of a Sector Strategy is made on the occasion of annual policy dialogue events in conjunction with the review missions. These events will provide a favourable juncture for the programme to disseminate lessons learnt to Government of Lao PDR and development partners, non-state actors and a wider audience in general. The events will also provide a forum to raise the profile of the programme and highlight key development issues.