

# **School Based Management in Lao P.D.R.**

**Current Conditions and Recommendations for the  
Future**

## PREFACE

Despite an increasing commitment by donors and the government to the education sector, the provision of education services, especially to the poor, remains a persistent concern in Lao PDR. Decentralization of decision-making through School-Based Management (SBM) has been adopted as one of the government's strategic measures to improve financing and delivery of education services.

In the school year 2011-2012, the Lao PDR government implemented an ambitious, nationwide school block grant program (SBG) called the "School Operating Cost" program. This program provides financial resources to schools to support improvements in education quality. Schools can choose to apply the grant to their most pressing necessities, from conducting repairs at the school, to acquiring teaching and learning materials, or paying overdue utility bills. The SBG program in Lao PDR requires joint planning and management by the school principal, teachers and the Village Education Development Council (VEDC). The SBG represents one of a growing number of SBM programs being implemented and evaluated around the world.

This report was prepared for the Government of Lao PDR (GOL) as a contribution to the long-term development objectives related to School Based Management and the implementation of the School Block Grant Program. The study, which seeks to add value by sharing international experience with relevant strategies and policy measures, provides practical recommendations for the government's consideration. The study covers the following:

- Review of SBM literature and evidence from programs implemented in other countries
- Brief diagnosis of the status of education in the country (drawn from a review of SBG program documentation Lao PDR education statistics, household surveys and other information)
- Analysis of potential challenges and current conditions that could affect the implementation of the SBG and future SBM programs in the country
- Analysis of the potential impact SBM could have on education outcomes in the country.

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## List of Acronyms

ACE	Associations for Community Education
ADB	Asian Development Bank
AGE	Support to School Management program or <i>Apoyo a la Gestión Escolar</i>
AIP	Annual Implementation Plan
ASLO	The National Assessments of Student Learning Outcomes
AusAID	Australian Government Overseas Aid Program
BODMAS	Order of Operations: Brackets, Order, Divide, Multiply, Add and Substract
BOS	School Operational Assistance Program or <i>Bantuan Operasional Sekolah</i>
CBC	Community-Based Contracting for School Construction program
CG	Community Grants program
CIED	Community Involvement in Education Development program
DEB	District Education Bureaus
DPPE	Department of Primary and Pre-Primary Education, Lao PDR
EDUCO	Community-Managed Schools Program or <i>Educación con Participación de la Comunidad</i>
EQS	Education Quality Standards
ESDF	Education Sector Development Framework
ESITC	Education Statistics and Information Technology Centre, Lao PDR
ESSSUAP	Education Sector Scale-Up Support Program's
FTI	Fast Track Initiative
ETP	Extra-Teacher Program
GM	Grant-Maintained Schools
GoL	Government of Lao PDR
ICS	International Child Support
ITBS	Iowa Test of Basic Skills
JICA	Japan International Cooperation Agency
LECS4	Lao Expenditure and Consumption Survey 2007/2008
LECS5	Lao Expenditure and Consumption Survey 2012
LM	Local Managed Schools
LSC	Local School Councils
MDGs	Millennium Development Goals
MOES	Ministry of Education and Sports
MOF	The Ministry of Finance, Lao PDR
NEQS	National Education Quality Standards
NGOs	Non-Governmental Organizations
NRIES	National Research Institute for Education Sciences
NSC 2004	The Lao Expenditure and Consumption Survey 2002/03
NSDP7	Seventh Five Year National Socio-Economic Development Plan 2011-2015 of the Government of Lao
PDE	School Development Plan or <i>Plano de Desenvolvimento da Escola</i>

PEC	Quality Schools Program or <i>Programa Escuelas de Calidad</i>
PEC-FIDE	Quality Schools Program-Program to Strengthen and Invest Directly in Schools or <i>Programa de Escuelas de Calidad-Programa de Fortalecimiento Institucional</i>
PES	Provincial Education Services
PTAs	Parent-Teacher Associations
PTOs	Parent–Teacher Organizations
RTIM	Round Table for Implementation Meeting
SABER	System Assessment and Benchmarking for Education Results
SBGs	School Block Grants
SBM	School Based Management
SD	Standard Deviation
SDP	School Development Plan
SIG	School Improvement Grant
SIP	School Improvement Plan
SoQ	Schools of Quality
SREAC	Strategy, Research and Education Analysis Centre
TAP	Test of Achievement and Proficiency
TEEP	Third Elementary Education Project
TOR	Terms of Reference
VEDC	Village Education Development Council
WAU	The World Around Us

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## EXECUTIVE SUMMARY

Despite sustained economic growth since the mid-1980s, Lao PDR's education system faces challenges in meeting its goals of providing all students with access to education and improving learning outcomes. To further the country's economic development, the Government of Lao PDR (GoL) has placed a priority on improving its education sector. However, as of 2012, Lao PDR was not on track to achieve its Millennium Development Goal (MDG) of universal primary education. There are concerns about education quality as well, particularly whether students are completing primary school with sufficient mathematics and literacy skills. To help address these challenges, the GoL instituted in 2011 a School Block Grant (SBG) program that gives provinces, districts and schools greater administrative control than they have ever had. The program is a form of School Based Management (SBM) that was designed to make educational administration more effective and improve the quality of schooling.

This report presents a framework that explains how SBGs can improve education quality. The framework draws lessons from international experience that may be particularly useful for the GoL, and identify challenges and potential risks to successful implementation of the program. It uses information from published data and reports, as well as a baseline survey that was administered during the first year of the SBG program operation by a local survey firm to a sample of schools. The discussion is also informed by qualitative data gathered in October 2012 from six schools in the Southern region of the country. Our findings provide a framework for policy makers in Lao PDR to consider strengths, weaknesses, and other challenges that they might face as they continue to introduce SBM in Lao PDR.

### *Overview of Education Sector and Outcomes in Lao PDR*

Recent measures by the GoL to increase spending on education and thereby improve student outcomes have faced challenges, but are beginning to produce modest results. To formalize its commitment to improving education, the GoL developed the Education Sector Development Framework (ESDF), which documents the education policy objectives in Lao PDR. It called for increasing public expenditures on education from 11 percent in 2010/11 to around 18 percent by 2015. According to data from the Ministry of Finance, educational expenditure as a percent of total government spending was 13 percent in 2011-2012. However, non-wage recurrent expenditure in education in the country remains low (Ministry of Finance, 2012). Non-wage, public recurrent expenditure is that which serves to pay for school materials, equipment, teacher training, etc. It currently represents about 20 percent of recurrent expenditure, but only between three and seven percent of total education expenditure over the past four years. As a result, households have to pay non-mandatory fees for schooling in order to make up for the shortfalls, and this could negatively affect access to education for children from poor families. Low levels of non-wage public spending on education also limit learning resources and quality of facilities in classrooms and schools. Although learning outcomes have improved in recent years, only about half of fifth grade students can demonstrate Lao language skills beyond the basic level. In mathematics, learning outcomes are

particularly poor, and results from 2006 and 2009 suggest a declining trend. Repetition and dropout rates are high in first, and to a lesser extent second grade, but improve thereafter.

### ***The "School Operating Cost" or Government SBG Program***

The SBGs seek to increase school enrollment, reduce education costs for parents, address pressing quality issues and involve the broader community in school-based management and oversight. The SBG program introduced a guaranteed, predictable stream of funding for all schools to help them meet their most pressing operational needs. This is a key feature of the SBG program and novel in the Lao PDR context. In the program's first year (2011), the SBG amounted to 20,000 LAK per student, which was roughly equal to the non-wage expenditure per student (Ministry of Finance data). In addition, provincial and district level authorities received some initial training on SBGs from the Ministry of Education and Sports (MoES). A SBG manual was also produced and distributed among provincial and district level authorities for training purposes. The year 2012-13 was the second year of the program, and the GoL plans to keep the program in place for 2013-14, with a few modifications that could include increasing the amount of the block grant.

### ***Theory behind school based management programs and evidence to support their effects***

Governments around the world are introducing a range of strategies to improve the financing and delivery of education services, and many countries are introducing SBM. Under SBM, decision-making authority rests with a school committee or school council composed of the principal, teachers, parents and/or other community representatives rather than having all school decisions made by a central authority. SBM may be characterized as "light" or "strong" depending on how much decision-making power is transferred to the school committee. A key element of SBM programs is the school development or improvement plan, which is intended to help parents, principals, teachers and community representatives make effective spending decisions. Lao PDR's SBG program represents a light version of SBM.

Conceptually, there are at least four direct pathways through which SBM could affect learning and other education outcomes. First, SBM could result in more involvement by parents. This could help improve student learning, but can also ensure funds actually reach the school, which is especially important in countries where corruption and/or misuse of school funds is an issue. Second, SBM could improve learning by making better use of existing resources. Third, SBM could promote a higher sense of "ownership" of the school among parents, principals, and teachers and thereby motivate them to improve school conditions and/or instruction. Fourth, SBM could improve learning by funneling more resources into schools.

SBM programs have been found to enhance student enrollment, lower dropout and repetition rates, increase teacher and student attendance, and improve teacher effort. Studies of the effects of SBM programs on student learning yield more mixed results.

However, some recent studies suggest that SBM initiatives in countries like Cambodia, the Philippines and Indonesia, may have had positive effects on student outcomes.

Comprehensive implementation studies of SBM programs around the world indicate that the school principal plays a critical role in most SBM programs. However, they often lack the capacity or training to be both effective managers and instructional leaders. Much of the eventual success of SBM depends on the principal and other school committee members (such as teachers, parents, Village Education Development Committee (VEDC) representatives) making decisions that effectively improve school quality. However, committee members often lack skills, training or information to effectively plan and develop strategies to raise student learning. Therefore, they need proper training and support to adequately implement SBM.

### ***SBM in Lao PDR: Foundations to build from***

This report finds that, although still in its early stages, the GoL's SBG program appears to be a solid step toward establishing School Based Management efforts in the country. Lao PDR already has some of the institutional foundations to build from.

- VEDCs have been established in most schools, and school decision-making is already highly decentralized. In fact, principals report already having high degrees of influence over most school matters.
- Although after the SBG program was implemented most schools no longer collect non-mandatory school fees from parents, many parents continue to make voluntary financial and in-kind contributions to schools. This signals that they are invested and committed to improving their children's education.
- Lastly, there have been efforts in Lao PDR, such as those supported under the Fast Track Initiative (FTI) or the Community Involvement in Education Development (CIED) program, to develop and disseminate training materials to help schools craft a School Development Plan and to train them on the Education Quality Standards (EQS) framework. These efforts can help principals and school committees make effective spending decisions. However, dissemination of these materials has been limited and only a few hundred schools have received training on their usage.

### ***Challenges and risks to successful implementation of SBM programs in Lao PDR***

The "School Operating Cost" program, also referred in this report as the Government's SBG program, was launched for the first time in 2011-12 at a national scale. The massive size of the reform effort probably contributed to limitations in some features of implementation. Our review identified several challenges and risks to a successful implementation of the SBG program in Lao PDR.

- Schools are not always receiving the grants on time, which makes it difficult for them to plan effectively. This is to be expected given that the program is just

getting started, but it is important that education officials should pay close attention to in the coming years.

- SBM implementation is hindered by insufficient local capacity and limited support and monitoring efforts; for example, some local school staffs are not receiving training, and student record keeping is faulty in some schools. Although the MoES has initiated training efforts, a larger-scale effort is needed to build local capacity and provide adequate monitoring and support for SBG implementation.
- Although most schools continue to solicit voluntary contributions from parents to make up for resource shortfalls, the SBG program could lead some parents to reduce their financial contributions to schools. Evidence from grant programs in other countries suggests households reduce their own spending on education when schools receive grants that pay, among other things, for school supplies. If this were to happen, it would lower the amount of total resources schools receive and make schools worse-off financially. Moreover, beyond making financial contributions to schools and having some influence on construction of school facilities, parents do not perceive to have an influence over most school decisions. This could hamper the SBG's program ability to engage a wider base of parents and community members in schoolwide decision making.
- In the first year of the program, reporting on the use of funds has been erratic. Part of this is the result of the GoL releasing the first tranche of the funds unconditionally. However, reporting on the second tranche was still uneven across districts. This might have been due to the absence of training given to district officials as well as principals and VEDC members on reporting and general management of the SBG. Erratic reporting could hamper monitoring efforts by officials at districts and provinces. Thus, in the future, closer attention should be paid to the issue of reporting. Another potential issue that could increase the risk of misuse or waste of the SBG funds is related to improper safeguarding of these funds—such as school treasurers keeping the funds in unlocked containers at home. This could be the result of lack of banking facilities in the villages or high transaction costs, but should also be addressed by education officials in the coming years.

### ***Recommendations***

As the Government SBG program evolves and education officials gain better knowledge and experience with its implementation, more time and resources can be devoted to ensuring that key program implementation elements are adequately addressed. If properly implemented, better school administration and higher community involvement could have long-term impact. Based on this review of documents and survey data, and limited information gathered from interviews with principals, teachers, parents and other school actors, the following is recommended.

**1. Deliver funds on time.** Since 2011-12 was the first year of the SBG program, it is understandable that there were issues with timely delivery of the funds to schools. However, in future editions of the program, concerted efforts should be placed on

ensuring that funds are delivered on time, so that schools can effectively plan. If possible, schools should receive the whole SBG at once, to allow for the purchase of bigger-ticket items that might be needed earlier in the year (i.e., classroom equipment, teacher training).

**2. Train school leaders and community members.** Training of principals, VEDCs and even District Education Bureaus (DEBs) during this first year of implementation was limited. To effectively participate in school affairs, principals and VEDC members should receive training that increases their ability to understand the purpose of SBG, and their role in the program. Principals in particular need to be given basic leadership and management training on how to conduct meetings, develop a school vision, and engage in participatory planning and budgeting. Parents should be trained and supported so they can be better informed about how to promote higher student learning and how to make better use of school funds. As the SBG program continues into the future, the goal of principal and VDEC training should be to enhance their management and planning capacity thus systematic training is needed on an ongoing basis. The SBG program can reap the benefits of the financial and administrative empowerment it confers to schools, only if all school actors have the capacity to take full advantage of the resources, collaboration and planning processes the SBG is intended to offer.

**3. Increase parent empowerment through targeted training and mechanisms for school participation that encourage wide representation from the community might be needed.** Principals report having a lot of influence over most school matters, but the influence of parents appears to be more limited. SBM programs can confer both financial and administrative empowerment. However, to reap the full benefit of both, parents must be well-informed, engaged and capable of making decisions that best address school needs. In addition, SBM requires strong parental participation and oversight to counter the diminished role of central authorities. Thus, to increase parent empowerment, targeted efforts and investments in training and other mechanisms might be needed. Parents should receive training that allows them to engage and participate in school decision making.

**4. Establish a system to collect and use school data for decision making.** Principals and VEDC members should have the required information to set learning and other school quality targets. This includes keeping accurate attendance records so they can receive the right amount of the SBG. Lao PDR does not have a national, standardized student assessment system. Principals do have access to student-level data on repetition rates and enrollment for their own schools. The MoES publishes reports of these and other school data for all schools, and aggregated by province and district. Principals and VEDCs could be trained to use those indicators to set student outcome targets and gauge progress. In addition, there are the EDQ standards which can also be used to set targets.

**5. Train school leaders on how to manage SBG funds.** Training for school leaders should also address the importance of adequate reporting and safeguarding of SBG funds. In an environment where the authorities delegate autonomy over spending decisions to schools, adequate reporting is important to prevent misuse of funds and to ensure that resources are spent as effectively as possible. The review also identified issues related to

adequate safeguarding of leftover SBG funds. Many villages in Lao PDR lack adequate banking facilities. In villages with banks, transaction and other costs might become too high for schools to bear. Nevertheless, some attention could be paid to devise mechanisms or provide resources to adequately safeguard funds that are not immediately spent.

**6. Provide more implementation support and consider making funding formula more progressive.** Some funds should be earmarked for provinces and districts to provide needed support for SBG implementation. Consider soliciting technical assistance services and funds from donors to enhance local capacity, and infrastructure (including IT infrastructure) and in turn, aid monitoring and support efforts. District Education Bureaus (DEBs) should receive additional human and financial resources to enable them to fulfill their tasks under the SBG program. The funding formula could also be made to be more progressive. First, to compensate small and remote districts for the added cost associated with collecting the grant. And second, to consider that it could cost more to deliver comparable quality education services in some area, and that some schools face greater challenges improving student outcomes and thus might need additional support.

**7. Leverage existing resources.** Training manuals and materials developed for other initiatives (i.e. CIED, EQS, etc.) should be adapted for this program where relevant. These previous efforts could be useful inputs to design training that is intended to support effective planning and school management.

**8. Establish financial accountability.** The GoL should take additional steps to ensure accountability from schools, districts and provinces in the use of SBG funds. Since 2011-12 was the first year of operation of the SBG, the first tranche of the funds was delivered to schools unconditionally. In addition, training of principals and district officials on reporting and other SBG management has been limited. As the SBG program evolves, schools should be required to report to DEBs in a timely fashion on the use of the SBG, and to submit their school development plans. DEBs should report back to provincial education authorities and provincial authorities to the MoES on the implementation of the SBG. District and provincial reports should detail when and how funds were transferred to the schools, use of funds at the school level (expenditure analysis), the work of the VEDCs, supervision (inspector visits, etc.), and trainings delivered.

**9. Encourage parents to continue to donate funds to schools.** Parents should be encouraged to continue to contribute to their school to the extent that they are able to. Schools in Lao are in need of more resources for infrastructure, classroom materials and equipment, teacher training and other items. Parents can be encouraged to see the SBG as a complementary, sustained funding stream that provides certainty over some expenditures over the long run. But unforeseeable expenditures will continue to arise. Parents might also be encouraged to make in-kind contributions. Schools should register the reception of these funds and integrate them within their school budgets so they can better plan for their use.

**10. Take further steps to strengthen school autonomy and accountability and signal stronger policy intent in this area.** While the country has made important progress and demonstrated strong policy intent in school autonomy in budget planning and approval, most other policy-related areas around school autonomy and accountability are only "emerging." There is still more work in dimensions such as personnel management, school and student assessment and school accountability to stakeholders to move further toward greater accountability and school autonomy.

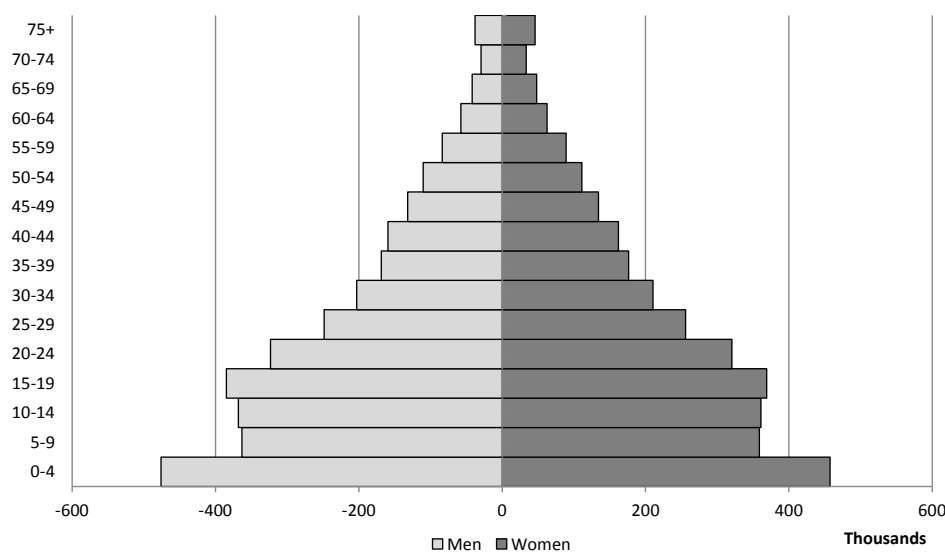
**This report is organized as follows.** Section 1 presents an overall introduction and justification for the study. Section 2 discusses the concept of SBM. Section 3 presents results from studies of SBM programs around the world a brief overview of key education indicators in the country including student outcomes. Section 4 provides an overview of the education sector and student outcomes in Lao PDR. Section 5 describes the SBG program. Section 6 discusses some of the institutional foundations that currently exist in Lao PDR to support SBM. Section 7 identifies some potential risks and challenges for successful adoption of SBM in the country. Section 8 concludes and provides recommendations.

# 1. Introduction

After more than two decades of sustained growth, Lao PDR is now a lower-middle income country (per capita GDP is \$1,300). However, a large proportion of the population lives in poverty. According to World Bank data<sup>1</sup>, the proportion of the population at the national poverty line was 45 percent in 1992, declining to 27.6 percent by 2008. The vast majority of the population lives in rural villages, and the country's geography is mostly rugged mountain terrain with only four percent arable land. While the country has experienced significant economic growth since the 1980s, it continues to have limited infrastructure, no railroads, few access roads, and limited telecommunication systems.<sup>2</sup> While most of the population aged 15 years or older is literate, only about half of the population in rural remote areas is literate. And the rates are lower for women and girls: Among females in remote areas, literacy rates are only around 40 percent.

Despite these challenges, Lao PDR is a country with a young population and much potential. The country has a population mean age of 20 years (see Figure 1). Demographic trends indicate that the number of children is decreasing, which is decreasing pressures on the primary school system. Developing the next generation of working adults is a key government objective.

**Figure 1. Population Distribution in 2011**



Source: Author with estimates from the Lao Statistics Bureau based on the 2005 Census.<sup>3</sup>

<sup>1</sup> Available at <http://data.worldbank.org/country/lao-pdr>

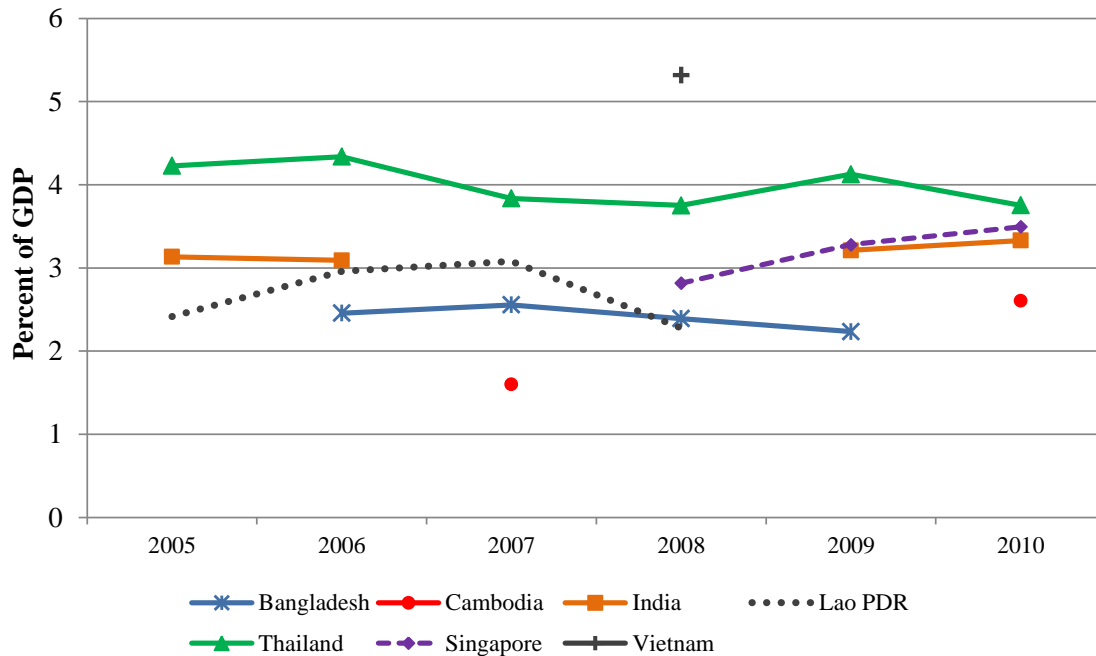
<sup>2</sup> L. Benveniste, J. Marshall and L. Santibañez (2007) *Teaching in Lao PDR*. The World Bank: Human Development Sector. East Asia and the Pacific Region.

<sup>3</sup> There is some discrepancy between the projected number of 0-4 year olds as estimated by the Lao Statistics Bureau, and figures in World Bank (2011). World Bank figures estimate 100,000 fewer children of this age group.



To promote further development, the GoL has increased resources for the education sector. However, even after the increase, total spending on education as a percentage of GDP was only 2.3 percent in 2008, which is on par with some countries in the region, but low by international standards (See Figure 2).

**Figure 2. Education Spending as a Percentage of GDP**



Source: World Development Indicators. Available at:  
<http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS/countries>

**Despite the Government's commitment to increase funding, resources and access to primary education remain limited.** Physical access remains a major barrier to education. Almost 57% of all primary schools and an estimated 70% of primary schools in the poorest districts do not offer the full five grades of primary education.<sup>4</sup> Providing cost-effective education services is difficult in remote areas given low population density. Therefore, children in the poorest areas, particularly girls and non-Lao-Tai ethnic groups, are distinctly disadvantaged in terms of education access.<sup>5</sup> The Lao Expenditure and Consumption Survey 2002/03 (NSC, 2004) found that distance to school was one of the major reasons for never attending primary education.

<sup>4</sup> UNESCO (2011) *UNESCO National Education Support Strategy. Lao People's Democratic Republic. 2010-2015*. Bangkok, Thailand: UNESCO Asia and Pacific Regional Bureau of Education.

<sup>5</sup> *ibid.*

**Table 1. Percentage of villages by distance to school and zone (2008)**

	Urban	Rural with road	Rural without road	Total
<b>Primary school in village</b>	84.95	92.71	91.69	90.44
<b>0-0.5 km</b>	3.04	0.91	0	1.42
<b>0.5-1 km</b>	10.42	3.72	0	5.25
<b>1km-</b>	1.59	2.65	8.31	2.88

Sources: LECS 4, 2008.

**Table 2. Percentage of villages by distance to school and zone (2012)**

Distance to ...	Average Km
Provincial capital	108.9
Paved road	23.5
Transport (e.g. bus, tuk tuk)	17.4
Daily market	22.7
Bank	33.1
Post office	30.5
Another complete primary school	4.8
Lower secondary school	7.9
District education bureau (DEB)	26.6

Source: IE Baseline Survey, Principal Questionnaire, 2012

**There are concerns about education quality as well, primarily that students fail to complete primary schools with sufficient mathematics and literacy skills.** Students' achievement in primary education has been found to be low in the recent surveys. A 2001 survey of functional literacy in Lao language among adults aged 15-59 found that only 54% of men and 37% of women reached the level of basic literacy. There were significant disparities by urban/rural, ethnic groups, and socio-economic quintile. The survey also found that primary education does not ensure basic literacy achievement because just over 50% of primary school graduates reach this level.<sup>6</sup> Although there have been some improvements in recent years, results from the National Assessments of Student Learning Outcomes (ASLO III)<sup>7</sup> in 2012 suggest that students complete primary school with insufficient mathematics and literacy skills.

**Recent reports indicate that Lao PDR is not on track to achieve the Millennium Development Goal (MDG) of universal primary education.** A recent background

<sup>6</sup> *ibid.*

<sup>7</sup> Ministry of Education. 2013. National Assessment of Student Learning Outcome (ASLO III) Primary Grade 3. *Research Institute for Education Sciences and the World Bank.*

report of the Round Table for Implementation Meeting (RTIM) produced by the GoL argues that the MDG of universal primary education (i.e., universal enrollment in primary education and 100 percent and the reduction of gender disparities in primary education enrollment) will not be achieved by the target year of 2015 if the current dropout rate continues. Furthermore, the Lao Ministry of Planning and Investment stated that "urgent action is essential" to increase equity and reverse the negative trends if the goal of universal primary education is to be achieved in the time frame remaining.<sup>8</sup>

**To address these problems, the GoL plans to give more administrative control to provinces, districts and schools and promote further involvement from all sectors of society into education.** The GoL has declared that "educational tasks have become the task of the entire society since all economic sectors and people of all social strata have supported and involved themselves in education development."<sup>9</sup> The decentralization follows the Prime Minister's Decree 16/2012 on development of provinces as strategic units, districts as oversight units and villages as and development units. The Decree is currently being revised to further assign executive roles to the districts.

**School Based Management (SBM) is a critical component of the reforms to improve financing and delivery of education services.** The reforms began with the MoES Education Strategic Vision prepared in 2000, followed by the Educational Strategic Plan, in August 2001 which covers 5, 10 and 20 year periods. These plans make community involvement in education a top priority. More recent plans, such as the Education Sector Development Framework, and the Five-year Education Development Plan (2011-2015), aim to improve education sector management through SBG.<sup>10</sup> The transfer of responsibility from central government to local stakeholders will allow them to make decisions based on local needs and priorities and thus improve efficiency.<sup>11</sup>

**SBGs were implemented in 2011 as part of the Government's "School Operating Cost" program to improve access and quality through greater and more efficient public spending at the school level.** Under the "School Operating Cost" program, referred to in this report also as "Government SBG" program, each school's grant is based on the number of students enrolled. At present, SBGs are intended to increase resources available to schools to meet operational costs only (i.e. teaching and learning materials, routine repairs, etc.). As of 2011-12 schools are no longer allowed to charge school fees.<sup>12</sup> School fees were never mandatory, but many schools collected them as voluntary contributions from parents and were dependent on that source of funding.

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<sup>8</sup> Background report to the Roundtable Implementation Meeting (RTIM) "Pathway to the Achievement of the 7th NSEDP and MDGs and 2020 LDC Graduation" prepared by the Ministry of Planning and Investment (2011).

<sup>9</sup> Documents of the 9th Congress of the Lao PDR, 2011.

<sup>10</sup> *ibid.*

<sup>11</sup> Barrera-Orsorio, F., T. Fasih, and HA Patrinos. 2009. L. Santibanez: Decentralized Decision-Making in Schools. The theory and Evidence on School-based Management. *Human Development, The World Bank, Washington, DC.*

<sup>12</sup> School fees are not mandatory in Laos PDR. School attendance is not dependent on payment of the fee. Even though schools were asked not to continue charging these fees after 2011-12, some schools still charged them, because they did not receive the SBG until the end of the year. SBG Issues Note, 2012.

SBGs are mean to compensate for this loss in revenue. However, by reducing the community contributions needed to meet these operational costs, they also indirectly allow for more capital investment in schools.

**To promote accountability and efficient use of resources, the SBG program requires that parents and village stakeholders participate in spending decisions.** Specifically, the objectives are to (i) facilitate the administration, learning and teaching in schools to help raising the quality of education provided; (ii) increase student enrollment by reducing education costs for parents by gradually eradicating school fees at foundational levels of education and eventually for higher levels so that students are not excluded due to inability to pay fees; and (iii) strengthen capacity of local administrators and staffs to carry out financial management and regulations. SBGs are one of several strategies currently underway in Lao PDR to involve communities in education and increase resources to schools (see Box 1).

### **Box 1. SBG and Other Community Involvement Programs in Lao PDR**

Lao PDR has implemented several programs designed to transfer resources to the schools and involve the local community in school management.

1. **SBG under FTI** ("Impact Evaluation schools") - The FTI (2010-13) provided block grants for 320 schools in 56 of the most deprived districts. For impact evaluation purposes, the 320 FTI funded schools are sub-divided into 4 equal groups of 80 schools each. Two groups of schools receive their funding through the Village Education Development Committee (VEDC) at the level of 20,000 and 40,000 LAK per capita respectively. Schools in the other two groups receive their funding directly at the level of 20,000 and 40,000 LAK per capita respectively.<sup>+</sup> Schools receiving FTI funds do not receive additional funds from the GoL program. However, 56 schools that are receiving GoL SBG funds will get FTI training. Another group of schools that are currently receiving the GoL SBG, but no additional training from FTI are also included as a comparison group.

2. **School Operating Cost** - All schools not participating in the FTI receive 20,000 LAK per student to be managed and overseen by school principal and VEDC members. These schools have not yet received any formal SBG training through the government, but some principals might have received some information on SBGs from their district. We refer to this program throughout this report also as "Government SBG" program.

3. **Community Involvement in Education Development (CIED) program.** This JICA-sponsored program has been in place since 2007 in 90 target schools. Those schools were selected for participation because they had particularly low education indicators. The program provides intensive training and support to help schools draft a School Improvement Plan, and it provides teacher training on lesson preparation and materials. (For more about the CIED program, see Box 6). A second phase of this program began in September 2012.

4. **Community-Based Contracting for School Construction (CBC) program.** This component of the FTI transfers grants-in-aid for community-based construction of schools for communities within the 60 target districts.<sup>+</sup>

5. **Community Grants (CG) program.** These grants are designed to support students in the poorest and most educationally disadvantaged districts. Ninety percent of the total funds are used to purchase goods, clothes and food for poor students while the remaining 10 percent are set aside for operating costs for grant management. This program is funded under the Education Development Project II (EDPII) and the FTI and being implemented by the Non-Formal Education Department.<sup>++</sup>

Although all of these programs have a community involvement component, only the school block grant programs are considered school-based management programs.

<sup>+</sup> SBG Issues Note, 2012.

<sup>++</sup>Ramanantoanina, Patrick Philippe. 2012. Aide Memoire. *Washington DC: World Bank.*

<sup>++</sup>ibid.

## *Objectives and Approach of this Study*

**To support the "School Operating Cost" program or Government SBG implementation, the GoL has requested a framework document that describes how SBGs fit into the larger context of School Based Management (SBM).** This document is intended to help policymakers think through the purposes of SBM reforms and the available evidence on their benefits. In addition, this document will report on implementation experiences around the world to help the GoL anticipate risks and challenges associated with SBM.

**The analysis focuses on primary schools.** Lao PDR has made it a national development priority to meet the MDG universal primary education goal. According to UNESCO, Lao needs to speed-up its pace to reach the goal of universal primary education if it wants to reach the targeted 98 percent primary school net enrollment rate by 2015.<sup>13</sup> One of the strategies to achieve this is through SBGs targeting primary schools first. Primary education in Lao PDR covers grades one to five.

**The study used a variety of methods and data sources.** This report uses education statistics, household surveys,<sup>14</sup> government reports, and other published reports on the current status of education in the country to support its analysis about SBM and identify potential barriers.<sup>15</sup> Government reports and other published reports<sup>16</sup> were also reviewed, including information collected as part of the Systems Assessment and Benchmarking for Education Results (SABER) World Bank effort<sup>17</sup> on SBM indicators, as well as student learning outcomes from the second National Assessments of Student Learning Outcomes (ASLO III)<sup>18</sup> study conducted in 2012. Lastly, a literature review of previous SBM experiences was conducted. Because other published reports provide

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<sup>13</sup> Government of Lao, Seventh Five Year National Socio-Economic Development Plan 2011-2015 (NSED7)

<sup>14</sup> This study reports findings using LECS4 data from 2007/08. LECS5 data is expected to be published in June of 2013.

<sup>15</sup> *ibid.*

<sup>16</sup> UNESCO's National Education Support Strategy (2011) provides a useful diagnostic summary, and references SBG activities in the country. A SBG Issues Paper (final version August 31, 2012) has been produced by Mr. Grayson Clarke, an international consultant on School Block Grants and Mr. Soukkasem Lomathmanyvong, a national consultant on School Block Grants. The Rapid Assessment Survey Report on barriers to achieving the MDGs and textbook distribution undertaken in 2011 by Strategy, Research and Education Analysis Centre (SREAC) with support from the Department of Primary and Pre-Primary Education (DPPE) and the Education Statistics and Information Technology Centre (ESITC) from the MOES is another useful diagnostic document. Lastly, the Annual Round Table Implementation Meeting (RTIM) documents from 2011 provide additional diagnostics, description of the legal and policy framework and recommendations for the future.

<sup>17</sup> The "Systems Assessment and Benchmarking in Education Results" or SABER is an initiative that helps countries systematically examine and strengthen the performance of their education systems. The World Bank is working with countries to develop diagnostic tools and benchmark education policies according to research findings and best practices.

<sup>18</sup> Ministry of Education. 2013. National Assessment of Student Learning Outcome (ASLO III) Primary Grade 3. *Research Institute for Education Sciences and the World Bank*

comprehensive reviews,<sup>19</sup> this report focuses only on those cases that are particularly relevant to the Lao context.

**The Impact Evaluation Baseline survey provided information for this study.** The MoES, with support from the FTI administered a baseline survey of schools that received the SBG. This study gathered information about students, teaching practices, school resources, parent contribution, and school-based management practices, along with test scores for third-grade students tested in Lao and Math. Four hundred and ninety-five schools were targeted for data collection. The MoES provided the survey firm with a list of 520 target schools which were those receiving support under the FTI. Fieldwork began on July 4th, 2012 and was completed by August 13, 2012. In all, 482 schools were surveyed, that is 97% of the intended sample (see Table 3 for sample sizes for each survey target group).<sup>20</sup> At each school, the firm conducted interviews with the principal (or assistant principal), a representative from the VEDC, all teachers of 3rd grade students, and a random sample of 12 3rd grade students. In addition to completing a survey, students also took tests in Lao language and Math provided by the MoES.<sup>21</sup>

**Table 3. Baseline Survey Sample Description**

	Available/ Target	Completed Number	% of Available/ Target
Village (VEDC representative)	495	482	97%
School Principal	495	439	89%
Teacher	1550	1180	76%
Student Grade 3	4445	4167	94%
Lao Test	4445	4164	94%
Math Test	4445	4156	93%

Source: Indochina Research Ltd. Completion Report, September 2012.

**A mission comprising RAND, World Bank, MoES, JICA, and EU representatives conducted a field trip in October 2012 to gather qualitative information from six schools in the Southern region of the country.** During interviews, the mission asked about perceptions of the impact of the SBG program in the school, SBG program implementation, use of funds, reporting on the use of funds and support and training received. In some instances, the mission requested to see official reports and documents (such as the school budget or the school development plan). These qualitative findings represent the views of principals, Village Education Development Council (VEDC)

<sup>19</sup> Barrera-Osorio, F., T. Fasih, and HA Patrinos. 2009. L. Santibanez: Decentralized Decision-Making in Schools. The theory and Evidence on School-based Management. *Human Development, The World Bank, Washington, DC.*

<sup>20</sup> Some schools were inaccessible during the rainy season and thus could not be surveyed.

<sup>21</sup> Because there is little information contained in the survey about the test used, and because Indochina Research Ltd. did not report test scores in proficiency levels or other ways that can be used to compare or benchmark against national norms or other tests, thus test score outcomes are not reported. ASLO test scores are used instead, to report on student learning outcomes throughout this report.

members, parent association members, and in some cases teachers at six schools in three provinces. Although findings cannot be taken as representative of those provinces, they provide context for the issues and recommendations identified in this report.<sup>22</sup>

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<sup>22</sup> Since the October 2012 visit, the SBG consultant team has visited 18 schools in two districts of Vientiane Capital City (one urban, one semi-urban) and the team has visited 25 schools in the provinces of Savannekhet, Bokeo, Oudomxai, Phongsaly throughout 2012. While the purpose of each of those visits was different from the October visit, discussions with school principals confirmed the main issues and challenges from the 6 schools visited in the South.



## 2. Theory Behind School Based Management (SBM) Programs

**School-based management is one among a range of strategies aimed to improve the financing and delivery of education services.** School-based management (SBM) is a form of decentralization that takes authority from the central government to the school level.<sup>23</sup> Under SBM, schools are the primary authority for making decisions that will improve education. SBM often, but not always, includes a transfer of all or parts of the school budget to the school. Under SBM, a school council or committee is established at the school to make decisions over funding and other matters. The school council or committee usually includes the principal, teacher and parent representatives, and could include community and student representatives as well. It is estimated that there are more than 800 examples of SBM reforms around the world.<sup>24</sup>

**The functions of school councils may vary.** School committees may be expected to do any of the following: (1) monitor school performance as well as teacher and student attendance; (2) raise funds and create endowments for the school; (3) appoint, suspend, dismiss, and remove teachers and ensure that teachers' salaries are paid regularly and, rarely, (4) approve annual budgets including the development budget and examine monthly financial statements.

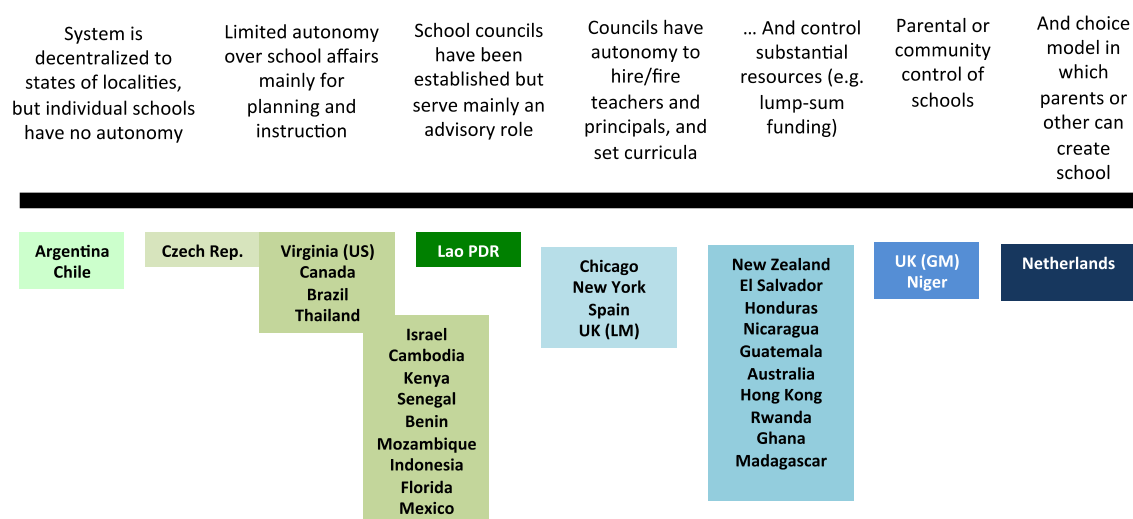
**SBM models can be differentiated by how much decision-making power has been transferred to the school.** Figure 3 shows "light" and "strong" versions of SBM along a continuum, as developed in Barrera-Osorio, Fasih and Patrinos (2009). Light SBM reforms are those in which schools have limited autonomy, usually over issues to do with instructional methods or planning for school improvement, and can make decisions over a small proportion of the school's budget or an annual cash grant (for example, Mexico's School Quality Program). The strong form of SBM is characterized by councils becoming more autonomous, receiving their entire school budget directly from the central or other relevant level of government, and having the responsibility for hiring and firing teachers and principals and/or for setting curricula (as in the EDUCO program in El Salvador). In the strongest form, parents have complete choice and control over public education and all decisions concerning school operational, financial and educational management are left to school councils or school administrators (as, for example, in the Netherlands).

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<sup>23</sup> Caldwell, B. (2005). *School-Based Management*. Paris: The International Institute for Educational Planning; Brussels: The International Academy of Education, UNESCO, Education Policy Series 3.

<sup>24</sup> Barrera-Osorio, F., T. Fasih, and HA Patrinos. 2009. L. Santibanez: Decentralized Decision-Making in Schools. The theory and Evidence on School-based Management. *Human Development, The World Bank, Washington, DC*.

**Figure 3. SBM Continuum**



Source: Adapted from World Bank, SBM Launch presentation (2010).

**SBM programs usually require a school development or improvement plan (SDP) to be drafted by the school council or committee with guidelines from the government.**

The SDP is intended to help parents, principals, teachers and community representatives make effective spending decisions, both for the short- and the long-term. School development plans serve an important planning and community participation purpose. They facilitate meaningful conversations between principals, parents, teachers, and sometimes even students on topics that are central to the education process. SDPs also allow all these actors to be aware of what principals are planning to do during the school year and thus could serve an important accountability role as well. The SDP serves as the road map for school committees and as the tool for educational authorities to monitor progress. And it can help schools take advantage of a continuous, predictable stream of funding by helping school committees think strategically about where to spend the resources.

**SDPs set targets for learning and other outcomes and the school's strategies to reach them.** SDPs usually contain learning targets (for example, in terms of student test scores, passing rates or dropout rates); teaching targets, such as teacher attendance, training or other, and community participation targets. There may be other targets in terms of school construction, equity or achievement gaps or other items that are important to schools. School councils or committees must then decide what strategies they will pursue to reach these goals. These include strategies related to teachers' professional development, improvements to school infrastructure and equipment, purchase of textbook and other pedagogical materials, and community participation. Box 3 describes a plan for one Lao district.

***Box 2. Example of a School Development Plan from a Lao PDR School***

Below is an outline of the contents of one sample School Development Plan from Saravanh province:

1. Situation analysis and issues (diagnostic piece)
2. Objectives
3. Expected Outputs
4. Target indicators to be achieved during the school year
5. Content of the school development plan. Here, the school analyzes the issues (i.e. not enough teachers, insufficient teaching and learning materials, repetition issues, etc.) and how it will address them (i.e. school will have workshops on various topics, etc.)
6. Instructions for implementation. For example, the VEDC will disseminate plan to the community, delegation of responsibilities to various school stakeholders, etc.
7. Annexes. Report on community participation and fundraising, report on the situation analysis, etc.

Source: Sample School Development Plan from Ban Khua School at Laogam District, Saravanh Province (school year 2010-11).

**Lao PDR's SBG program represents a light version of SBM.** As will be described in more detail later, the SBG program is a moderate or early-stage version of SBM. In the SBG program, a group consisting of parent representatives, VDEC representatives, the school principal and other school staff makes autonomous decisions on how to spend the grant. In addition, this group monitors spending, reports the use of funds, and engages in planning using the School Development Plan. However, neither principals, parents or VEDC representatives have much authority over firing/hiring of teachers, nor can they determine teacher salaries, curriculum, or have much influence over other key elements of school decision-making.

### 3. How SBM Improves Education Outcomes: The Evidence

**SBM has the potential to improve learning and other education outcomes in four ways, one of which is by encouraging more parent involvement.** SBM programs have been found to increase parental involvement in both traditional ways, such as participating in parent-teacher conferences, attending school events and doing fundraising, as well as in more formal ways, such as having influence over teacher hiring and firing.<sup>25</sup> Parental involvement is also known to be a strong predictor of academic and behavioral success in elementary school in the United States.<sup>26,27</sup> The strong parental and community oversight component of most SBM programs could ensure that funds are spent in the schools, and directly on activities affecting students. This is especially important in countries where corruption or misuse of school funds is a problem.

**Second, local decision-making may improve resource allocation.** Under SBM, all relevant local actors (i.e., principal, teachers, parents, and sometimes students and other community members) may be involved in decision making about aspects central to the school. The principle here is that those who work in a school building should have greater management control of what goes on in the building, because they have greater knowledge of local context and needs.<sup>28</sup>

**Third, school staff, parents and students may develop a higher sense of "ownership" of the school under SBM.** Some authors have noted that under SBM, school personnel and even students might develop a greater sense of "ownership" of the school, thereby becoming more committed to their schools.<sup>29</sup> However, there is not a great deal of empirical research to confirm this idea.

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<sup>25</sup> Sawada, Y., and AB Ragatz. 2005. Decentralization of education, teacher behavior, and outcomes. *Incentives to improve teaching*:255

<sup>26</sup> See Sui-Chu, E.H., and J.D. Willms. 1996. Effects of parental involvement on eighth-grade achievement. *Sociology of Education*:126-141; Jeynes, W.H. 2007. The Relationship Between Parental Involvement and Urban Secondary School Student Academic Achievement A Meta-Analysis. *Urban Education* 42 (1):82-110. Epstein, J.L. 2001. *School, family, and community partnerships: Preparing educators and improving schools*: ERIC. Keith, T.Z., P.B. Keith, K.J. Quirk, J. Sperduto, S. Santillo, and S. Killings. 1998. Longitudinal effects of parent involvement on high school grades: Similarities and differences across gender and ethnic groups. *Journal of School Psychology* 36 (3):335-363. Domina, T. 2005. Leveling the home advantage: Assessing the effectiveness of parental involvement in elementary school. *Sociology of Education* 78 (3):233-249.

<sup>27</sup> Parental involvement usually refers to activities such as attendance at parent-teacher conferences, participation in parent-teacher organizations (PTOs), attendance at school events, and volunteering at school (including fundraising activities). Kao, G., and K. Turney. 2010. Adolescents and schooling: Differences by race, ethnicity, and immigrant status. Barnard, W.M. 2004. Parent involvement in elementary school and educational attainment. *Children and Youth Services Review* 26 (1):39-62.

<sup>28</sup> Barrera-Orsorio, F., T. Fasih, and H.A Patrinos. 2009. L. Santibanez: Decentralized Decision-Making in Schools. The theory and Evidence on School-based Management. *Human Development, The World Bank, Washington, DC*.

<sup>29</sup> From Carvalho, M.E.P., and J. Jeria. 1999 (Community-School Relations. Current Policies of Parental Involvement and Community Participation. Cases in Brazil and Chile) cited in Carnoy, M., T. Beteille, I. Brodziak, P. Loyalka, and T. Luschei. 2009. Do countries paying teachers higher relative salaries have higher student mathematics achievement. *International Association for the Evaluation of Education Achievement (IEA), Amsterdam, Netherlands*.

**Fourth, SBM increases local resources.** Most SBM reforms include transfer of funds to local schools. In many developing countries, these funds are among the few discretionary resources that schools have. In many countries, and certainly in Lao PDR, schools are in dire need of better infrastructure and equipment, learning materials, and teacher resources. These funds can be used to purchase such goods and repairs and improve the learning conditions for students and working conditions for teachers. A review of nearly 80 studies around the world found that investing in resources, such as textbooks, basic furniture (desks, chairs, etc.), blackboards, school infrastructure (non-leaking roofs, high quality walls and floors), and electricity are related to higher student learning.<sup>30</sup>

### *Evidence on the Effects of SBM Programs on Student Learning and Other Outcomes*

**Although SBM is a popular reform around the world, few rigorous studies have been carried out to assess its effects.** Only a few rigorous studies of the impact of SBM exist.<sup>31</sup> Most of the studies of SBM reforms around the world are non-experimental and thus suffer from some form of selection or other biases, which could affect their results.

**SBM programs have yielded mixed results in terms of student learning and other outcomes.** Although the research base is not thick, several studies, however, are rigorously executed and provide the best analysis that is possible given program rollout and data availability. In sum, earlier studies of SBM in Mexico, El Salvador, Honduras and other countries in Latin America suggest that SBM policies did change the dynamics of the schools either because parents got more involved or because teacher's actions changed.<sup>32</sup> Studies that had access to standardized test scores found mixed evidence regarding SBM effects on outcomes. Some programs such as those in Mexico, the United States (Chicago) and El Salvador suggest some positive results, while others such as those in Brazil, Nepal and Pakistan have not found any statistically significant results. In a recent World Bank publication, "Making Schools Work," the authors do a comprehensive review of SBM programs around the world and conclude that:

- SBM can increase teacher effort, raise parental involvement, decrease repetition rates and in some cases, improve student test scores.
- Implementation is important for success, but many schools in countries where SBM programs have been implemented lack capacity to effectively manage SBM.
- Therefore, any SBM implementation must include strategies to develop capacity at the local level.

Table 4 summarizes results from the best available evidence on the effects of SBM programs around the world.

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<sup>30</sup> Glewwe, P.W., E.A. Hanushek, S.D. Humpage, and R. Ravina. 2011. School Resources and Educational Outcomes in Developing Countries: A Review of the Literature from 1990 to 2010. National Bureau of Economic Research.

<sup>31</sup> Bruns B., D. Filmer and H.A. Patrinos. (2011) Making Schools Work. New Evidence on Accountability Reforms. Washington D.C.: The World Bank Press.

<sup>32</sup> *ibid.*

**Table 4. Summary of Evidence of SBM Program Effects Around the World**

<b>Country</b>	<b>Program description</b>	<b>Key Findings</b>	<b>Study Design</b>
Indonesia <sup>33</sup>	Tested various small, pilot SBM (grant and planning) interventions that included democratic committee elections, greater linkage to villages, and committee training.	Interventions that change committee structures, through democratic elections that allow a wider base of the community to be represented in the school committee, or by linking committees to the larger community (village), were more successful. Program effects were observed after two years.	Experimental
Philippines <sup>34</sup>	Nationwide SBM program providing cash grants to schools and training to principals and teachers for planning purposes	Schools participating in SBM increased their average student performance on national tests, in science and English, two years after the program started	Non-experimental (propensity-score matching (PSM), differences-in-differences (DD))
Cambodia <sup>35</sup>	SBM program ("ESSUAP") providing cash grants to schools	Small positive results on pass, dropout and achievement rates, but not statistically significant.	Non-experimental (PSM).
Cambodia <sup>36</sup>	SBM program "EQIP" provides cash grants to schools to be invested in school priorities as determined by the school council	Program associated with lower dropout rates, higher pass rates and better student test scores.	Quasi-experimental (regression analysis controlling for pre-treatment variables)
Mexico <sup>37</sup>	SBM program ("PEC")	Small, but significant	Non-

<sup>33</sup> M. Pradhan; D. Suryadarma; A. Beatty; M. Wong; A. Alishjabana; A. Gaduh; and R. P. Artha (2011). "Improving Educational Quality through Enhancing Community Participation. Results from a Randomized Field Experiment in Indonesia". *World Bank Policy Research Working Paper* No. 5795. The World Bank: East Asia and Pacific Region

<sup>34</sup> Khattri, N.; C. Ling and S. Jha.(2010). "The Effects of School-Based Management in the Philippines: An Initial Assessment Using Administrative Data," *World Bank Policy Research Working Paper* No. 5248. The World Bank: Independent Evaluation Group, East Asia Education Sector Unit and World Bank Institute.

<sup>35</sup> BN Consult and J. Marshall (2012). *School Improvement Grant (SIG) Program Evaluation: Final Report*. Education Sector Scale-Up Support Program (ESSUAP). Ministry of Education, Youth and Sport (MoEYS).

<sup>36</sup> Benveniste, L., and J. Marshall. 2004. "School Grants and Student Performance: Evidence from the EQIP Project in Cambodia." Unpublished manuscript, World Bank, Washington, DC.

<sup>37</sup> Skoufias, E., and J. Shapiro. 2006. The pitfalls of evaluating a school grants program using non-experimental data. *World Bank: Estados Unidos de Norte América*; Shapiro, J.S., and E. Skoufias. 2006. Local but Unequal? How Educational Decentralization Stratifies Schools. *Unpublished manuscript, World Bank, Washington, DC*. Murnane, R., J. Willet, and S. Cárdenas. 2006. ¿ Ha contribuido el Programa

	provides cash grants to schools and limited principal training.	improvements on dropout, repetition and failure rates. Some positive effects on student test scores.	experimental (PSM, DD)
Mexico <sup>38</sup>	SBM program targeting rural areas ("AGE") providing cash grants to parent teacher associations and training	Significant results on reducing grade failure and repetition; no significant effects on intra-year dropout rates; some positive effects on test scores when amount of grant was doubled (preliminary results)	Non-experimental for failure/ repetition and dropout rates; experimental for test scores
El Salvador <sup>39</sup>	"EDUCO" program gave broad autonomy to school council over all school matters.	Teachers in EDUCO schools had higher attendance and exhibited behaviors related to higher effort. Higher student attendance and in some grades, higher test scores.	Non-experimental (2-stage least squares)
Nepal <sup>40</sup>	SBM program provide cash grants to community-run schools, and gave them authority over staffing and setting teacher salaries	No significant effects on test scores	Non-experimental (Instrumental variables and DD)
Pakistan <sup>41</sup>	Small pilot program where NGOs and school councils jointly managed school and received a cash grant. Management could make staffing decisions.	No significant effects on analyzed outcomes: teacher attendance, student enrollment or infrastructure index.	Quasi-experimental (started out as randomized control trial but randomization not upheld)
Brazil <sup>42</sup>	The PDE or "School	Program had significant	Non-

Escuelas de Calidad (PEC) a mejorar la educación pública en México. *Aprender más y mejor. Políticas, programas y oportunidades de aprendizaje en educación básica en México. México: Fondo de Cultura Económica.*

<sup>38</sup> Gertler, P., H.A. Patrinos, and M. Rubio-Codina. 2006. *Empowering parents to improve education: evidence from rural Mexico*. Vol. 3935: World Bank, Human Development Network Education Team; Lopez-Calva, L. F. , and L. D. Espinosa. 2006. Efectos Diferenciales de los Programas Compensatorios del CONAFE en el Aprovechamiento Escolar. En Efectos del Impulso a la Participación de los Padres de Familia en la Escuela. . *México DF: CONAFE*

<sup>39</sup> Jimenez, E., and Y. Sawada. 2003. Does community management help keep kids in schools? Evidence using panel data from El Salvador's EDUCO program; Jimenez, E., and Y. Sawada. 1999. Do community-managed schools work? An evaluation of El Salvador's EDUCO program. *The World Bank Economic Review* 13 (3):415-441; <sup>39</sup>Jimenez, E., and Y. Sawada. 2000. Do Community Managed School Keep Kids in Schools? Evidence Using Panel Data from El Salvador's EDUCO Program. *World Bank (mimeo)*; Sawada, Y., and AB Ragatz. 2005. Decentralization of education, teacher behavior, and outcomes. *Incentives to improve teaching*:255.

<sup>40</sup> Chaudhury, N., and D. Parajuli. 2010. "Giving It Back: Evaluating the Impact of Devolution of School Management to Communities in Nepal." Unpublished manuscript, World Bank, Washington, DC

<sup>41</sup> Das, J. 2008. "The Impact of Contracting Out School Management to NGOs and of Transferring Budgets to School Councils." PowerPoint presentation, World Bank, Washington, DC.

<sup>42</sup> Paes de Barros, R., and R. Mendonca. 1998. "The Impact of Three Institutional Innovations in Brazilian

	Development Plan" program provided funds to schools to support their annual improvement goals.	positive effects on repetition rates.	experimental
United States (Chicago) <sup>43</sup>	District wide reform that instituted Local School Councils in every school, and gave them broad autonomy over most school matters (except staffing and budget)	After initial slippage, program had positive effects on student achievement.	Non-experimental

**Recent research from programs in Southeast Asia suggests that SBM reforms have produced favorable student outcomes.** In Southeast Asia, SBM has been implemented Cambodia, the Philippines and Indonesia. Research has found that some forms of SBM, particularly those that involve a wide community base and provide training have had modest positive effects on student test scores. Even SBM reforms that are more limited in scope than the SBG program—for example, providing small cash grants to schools to be managed by a school council—are associated with better outcomes, such as better pass rates and reduced dropout rates. However, in all of these studies, the size of the effects is modest, and in both the Cambodia and Philippines studies, the authors caution against over-interpreting the results given the small sample sizes and methodological challenges. The next sections describe this research in more detail.

**The study of various experimental pilot SBM programs in Indonesia is noteworthy because it found improvements in student achievement when a wider base of the community is represented in the school council.** Results from this experimental evaluation suggest that interventions that reinforce existing school committee structures (grant and training) have limited impact on learning. However, interventions that change these structures, through democratic elections that allow a wider base of the community to be represented in the school committee, or by linking committees to the larger community (village), were more successful. The linkage intervention led to increased collaboration between the village and school council. However, qualitative evidence cited in this study suggests that this collaboration was primarily between school management and the village council, with a marginal role for the committee.<sup>44</sup> The *linkage + election* interventions had the intermediate effect of raising overall awareness of the school

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Education.” In *Organization Matters: Agency Problems in Health and Education in Latin America*, ed. W. D. Savedoff. Washington, DC: Inter-American Development Bank; Carnoy, M., A. Gove, S. Loeb, J. Marshall, and M. Socias. 2008. “How Schools and Students Respond to School Improvement Programs: The Case of Brazil’s PDE.” *Economics of Education Review* 27 (1): 22–38.

<sup>43</sup> Hess Jr, G.A. 1999. Understanding achievement (and other) changes under Chicago school reform. *Educational Evaluation and Policy Analysis* 21 (1):67-83. Hess Jr, G.A. 1997. Using School-Based Management to Restructure Schools: The Chicago Experience. *Restructuring Public Schooling: Europe, Canada, America* 6:133. Bryk, A.S., P.B. Sebring, D. Kerbow, S. Rollow, and J.Q. Easton. 1998. *Charting Chicago School Reform: Democratic Localism as a Lever for Change*; ERIC.

<sup>44</sup> Bjork, Christopher. 2009. "Improving Educational Quality through Community Participation Qualitative Study," In Report for World Bank.



committee, increasing the time household members' spent helping their children with homework and prompting greater effort by teachers, largely outside of the classroom.<sup>45</sup>

**One of the lessons from Mexico's Support to School Management program or AGE (Apoyo a la Gestión Escolar), which targeted schools in rural areas, was that parent training by itself might have contributed to its positive effects on student test scores.** A recent randomized evaluation of AGE carried out in 2010, doubled the resources that AGE schools received to test whether the additional funding made any difference. In addition, it included a separate parent-training only treatment arm. Preliminary results from a recent experimental evaluation of Mexico's AGE program suggests that AGE promoted joint participation of teachers, principals and parents for school-level planning. The double-funded AGE schools improved Spanish and math test scores for 3rd graders, and reduced dropout rates. Results from the parent-only intervention suggest it also improved some learning outcomes (Gertler, Patrinos, & Rodriguez-Oreggia, 2010)

### *Lessons from SBM Implementation Efforts*

**Recent published work on SBM highlights the important role of implementation.** In "Making Schools Work" the authors note that implementation is important for the success of SBM programs. However, many schools that are new to SBM also lack the capacity to effectively manage SBM. Therefore, SBM programs must take steps to build capacity at the local level and ensure SBM programs are adequately implemented. Although there is not a lot of research that deals specifically with SBM program implementation, below we present a review of recent studies from the Indonesia Bantuan Operasional Sekolah (BOS) school block grant program, El Salvador's EDUCO program, and Mexico's PEC-FIDE program, all of which investigated program implementation and could shed light on some lessons learned on this front.

**Indonesia's BOS program suffered from lack of capacity at the school level. This hindered the potential of Indonesia's BOS program to unleash broad community participation and strategic decision-making.** The capacity of elementary schools to implement SBM was found to be relatively low. Principals and teachers indicated that they generally understood the autonomy the program provided schools to make managerial and programmatic decisions with input from other stakeholders, but they did not understand how to put the principles into operation effectively.<sup>46</sup>

**School principals play a key role in SBM implementation, but often lack the capacity to be effective managers and instructional leaders.** Studies of SBM programs with detailed implementation information suggest that the key actor is the school principal. Even in schools where school councils were designated to take over all

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<sup>45</sup> M. Pradhan; D. Suryadarma; A. Beatty; M. Wong; A. Alishajabana; A. Gaduh; and R. P. Artha (2011). "Improving Educational Quality through Enhancing Community Participation. Results from a Randomized Field Experiment in Indonesia". *World Bank Policy Research Working Paper* No. 5795. The World Bank: East Asia and Pacific Region.

<sup>46</sup> Vernez, G., R. Karam, and J.H. Marshall. 2012. Implementation of School-Based Management in Indonesia. Monograph. *RAND Corporation*.

administrative matters of the school (such as EDUCO in El Salvador), the principal was the main decision-maker.<sup>47</sup> In the Indonesian BOS program, school committees rarely met and the school committee chair was simply asked to sign-off on decisions already made by the principal.<sup>48</sup> This was also true in Mexico.<sup>49</sup> Much of the eventual success of SBM hinges on whether the principal can make decisions that effectively improve school quality.

**Many principals and other school committee members lack the skills or information needed to do the planning that is essential to successful SBM implementation.** Without school staff expertise to align their academic and other programs with local needs and priorities, the promise of SBM cannot be effectively fulfilled.<sup>50</sup> Even though most school committees agreed that "improving education" was the goal of the SBM program, they were often unsure of what strategies to implement. Most schools provided afterschool tutoring or extra lessons, and this uniformity suggests a lack of knowledge of alternatives in addressing student performance issues.<sup>51</sup>

**For SBM to be successful, key actors—particularly school principals and parents—must receive effective, continuous training.** In Indonesia, only a minority of principals indicated that they were well prepared to deal with key SBM activities such as "providing creative leadership and vision for school staff," "planning for the school's academic improvement in the medium term" or "planning and managing the school budget and finances."<sup>52</sup> They also reported that whatever training they had received had been insufficient or not useful. Most of the training they received lasted only a day or two, and some reported that they had already forgotten what they learned.<sup>53</sup> Training for other school committee members was also sporadic, lasting only a few hours. During field visits to six schools in Lao's southern provinces, most principals also mentioned the need for additional training related to planning and managing the SBG. For training to be effective, it should be systematic, well-designed, and provide opportunities for active engagement and practice of what they have learned. In the case of parents, few SBM programs provide explicit funds to train parents, even though there is some preliminary evidence to suggest that parent-only interventions could be beneficial in their own terms.<sup>54</sup>

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<sup>47</sup> Sawada, Y., and AB Ragatz. 2005. Decentralization of education, teacher behavior, and outcomes. *Incentives to improve teaching*:255.

<sup>48</sup> Vernez, G., R. Karam, and J.H. Marshall. 2012. Implementation of School-Based Management in Indonesia. Monograph. *RAND Corporation*.

<sup>49</sup> Santibañez, L. and Martínez J. F. (2010) "Políticas de incentivos para maestros: Carrera Magisterial y opciones de reforma" in Alberto Arnaut and Silvia Giorguli (Eds.) *Los grandes Problemas de México. Educación*. Vol 7. El Colegio de México. México D.F.

<sup>50</sup> Vernez, G., R. Karam, and J.H. Marshall. 2012. Implementation of School-Based Management in Indonesia. Monograph. *RAND Corporation*.

<sup>51</sup> *ibid.*

<sup>52</sup> *ibid.*

<sup>53</sup> *ibid.*

<sup>54</sup> Gertler, Patrinos and Rodriguez-Oreggia, 2010 cited in H. Patrinos "Parental Empowerment In Mexico: Randomized Experiment Of The Apoyo A La Gestion Escolar Program In Rural Primary Schools" Working Paper.

**Monitoring and feedback are essential for effective SBM implementation.** To be effective, school committee (VEDC) members should be provided with specific guidelines on the kind of school indicators they should monitor to assess school activities. These should be codified in a manual made available to school committee members for easy reference.<sup>55</sup> Some evaluation and feedback of principals' decisions is also needed so that principals and school committees know whether their efforts are successful.

**Reporting on the use of funds along with wide participation in school committees helps ensure accountability.** All SBM programs have mechanisms for schools to report to districts or other higher entity on the use of funds. School committees must submit written reports to district or provincial authorities detailing the use of funds. This reporting ensures accountability in the use of public resources and is generally desirable. However, in some countries reporting has been found to be either quite limited (Indonesia), or overly excessive and regulated. For Mexico's PEC-FIDE program, for example, excessive paper work for planning and accountability resulted in overburdening of the school principals and lower levels of participation overall. Moreover, schools ended up spending the grant not in the most efficient way, but in the most feasible way (see Box 3).

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<sup>55</sup> *ibid.*

***Box 3. Compliance for Compliance's Sake:  
Mexico's SBM Extreme Regulatory Experience***

School committees under Mexico's PEC and PEC-FIDE program are subject to many regulations in the use of block grant funds. They have to obtain three different quotes for any equipment, material, or service they wish to purchase with the grant. While this might be easy to do for schools in cities and large towns, it is exceedingly difficult in rural and remote areas where principals have to travel a significant distance to reach a supplier, let alone three different ones. In many cases, these schools lack Internet access or even telephone facilities so that even obtaining quotes over the phone is not possible. In addition, school committees have to comply with a large amount of reporting and planning paper work. Schools have to prepare yearly school improvement plans in addition to five-year plans that included rich and detailed information on diagnostic, goals, progress, etc. Even though this planning process was designed to spur whole-school discussions and involvement around school quality, many school principals, teachers and community members had never engaged in these kinds of planning processes and found them daunting<sup>+</sup>. In most cases, school plans were drafted entirely by the school principal with minimal support from district officials, even though the program had meant for superintendents to provide technical assistance and on-site training to principals. Principals recalled being overwhelmed by the process, and rushing to finish school plans any way possible, even copying from the template. One director acknowledged that he had simply written in what the district officials told him so he could meet the deadline. Other directors reported scrambling at the last minute to spend the grant any way they could lest they lose the funds for next year. The study concluded that most principals viewed the planning process as paperwork to complete, not as an opportunity to engage other school stakeholders and think through the schools' needs, goals and strategies to accomplish them. The study concluded that the excessive regulation led to great burden for school principals and lack of meaningful whole-school discussions or deliberations around the planning process. In small schools, principals did not even think the effort was worthwhile given the low amount of resources they received<sup>++</sup>.

<sup>+</sup>O'Donoghue, J., L. Santibañez, L. Caudillo M., and Arrieta W. 2009. Qualitative Evaluation of the Pilot Project PEC-FIDE. *Mexico City: Fundación IDEA*.

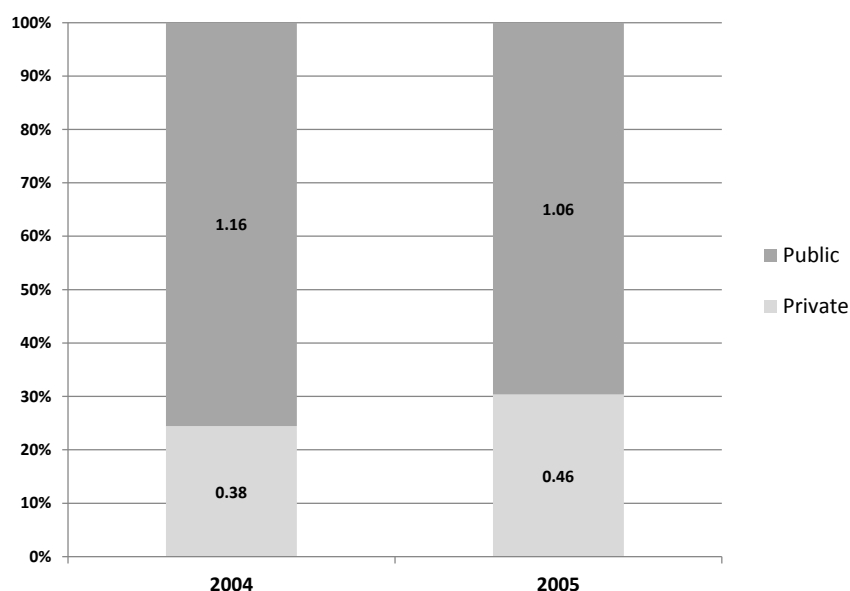
<sup>++</sup>ibid.

## 4. Overview of the Education Sector and Outcomes in Lao PDR

### *Education Expenditure*

**Public expenditure on education as the percentage of government budget has increased to 13 percent in 2011/12.** The increase reflects the government's commitment to achieve the policy objectives underlined in the Education Sector Development Framework. The share of total public expenditure has fluctuated significantly in the past decade. It went from a low of seven percent in 1998 to a high of 13.1 percent in 2011/12.<sup>56</sup> Public expenditure in primary education in 2004 was three times higher than private expenditure, 0.38 percent of GDP and 1.16 percent of GDP, respectively. In 2005 the share of public expenditure decreased, representing only double the private expenditures on education in the country (see Figure 4)

**Figure 4. Total Expenditure on Educational Institutions and Administration in Primary Level**



Source: UNESCO, Country Data.

**Public non-wage recurrent educational expenditure in the country is low, representing around 20 percent of recurrent expenditure, but only between 3 and 7 percent of total education expenditure over the past 4 years.**<sup>57</sup> In 2010/11 the share of public non-wage recurrent expenditure of total public expenditure in education was only 3.4 percent.<sup>58</sup> However, in this past year it increased to over 8 percent, due in large part to funds destined for the SBG program. The share of wage spending decreased from the

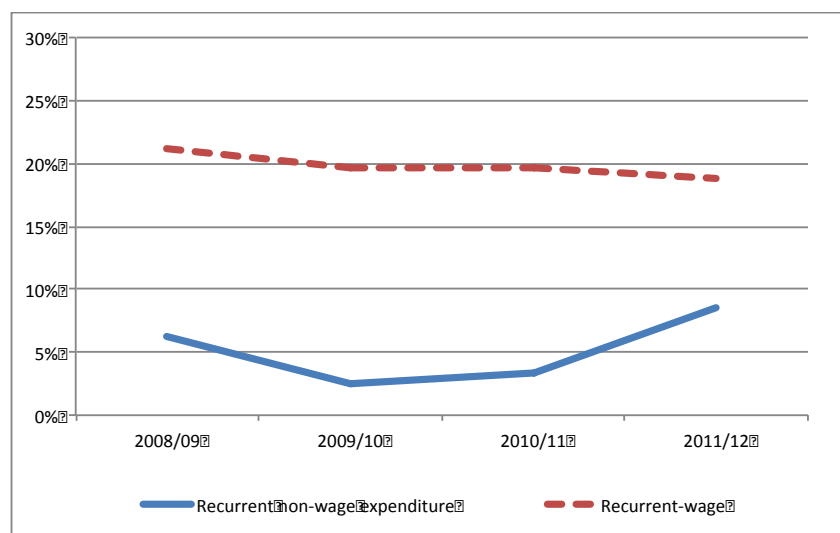
<sup>56</sup> NRIES, Assessment Study, 2007.

<sup>57</sup> Non-wage recurrent expenditure in education includes recurrent expenses such as teaching materials, teacher training, etc. World Bank (2007) *Lao PDR, Public Expenditure Tracking Survey in Primary Education and Primary Health. Making Services Reach the Poor People.*

<sup>58</sup> State Budget Plan, 2010/11.

mid-90s, but remains close to half of recurrent expenditure.<sup>59</sup> In addition, there are large differences in shares of non-wage expenditures across districts, with some provinces (Savannakhet and Sayaboury) almost doubling the share of non-wage expenditures than others (Sekong and Phongsaly).<sup>60</sup>

**Figure 5. Share of Public Non-Wage and Wage Recurrent Expenditure of Total Education Budget**



Source: Directorate of Planning, MoES, 2012.

The average recurrent expenditure (including wage and non-wage recurrent expenditures) per student in primary school is around 365,000 LAK per year with large regional variations (see Table 5).<sup>61</sup> Provinces vary widely in how much they spend in recurrent spending per pupil. Some provinces like Oudomxay spent as little as 193,356 LAK per student in 2009/10, while Bolikhamxay spent more than four times as much (808,937 LAK). The average non-wage recurrent expenditure per student in primary schools is around 23,000 LAK per year.<sup>62</sup>

**Table 5. Average Public Recurrent Expenditure per Student by Level (2009/10)**

Level	Min	Average	Max
Pre-primary	119,323	438,581	1,149,785
Primary	193,356	365,875	808,937
Lower Secondary	205,894	360,285	587,493
Upper Secondary	430,538	1,242,915	3,122,578

Source: Directorate of Planning, MoES, Focal Group 3 Presentation. 2012.

<sup>59</sup> Source Budget 2011-12, MoES. This calculation includes only "salaries" in wage expenditures.

<sup>60</sup> King, E. and van de Walle D. (2005). *Schooling and Poverty in Lao PDR*. Washington, DC: The World Bank, Development Research Group

<sup>61</sup> These figures are public financed costs; no information to date has been collected by the Government on community contributions. Differences in costs in Table 2 can arise from variation in how provinces allocate between education and other sectors.

<sup>62</sup> Directorate of Planning, MoES, Focal Group 3 Presentation. 2012.

Government funds, channeled through the District Bureau of Education, are the main source of non-wage cash resources for schools. Schools, however, also receive funds from other organizations and from private contributions and fundraising activities (see Table 6). These sources do not represent a continuous revenue stream for schools, but in some years schools can obtain a considerable amount of funds. In SY 2011/2012, the most recent year principals reported these funds, they amounted to 94,460 kips on average for those schools receiving these non-government funds.

**Table 6. Average support in cash schools received from the following sources  
(Average kips only for those schools receiving funds)**

Source	SY 2009/2010		SY 2010/2011		SY 2011/2012	
	Total	%	Total	%	Total	%
Non-governmental organizations	-	-	-	-	111,927	0.5%
International agencies	38,462	43.5%	-	-	19,969,498	94.1%
Local community	50,000	56.5%	30,000	100%	392,520	1.8%
Private person	-	-	-	-	412,327	1.9%
Private companies	-	-	-	-	165,419	0.8%
Religious institutions or individuals	-	-	-	-	167,890	0.8%
School fundraising activities	-	-	-	-	7,340	0.03%

Source: Baseline IE. Survey of school principals, 2012. N ranging from 424 to 442.

According to principal reports, most non-wage expenditure at the school level, irrespective of source, goes to pay for school supplies, construction, and maintenance (see Table 7).

**Table 7. Usage of non-wage cash funds for those schools receiving them, average kips**

SY2011/2012	First Semester	Second Semester	Total	%
School construction	288,535	8,632	297,167	21.8%
School maintenance	154,464	162,067	316,531	23.3%
School supplies	170,741	195,322	366,063	26.9%
Student fellowship	8,242	6,389	14,631	1.1%
Other	230,507	135,141	365,648	26.9%

Source: Baseline IE. Survey of school principals, 2012. N ranging from 424 to 442

In addition to cash funds, schools also receive in-kind resources from the government and from non-government sources. Tables 8 and 9 below show that most schools receive classroom supplies, teacher books and textbooks from both the government and non-government sources. Many schools also receive library books, sports equipment and building materials from NGOs and other private donors.

**Table 8. Percentage of schools receiving any in-kind support from Government (%)**

<b>In-kind support</b>	<b>SY 2009/2010</b>		<b>SY 2010/2011</b>		<b>SY 2011/2012</b>	
	<b>First Semester</b>	<b>Second Semester</b>	<b>First Semester</b>	<b>Second Semester</b>	<b>First Semester</b>	<b>Second Semester</b>
Classroom supplies (such as chalks, pens)	76.02	23.08	77.38	23.76	78.73	27.6
Teacher books and supplies	62.9	16.29	62.22	17.19	61.09	19.23
Teacher meals	5.43	1.36	6.11	1.36	4.52	1.58
Teacher housing	1.13	0.23	1.58	0.45	2.49	0.45
Student textbooks	54.3	6.79	47.29	7.69	46.38	8.82
Building materials for repairs or construction	4.52	0.9	4.07	1.58	4.3	1.81
Student meals	1.81	1.13	3.17	1.81	4.3	3.17
Sports equipment	6.33	1.81	4.52	3.17	7.01	3.62
Others	0	0	0	0	0.9	0.23
Others: specify	0	0	0.23	0.23	0.45	0.45

Source: Baseline IE. Survey of school principals, 2012. N=442



**Table 9. Percentage of schools receiving in-kind support from NGOs, private sector, and international agencies**

In-kind support	SY 2009/2010		SY 2010/2011		SY 2011/2012	
	First Semester	Second Semester	First Semester	Second Semester	First Semester	Second Semester
Classroom supplies (such as chalks, pens)	46.3	37.3	48.8	36.2	58.2	37.0
Teacher books and supplies	36.3	19.6	50.0	19.1	53.7	19.6
Teacher meals	1.3	3.9	2.5	6.4	6.0	4.3
Teacher housing	2.5	60.8	1.3	2.1	4.5	0.0
Student textbooks	31.3	7.8	30.0	19.1	43.3	13.0
Library books	17.5	11.8	27.5	19.1	34.3	17.4
Other learning materials (eg, TV, computer)	13.8	7.8	13.8	8.5	17.9	6.5
Building materials for repairs or construction	8.8	11.8	18.8	25.5	23.9	19.6
Student meals	13.8	9.8	13.8	4.3	19.4	6.5
Sports equipment	23.8	11.8	32.5	17.0	32.8	19.6
Others: specify	5.0	5.9	8.8	6.4	7.5	6.5
N	80	51	80	47	67	46

Source: Baseline IE. Survey of school principals, 2012.

**Although they were never mandatory or legal, school fees were abolished in 2011, and most school complied (see Table 10).** School fees were never mandatory or legal, but schools collected them as a voluntary parent contribution and called them "fees." Some schools continued to collect "fees" or contributions for parents for sports activities (630 LAK on average) and book rental (400 LAK on average). Close to 20 percent of schools charged examination fees around 5,600 LAK per year.

**Table 10. Percentage of Schools Charging Fees to Students by Type**

Fees type	School Year 2010-2011			School Year 2011- 2012		
	Compulsory	Optional	None	Compulsory	Optional	None
Official tuition fees	49.8	10.2	39.8	0.0	1.8	97.7
Sports fees	18.6	5.0	76.2	48.2	10.4	41.4
Examination fees	19.0	4.3	76.5	18.1	4.1	77.8
Book rental fees	10.0	5.9	83.9	20.1	3.4	76.5
Other fees: Specify	0.5	2.0	97.3	9.5	5.2	85.3

Source: Baseline IE survey of school principals, 2012. N=402

**Around one-fifth of principals expected to charge per-student fees of 20,000 LAK on average in 2012/13.** When asked about future, voluntary school fees, 22.6% of principals reported they intended to continue to charge voluntary school fees to students, mostly around 20,000 LAK, but in some cases higher (Table 11). A decree enacted in 2011 abolished school fees beginning in the 2011-12 school year, even though they were never intended to be mandatory. The SBG program was designed, in part, to make up for this lost revenue. Still, many schools continued to charge voluntary fees in 2011-12 given that the funds from the first roll-out of the SBG program were delayed until the end of the school year. This experience might have caused some principals to plan to collect future fees in case the SBG program was again delayed in 2012-13.

**Table 11. Expected Fees for 2012/13**

<b>Fee per student that school intends to levy for the new school year 2012-13, LAK</b>	<b>Number</b>	<b>%</b>
None	308	69.68
Up to 20,000	100	22.62
Between 20,001 and 50,000	24	5.43
Between 50,001 and 100,000	10	2.26

Source: Baseline IE, principal questionnaire, 2012.

### ***School and Classroom Resources***

**Because of the low levels of public spending on education, schools and classrooms have limited services and low-quality facilities.** Almost half of the schools in Lao PDR have a roof that leaks when it rains (Table 12). Only slightly more than half of the schools have a water supply, and only 20 percent have electricity. Fewer than half of the schools have toilets. Only 40 percent have telephone service (mostly provided through principal cell phones) and fewer than 3 percent have access to computers.

**Table 12. School Services and Facilities**

<b>Schools that report having services /facilities</b>	<b>%</b>	<b>Schools that report having services /facilities</b>	<b>%</b>
<b>Roof that leaks when it rains</b>	48.4	<b>Toilet facilities for students</b>	48.4
<b>Each student have a desk (or a section of long desk) and a chair</b>	97.5	Pit or latrine	9.3
<b>Water supply</b>	54.7	Natural toilet	2.3
Rain water	0.8	Other	89.2
Spring/Lake/River	6.2	<b>Separate toilets for boys and girls</b>	20.1
Well/Bore hole	51.6	Pit or latrine	5.6
Tap water	41.7	Flush	3.4
<b>Electricity</b>	20.4	Natural toilet	5.6
Public grid	94.4	Other	89.9
Private supplier	3.3	<b>Telephone service</b>	40.3
Other	4.4	Land line	17.4
<b>Toilet facilities for teachers</b>	49.3	Cellular system	83.1
Pit or latrine	9.2	<b>Computers</b>	3.2
Flush	2.3	Land line	35.1
Other	89.0	Cellular system	14.3

Source: IE Baseline Survey, Principal Questionnaire, 2012

**Schools can afford only the minimum equipment and learning materials—**blackboards, chalk, desks, and teacher’s guides. Results from the baseline survey suggest that while most classrooms are equipped with this basic equipment, there is a limited quantity of books and other learning materials (see Tables 13 and 14).

**Table 13. Classroom Materials**

<b>Teachers who report having this item in their classroom</b>	<b>%</b>
Blackboard	99.7
Chalk	99.4
Wall map	54.6
Bookshelf	28.8
Straight Ruler	43.5
Protractor	30.7
Triangle ruler	34.6
Compass	22.9
Electric lamp	10.0
Books in classroom (average)	9.0

Source: IE Baseline Survey, Teacher Questionnaire, 2012

**Table 14. Teaching Materials**

<b>While teaching Mathematics do you use the following items?</b>	<b>%</b>
Teacher guide for mathematics	94.9
Compass	28.9
Protractor	38.9
Straight Ruler/ Meter	47.5
Triangle ruler	40.9
<b>While teaching Lao Language do you use the following items?</b>	<b>%</b>
Lao Dictionary	37.5
Teaching guide for Lao language	96.5
Extra reading books	67.4
Pictures for illustration	84.8

Source: IE Baseline Survey, Teacher Questionnaire 2012

**Although the situation is improving, many students in Lao do not have their own textbooks.** In 2009, a survey of 5th graders found that on average 70 and 65 percent of students had their own Lao and mathematics textbooks respectively (see Table 15). This is a substantial improvement from 2006, when only 6 percent of 5th graders reported having their own mathematics textbook. By 2012, ASLO III reported that fewer of 5 percent of 5th graders did not own a textbook, and close to 60% owned their own textbook in both Lao language and Math.

**Table 15. Textbook Availability in the ASLO Samples**

	Lao (%)			Math (%)		
	ASLO I (Grade 5)	ASLO II (Grade 5)	ASLO III (Grade 3)	ASLO I (Grade 5)	ASLO II (Grade 5)	ASLO III (Grade 3)
	2006	2009	2012	2006	2009	2012
I do not have a textbook	15.0	5.56	4.1	19.8	7.9	4.6
I share textbook with other pupils	18.4	24.22	37.2	74.5	26.86	38.7
I use my own textbooks	66.7	70.22	58.1	5.8	65.24	56.4

Source: ASLO III report, 2013

There are some discrepancies in the proportion of students reporting owning a textbook between the ASLO and the IE Baseline survey sample. In the IE baseline sample for 3rd graders, only around one-third of students own their own textbooks in each of the three subjects (see Table 16). Ownership is slightly higher for Lao language, and lowest for the World Around Us (WAU). Most students have to share textbooks with others. More than 10 percent report not having access to a textbook in these three subjects at all.<sup>63</sup> However the key findings remain the same across surveys: most students either share or own their own textbook and textbook ownership has increased over time.

**Table 16. Textbooks in IE Baseline 3rd Grade Sample (2012)**

<b>Do you have textbooks for use in class?</b>	<b>Lao (%)</b>	<b>Math (%)</b>	<b>WAU (%)</b>
I do not have a textbook	12.9	12.8	15.9
I share the textbook with other pupils	48.2	53.0	52.2
I use my own textbook	38.9	35.0	31.9

Source: IE Baseline Survey, student questionnaire.

**Urban schools are better equipped than rural schools.**<sup>64</sup> A study published in 2007 found that urban schools are more likely to have electricity and rooms for teachers and the principal.<sup>65</sup> This study also found that when school directors were asked about classroom conditions, most answered that they were not very good. More than 50 percent of school directors responded that schools and classrooms were in disrepair. More than 30 percent of schools needed complete rebuilding, and 22 percent had classrooms in need of major repairs. Other basic essentials—such as teaching aids and reference materials—were largely confined to a select group of schools that offered richer classroom environments.

<sup>63</sup> Textbooks are meant to be provided free of charge by the MoES to schools. However, a "rapid assessment survey" of 2011 found issues with insufficient production, poor distribution, and heavier wear and tear than expected. Schools can also buy textbooks directly to make up for shortfalls, but printed stocks are often insufficient even for textbooks that are for sale.

<sup>64</sup> King, E. and van de Walle D. 2005. *Schooling and Poverty in Lao PDR*. Washington, DC: The World Bank, Development Research Group

<sup>65</sup> Benveniste, L., J. Marshall, and L. Santibañez. 2007. *Teaching in Lao PDR*.

### *Class Size*

**Class sizes average around 30 students per class.** Class sizes vary by grade. On average, first grade classes have 34 students, while fifth grade classes have 24 students (Table 17). There are some extreme cases as well. During the field trip, for example, the mission visited one school with 73 students in one Grade 4 classroom, and 50 students in each first grade classroom.

**Table 17. Average Class Size (2012)**

Grade	Average class size
Grade 1	34.4
Grade 2	29.0
Grade 3	27.0
Grade 4	28.6
Grade 5	23.8
Total	29.2

Source: IE Baseline Survey, Principal Questionnaire.

### *Teaching Style*

**Most 3rd grade teachers report a "direct-transmission" model of teaching.**<sup>66</sup> Between 63.5 percent and 75.3 percent of teachers of Lao Language, Mathematics, and World Around Us write on boards for students to copy and only between 39 and 44 percent engage in student-group discussion. Only slightly more than half encourage students to raise questions in class (see Table 18).

**Table 18. Percentage of teachers by teaching activities used in classroom**

	Lao Language	Mathematics	World Around Us
Teaching activity	%	%	%
Write on boards for students to copy	63.5	75.3	63.7
Encourage students to raise questions in class	55.0	57.1	56.0
Assign students homework	51.0	66.3	47.0
Put students in groups to discuss	44.3	44.0	38.9
Assign students exercises to do in class	43.2	57.6	<b>40.2</b>
Other	24.3	24.2	23.6

Source: IE Baseline Survey, Teacher Questionnaire.

<sup>66</sup> This terminology is adopted from the "TALIS," the OECD's study on secondary school teachers around the world. TALIS uses a domain-general version of the two teaching and learning-related beliefs scales (constructivist versus direct transmission) to cover teachers' basic understanding of the nature of teaching and learning. For more information see [www.oecd.org/edu/talis](http://www.oecd.org/edu/talis).

## *Learning Outcomes*

**Learning outcomes in Lao language have improved in recent years.** In 2009, more than three-quarters of fifth grade students were functional (Levels 3 & 4) in Lao language (see Table 19). The National Assessments of Student Learning Outcomes (ASLO) was administered in 2006 to a representative sample of fifth graders in the country under the auspices of the Ministry of Education.<sup>67</sup> A follow-up was administered in 2009. In 2012 it was administered to a sample of third graders. Results from these tests suggest basic, functional levels of reading proficiency in Lao language among most 5th and 3rd graders.

**Table 19. Lao Language Skill Results in ASLO, 3rd and 5th Grade Students**

Level	Level Descriptor	5th grade %		3rd grade %
		2006	2009	2012
1	Pupils at this level can write simple personal details and communicate simple information.	0.50	0.05	1.61
2	Pupils at this level can fill majority of details in the form, recognize and transcribe correct spelling of the simple words. Appropriately address teachers.	4.00	2.42	15.03
3	Pupils have basic listening and comprehension skills and are able to put a polite request to a peer. Pupils are able to recognize correct spelling and transcribe more complex words. Pupils are able to locate some of the written information in the written text.	47.70	45.88	32.21
4	Pupils at this level can locate majority of information from the written text. Some familiarity with literal text. Ability to classify nouns and adjectives. Good spelling skills.	30.80	31.66	27.12
5	Pupils at this level can read and make simple inference from complex text. Familiarity with literal text. Good listening skills, able to summarize from the spoken passage. Recognition of key grammar elements.	11.20	11.33	19.30
6	Pupils at this level have good reading comprehension skills and are able to draw on multiple pieces of information from the text. Able to analyze and interpret literal text. Good command of common grammatical elements.	5.80	7.80	4.73

Note: Students are thought to be proficient if they score at least Level 4 on this scale.

Source: ASLO II and III reports.

**Learning outcomes are particularly poor, and declining, in mathematics (see Table 20).** In mathematics, the vast majority of 5th graders in 2009 scored in the two lowest levels of mathematics proficiency ("pre-functional" levels). Less than one-quarter of 5th graders were placed in the "functional" levels (levels 3 & 4) in math. Students fared worse in 2009 than in 2006, suggesting declining levels of math proficiency among 5th graders.<sup>68</sup>

<sup>67</sup> More details about ASLO II and ASLO III sampling, design, etc. can be found in the ASLO II and III reports, authored by the Research Institute for Education Sciences of the Ministry of Education (2010, 2013).

<sup>68</sup> The ASLO design team suggested that the 2009 math test might have been too difficult for 5th graders because the math curriculum, which was different in 2009 than it was in 2006, may have been too difficult for 5th graders

**Table 20. Mathematics Skill Results in ASLO, 3rd and 5th Grade Students**

Level	Level Descriptor	5th grade %		3rd grade %
		2006	2009	2012
1	May recognize and classify basic shapes. Not enough information from which to draw further conclusions.	16.30	15.86	6.10
2	Familiarity with numbers described in word and numeric form. Understanding of place value for whole numbers. Emerging ability to perform single-step arithmetic operations including addition, subtraction, multiplication and division. Recognizes fractions in both numeric and visual representations. Some concept of symmetry emerging.	49.10	56.91	47.52
3	Emergence of arithmetic applied to problem solving. Multiple-step arithmetic operations. Understanding place value for decimals. May read a value from a simple bar graph. Familiarity with inequalities and ability to order decimal numbers by magnitude. Developing understanding of proportional fractions. Basic conversion of linear units such as length, weight and time.	19.70	17.38	22.94
4	Developing the ability to solve word problems requiring a fraction or percentage operation. Developing more sophisticated arithmetic including BODMAS, long division and multiplication with decimals. Conversion between various units of weight, time and volume. Deals with elementary spatial problems involving 2-dimensional displacement.	10.30	7.72	11.77
5	Beginning to combine and summarize multiple pieces of information from charts. Developing an understanding of spatial concepts such as rotation and reflection. Conversion of units for weight, time, area and volume.	3.60	1.98	9.07
6	Use of rules and symmetry to solve geometric measurement problems. Strong command of unit conversion for everyday measures. Capacity to solve word problems using a range of appropriate arithmetic operations.	1.00	0.16	2.59

Source: ASLO II and III reports.

**By fifth grade, most students are at least functional in Lao language, but not in mathematics.** This means that most students have reached a language level for functional participation in Lao society, but are deemed requiring some remedial assistance to be able to have the needed skills for literacy in 6th grade. In mathematics, most students are "pre-functional" meaning they have not demonstrated mathematics skills required for everyday activities in Lao society. Results from the ASLO exam suggest that while almost 80 percent of 5th graders are functional in Lao language, less than a third are functional in mathematics. In fact, almost three-quarters of 5th graders are at pre-functional math levels. The results for the World Around Us subject are better, with more than 40 percent of Lao 5th graders achieving independent proficiency (see Table 21). Only 1% of 5th graders in this sample reach independent proficiency in math, meaning that almost no elementary school graduates would be capable of learning math independently in Grade 6.



**Table 21. Functionality Levels in Lao language, Mathematics and The World Around Us (WAU), 2006, 2009 and 2012.**

	Functionality			Lao Language	Math	WAU
				%	%	%
Pre-functional/a	Not reached the level considered to be a minimum for functional purposes in Laotian society/c		2006, 5th graders	4.6	65.4	15.9
Functional/b	Reached the level for functional participation in Laos society/b		2006, 5th graders	78.4	33.6	42
Independent/c	Reached the level of reading and mathematics, and WAU to enable independent learning in ...	Grade 6/a	2006, 5th graders	17	1	42.1
			2009, 5th graders	19.3	0.2	43.3
		Grade 4/a	2012, 3rd graders	23.99	11.65	NA
			2009, 5th graders	77.5	27.1	44.2
			2012, 3rd graders	59.33	34.67	NA
			2009, 5th graders	2.5	72.8	12.1
			2012, 3rd graders	16.67	53.68	NA

Source: ASLO II and III reports.

/a *Pre-functional Level* as defined in ASLO: pupils described as pre-functional had not yet reached a benchmark demonstrating Lao language or mathematics required for everyday activities in Lao society. The label in the tables, 'pre-functional', does not mean that a pupil is illiterate or non-numerate. These pupils can demonstrate basic skills, but their skill level is deemed by experts not yet to be at a sufficient level to enable the person to be an effective member of Laotian society

/b *Functional Level* as defined in ASLO: pupils who could demonstrate the kinds of skills needed to cope with life in Laos were designated as "*functional*" in terms of their capacity to participate in Laotian society. This group were functioning above the level of the lower benchmark, but had not yet reached the second benchmark. These pupils were deemed to need some remedial assistance to be able to cope with the Lao literacy, mathematics and World Around Us required at Grade 6 level and Lao literacy and mathematics at Grade 4 level.

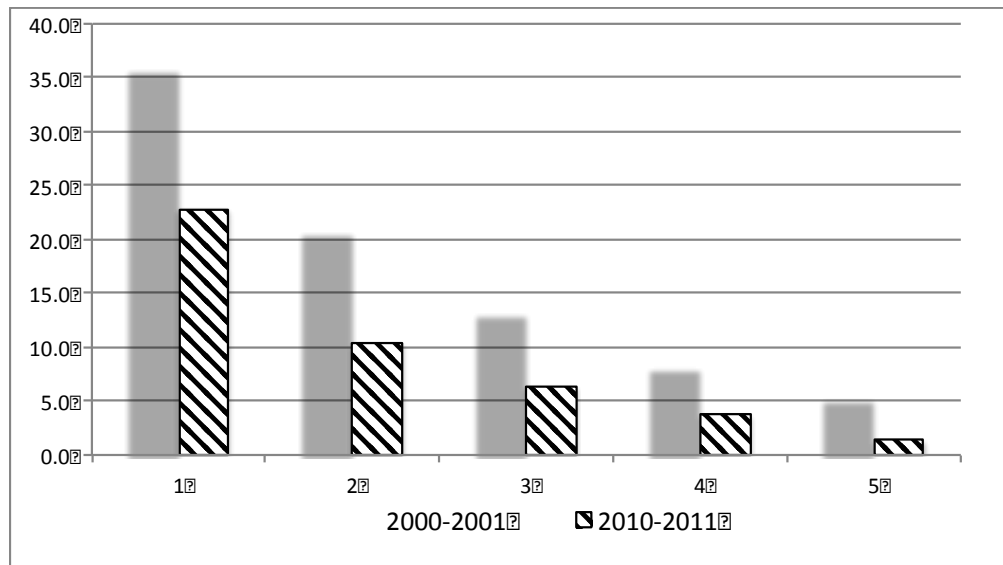
/c *Independent Level* as defined in ASLO: These pupils, who performed above the second benchmark, were described as demonstrating the kinds of skills that were desirable in order to learn independently at the next level of schooling, without needing remedial assistance. The label used in the tables was '*independent*'.

### ***Other Outcome Indicators***

**Although improving, repetition rates are high in 1st and 2nd grades.** In 2010/11 the repetition rate for first grade was close to 23 percent, down from 36 percent in

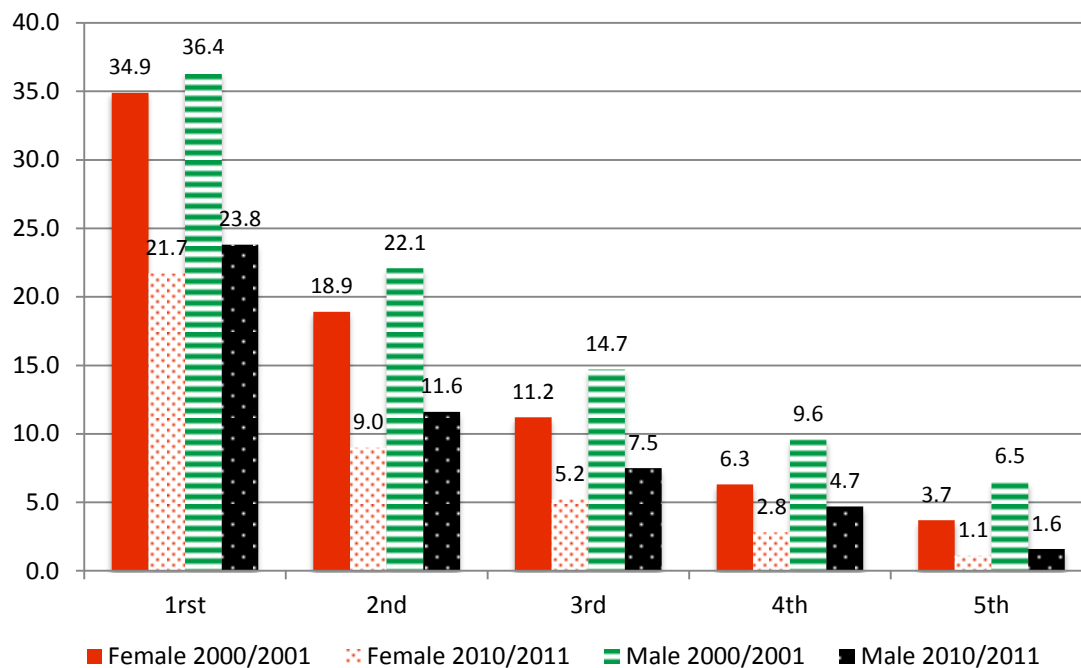
2000/01(see Figure 6). Repetition rates tend to be higher for boys than girls, but the differences are not significant (see Figure 7).

**Figure 6. Repetition Rate by Grade**



Source: Statistics Yearbooks 2008-2012, Lao's MoES.

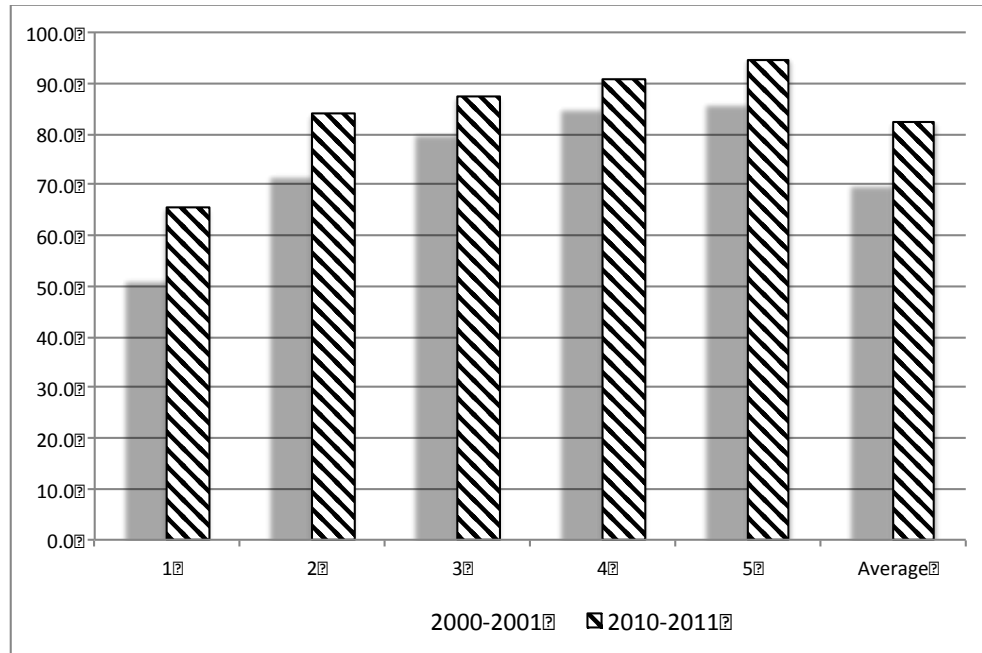
**Figure 7. Repetition Rate by Grade and Gender**



Source: Statistics Yearbooks 2008-2012, Lao's MoES.

**Promotion rates are also improving.** Getting past first grade, and to a lesser degree second and third grade, appears quite difficult for most Lao students, but once they reach the 4th grade, grade-to-grade promotion rates are over 90 percent (see Figure 8). Promotion rates were also up from 70 percent in 2000/01 to 82 percent on average (for all five grades of primary) in 2010/11. Promotion rates are particularly low in 1st grade (around 65 percent). Once children reach 3rd grade, it appears as though the vast majority of them are promoted to the next grade.

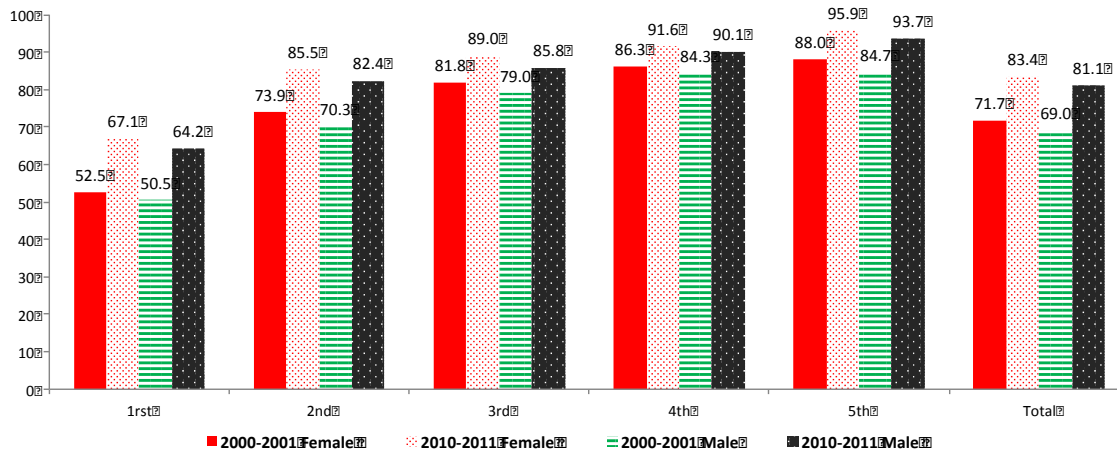
**Figure 8. Promotion Rate by Grade**



Note: The number of promoted children is derived from multiplying the total number of students in each grade by the promotion rate corresponding to that grade.

Source: Author's calculations with information from the Statistics Yearbook 2010-2011, Lao's MoES.

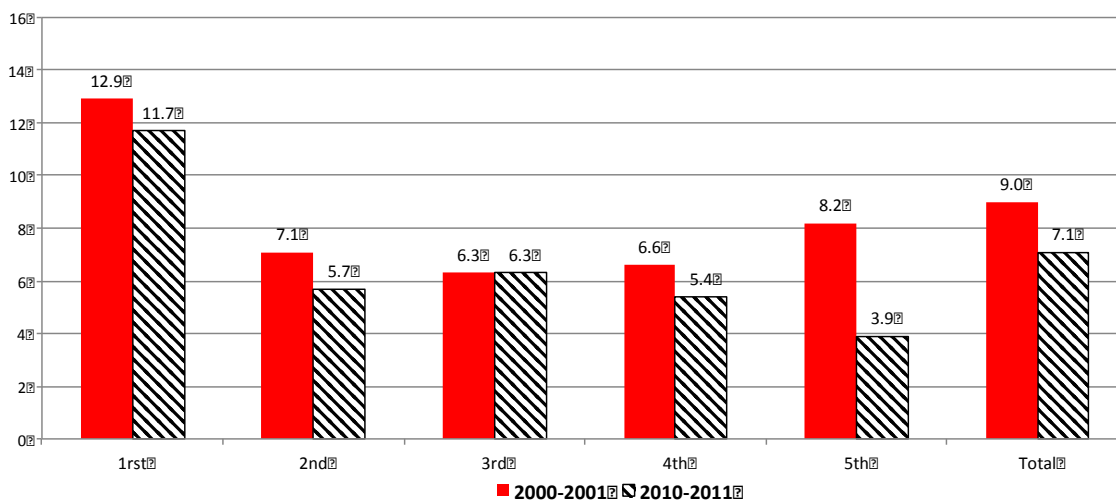
**Figure 9. Promotion Rate by Grade and Gender**



Source: Author's calculations with information from the Statistics Yearbook 2010-2011, Lao's MoES.

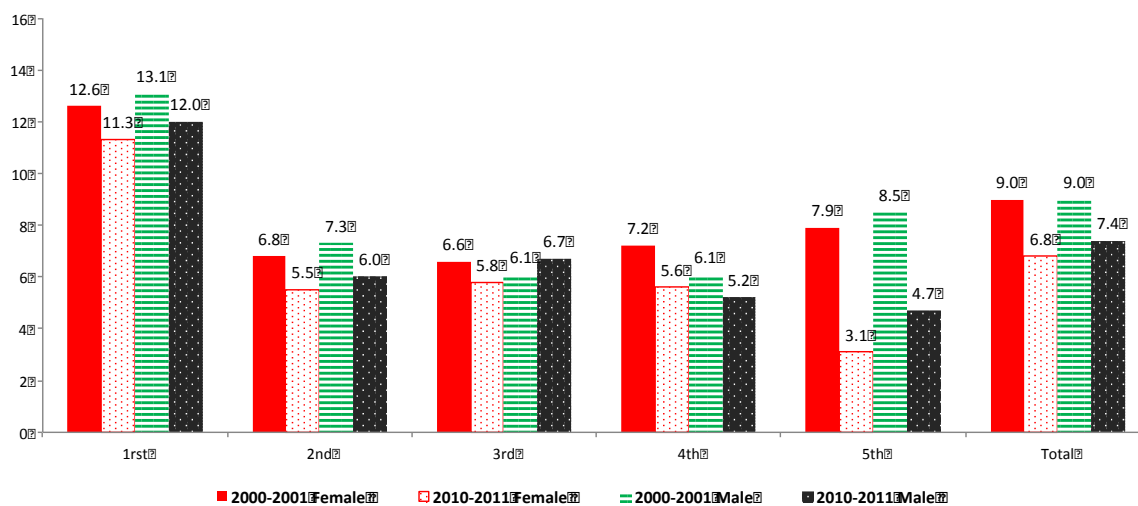
**Fewer students are dropping out of primary school.** On average, the national dropout rate in primary school fell from 9 percent in 2000/01 to just over 7 percent in 2010/11 (see Figure 10). There are large variations by grade, however, with a significant risk of dropping out in the 1st grade. Once students "survive" the first grade, MoES statistics suggest dropouts decrease considerably and reach their lowest point in 5th grade.

**Figure 10. Dropout Rate by Grade**



Source: Author's calculations with information from the Statistics Yearbook 2009-2011, Lao's MoES.

**Figure 11. Dropout Rate by Grade and Gender**



Source: Author's calculations with information from the Statistics Yearbook 2009-2011, Lao's MoES.

## 5. The School Block Grant Program and Its Initial Implementation

**The SBG program increases the amount of funding for schools and authorizes local decision-making.** SBGs were introduced via amendments to the Education Law in 2007 and a national decree mandating their use from July 2010. In December 2011, the Ministry of Education introduced a decree prohibiting schools from charging fees in primary schools, although it should be noted that these fees were never mandatory and students were not prevented from enrolling or attending schools if they did not pay.<sup>69</sup>

**Decision making power now rests within a three-tiered system of provinces, districts and villages.** Educational management is currently decentralized to provinces and districts. The Prime Minister's Decree 01/2000 establishes the vision for this three-tiered system with "provinces as strategic units, districts as oversight units and villages as development units." The Decree is being revised to further assign executive roles to the districts.

**Involving the community in spending decisions, and providing resources to carry out those decisions may help schools meet their most pressing needs.** For example, schools could spend the funds buying textbooks or other classroom materials. As previously discussed, many students do not have their own textbooks, and many schools lack necessary services, materials and equipment. In interviews, principals and teachers reported buying textbooks with SBG funds. This could turn out to be an effective use of funds since randomized control trials suggest that the availability of textbooks can improve student test scores.<sup>70</sup>

**SBGs are designed to address pressing quality issues, increase access, and involve the broader community in school based management and oversight of the grant funds.** The SBG program has three official objectives:

- (1) To facilitate the administration, learning and teaching of students and teachers in schools as specified for the courses studied with a focus on raising the quality of education provided
- (2) To increase student numbers by reducing education costs for parents with a focus on gradually eradicating voluntary school fees at foundational levels of education and for higher levels in the future
- (3) To strengthen capability of education administrators, finance staff to understand and implement finance rules and regulations in a more efficient manner.<sup>71</sup>

**In its first year of operation, the SBG provided schools with 20,000 LAK per student, which is roughly equal to the non-wage expenditure per student (Ministry of Finance).** To pay for the SBG, the 2011-12 MoES budget included a line item for almost 16 billion LAK (about 2 million USD). The first tranche of funding, equivalent to 10,000

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<sup>69</sup> SBG Issues Note, 2012.

<sup>70</sup> Kremer, M. (2003). "Randomized evaluations of educational programs in developing countries: Some lessons". American Economic Review Papers and Proceedings 93 (2), 102–115.

<sup>71</sup> SBG Management and Utilization Manual.

LAK per capita, was paid to the 146 district education bureaus in February 2012.

**Responsibility for disbursing and overseeing SBG funds rests with District Education Bureaus (DEBs).** DEBs are tasked with ensuring schools obtain the funds, soliciting school reports on the use of funds, and supporting school principals to use SBG effectively. Districts provide support to principals and teachers through inspectors and Pedagogical Advisors (PA). In addition, they are tasked with transferring resources from the SBG program to schools, ensuring that principals document their spending, and reporting further to Provinces on the use of funds. However, as of October 2012, DEBs had not been told the plans for SBG funding for the 2012-13 year.

**Although school fees were never mandatory, schools regarded them as an important source of revenue for the schools and charged them every year. As of 2012/13, most principals did not plan to charge any school fees due primarily to the availability of SBG funds.** As shown in Table 22, more than 60 percent of surveyed principals cited SBG as the reason for not charging fees in the 2012-13 school year. The next most often cited reason was that many parents refused to pay.

**Table 22. Schools Intending to Charge Fees**

<b>Reasons why principals reported not intending to charge school fees in 2012-13</b>	<b>%</b>
The block grant is replacing the fee	60.06
We don't have any urgent needs	4.55
Parents are refusing to pay	13.96
Other	21.43

Source: Baseline IE survey of school principals, 2012. N=402.

### ***SBG Management and Implementation: Survey and Interview Findings***

**SBG funds were delayed for the vast majority of schools.** When the baseline survey was conducted (in July and August of 2012), only 27% of schools in Lao had received any SBG funds (see Table 23). However, by September, most schools had received the first tranche, and some had received the second tranche as well. It appears that administrative delays prevented many schools from getting resources on time, and in many cases, province and district officials distributed the resources as a lump-sum payment sometime after school began in the 2012-13 school year.

**Table 23. Timing of SBG Resource Reception (as Reported by Principals)**

<b>When did you receive the first tranche of school block grants (8,000 LAK per student) in 2012?</b>	<b>%</b>
March	2.04
April	2.94
May	12.44
June	9.5
Not yet received	73.08

Source: Baseline IE survey (2012). N=442.

**Training of provincial and district authorities also lagged behind schedule.** By October of 2012, provincial and district level authorities had received some initial training on SBGs. For most, the training occurred in March 2012, when the Department of Finance (DOF) in the Ministry of Education and Sports (MoES) provided a 5-day training program for relevant staff in the provincial and district levels. Future training to district and school level officers (principal, village head, school accountant, etc.) is currently being discussed, but the plans to finance it are not yet clear. FTI produced an operations manual as part of its block grant program which the GoL adapted for the SBG. The manual includes information about accounts coding and cash disbursement.<sup>72</sup>

**Most principals did not fully grasp the purpose of the SBG program which was to address pressing quality issues, increase access, and involve the broader community in school based management.** Most principals think the main purpose of the SBG is to replace school fees or to buy essential items that the school needs. Close to one-quarter of principals surveyed in the baseline survey reported that the main purpose of the SBG was to replace school fees (see Table 24). Close to thirty percent reporting believing that the main purpose of the grant was to be able to buy essential items when needed, including teacher and learning material (19% cited this as the main purpose) or classroom material and furniture (14% cited this as the main purpose).

**Table 24. Main Purpose of SBG (as Reported by Principals)**

<b>What do you think is the main purpose of school block grants</b>	<b>%</b>
Replace fees	23.08
Provide funding additional to that of fee	1.81
Be able to buy essential items when needed	28.96
Buy more teaching and learning material	18.78
Provide help for the poorest pupils	12.44
Repair or replace furniture or classroom equipment	13.57
Other	1.36

Source: Baseline IE survey of school principals, 2012. N= 442.

<sup>72</sup> SBG Issues Note, 2012.



**Most principals reported their top spending priorities to be school supplies.** Most principals reported that their first priority for SBG spending was to buy textbooks and "stationaries" (i.e., pens, exercise books, etc.) (see Table 25). The most often cited second priority was repairing classrooms. Less common intended uses of the SBG included teacher incentives, furniture, and uniforms/shoes for pupils. Only 10% of principals in the survey cited prioritizing SBG to pay utility costs, but most principals the mission met during field visits mentioned using SBG funds to pay for utilities.

**Table 25. SBG Spending Priorities (as Reported by Principals)**

<b>What do you think you will spend most of your block grant on in the next two years?</b>	<b>First Purpose %</b>	<b>Second Purpose %</b>
Textbooks	28.73	5.66
Stationeries (pens, exercise books, etc.)	25.79	17.45
Readers / Library books	1.36	0.47
Utility Costs (electricity, water, telephone)	4.98	9.67
Motorbike	0.68	0.24
Furniture	9.73	9.43
Classroom repair	25.34	42.22
Uniforms and shoes for pupils	0.45	4.25
Food	0	0.47
Small incentives for teachers	0.45	3.07
Other	2.49	6.6
N	442	422

Source: Baseline IE survey of school principals, 2012.

**Not all principals spent the entire SBG disbursement.** Principals at six schools in Southern Provinces reported that most of the resources from the grant had not yet been spent, and that leftover funds were kept by school officials in cash at their homes. Most schools had only received the SBG recently and had only spent a portion of it as of October 2012. Those schools in our interview sample that received the first tranche before August 2012 had already spent it by October 2012. At the same time, most schools had not yet reported the use of the funds.

**Unspent funds were most often not always properly safeguarded.** Principals reported that leftover funds were usually kept by the treasurer or the school's accountant at the person's home. This corresponds to reports in the baseline survey from principals (see Table 26). Over 80 percent of principals reported that leftover cash funds from the SBG were not kept in the school, the principal's office, or the VEDC quarters, but in other locations. Findings from the interviews suggest potential safeguarding issues regarding keeping large sums of SBG cash in school officials' homes. This could be related to the general lack of banking infrastructure in the villages where schools are located. High transaction and other fees and costs related to banking could also explain why principals and VEDC choose to keep funds in their own homes.

**Table 26. Safeguarding of SBG Funds (as Reported by Principals)**

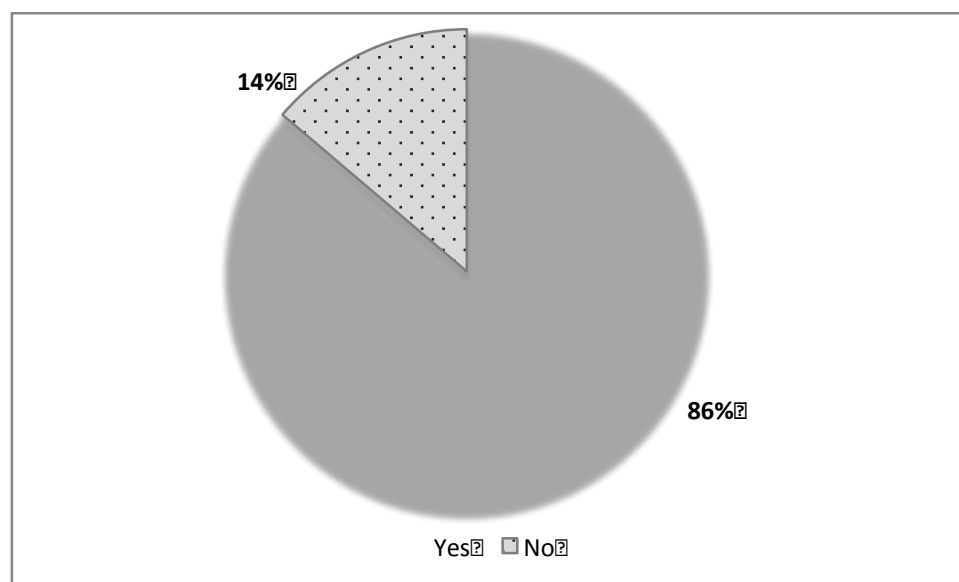
<b>Where do you keep the cash balance?</b>	<b>%</b>
In a locked cash box in the school	2.71
In a locked cash box in the Principal's office	9.5
In a locked cash box in the Village Head	3.85
Other	83.94

Source: Baseline IE survey (2012). N=442

**The method of allocating SBG funds by a flat rate per student is not progressive and might have negatively affected small and remote schools.** The amount of the SBG is calculated by multiplying a flat rate per student enrolled. The six principals interviewed during our field trip mentioned that the flat rate per capita value of the grant causes difficulties for small and remote schools because smaller rural and remote schools with lower student enrollments receive lower grants. Principals reported that for some of these schools, the cost for principals to travel to the district office to collect the grant could consume a large portion of the grant allocation, and thus decrease the funds that could actually be spent on school needs. The MoES is currently contemplating allocating 1,000,000 LAK to schools with fewer than 50 students. It is unclear whether this would remove all of the transaction costs associated with delivery of the SBG for small and remote schools and make funding more progressive. Further study on this point is necessary.

**The per-student allocation method is challenged by inconsistencies in attendance record keeping.** Even though the SBG is based on student enrollment, not all schools keep daily attendance records. Keeping daily attendance records is important to ensure SBG amounts are correctly calculated. However, only 86% of principals reported keeping daily attendance records (see Figure 12).

**Figure 12. Percentage of Schools Keeping Daily Attendance Records (as reported by principals)**



Source: Baseline IE survey (2012). N=381

**Most schools were not regularly monitored or checked for compliance.** District inspectors are only able to visit a fraction of the schools on a regular basis. In the baseline IE survey, most principals reported that inspectors visited their schools twice a year (42 percent) or quarterly (20 percent) (see Table 27). Almost one-fifth reported that they were only visited once a year. During these visits, school inspectors met with the principal, inspected the building and facilities, observed classes and met with teachers. According to the baseline IE survey, less often, but still in about 90 percent of the cases, inspectors also met with the VEDC and checked school records.

**Table 27. Frequency of Inspector Visits to Schools  
(as Reported by Principals)**

Frequency of visits	%
Weekly	0.5
Twice a month	2.1
Monthly	11.4
Quarterly	20.3
Twice a year	42.2
Annually	17.5
Occasionally	6.1

Source: Baseline IE survey of school principals, 2012. N=402

**Most principals did not comply with the requirement to use a school development plan (SDP) as the basis for spending decisions.** As shown in Table 28, only about 16 percent of principals reported having a school development plan (SDP) or a budget plan

even though these are required under the SBG program. Moreover, principal interviews suggest that spending decisions were most commonly made upon the arrival of the money, rather than in strict accordance with the annual SDP. Information gained during our visits corroborated the conclusion that some schools, which did have an SDP, nevertheless appear to have spent the money on items that were not part of their annual plan. In addition, the mission did not observe any practices to integrate community-based contributions and SBG funds within the SDPs.

**Table 28. Schools with budget and development plans and other key documents**

School had ...	SY 2009/2010	SY 2010/2011	SY 2011/2012
	%	%	%
School budget plans	10.9	11.8	15.6
Improvement plans in 2011/2012	12.1	13.5	16.1
Minutes of school management committee meeting	13.5	14.0	16.1
School census form	16.1	18.2	19.2
N	222	243	283

Source: Baseline IE survey of school principals, 2012.

**SBG schools showed no evidence of strategic planning tied to specific student outcomes.** During field visits, the mission looked for evidence of strategic planning tied to specific student goals but did not observe any. In one school, the principal spoke of very high levels of repetition in the early grades and a very low textbook-to-pupil ratio. Yet, the school spent most of the SBG grant on furniture repairs and sports equipment—a soccer ball. Their rationale was that the soccer ball allowed them to hold sports tournaments and engage parents with the school. However, when the mission asked why the SBG had not been used to buy more textbooks for children in the early grades, the principals, teachers and VEDC representatives acknowledged that this had not been part of the discussion. It should be underscored that this study did not do an in-depth research of the availability of textbooks and other instructional materials in rural and remote areas. It is possible that even if schools had the funds for it, textbook availability constraints would prevent them from purchasing them in a timely manner. However, findings from the limited set of interviews conducted suggest that school committees might not be considering, or might not have available to them the full range of options when making spending decisions.

**The use of quality standards to inform the development of the SDP appears limited.** During interviews, the mission found no evidence of systematic use of quality standards to identify gaps in student learning or resource needs to inform the development of the SDP. School principals knew, for the most part, of the old School of Quality Standards but were not aware of the new ones issued by the Ministry (see Box 4).

#### **Box 4. Education Quality Standards in Lao PDR**

The Education Quality Standards, formerly known as the "Schools of Quality standards" (SoQ) were developed by UNICEF globally as a way to promote child-friendly educational systems and schools with a rights-based approach. The EQS concept is based on six dimensions:

1. Inclusive of all children
2. Effective teaching and learning which is relevant to children's lives
3. Healthy, safe and protective environments
4. Gender-responsive environments
5. Pupils, parents and community members' participation
6. Effective school management and leadership

The EQS were initially piloted in Lao PDR with help from UNICEF in 2005. To support implementation, the MoES has developed, with help from UNICEF, a range of materials including SoQ implementation guidelines, procedures and curriculum for training teachers and principals, and school director manuals for school self-assessment and development planning. In

The EQS approach is consistent with the *Education for All* goals of universal primary education and its focus on access and quality. A consultation with over 20 school principals conducted by UNICEF found that principals were committed to the approach, understood it, and could use it to guide their schools and communities to implement its various dimensions. Initial pilot activities carried out in 2005 by the MoES and UNICEF were deemed successful and as of 2009 the EQS activities were being undertaken in 9 provinces in approximately 765 schools.

The EQS are now part of the official education strategy of the GoL. In its Education Sector Development Framework document, the MoES declared that "Schools of Quality piloted by UNICEF and subsequently adopted by the Ministry of Education as Government policy offer a sound model for increasing Grade 1 enrolment rates, reducing repetition in Grades 1-5, preventing drop-out and securing a general improvement in the quality of teaching and learning."

Source: Schools of Quality in Lao PDR: an evaluation 2009. UNICEF.

## 6. SBM in Lao: Foundations to build from

**Although still in its infancy, the GoL's SBG program is a solid step toward establishing SBM.** Previous efforts, supported by the Asian Development Bank (ADB), JICA and a few NGOs, introduced joint community-school participation in school decision-making (see Box 5). The SBG program is the first that places funds directly in the hands of school principals and VEDCs. Although still in its initial stages, the SBG program includes a planning component by requiring schools and VEDCs to jointly develop a SDP. It also has a monitoring component through required reporting from schools to DEBs. Some training activities for district officials have been undertaken, and more is planned.

### ***Box 5. Communities Initiatives for Education Development***

From 2007 to 2011, JICA and the GoL entered into a four-year technical cooperation project to improve community participation in school management and increase education quality in schools located in three southern provinces. Through CIED, JICA program staff trained and supported principals and teachers in the preparation of the school improvement plan. CIED trainers helped principals develop various tools and checklists to aid in this process. Principals were also supported and encouraged to do internal supervision of teachers through classroom observations. Lastly, CIED trainers also trained staff at the MoES in a train-the-trainers model so they could further support principals in school improvement plan efforts as well as help adopt the School of Quality indicators.

CIED trainers also helped teachers create and implement lesson plans in Math, Lao language and the World Around Us, as well as record and track student achievement and identify students needing remedial support.

The project completion report indicated that the existence of the VEDC and pre-existing collaboration between communities and schools was an important factor for successful adoption of CIED. However, the evaluation flagged that more capacity building for local communities and authorities would be needed to ensure an efficient dissemination and sustainability of CIED.

Source: JICA (2011). Joint Terminal Evaluation Report for Supporting Community Initiatives for Primary Education Development in Southern Provinces (CIED), 2011.

**Some of the institutional foundations required to adequately implement SBM programs are already established in Lao PDR.** Among these are: the financial participation of communities; the willingness of the education authorities to invest resources in training district officials, principals and VEDCs; the GoL commitment to

make SBGs a continuous stream of school funding; the efforts that have already been taken to use the School of Quality standards; and the School Development Plan as planning tools for schools.

**Lao PDR's efforts at SBM can be described as "emerging."** To assess progress toward implementation of SBM, the World Bank developed five indicators that can serve as a benchmark for judging policy intent and progress in the introduction of school autonomy and accountability, known as SABER.<sup>73</sup>

1. **School autonomy in budget planning and approval.** Schools have full autonomy in budget planning and approval when the school director can name its operating budget, the school director has the legal authority to manage and set teacher salaries, and to raise other funds in addition to transfers received from national or local governments.
2. **School autonomy in personnel management;** Schools have full autonomy in personnel management when either the principal or the school committee can hire and fire teachers, and when the school committee can hire and fire the school principal.
3. **The participation of the school council in school finance;** School committees or councils have full participation in school finance when, among other activities, they can assist the school director in the preparation of the school budget, and they have the legal authority to approve and supervise the school budget and its implementation;
4. **The assessment of school and student performance;** There is a system of assessment of school and student performance to support school autonomy and accountability through SBM when, among other activities, schools perform yearly assessments of school and student performance; when the school uses student assessments for making administrative or pedagogical decisions; when schools perform yearly assessments of learning outcomes using standardized tests, and when results of the assessment of school and student performance made public to parents.
5. **School accountability to stakeholders.** School accountability to stakeholders is evident when, among other activities, there is a manual regulating how the school council can use of the results of the yearly assessments of school and student performance; when the school's assessment of school and student performance are part of a national or regional assessment system, and when school committees have the legal authority to hire external auditors to carry out financial audits at the school.

The World Bank classified Lao PDR's efforts as "emerging" in these five SBM indicators (see Figure 13). This means that the country has shown evidence of taking steps to consolidate SBM efforts in the country. In addition, it suggests the country has some

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<sup>73</sup> Acir, G. In Patrinos, H.A. (editor) Strengthening Education Quality in East Asia. SABER. System Assessment and Benchmarking for Education Results. The World Bank and UNESCO, 2012. SABER postulates various goals that systems should strive to attain, and rates countries as more or less advanced in each of these goals. For more information see Patrinos, H. A. (editor). Strengthening Education Quality in East Asia. SABER. System Assessment and Benchmarking for Education Results. The World Bank and UNESCO, 2012

foundations in place to successfully implement SBM, such as school autonomy over some of its budget and institutions for parental oversight and participation (parent associations, village councils).

**Figure 13. Status on Five SBM Benchmarks of Lao PDR and Other Countries**

	Budget Autonomy	Personnel Autonomy	Participation	Assessment	Accountability	Overall
<b>Lao PDR</b>	Established ○○○○	Emerging ○○○○	Emerging ○○○○	Emerging ○○○○	Emerging ○○○○	Emerging ○○○○
<b>Indonesia</b>	Established ○○○○	Emerging ○○○○	Established ○○○○	Advanced ○○○○	Established ○○○○	Established ○○○○
<b>Cambodia</b>	Established ○○○○	Emerging ○○○○	Latent ○○○○	Established ○○○○	Emerging ○○○○	Emerging ○○○○
<b>China</b>	Established ○○○○	Emerging ○○○○	Established ○○○○	Established ○○○○	Established ○○○○	Established ○○○○
<b>Japan</b>	Established ○○○○	Emerging ○○○○	Latent ○○○○	Emerging ○○○○	Emerging ○○○○	Emerging ○○○○
<b>Philippines</b>	Emerging ○○○○	Latent ○○○○	Emerging ○○○○	Emerging ○○○○	Latent ○○○○	Latent ○○○○
<b>Malaysia</b>	Established ○○○○	Emerging ○○○○	Advanced ○○○○	Established ○○○○	Advanced ○○○○	Established ○○○○
<b>Thailand</b>	Established ○○○○	Latent ○○○○	Advanced ○○○○	Advanced ○○○○	Established ○○○○	Established ○○○○
<b>Vietnam</b>	Established ○○○○	Latent ○○○○	Latent ○○○○	Established ○○○○	Emerging ○○○○	Emerging ○○○○

Source: Acir, G. In Patrinos, H.A. (editor) Strengthening Education Quality in East Asia. SABER. System Assessment and Benchmarking for Education Results. The World Bank and UNESCO, 2012

**Most schools in Lao PDR have established a Village Education Development Committee (VEDC) that serves as liaison to the community, raises funds, and participates in many school activities.** VEDCs are composed of the village head, representatives from various organizations (unions, youth and women's groups, etc.). The ESDF of 2009 sets out a formal role for VEDCs in the SBG scheme. It establishes that VEDCs will "support education service delivery and development at the community level. the VEDCs as key community agencies will play a crucial role in the management of school block grants, school operational budgets and school development planning."<sup>74</sup>

**The existence of VEDCs in all schools in Lao PDR is a particularly important development. As education becomes more decentralized, the influence of the central authority diminishes and the role of parents and other stakeholders becomes very important.** Figure 14 presents the degree of school autonomy as compared to the influence of parents according to the World Bank's SABER study. In Lao PDR, compared to other countries, parents have more influence over some key school decisions such as the budget. However, parents cannot influence staffing decisions at the school level, nor other aspects of school autonomy.

<sup>74</sup> Ministry of Education and Sports, 2009, "Education Statistics Yearbook 2008-2009," *Lao PDR*.



**Figure 14. Alignment of Accountability Policies with Autonomy in Lao PDR and Other Countries**

	No autonomy over budget or hiring/firing of teachers	School has autonomy to allocate its budget	School has autonomy to hire/fire teachers
Parents have some influence over hiring and firing of teachers			Shanghai
Parents have some influence over budget decisions		Malaysia Thailand <b>Lao PDR</b> Korea Cambodia	
Parents do not have influence over specific aspects of school autonomy	Singapore Philippines China Japan	Vietnam	Indonesia Mongolia

Source: Acir, G. In Patrinos, H.A. (editor) Strengthening Education Quality in East Asia. SABER. System Assessment and Benchmarking for Education Results. The World Bank and UNESCO, 2012

**Most VEDCs reported meeting two to four times per year and have wide representation from the school community including the principal, teachers and parents.** A typical VEDC is comprised of the principal, one teacher, four parents and two other members. Frequency of meetings varies widely by school. One quarter of VEDC representatives mentioned their VEDC met monthly. However, over half reported that the VEDC at their school met only two to four times per year. Very few VEDCs met more than once per month (see Table 29).

**Table 29. Frequency of Meetings of the VEDC as Reported by VEDC Representatives (2012)**

<b>How often does the VEDC meet?</b>	<b>%</b>
Weekly or more	0.5
Twice a month	6.47
Monthly	24.88
Quarterly	18.91
Twice a year	34.08
Yearly	10.7
Occasionally	1.49
Don't know	2.99

Source: Baseline IE survey (2012). N=402

**Because village heads are elected officials with three-year tenure, there is some degree of stability in VEDCs.** In the baseline survey, more than 90% of VEDC representatives reported that their school had a VEDC established (see Table 30). In most cases, these VEDCs had been established after 2010, but some VEDCs have been active since at least 2005. About 46 percent of VEDC representatives reported that VEDC members were elected and 52 percent reported that they were appointed. Most VEDC representatives reported that a VEDC could only stay three years in the post. However, 47 percent reported that they could stay on indefinitely.

**Table 30. Descriptive Statistics about VEDCs (as Reported by VEDC Representative)**

	<b>%</b>
Schools with Village Education Development Committee	90.9
Year of establishment	
Established in 2009 or before	36.1
Established after 2010	48.7
A member can stay....	
A fixed number of years	53.0
Indefinitely	47.0
Of those answering that members could stay a fixed number of years, average years reported	3.3

Source: Baseline IE survey (2012). N=402

**High stability among principals helps build relationships and establish trust among principals and community members.** On average, surveyed principals had spent close to six years in their current school, and more than 13 years as a principal (Baseline IE survey of school principals). Stability on the job could help principals build relationships with the VEDC, parents and other members of the community that could support school-based management efforts.

**Communities in Lao PDR are already invested and engaged in education and contribute both financially and in-kind.** Prior to legislation in 2012, most parents in Lao PDR schools made some kind of financial or in-kind contribution to their child's school, in addition to paying the school fee. Parents in rural and remote areas, tended to contribute more as a proportion of their household income. JICA's final evaluation report of its CIED program found that most principals were actively engaged in fundraising in the community and that this was an accepted role of the VEDC.<sup>75</sup>

**School decision-making in Lao PDR is already highly decentralized. Principals reported that they had the most influence over key personnel, curriculum, evaluation, and school construction decisions.** In general, principals reported having a lot of influence over most school decisions, except for setting teacher salaries and dismissing teachers. They also reported districts having a lot of influence over most key decisions (including setting teacher salaries and dismissing teachers). Principals reported that the community, through the VEDC had a lot of influence over matters regarding school construction and maintenance and setting student fees (see Table 31).

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<sup>75</sup> JICA, 2011.

**Table 31. Influence Over Key School Decisions (as Reported by Principals)**

Who has the most influence over the following decisions?	MoES	Province	District	VEDC	PTA	Principal	Teachers
Initial assignment of teachers to a particular school			1			2	
Regular rotation of teachers to a particular schools			1			2	
Dismissing teachers	2	3	1				
Evaluating teacher performance			2			1	
Setting teacher salaries	2	3	1				
Selecting teachers for training	2		1			2	
Choosing teaching methods to use			2			1	3
Developing teaching materials			3			2	1
Adapting curriculum to local conditions			3			1	1
Determining working hours of teachers	3		1			2	
Determining class size	3		1			2	
Selecting students for admission			3			1	2
Setting standards for student promotion			3			2	1
Evaluating students						2	1
Closing a school		3	1			2	
Adding new grades to/removing grades from existing school	3		1			2	
Setting school fees			1	3		2	
Deciding which students are exempted from fees			3	2		1	
Deciding on the construction of school facilities				2	3	1	
Maintaining and rehabilitating facilities				3		1	2
Deciding on how to spend school funds				2		1	3
Scheduling meetings with community				2		1	

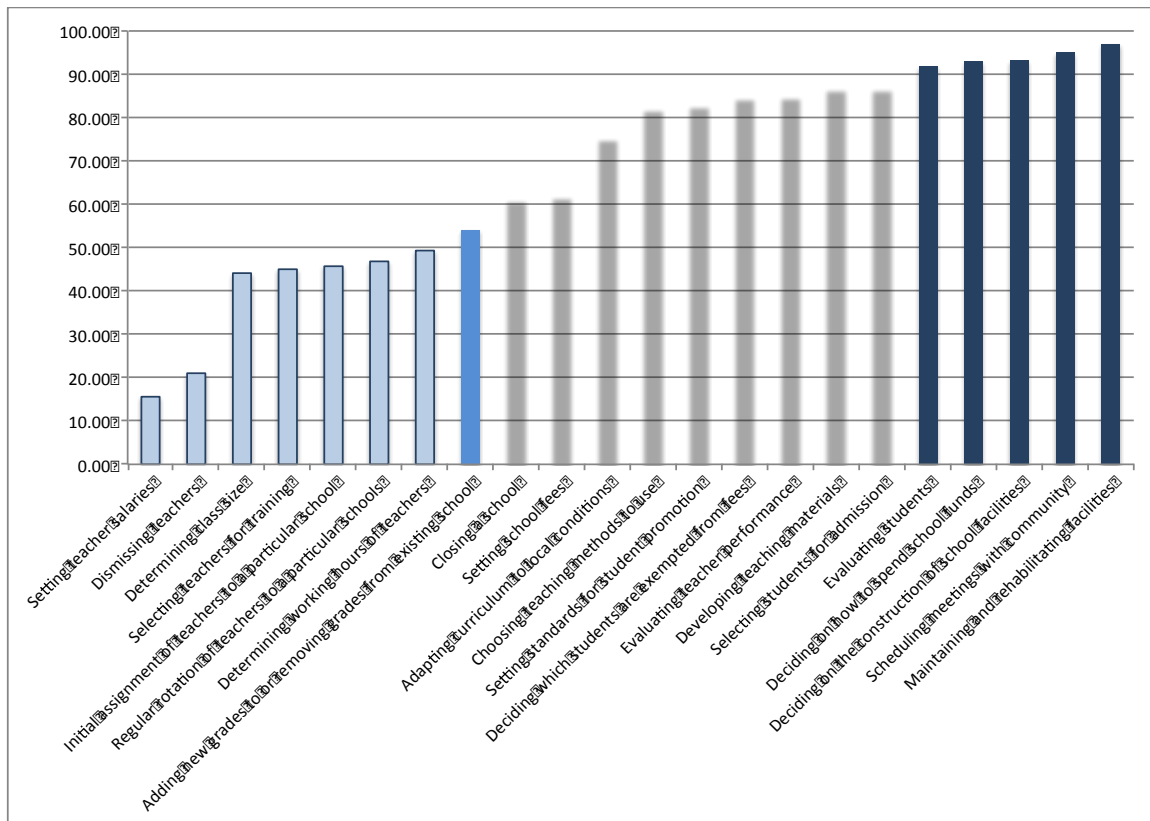
Source: Baseline IE survey of school principals, 2012. N=442.

Note: 1 means the principal ranked this unit/individual as having top (first ranking) influence over the matter. Number 2 means the principal ranked this unit/individual as having second rank influence over the matter. Number 3 means the principal ranked this unit/individual as having third rank influence over the matter.

**Overall, principals report having high degrees of influence over most school matters.** Areas such as school construction and repairs, decision about how to spend school funds and community meetings were areas where almost all principals reported having a high

degree of influence. Around half of school principals reported having high degrees of influence over setting of school fees, curriculum decisions and matters related to teaching methods and materials. The areas over which comparatively fewer principals reported having high degrees of influence had mostly to do with teacher labor and training aspects including: salaries, training, initial assignment, dismissal and working hours.

**Figure 15. Influence of Principal on School Decision-Making (% of Principals Reported Being "Influential" or "Very Influential")**



Source: Baseline IE survey of school principals, 2012. N=442.

Note: Light shaded bars represent aspects where fewer of 50% of principals reported being "Influential" or "Very Influential". Medium-blue shaded bars represent aspects where between 51% and 89% of principals reported being "Influential" or "Very Influential." Dark-blue bars represent aspects where over 90% of principals reported being "Influential" or "Very Influential."

**Contrary to the case of principals, parents perceive that they have limited influence over most school matters, except deciding on the construction of school facilities.**

Findings from the Indonesia BOS program found that when SBM enabled a wider base of the community to be represented in the school committee, the program was more successful. Table 31 suggests that parents had not been playing a particularly important role in school decision making. Getting them to play this role might necessitate dedicated capacity-building efforts in terms of training, support and supervision.

### *Documents to guide planning*

**To guide spending decisions, the Education Quality Standards (EQS) and School Development Plan are being used in trainings for school staff and district officials; some programs (such as CIED) have trained a limited number of principals and teachers on its use.** The old version of the EQS developed by UNICEF (see Box 3) were used by CIED and other trainers. However, the EQS have recently changed, and thus training materials should be updated. CIED II has been in the process of revising the old SoQ Training module to suit the new EQS standards. This could potentially be a valuable resource for SBG training.

## **7. Identified Risks to Successful implementation of SBM programs in Lao PDR**

**The review identified several challenges and risks to a successful implementation of the SBG program in Lao PDR.** These include the following:

- Schools not receiving the grant on time and thus being unable to plan effectively
- Insufficient local capacity and inadequate training to build important skills, such as planning and record keeping
- Insufficient support and monitoring efforts to ensure adequate SBM implementation,
- Limited reporting on the use of funds
- Improper safeguarding of funds.

The following discussion elaborates on these challenges.

### ***Issues related to funding***

**Funding delays and lack of student records limit the ability of schools to plan strategically for the use of the grant money.** Most schools received the 2011/12 SBG until the 2012/13 school year had already started. Schools that were visited during the field trip had no idea when they would receive the 2012/13 SBG funds and how much they would receive. Moreover, the baseline survey found that one in six schools did not keep student attendance records. If schools do not have certainty when they will receive the funds, it becomes difficult to plan spending. In addition, if they do not keep accurate attendance records, they could be receiving fewer funds than entitled.

**The SBG funding formula is not progressive.** The SBG flat per student-rate funding formula does not make any adjustments for small and remote schools. Thus, collecting the funds for these schools represents a greater financial burden on these principals and could reduce the amount of resources that are able to reach the classroom. Moreover, the formula does not take into account that the costs of delivering education and obtaining supplies in some schools might be harder than in others, or that some schools face greater challenges to improve student learning and thus might need additional support. Both of these issues could potentially impact the grants' effectiveness and should be studied further.

### ***Insufficient efforts to build capacity and monitor efforts in the implementation***

**Districts currently receive insufficient funds to carry out all of the activities for which they are responsible under the program.** District education bureaus have less than 1,000 USD for non-salary recurrent budgets to fund these monitoring activities.<sup>76</sup>

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<sup>76</sup> This is an unofficial figure and has been suggested by some advisors. However, non-salary allocations to districts seem higher, perhaps in the 8,000-10,000 USD range. The amount of funds that are actually used

Carrying out these activities in an effective manner would require more resources.<sup>77</sup> These budget limitations reduce school supervision and support. For example, due to lack of sufficient funds, inspectors are able to visit only a fraction of the schools on a regular basis.

**Principals need more support to manage the SBG and act as instructional leaders.** Results from the baseline survey suggest that although most principals observe teachers in their classroom, very few provide feedback on these observations (see Table 32). In addition, teachers are visited by pedagogical advisors (PA) less than twice per year (see Table 33). With so little feedback and guidance, teachers have little support to improve their instruction and function as effective participants in the SBG program.

**Table 32. Principal Feedback and Observation (as Reported by Teachers)**

<b>How often does your school principal observe your teaching?</b>	<b>%</b>
Never	7.6
Once a year	6.2
Once a term	22.9
Once a month	25.5
Once to three times a month	8.2
Once a week	18.0
I am the school principal	11.5
<b>If the Principal observes your lessons, do you receive feedback on how the lessons were delivered?</b>	
	<b>%</b>
Yes	38.9
No	61.1

Source: Baseline IE survey (teacher survey), 2012.

**Table 33. Frequency of Pedagogical Advisor Visits to Schools (as Reported by Teachers)**

<b>How often did the Pedagogical Advisors (PA) visit and observe your teaching?</b>	<b>Mean number of visits</b>
School year 2008-09	1.8
School year 2009-10	1.8
School year 2010-11	1.8
School year 2011-12	1.9

Source: Baseline IE survey (teacher survey), 2012.

**Parents will also need to be trained to play a more participatory role in spending decisions.** Findings from the IE baseline survey suggests that parents perceive to have very limited influence over most school decisions. The SBG program does not explicitly

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for school level monitoring, however, could indeed be around 1,000 USD (email communication with G. Clarke, international consultant)

<sup>77</sup> SBG Issues Note, 2012.



include training activities for parents. This could pose a risk for successful implementation of the SBG grant since other countries' experiences (mainly Indonesia) suggest that wide community representation and participation in decision making is related to better student outcomes.

### ***The SBG and Parental Financial Contributions***

**One concern with the SBG program that was expressed during the October field trip is that the SBG will not be sufficient to cover schools' resource needs, and it will discourage parents from making financial contributions to make up for shortfalls.** There is some evidence from other school grant programs in India and Zambia, that households significantly lower their financial contributions to schools after schools receive a grant. In the case of India and Zambia, for each dollar that was provided to grant-schools during the second year of the grant program, household spending in that school (i.e. financial contributions) declined by 0.76 dollars during that same year.<sup>78</sup> This would lower the total amount of resources schools receive. It is not clear whether parents declined to pay fees in the 2012-13 due to the existence of the SBG or due to knowledge about the new regulations that abolished what were once non-mandatory school fees in the country. There was no parent survey in the IE baseline data so their reasons are not known with certainty. However, field trip interviews suggest that most school staff and VEDCs do not think communities would lessen their financial contributions. If parents continue to contribute at the same levels as before, there could be more resources reaching schools and classrooms than before the SBG program.

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<sup>78</sup> Das, J. Dercon, S., Habyarimana, J and Krishnan, P. (2013). School Inputs, Household Substitution, and Test Scores. *American Economic Journal: Applied Economics* 2013,5(2): 29-57

#### ***Box 6. School grants and Parent Contributions: Evidence of Substitution Effects***

Results from SBG programs in India and Zambia suggest that households reduce their own school expenditures when schools receive government grants. In India's Andhra Pradesh state, 100 schools were assigned by lottery to receive a school grant program worth around \$3 per pupil, while 100 served as a control group. Grants were to be used for inputs directly used by students, such as notebooks, writing materials, etc. The program was implemented for two years. In the first year, lottery results were announced two months into the school year, after the majority of households had already made significant spending on school materials. During the 2nd year, parents in grant schools could anticipate that their school would receive the grant. The authors find that in the first year, household spending decisions do not change, but in the 2nd year, households spend significantly less. Evaluated at the mean, we find that for each dollar provided to treatment schools in the second year, household spending declines by 0.76 dollars

The authors complement the AP evidence with data from Zambia. In 2001, the Government of Zambia began providing all schools with a fixed school block grant of \$600-\$650 per school as part of a well-publicized national program. Detailed household financial information was collected for the study and found that household spending almost completely offsets variations in predicted per-student school grants. In other words, once parents knew their school would be receiving a block grant, they reduced their own spending. The authors go on to argue that substitution in spending, also known as "crowding-out," could be one of the reasons for the lack of effects that the block grant program had on student test scores.

Source: Das, J. Dercon, S., Habyarimana, J and Krishnan, P. (2013). School Inputs, Household Substitution, and Test Scores. *American Economic Journal: Applied Economics* 2013,5(2): 29-57

#### ***Limited reporting on the use of the SBG and inadequate safeguarding of funds***

**Inadequate reporting on the use of funds means districts and provinces have little information on whether grant money was spent and on what.** Very few principals reported in the baseline survey having a school improvement plan or a school budget. Given the low frequency of inspection and support, this suggests a key area for training opportunities. Authorities should strive to strike a proper balance between autonomy and regulation, but monitoring efforts are a key component of SBM programs. Monitoring ensures resources are not wasted and actually reach the classroom. Monitoring efforts can also help authorities decide how best to support and coach principals and other committee members.

**Improper safeguarding of funds could lead to corruption or waste.** Even though banks are not common in rural areas and there is limited financial literacy in the country, authorities should work with school committees to devise a proper way to safeguard funds in order to minimize the opportunities for corruption and/or waste.

## 8. Conclusions and Recommendations

**Lao PDR has made great progress in the implementation of an ambitious nationwide SBG initiative, providing the country with a strong foundation to build on.** Although still in its infancy, the GoL's "School Operating Cost" or Government SBG program is a solid step toward establishing SBM efforts in the country. Lao PDR already has some of the institutional foundations to build on as it moves in this direction. VEDCs have been established in most schools, and school decision-making is already highly decentralized. Principals report high degrees of influence over most school matters. Even though most schools will no longer collect school fees from parents, it is expected that parental contributions will continue to fund school needs. Lastly, Lao PDR already has adopted and created training materials to help schools craft a School Development Plan and to train them on the EQS framework. These efforts can guide principals and school committees to make effective spending decisions.

**As is the case with many large-scale reforms, particularly when they are first implemented, many challenges lie ahead.** These challenges include schools not receiving the grant on time; insufficient local capacity and limited support and monitoring efforts to ensure adequate SBM implementation, which include lack of training for planning and faulty record keeping; limited reporting on the use of funds; and improper safeguarding of funds. Resolving these challenges will help SBG live up to the promise of increasing student learning. Based on an analysis of documents and survey data, and limited information gathered from interviews with principals, teachers, parents and other school actors, the following recommendations are provided. These recommendations are intended to strengthen program implementation.

**However, with further steps to strengthen the implementation, the program's benefits could have a long-term positive impact.** There is some evidence that SBM can improve student learning and enhance community participation in education. The following recommendations could improve implementation of the SBG program. Adequate implementation would ensure, at a minimum, that funds reach the classroom and are not wasted. The actions discussed in the following recommendations would strengthen the SBG program in Lao PDR.

### *Recommendations*

**Deliver funds on time to enable effective local planning.** During this first year of implementation it is understandable that there were delays in the delivery of the funds. However, if schools do not know when they will receive grant funds, or if they receive partial funds, the uncertainty hinders their ability to plan effectively. In future editions of the SBG, districts and provinces should strive to provide as much certainty to schools in the delivery of the funds as they can. If possible, schools should receive the whole SBG at once, to allow for the purchase of more costly items that might be needed earlier in the year, such as classroom equipment and teacher training.

**Provide principals and VEDC members with training that strengthens their understanding of SBG and their roles in the program.** During the first year of the SBG training and dissemination efforts were limited. However, training will be key to ensure the program can deliver the intended results in the future. Some of the recommendations of the Indonesia project could very well apply to Lao PDR. To be effective, the program should inform principals and school committee members about the goals and purposes of SBM, the multiple school committee (VEDC) functions as defined by central government guidelines, and how to fulfill these functions. School principals also need to be given basic leadership and management training on how to conduct meetings, develop a school vision, and engage in participatory planning and budgeting.<sup>79</sup> In the Indonesia BOS program, many principals and teachers reported receiving training for SBM activities, but for training to be effective it must be well designed, systematic (rather than ad-hoc) and continuous, and it must provide opportunities for active engagement on the part of participants. SBM would be most beneficial if principals and VEDC members have educational and managerial leadership qualities, and can work collaboratively with an informed parent body.<sup>80</sup>

**To increase parent empowerment, targeted efforts such as dedicated, continuous parent training, or mechanisms for school participation that encourage wide representation from the community might be needed.** Parents, in particular, have little influence over most school matters. SBM programs can confer both financial and administrative empowerment. However, to reap the full benefit of both, parents must be well-informed, engaged and capable of making decisions that best address school needs. In addition, SBM requires strong parental participation and oversight to counter the diminished role of central authorities. Thus, to increase parent empowerment, targeted efforts and investments in training and other mechanisms might be needed. Parents should receive training that allows them to engage and participate in school decision making.

**Ensure that principals and VEDC members have sufficient information and training to set learning and other school quality targets.** Although Lao PDR does not have a national, standardized assessment system, principals do have data on pass rates, repetition rates and enrollment by gender and ethnicity for their own school. The MoES publishes reports of these and other school data for all schools, and aggregated by province and district. Principals and VEDCs could be trained to use those indicators to set student outcome targets and gauge progress. Documents such as the EQS could also be used as guides in the planning process.

**Address the importance of adequate reporting and safeguarding of SBG funds through training.** In an environment where the authorities delegate autonomy over spending decisions to schools, adequate reporting is important to ensure resources reach the classroom and are spent effectively. Schools should strive to keep accurate attendance

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<sup>79</sup> Vernez, G., R. Karam, and J.H. Marshall. 2012. Implementation of School-Based Management in Indonesia. Monograph. *RAND Corporation*.

<sup>80</sup> The authors are grateful to G. Clarke (international consultant) for providing this idea of financial and administrative empowerment.

records so they can receive the appropriate amount of SBG funds based on the per-student allocation. School officials should adequately safeguard unspent funds to minimize the potential for loss or corruption.

**Earmark funds for provinces and districts to provide needed support for SBG implementation. In addition, consider making the SBG funding formula more progressive.** Particularly in the early stages, principals and school committees will need a high degree of support and monitoring of their SBM efforts. Technical assistance and funds provided by donors could be used to enhance local capacity and infrastructure to aid monitoring and support efforts. DEBs should also receive additional human and financial resources to enable them to fulfill their tasks under the SBG program. This includes supervising the use of the SBG, helping principals and VEDCs manage the funds, prepare school budgets and SDPs, and helping school principals open school bank accounts if needed. In addition, DEBs need to develop capacity within their bureaus for proper record keeping and reporting (i.e. through the use of excel worksheets or other electronic tools), as well as school monitoring activities. The funding formula could also be made to be more progressive. First, to compensate small and remote districts for the added cost associated with collecting the grant. And second, to consider that it could cost more to deliver comparable quality education services in some area, and that some schools face greater challenges improving student outcomes and thus might need additional support.

**Adapt training manuals and materials from other initiatives where relevant.** Many other donor-supported and local projects have developed manuals and training materials in Lao language. In addition, organizations such as UNICEF have been involved in dissemination efforts of the EQS framework in Lao PDR. CIED II project has been working on adapting the new EQS standards into their training modules. These previous efforts could be useful inputs to design training that is intended to support effective planning and school management.

**The GoL should take additional steps to ensure accountability from schools, districts and provinces in the use of SBG funds.** Since 2011-12 was the first year of operation of the SBG, the first tranche of the funds was delivered to schools unconditionally. In addition, training of principals and district officials on reporting and other SBG management has been limited. As the SBG program evolves, schools should be required to report to DEBs in a timely fashion on the use of the SBG and to submit their school development plans. This ensures that the planning process, which is a cornerstone of SBM efforts, takes place and includes all key stakeholders. DEBs should report back to provincial education authorities, and provincial authorities to the MoES, on the implementation of the SBG. District and provincial reports should document when and how funds were transferred to the schools, use of funds, the work of the VEDCs, inspector visits, and trainings delivered. To encourage these efforts, and promote better accountability training of DEBs and school officials is key.

**Parents should be encouraged to continue to contribute financially to their schools on a strictly voluntary basis and to the extent that they are able to.** Even with SBG

funds, schools in Lao continue to need more resources for infrastructure, classroom materials and equipment, teacher training and other items. In addition, SBG funds cannot, in theory, be used for investment costs such as building classrooms or installing toilet facilities. Parents should be encouraged to see the SBG as a complementary, sustained funding stream that provides continuous funds for certain expenses over the long run, including those that SBGs are not intended to cover. Unforeseen needs will continue to arise, and their financial contributions will remain important. Schools should register the receipt of these funds and integrate them within their school budgets so they can better plan for their use. Finally, schools could encourage parents to make in-kind contributions. These donations of goods or services could also become important supplements to the funding provided under the SBG program.

**The SBG is an important step in this direction, but Lao PDR could take other steps to strengthen school autonomy and accountability and signal stronger policy intent in this area.** While the country has made important progress and demonstrated strong policy intent in one indicator of school autonomy and accountability (school autonomy in budget planning and approval), the SABER study rated all other indicators as only "emerging." Principals appear to have high levels of *de facto* autonomy in their schools. In addition, SABER rates the country's schools as well as parents as having high degree of budgetary autonomy for planning, approval and fundraising. There is still more work to be done on the other indicators, such as personnel management, school and student assessment and school accountability to stakeholders to move further toward greater accountability and school autonomy.