I. Introduction and Context

Country Context

Lao People’s Democratic Republic (Lao PDR) is a small, landlocked economy with a difficult geography, and an ethnically diverse population living predominantly in rural areas (nearly 3/4 of the population). The country has a rough terrain varying from the plains in the central part of the country along the Mekong valley and uplands or plateaus to mountainous highlands in the North and parts of the South. Despite its relatively small population of 6 million, the country is highly decentralized to 17 provincial governments, 144 district governments and over 8,500 villages.

Lao PDR has sustained high rates of economic growth over the last decade, which has contributed to reduce poverty rates. The economy has expanded on average by 7.1 percent per year between 2001 and 2010 and is expected to increase to 7.5-8.0 percent during 2011-2015. Per capita income has more than doubled since 1990, reaching US$1,010 in 2010 and, as such, graduated from low income to (lower-) middle income country status. At this pace, Lao PDR is on track to achieve its long term vision: to graduate from Least Developed Country status by 2020. The poverty rate has
also declined significantly. In 1992 almost half of the population lived below the poverty line. By 2008, the share had declined to almost one quarter. During the 2002-2008 period, the poverty rate impressively declined by 6 percentage points (from 33 to 27 percent). While the poverty data for 2008 is the most recent available, it is expected that the high rates of growth in recent years have contributed to further poverty reduction.

Despite high rates of economic growth and poverty reduction, Lao continues to experience very high inequalities across geographic areas and ethnic groups. Poverty rates in urban areas (17 percent) are almost half of that in rural areas (32 percent). Districts along the Thai border have experienced rapid growth and poverty reduction, but other groups continue to lag behind. The northern part of the country remains poorer than the southern and central regions. Upland areas and districts defined by the government as priority districts are poorer than lowland and non-priority districts, and poverty reduction in these areas has been relatively slow. Poverty rates vary according to ethnicity, with the Lao-Tai displaying lower poverty incidence. Although government support has been aimed at these groups and regions, they have benefitted less from processes of economic development. Despite improvements, lack of access to infrastructure and markets remains barriers to growth and poverty reduction.

**Sectoral and Institutional Context**

Lao PDR has some of the poorest education indicators in Asia, as the country is still struggling with universal access to primary education and with literacy. Only 85 percent of primary school age children are enrolled in school. Only 44 percent of senior secondary school age children are enrolled in senior secondary education. Since late enrollment and repetition are common, out of age enrollment is very high, with 25 percent of secondary school age children enrolled in primary education. Literacy is still a challenge, even among youth, with almost 25 percent of 15 to 24 years old still illiterate (almost a third among young women). Although late entry into schooling is a problem (only 64 percent of children start school at the right age), the low enrollment rates are driven largely by high drop-out in grade 1 (11.7 percent in 2011/12) and grade 2 (6 percent in 2011/12), highlighting poor school readiness of children entering education. As a result, only 67 percent of students entering primary school complete the full five years of primary schooling in five years.

There are still important gender disparities in enrollment rates and, especially, literacy rates in some provinces, which are partly driven by disparities along ethno-linguistic groups. At the national level, the differences in literacy rates between young men and young women are small (higher among men). However, the differences across regions and provinces, and between boys and girls within these provinces, are large. While 76 percent of young women are literate in the central region (which includes Vientiane), only 55 percent of young women in the southern region are. In the province with the lowest literacy rate, Saravane, only 38 percent of young women are literate. In 9 out of the 17 provinces, the literacy rates are higher among women than men. With access indicators, the differences across gender at the national level are very small. Female disadvantage in education is driven by the interplay between gender and ethnicity. However, some provinces have higher enrollment rates for boys than for girls (and in some cases benefit females, as in the case of Vientiane).

The high drop-out rates and the low progression in basic language and mathematics in early grades indicates that school readiness is a challenge. The latest Lao Social Indicator Survey 2011/2012 shows that children between the ages of 3 to 5 are developmentally on track in physical
development, but only 20 percent are on track in literacy and numeracy. The differences in child development along socioeconomic and geographic dimensions are substantial. Over half of 3 to 5 years old from the richest quintile are on track in literacy and numeracy, while only 6 percent are on track from the poorest quintile. Children in rural and remote areas are also much less likely to be on track, as are non-Lao-Tai children.

Government Strategy. The Government, in its efforts to reduce poverty, has recognized the key importance of education to its national development, including ambitious targets for expansion of access to early childhood education. The Government is committed to broaden the conception of education to include both cognitive and non-cognitive skills as demonstrated by latest economic and education research. Learning starts at birth and continues throughout life course and encompasses formal and non-formal early childhood services, primary, secondary education and beyond. The long-term goal of Lao PDR is to exit the status of a least developed country by 2020. Education is part of the country’s overall development strategy. The Lao PDR is committed to equitable and healthy development of all children, as set forth by the National Policy on Holistic Early Child Development (NPHECD - 2010), guided under the supervision and coordination of the National Committee for Mothers and Children from central, provincial and district level and of relevant stakeholders and ministries (Ministry of Education and Sports (MoES), Ministry of Health, Ministry of Justice, and Ministry of Labor and Social Welfare). The short and medium term priorities are: development and introduction of quality early childhood facilities including nurseries, kindergartens, early childhood playgroups and pre-primary classes and school readiness programs. Specifically, the MoES is the lead agency and is prioritizing early childhood development as integral part of its Education for All National Plan of Action (including legal frameworks, initiatives and interventions for the poor).

More resources are going into education, and early childhood development (ECD) as described in the NPHECD. While national budget allocations to education in Lao PDR have been very low (11-12 percent) over the period 2008/09 to 2011/12, a significant increase to 18 percent has been approved by the National Assembly for 2012/13. However, the allocation to ECD remains insufficient at 3.5 percent of the total education budget in 2011/2012).

In Lao PDR, access to ECD services is mainly limited to the better-off segment of the population. Those who attended an ECD program are much more likely to be from richest backgrounds, more educated parents and in urban areas. Less than 8 percent of children from the lowest income quintile, from rural areas without roads or from non Lao-Tai communities have access to ECD services. This is compounded by poor nutrition. A characteristic feature of the rural areas in the upland and highland areas is food insecurity and malnutrition which is related to poor educational outcomes. Chronic malnutrition reflected in stunting (44.2%), wasting (5.9%) and underweight (26.6%) affects high proportions of children in Laos, particularly in the high poverty districts. This is also reflected by the fact that most children in rural areas have never been seen by a doctor and may have disabilities and impairments due to untreated health conditions that go undetected. Many children develop disabilities due to relatively simple but untreated health conditions which then prevent them from learning. Development and improvement of early detection strategies are essential in addressing the needs of children with disabilities thereby keeping them in school.

ECD is an area where Laos falls behind, notably among poorest and richest and compared to countries with similar income levels. Lao PDR shows enrollment rates lower than 20 percent and most ECD programs target 5 years old, leaving younger children without access. In 2011-2012,
enrollment in ECD among children aged 3 months to 2 years was 2.25 percent; among ages 3-4 years was 19.3 percent. The urban-rural gap is wide, while 57.4 percent of 3-4 years old attended kindergartens (KGs) in Vientiane, only 14.5 percent attend in Saravane province. Difference in enrolment is also large among ethnic groups. Of all early childhood enrolment, 90.1 percent are children of the Lao-Tai ethnic group and 9.9 percent are of other ethnic groups. As many ethnic children enter formal school education without a grasp of Lao language, they are severely disadvantaged when progressing from grade 1 to 2 and hence a key cause of high repetition and drop out.

A main reason for low access to ECD is the shortfall in infrastructure and supply of teachers. Early childhood facilities are few. There are only 351 creches (3 months – 2 years) in the country compared to 3,150 kindergartens (3-5 years and most are in urban areas) and 1,726 pre-primary classes (5 years). About 30 percent of all primary schools are ‘incomplete’, meaning they do not offer education up to Grade 5, and many are staffed with only 1 or 2 teachers. Of the existing schools, a very high percentage does not have bathrooms or drinking water for children. In terms of pedagogical inputs, in-service training is not regularly provided and only recently have textbooks begun to be provided on a systematic basis.

Relationship to CAS

The proposed project forms a core part of the World Bank Group's new 2011-15 Country Partnership Strategy (CPS) for Lao PDR, which in turn is closely aligned with the Seventh National Social and Economic Development Plan. The proposed project will form a major part of efforts to achieve CPS Strategic Objective 3 on "Inclusive Development" and the government’s own Education Sector Development Plan (ESDP). It will contribute to Laos’s efforts to achieve the Millennium Development Goals for basic education, health, and poverty goals and make services available to the disadvantaged.

Investing in early childhood development is also consistent with the World Bank’s Education Sector Strategy 2020, focusing on the goal of “learning for all”, and particularly on investing early. Given the Bank’s current involvement in the education sector, comprising pre-school and basic education, it is in a position to further assist the Lao PDR government in the implementation of its strategy to achieve its goals in ECD. The Bank has comparative advantage of being able to provide valuable advice grounded on its global international experience and technical expertise on ECD. The Bank is also in the position to bring other donors and private sector to support the initiative.

The proposed project complements various on-going interventions by the development partners (UNICEF, UNESCO, JICA, and several international and national NGOs).

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The objective of this project is to increase coverage and improve the quality of pre-primary education and early childhood care services for 3-5 year old children in disadvantaged districts.

Key Results (From PCN)

The results indicators will focus on access and quality of ECD services, as well as first grade repetition as a measure of school readiness. The proposed indicators are:

• Share of 3-5 years old enrolled in ECD services in target districts
• Share of villages in target districts with ECD facilities
• Share of children screened for health impairments and vision and hearing disabilities
• Share of students with increased ability to recognize letters and letter sounds to be measured by EGRA
• Share of students with increased learning readiness to be measured by learning readiness instrument

These data will be derived from administrative data that is collected through the Education Management Information System (EMIS). The relevant core indicators will also be tracked, and data will be reported disaggregated by gender.

III. Preliminary Description

Concept Description

This proposed project will build on the achievements of the current Second Education Development Project (EDPII) and the Education for All-Fast Track Initiative (EFA-FTI) Program. It will support similar goals, include lessons learned from the EFA-FTI ECD pilot and build directly on other successful components within these projects. Through the EDPII and the EFA-FTI projects: (i) the community based contracting (CBC) for school construction has been institutionalized and successfully implemented and the quality of construction continues to improve, (ii) pre-primary teacher training scholarships and in-service teacher training courses have been provided under the EFA-FTI for ethnic girls in disadvantaged areas that are expected to return to their villages. The program has been successful and is expected to continue; (iii) a community-based school readiness program (CBSRP) is being piloted and lessons learned, including the results from the CBSRP evaluation and the monitoring and evaluation (M&E) framework will be incorporated in the design of the proposed project. In addition, the proposed project hopes to use the newly trained pre-primary teachers to become mentors for caregivers in their villages where the CBSRP will be expanded. An impact evaluation will be carried out to test the effectiveness of different approaches in different communities.

There are four components for the proposed project:

Component 1: Improving Access to Early Childhood Development in Target Districts (US$8.0 million)

This component 1 aims to increase access to early childhood education and care for 3-5 year old children in target districts areas, with a particular focus on disadvantaged children and children with disability by increasing the availability of ECD services and stimulating demand for ECD services.

Component 2: Ensuring the Quality of ECD Teachers (US$4.0 million)

This component will include: (i) pre-service teacher training for the formal pre-primary school program, (ii) identification and training of caregivers to support the expansion of the CBSRP for 3-5 years old children and (iii) training for the early childhood education (ECE) officers at the district and provincial levels to improve their capacity to monitor ECD programs.

Component 3: Supporting the Development of Early Learning and Development Standards (US$4.0 million)
This component will set the foundations for a quality assurance system for ECD services, by focusing on strengthening the quality standards and ensuring that the results from early grade reading assessments feedback into the early childhood and primary school curricula.

Component 4: System Management and Monitoring and Evaluation (US$4.0 million)
This component will support: (i) project management and monitoring and evaluation; (ii) an impact evaluation to assess whether the project interventions are making a genuine difference to educational outcomes and (iii) the introduction of health/ disability screening (with service provisions and referrals) as part of the ECD program.

IV. Safeguard Policies that might apply

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