

Adonis number :

**MEMORANDUM TO THE DCI COMMITTEE****Annual Action Programme covering the programming document  
Strategy Paper for the Financing Instrument for Development Co-  
operation for Lao PDR for 2008****1. IDENTIFICATION**

Budget heading	19.100101
Total cost	55 367 000 EUR EC contribution: 14 600 000 EUR Other contributions: 40 767 000 EUR
Legal basis	EC Regulation no. 1905/2006 of 18 December 2006 establishing a Financing Instrument for Development Co-operation

**2. COUNTRY/ REGIONAL/THEMATIC BACKGROUND**

This Annual Action Programme covers Lao PDR.

Lao PDR is a least developed country with a population of 5.8 million people and an average income of 460 USD per capita in 2005. On the UN Human Development Index while it has slightly risen since 2005, it still ranks lowest of the South-East Asian and Pacific countries – 129th out of 177 countries in 2007. 80% of the population live in rural areas, there are 49 different ethnic groups, and poverty reduction remains the main challenge particularly in rural and inaccessible, mountainous areas where ethnic minorities are concentrated. Lao PDR is highly dependent on development aid, with ODA funds making up more than half of the state budget. Over the last decade the incidence of poverty has fallen significantly from 2.2 million people living on less than US\$1 per day to 0.9 million in 2007. About 60% of the population is under 20 years old.

Preliminary findings from the 2008 MDG report show some progress in achieving universal primary education, reducing child mortality and significant progress in improving maternal health. However, basic healthcare remains inaccessible to a large proportion of the rural population, especially ethnic minorities and women. The fertility rate has dropped but the rate remains among the highest in the region at 3.6 and there are significant differences between urban areas and rural areas. HIV prevalence remains low, but the poor knowledge of methods

of preventing sexually-transmitted HIV and the low levels of use of condoms indicate a high risk of an increase in infection rates. Death rates from malaria have fallen and Laos is an early achiever on the MDG on tuberculosis.

Although there have been improvements in net enrolment in primary schools, the final effort to reach the MDG will be difficult without renewed policy commitment from the Government. Gender gaps have been reduced but still remain significant. A lack of resources and materials affect actual primary education outcomes. Teachers are under-qualified and are reluctant to work in remote areas. For all the MDGs while there are signs of improvement there is still a need to attain regional averages and actually reach the goals.

On the economic front, the situation has improved in Laos particularly since late 2005. Economic growth rates are robust with 7.1% in 2007. Inflation remains in single digits, currently at 4%. The agricultural sector is a source of income for nearly 80% of the population. The industrial sector has increased its share of GDP due to development of the textiles and garment industry. Growth is mainly fuelled by heavy investment in a few large mining and hydro-electricity projects, as well as tourism. Garments, wood products, minerals, timber and electricity are major export products, accounting for some 71% of total exports. Lao PDR lodged an application for WTO membership in 1997. Accession negotiations with WTO members are ongoing and domestic legislation is being reformed to conform to WTO regulations and requirements. Lao PDR became a member of the World Customs Organisation in 2007.

The National Socio-Economic Development Plan 2006-2010 (NSEDPlan) of the GoL foresees economic reform to further liberalise the economy, to create an enabling environment for the private sector and to stimulate trade and investment shifting away from socialist central planning. Work is on-going to strengthen public expenditure management, improve banking and the provision of rural financial services, continue the reform of SOEs, and continue improvements in forestry, trade and the promotion of the private sector.

The government's vision in governance area is outlined in its Governance Reform Road Map. A Legal Sector Master Plan is currently being finalised. The Government accords high importance to activities in governance and recognises the linkages between improvements in governance and poverty reduction. Over the past decade the GoL has embarked on wide-ranging public administration reforms, designed to create an effective, efficient, accountable and low-cost public administration, together with the requisite institutional and legal framework. The Government recognises, however, the awareness raising efforts needed at every level to transform Lao PDR into a state genuinely based on the rule of law.

Further progress on structural reforms in the area of fiscal management is needed. Domestic revenue mobilisation needs to be further strengthened, public expenditure management improved, the restructuring of state-owned banks and enterprises should be completed and private sector activity and investment further promoted. The imbalance between recurrent and capital expenditures also needs to be redressed. Reforms are also under way to re-centralise authority over tax and customs administration. The most serious challenge to Laos is that, despite economic growth, inequality is deepening and exacerbating poverty.

### **3. SUMMARY OF THE ACTION PROGRAMME**

The overarching goal of EC activities under the SP is poverty reduction and the achievement of the MDGs.

Two actions are planned under the 2008 Action programme:

Action I: Support for the Government's reform agenda under the NSEDP (DAC code 51010 – General Budget Support)

Action II: Contributing to good governance and the strengthening of the rule of law in Lao PDR (DAC codes 15140, 15162 – government administration and human rights )

Action I will be implemented via the second general budget support operation anchored to the World Bank led Poverty Reduction Support Operation. The PRSO programme aims to ensure that public resources are efficiently and effectively used to support Lao PDR's poverty reduction and growth strategies and to ensure that more resources become available through sustained growth and revenue mobilisation. EC will join PRSO 4-7, a 4 year series. PRSO 4-7 will build on the successes of the previous 3 years including continuation of the public expenditure management strengthening programme and improvement of the alignment of budget allocations to the Government's priority areas. The purpose of the PRSO is to help the government to implement its poverty reduction strategy as reflected in its national development strategy.

Action II will be implemented through two separate multi-donor projects administered by the United Nations Development Programme (UNDP): "Support to an Effective Lao National Assembly" and "International Law Project Phase III." The purpose of the international law component is improved implementation, enforcement and monitoring of international law in Lao PDR. The purpose of the National Assembly project is strengthening of the National Assembly's capacities to make laws; to scrutinize executive action, to represent the electorate; and to have a higher profile in national life. Both projects implement key activities within the Government's Strategic Plan on Governance (2006-2010) and its Legal Sector Master Plan and builds on the success of previous activities co-financed by the European Commission.

The national co-operation related policy is the National Socio-Economic Development Plan (NSEDP). Its overall objective is fundamentally to eradicate poverty by 2010. Its broad aims are to increase the competitiveness of Lao PDR; to link economic and social development and to protect the environment and to accelerate the building of the socio-economic infrastructure and to finalise the establishment of a market oriented economy. Its main priority sectors are Agriculture; Infrastructure; Health; and Education. It sets a target growth rate of 7% per year mainly driven by a sustained growth of export (12%). The NSEDP also places great importance on strengthening economic integration and regional co-operation by joining WTO and increasing its links with ASEAN and other regional groupings. NSDEP priorities in the governance field are: (1) public-service reforms, (2) people's participation, (3) the rule of law, and (4) sound financial management.

The SP and the specific actions planned in the Annual Action plan 2008 are fully complementary as the actions were foreseen: general budget support/PRSO are described in the SP in paragraph 4.2.1 and Good Governance and Human rights in paragraph 4.3.2.

The overall objective of Action I (Second General Budget Support to Lao DPR) is to support the Government of Laos in achieving its long term development objective of freeing the country from the status of Least Developed Country by 2020. The purpose of the programme is to introduce key reforms in the public sphere to sustain growth, ensure efficient management of public resources and create the conditions to increase social service delivery with a view to reducing poverty.

The expected results of Action I are expected in the following three clusters of reform:

- Sustained growth through the reduction of trade barriers and the creation of an enabling business environment including developing the financial sector and improving the performance and monitoring of the state owned enterprises.
- Improved public finance management systems and
- Enhanced sector performance in the health and education sectors.

PRSO implementation will follow a series of annual policy actions outlined in a four year programme matrix. Satisfactory implementation of the annual priority actions assessed through joint missions will determine the disbursement by donors, including EC fixed tranche. Besides, EC variable tranches will be linked to progress in the health and education sectors measured through specific indicators. The EC foresees additional capacity development activities in these two sectors to enhance Government systems on selected strategies.

On cross cutting issues, the positive impact on good governance is expected to be high thanks to the public sector reforms promoted with this programme that will result in increased Government capacities and enhanced legislative framework. Actions with environmental implications will be limited to the adoption of the Extractive Industries Transparency Initiative by 2010. This programme does not address directly human rights issues that are being analysed under the EC co-financed Poverty Social Impact Analysis (PSIA) and will be considered through the specific support under the SP to the upland communities.

The overall objectives of Action II will be to contribute to good governance and the strengthening of the rule of law in Lao PDR. The purpose of the Action will be to provide support to Laos' development into a state based on the rule of law and to set the foundations for a genuinely democratic state.

Expected results of Action II will be:

- Strengthened rule of law in Lao PDR and improvement in the process of poverty reduction through a human rights based approach to sustainable human development;
- Enhancement of Lao PDR's ability to function as a full-fledged member of the international and regional communities by strengthening its capacity for engaging in multilateral and bilateral diplomacy and negotiations;
- A strengthened National Assembly that is better able to exercise its legislative, representative and oversight responsibilities.

Human rights is one of the five priority areas of international law and constitutes a central element of the International law component. The National Assembly component will address human rights indirectly among others through enhancing the Parliament's capacity to effectively deal with citizen's human rights concerns. Gender features as a cross-cutting issue for both components and the International Law component will also seek to enhance monitoring by the Lao Women's Union of the implementation of CEDAW commitments. The National Assembly programme involves a gender mainstreaming strategy and introduces gender-sensitive participatory planning guidelines. For both components cross-cutting issues

will be referenced and included throughout the programme where relevant.

#### **4. PAST EC ASSISTANCE AND LESSONS LEARNT**

Lessons outlined in the SP and AAP 2007, mentioned below, are still relevant and the Delegation has borne these in mind in its work over the past year:

- The EC is now striving to make a strategically significant contribution to policy dialogue in areas where it can demonstrate added value – e.g. enhancing the business environment, reducing trade barriers, improving public finance management. EC will focus on education and health under PRSO 4-7 following feedback from PRSO 3 financed under AAP 2007. It is expected that this strategic policy reform will yield more sustainable benefits at structural level than direct project support. Experience from 2007 shows that this way of working is very intensive. The move from projects to policy dialogue still requires significant human resource input.
- The recurrent funds available in the state budget are currently not sufficient to match the capital investments made by donors. Budget support provides assistance to meet the transitional costs of change;
- The EC continues to take a leading role on aid harmonisation, coordination and alignment as stated in the European Consensus on Development and demonstrates this commitment by using budget support operations and working closely with other donors on all areas under the SP. The key challenge for 2008 will be the implementation of commitments under the Vientiane Declaration on Aid Effectiveness;
- Difficulties in establishing a policy dialogue with the Government for a variety of reasons such as a lack of human resources means that dialogue needs to be firmly anchored to a concrete set of reforms. This is precisely the case with the budget support programme both in the PRSO component and the variable tranche which contain clear and monitorable reform frameworks directly linked to the NSEDP.

#### **5. COMPLEMENTARY ACTIONS**

EC complementary actions in the specific areas covered by Action I are essential for ensuring intense policy dialogue at the sector level and continued collaboration with Government. Trade and PFM reform are covered via two programmatic Multi Donor Trust Funds under AAP 2007. There is also ongoing support for the implementation of the SME development strategy through the SME project which will enhance investment procedures, access to finance, the regulatory framework and provide institutional strengthening. Action I foresees technical support to the health and education sectors in PRSO-related areas of concentration to start engaging the EC at the sectoral level and to support GOL in the development of sector strategies/SWApS. It will be provided within a coordinated capacity development framework with other donors. Complementary to Action II are some of the actions contained within the PRSO matrix that are related to legal or budgetary aspects. In addition the EIDHR provides small scale support to key organisations such as the Lao Bar Association. Both Actions are supported by other donors: Action I by World Bank and Japan; and Action II by Finland, Germany, World Bank and other UN agencies.

## 6. DONOR CO-ORDINATION

The Round Table process is the main aid coordination mechanism between donors and the GoL. There are eight sector working groups co-chaired by the GoL and donors. The Vientiane Declaration on Aid Effectiveness and Harmonisation has been adopted by donors and a related Country Action Plan was developed in May 2007. The sector working groups are closely involved in the implementation of the Country Action plan and are starting to engage in real policy dialogue with the Government on developments in their respective sectors. The EC is a leading voice in this process.

The EC and the Member States regularly meet to discuss and exchange information. A process has been started to increase EU co-ordination based on the Code of Conduct on division of labour and progress is being made towards establishing a roadmap of EU activities in Laos with a retreat planned for April 2008.

## 7. COMMUNICATION AND VISIBILITY

High level involvement in policy dialogue has already improved the EC visibility in Lao PDR. So far, thanks to its active participation in the PRSO missions the EC is already recognised by the local authorities and other participating donors as a responsible partner. The EC is visible in all major activities relating to its joint activities with UNDP. Visibility is assured in classic terms with the EU logo being displayed and EU funding acknowledged. The Delegation regularly co-chairs and speaks at project events.

All relevant activities and appropriate media coverage that will ensure maintaining and improving the visibility of the EC will be undertaken. There will be media events upon signature of the relevant financing agreements with accompanying articles in the media. EC activities will be promoted in EC communications on its cooperation programme, e.g. in the Europe Day speech, media events for other EC-financed activities, official visits, etc.

## 8. COST AND FINANCING

Action 1 - Support to the Government's reform agenda under the National Socio-Economic Plan / Second General Budget Support to Lao PDR	€ 13 million
Action 2 - Contributing to good governance and the strengthening of the rule of law in Lao PDR	€ 1.6 million
Total amount of the action programme	€ 14.6 million

Within the maximum indicative budget of all the specific actions, cumulated changes not exceeding 20% of the maximum contribution of the Community, are not considered to be substantial provided that they do not significantly affect the nature and objectives of the Annual Action Programme.

The authorising officer may adopt such changes in accordance with the principles of sound financial management.

**Adonis number****ACTION FICHE FOR LAO PDR/ASIA/GOVERNANCE****1. IDENTIFICATION**

Title	Contributing to good governance and the strengthening of the rule of law in Lao PDR - DCI-ASIE/2008/19507		
Total cost	<b>Total cost: 3 367 000 EUR</b> 1 032 000 EUR (component 1) 2 335 000 EUR (component 2) EC contribution component 1 : 500 000 EUR EC contribution component 2 : 1 100 000 EUR <b>Total EC contribution : 1 600 000 million EUR</b> <b>Other contributions: 1 767 000 EUR<sup>1</sup></b>		
Aid method / Management mode	Project approach Joint management with an international organisation		
DAC-code	15140, 15162	Sector	Government Administration, Human rights

**2. RATIONALE****2.1. Sector context**

The Government of Lao PDR demonstrates a strong interest and commitment to become a party to international treaties and instruments, and to ensure compliance with international norms, principles, and provisions. The framework of international law allows Lao PDR, an LDC, to take full advantage of the benefits of global integration and also to safeguard itself against inequalities in wealth and power in multilateral and bilateral arenas. Lao PDR is engaged in several international negotiations

---

<sup>1</sup> (\*) International Law Phase III: 500 000 EUR by the Government of Finland and 32 000 EUR by UNDP.

(\*\*) Support to an Effective Lao National Assembly: 600 000 EUR by the Government of Luxembourg and 400 000 EUR by the United Nations Development Programme (UNDP). United Nations Office on Drugs and Crime (UNODC) will contribute 130 000 EUR, the United Nations Development Fund for Women (UNIFEM) will contribute approximately 65 000 EUR and the United Nations Population Fund (UNFPA) approximately 40 000 EUR.

that can make a significant contribution to its national development goals, especially the Millennium Development Goals, and emerging from least developed country status (LDC) by 2020.

The Lao PDR Strategic Plan on Governance (2006-2010) seeks to establish “a complete, clear and coherent legal framework”. It focuses on strengthening the capacity of the National Assembly to propose, evaluate and approve sound legislation. It specifies emphasis on ratification of international treaties, especially those related to prevention of terrorism, torture, and other inhumane activities, and protection of rights of migrant workers and children. It stresses review and harmonisation of national laws with international conventions to which Laos is a party, or intends to become a party.

The Draft Master Plan for Development of the Rule of Law in Lao PDR, has noted that out of 25 treaties prioritised for ratification by the UN Secretary-General, the country is currently party to 15 of them<sup>2</sup>. Lao PDR’s high degree of commitment to undertaking and complying with international legal obligations is, to a large extent, the outcome of the initiatives of the International Law Project, located in the Ministry of Foreign Affairs, from 2002 onwards.

The critical constraint in Lao PDR with respect to its governance and rule of law agenda is represented by the limited individual and institutional capacity in the country. Consequently, capacity development is the key to ensuring successful outcomes of support provided to the National Assembly and the International Law Project. The critical inputs provided by the International Law Project towards overcoming this constraint is dissemination of knowledge regarding international treaties among key actors in government and civil society, and coordination of consequential action on treaty compliance that necessarily involves a large number of ministries and agencies, at national and local levels, not limited to the legal sector.

Given the current state of weak capacity in key institutions, the Department of Treaties and Law in the Ministry of Foreign Affairs is best positioned to ‘lead’ the International Law Project. The outcomes of the first and second phases of the International Law Project have already earned it a very good reputation outside the Ministry of Foreign Affairs. Moreover, the MoFA serves as the secretariat for two important committees whose work has a direct bearing on critical development priorities – the supervisory committee for the achieving the Millennium Development Goals, and the National Commission for Mothers and Children.

As the only democratically elected body in Laos, the National Assembly appraises the implications for the country of ratification of treaties, and also undertakes the task of bringing national laws into conformity with international norms and obligations.

Providing support to both the National Assembly and the International Law Project with a view to operationally support the complementarity between the two components is strategically advantageous

---

<sup>2</sup> Lao PDR is planning to enter into the Rome Statute on the International Criminal Court. Lao PDR is already party to the International Covenant on Economic, Social and Cultural Rights (ICESCR), the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the Convention on the Rights of the Child (CRC), two Optional Protocols to the CRC, and the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD). It has also ratified or acceded to international conventions on combating transnational organised crime and terrorism, drug and tobacco control, and sustainable use of natural resources and the environment. Two ILO conventions are in force in the country since June 2006 – Convention 138 on minimum age for work, and Convention 182 on worst forms of child labour. Lao PDR has signed the International Covenant on Civil and Political Rights (ICCPR) and the UN Convention Against Corruption. In order to prepare for the ratification of the human rights covenants, Lao PDR has established an Inter-Ministerial Committee on the Preparations for Ratification and Implementation (IMC), with a responsibility to progressively realize the human rights enshrined in these two covenants.

for the outcomes of both components. Current laws need to be brought into compliance with international legal norms and standards. The National Assembly (NA) stands vested with this task along with representative, legislative and oversight functions. As such, strengthening the NA is necessary to help ensure people's full participation and involvement in all areas of cultural, social and economic development, as well as to ensure that it gets the respect and cooperation of all government institutions. The support to the National Assembly Programme, proposed through this Fiche, will seek to strengthen the capacity of the National Assembly members and its committees to better exercise their constitutionally mandated functions. It will also seek to enhance the capacities of the NA Secretariat to deliver effective services to the members and build internal institutional memory for sustainability.

## **2.2. Lessons learnt**

A participatory evaluation mission (sponsored - in December 2007 - by the governments of Lao PDR and Finland, the Delegation of the European Commission, and UNDP) noted that the International Law Project has been pivotal in giving assistance to the Government of Lao PDR in becoming party to treaties, incorporating treaty provisions into Lao law and enforcement of treaties and treaty obligations.

The international law component of this proposal will support a joint project which runs as a direct continuation of the project "Strengthening International Law in the Lao PDR, Phase II" (2005-2008) which is set to end in mid-2008. The current phase of the project, which is funded by the EC, Finland and UNDP made progress in awareness-raising, ratification and national incorporation of international law, and Phase III (2009-2012), supported by this proposal, seeks to continue this process by addressing the implementation of norms contained in the treaties ratified. As part of the ongoing legal sector work, a number of reviews and evaluations of the current project have been commissioned on the state of rule of law in Lao PDR. These included the following recommendations:

- continue to work on monitoring and enforcement of treaties, in particular the reporting process to treaty and other international bodies (as opposed to merely focusing on treaty ratification);
- develop and streamline the ratification process and improve the advisory role of the Ministry of Foreign Affairs /Department of Treaties and Law in collaborating with other actors;
- continue to support work on increasing participation by Lao PDR in the multilateral treaty framework and in bilateral treaty-making, including the ratification of the remaining 25 core UN treaties;
- focus support on treaty-making which provides a roadmap which may be used as a valuable tool in addressing the incorporation (or transposition) of international law into domestic law.

It is broadly acknowledged that the current phase of the National Assembly programme has been successful. Overall, the legislature in Lao PDR has improved in many areas within the National Assembly and its secretariat but there are still pending needs that should be addressed and capacities to be further strengthened. This was confirmed by an independent evaluation, which took place in November 2006, and by the concept note emanating from the NA. Both studies identified clear strengths in the first phases of the programme of assistance but it also found areas for further improvement, notably:

- a need to strengthen the parliamentarians ability to perform a thorough and knowledgeable oversight role, engage in the law making process, and improve the representational side of their mandates;
- a need to strengthen the Secretariat of the National Assembly to deliver effective services to parliament.

Experience from past phases also gives clues to some other constraints that will have to be overcome. The first relates to programme delivery. Time is a key constraint: the Lao legislature sits twice a year

for a maximum of one month each time. This allows little time for the programme to plan activities with *all* members, knowing that, apart from sitting periods, members are in their constituencies and/or busy with other professional activities. Planning is also difficult since the exact dates for plenary meetings and other critical dates are not identified in advance.

The process will have to be carefully planned and even more carefully executed, especially taking into account the strategic environment. The second phase of the programme, although being the only international programme focussing on the development of the National Assembly, did not have sufficient resources to fully achieve all of its objectives.

Finally, sustainability of the programme should be envisaged through the building of an institutional memory within the house. Indeed, in any given assembly there is a members' turn-over which creates the same capacity needs at every election. The programme will have to overcome, as far as possible, this problem. Ultimately, the programme will have to follow the evolving goals of a fairly young and still developing National Assembly.

### **2.3. Complementary actions**

The action proposed will be complementary and support the objectives of informal dialogue held within the EC-Laos Working Group on Institution Building, Administrative Reform, Governance and Human Rights.

The EC already provides assistance to the GoL for three governance actions under the previous NIP 2002-2006. The three areas cover: the rule of law (International Law Phase II - 2005-2008), Public Administration Reform and Decentralised Service Delivery (GPAR Saravane Decentralisation Project - 2005-2009) and Strengthening the National Assembly (Strengthening the role of the National Assembly - 2004-2008). All three are implemented in co-operation with UNDP, which is the leading agency in support for governance in the Lao PDR. The components outlined in this Fiche would dovetail seamlessly into these ongoing actions and ensure continuity.

In addition, several other Development Partners are providing limited support to the National Assembly in specific areas of its work, including the World Bank, the IMF, UNFPA, UNICEF, ILO, UNODC, WHO, and France. UNDP has generally facilitated and coordinated the activities concerned. A wide number of stakeholders, including EU Member States (Germany, Finland and Luxembourg) have confirmed their support to the future phases of both projects.

### **2.4. Donor coordination**

Donor co-ordination in Laos is led by UNDP. The Governance Sector working group provides a forum for sharing information and discussion of important governance issues by interested donors and line ministries.

The process of design of the two components presented in this Fiche has seen discussions between all key donors and government ministries. As an implementing partner, UNDP has a particular strategic advantage in the area of governance in Lao PDR, given its long experience of working with the government and its well-established policy insights on public sector reform. As a co-chair (together with Sweden) of the Donor Working Group on Governance, UNDP is also in a key position to ensure that overlaps between the various donor-funded projects in the area of governance are minimised.

In addition to SWGs, there is the EC-Laos Working Group on Institution Building, Administrative Reform, Governance and Human Rights and the Swedish-Laos Working Group on Human Rights. The key issue that has arisen from the Working Group meetings is the concern for policy implementation – donors are attaching increasing importance to the measures taken by the government in translating its policy statements into concrete development outcomes. Both components in the present fiche were approved by the EC-Laos Working Group Meeting in March 2008.

The National Assembly programme will be implemented by UNDP. Aside from UNDP and the EC, the other contributors to the programme are the Government of Luxembourg, the United Nations Office on Drugs and Crime (UNODC), the United Nations Development Fund for Women (UNIFEM) and the United Nations Population Fund (UNFPA). In addition, the Government of Germany will provide two senior technical advisors for a period of at least two years. The World Bank will provide support to the National Assembly by financing a specific capacity building component. This will be through parallel funding and will be fully coordinated through the Steering Committee which oversees the implementation of the programme.

The Government of Finland, the EC and UNDP will finance the UNDP-implemented International Law project. Other donors, including Netherlands and the Swiss Development Cooperation (SDC), have also indicated an interest in the project (contributions and commitments tbc). A Steering Committee will oversee the implementation of the project and will ensure that the activities of other donors in related sectors are coordinated.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The overall objective for the two components of this Action Fiche is to contribute to good governance and the strengthening of the rule of law in Lao PDR. The project's purpose for the international law component is improved implementation, enforcement and monitoring of international law in Lao PDR, while the purpose of the National Assembly project is to strengthening the National Assembly's capacity to make laws; to scrutinise executive action, especially as regards the budget; to represent the electorate; and to have a higher profile in national life.

#### **3.2. Expected results and main activities**

##### **a) International Law component – project entitled “International Law Project, Phase III”**

The International Law Project has the following expected results:

1. Increased participation in the international legal framework by Lao PDR.
2. Improved incorporation of international law into the domestic legal system.
3. Enhanced implementation, enforcement, monitoring and reporting according to the international legal obligations of the Lao PDR.
4. Developed national capacities in international law and negotiation.

Specific outcomes anticipated during Phase III are:

- Strengthen the capacity of the NA's members and Secretariat in the consideration of treaties that are pending ratification; techniques for incorporating international norms and standards into domestic legislation; and discharge of the NA oversight responsibility in respect of treaty negotiations and implementation by the Executive and treaty application and enforcement by the Judiciary.
- Support capacity building of the ministries and institutions directly responsible for reporting, ratifying and implementing international conventions/treaties (ICERD, ICESCR, ICCPR, UN Convention Against Corruption) including the discharge of the relevant reporting obligations. For

example, support to the Ministry of Labour and Social Welfare in the context of the rights to work and working conditions under ICESCR and ILO conventions; the consideration of ratification of ILO Conventions, incorporation of international labour standards into domestic legislation, national implementation, enforcement and monitoring and reporting to the ILO. Similar support is needed for other ministries such as Ministry of Education in terms of the rights to education; Ministry of Agriculture and Forestry in terms of the rights to adequate food, etc.

- Support the National Assembly Standing Committee to expedite the adoption of the Ordinance on Treaty Making and Implementation. Support the MoFA and other relevant institutions in the preparation of draft law on treaties to be submitted to the NA in 2010.
- Extend capacity development activity from national to provincial levels and support capacity building of the Judiciary, Police and prosecutors in the application of international legal principles.
- Promote compliance by private sector with international human rights norms, labour standards and obligations under international environmental law.
- Follow-up activities to treaty bodies' concluding observations/comments on Lao PDR's reports (ICERD, CEDAW, CRC+2OPs, ICESCR) and assist in the implementation of and, where applicable, reporting under resolutions of the UNSC, UNGA , UNHRC and resolutions and decisions of other international organisations and conferences. Support for Lao PDR Universal Periodic Review.

The generic set of project activities for achieving the outcomes indicated above includes:

- Research & analysis of substantive areas (e.g. human rights), treaties and national laws
- Training workshops on identified priority areas of international law
- Hosting annual national forums on international law
- Study visits, overseas training and academic scholarships
- Translation and dissemination of materials (including a project website)
- Publication of research, workshop training materials, etc.
- Short term consultancies on specific legal issues

#### **b) National Assembly component – programme entitled “Support to an Efficient Lao National Assembly” (SELNA)**

The programme will seek to strengthen the capacities of the National Assembly Secretariat and its staff to improve the quality of services provided to Parliamentarians and their constituents, as well as building the capacities of MPs to exercise the oversight function and to influence policy making in order to enable it to fully contribute to a truly participatory and representative democracy.

The three main expected results and indication of the way they will be achieved are presented below. Despite being modular in design, these components are not stand-alone compartments but inter-related parts of the whole. Activities that serve several functions will be found under one output but will impact one or the two others.

##### **1. Enhanced Parliamentary Capacity for Exercising Legislative and Oversight Responsibility**

The legislative function is one of the major activities that Parliamentarians have to undertake, the reason why they have been elected. Although constitutionally the government will remain the main initiator of laws, the programme intends to assist the National Assembly to improve coordination with the Executive branch in order to be consulted at the earliest stage in the drafting process and also to receive bills in good time so as to be able to undertake a careful review. Ultimately the National Assembly should be involved in initiating legislation by appropriate means, which the programme will assist in setting up.

The programme will also assist the NA to develop the role of the committees in regard to its involvement in legislation review. Finally, with regard to the 2011 National Assembly elections, the programme and the organisations assisting the NA will play an important role in preparing newly elected members to understand their roles and responsibilities in an orientation programme prepared in collaboration with and under the leadership of the NA.

## 2. Effective Parliamentary Representation of Citizens

Improving the role of the 17 constituency offices in Lao PDR will be one of the targets of the programme. They will be used to streamline access of citizens to their Members. The programme will also encourage MPs to consult the public to solicit its input.

For the Members of the National Assembly and the committees to better report on their work to the Lao people and advocate for core issues, the programme will organise specific activities to support the National Assembly public information department.

The programme will also help to build the National Assembly capacity to process complaints against Government Officials and Court Decisions so that the general public will benefit from an efficient system of complaints and petitions. The processes will be strengthened both at provincial and at national levels.

## 3. - Upgraded Parliamentary Support Services and In-House Information Flow

The programme will help to strengthen the secretariat so that it can serve more efficiently and effectively the National Assembly in discharging its political responsibilities. The programme will support comprehensive human resources development (HRD) and the formulation of a long-term HRD policy/strategy for the staff of the National Assembly. This includes revising and approving individual job descriptions, the introduction of annual performance appraisals, assessments of overall training needs etc Training will focus on improving the staff's foreign language skills, their ability to provide documentation and sectoral expertise in a timely fashion to the committees. It will also enhance the public information and dissemination capacities and promoting a broader understanding of the parliament's legislative process.

The programme will also assist in improving the in-house flow of information, archiving and documentation management, which is necessary for coherence among the various Committees and Departments within the National Assembly. The National Assembly's Rules of Procedure will be reviewed to ensure that the flow of information through the National Assembly (including the provincial offices) and from the Executive to the Legislature is consistent with the constitutional needs of the NA. The programme will help, among others, to improve ICT infrastructure between the National Assembly and the constituency offices, develop specific procedures for managing internal and external information flows and to rationalise the documentation and research centre. This will also contribute to maintaining transparency, accountability and a strong public outreach strategy.

The generic set of project activities for achieving the outcomes indicated above includes:

- Workshops and seminars for example on MDGs, and PRSPs, awareness on gender issues, environment, and implementation of laws, national plans and international commitments
- Training on legal drafting, policy analysis and budget scrutiny
- Develop material, draft manuals and train relevant trainers on programme delivery (e.g on campaigning)
- Training workshops on identified priority areas such as treaty ratification and on media and governance
- Prepare handbooks and procedural guidelines (e.g. explaining key procedures, the legislative and oversight process, duties and responsibilities)
- Field / provincial visits by MPs/Committees to engage constituents
- Translation and dissemination of materials (including on NA website)

- Publication of research, workshop training materials, etc.

### **3.3. Stakeholders**

Specific stakeholders for the International Law component include the Ministry of Foreign Affairs (Department of Treaties and Law) and institutions involved in establishing the rule of law, e.g. University Faculty of Law and Political Science and Judicial Training Centre; and civil society actors such as the Lao Bar Association, Lao Trade Unions' Federation and Lao Women's Union.

Under the National Assembly component the 115 NA Members are the key stakeholders. The National Assembly also employs 167 staff who provide support to the six committees and act as the secretariat for personnel, finance and administration. 87 staff work at the 17 National Assembly offices in the constituencies. The National Assembly has produced a strategic framework document which outlines its long and short term vision including the needs of its stakeholders. For the members the aim is to act as a legislative body with the full capacity to uphold their legislative, oversight and representation responsibilities. For the staff of the National Assembly their skills need to be upgraded so that they can provide appropriate technical support services. In-house provision of information also needs to be improved and staff in constituency offices need ICT links to the National Assembly. Institutionally, the National Assembly itself will have much to gain from the project in all aspects of its operations, as will its secretariat staff. The achievement of the planned improvements will undoubtedly enhance the standing of the Assembly within the overall structure of the Lao state.

The ultimate beneficiaries of both components are the people of Lao PDR, especially the poor and those denied human rights or access to public services. A strengthened National Assembly, and one which will interact more effectively with its constituents, will represent another element of nascent democracy in the life of the country. Similarly, progress towards a Rule of Law State will bring benefits to all the citizens of Lao PDR in the sphere of human rights. Women will be particular beneficiaries, as there will be an emphasis on raising gender awareness and preparing legislation in that sphere.

### **3.4. Risks and assumptions**

The risks and assumptions are common to both components. Continued commitment of the Government to apply International Law norms and to continue strengthen the National Assembly is crucial. In order to mitigate the risk of failing commitment, a high degree of Government ownership has been ensured through its close involvement in the design of both projects. Co-ordination with other projects and activities on legal and public sector reform is also important. Finally, there are capacity-related risks as the government is moving forward with a comprehensive range of public and legal sector reforms. Project implementation may be slowed down due to the consensus-oriented and time-consuming way of Government's decision-making. However, this risk is mitigated by the specific capacity-building elements included in each component.

### **3.5. Crosscutting Issues**

Human rights is one of the five priority areas of international law and constitutes a central element of the international law component. The National Assembly component will address human rights indirectly through enhancing the capacity of the Parliament to effectively represent citizens concerns, including human rights issues. Gender will feature as a cross-cutting issue and the International Law component will also seek to enhance monitoring by the Lao Women's Union of the implementation of CEDAW commitments. The National Assembly programme involves a gender mainstreaming strategy and introduces gender-sensitive participatory planning guidelines. For both components cross-cutting issues will be referenced and included throughout the programme where relevant.

#### 4. IMPLEMENTATION ISSUES

##### 4.1. Implementation method

A Financing Agreement will be signed with the Beneficiary Government.

Joint management with an international organisation: two Contribution Agreements will be signed with the United Nations Development Programme (UNDP) following the principles of the *Financial and Administrative Framework Agreement between the European Community and the United Nations (FAFA)*

##### 4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the United Nations Development Programme (UNDP).

##### 4.3. Budget and calendar

The operational duration of the programme “Contributing to good governance and the strengthening of the rule of law in Lao PDR” is 48 months from the date of signature of the Financing Agreement.

The total budget will be EUR 3 367 000 from which the EC will contribute with EUR 1 600 000.

Category breakdown	EC Total (in €)	Other Contributions (in €)	TOTAL (in €)	Contracting/ Payment Authority
<b>1. Joint management</b>	<b>1 600 000</b>	<b>532 000</b>	<b>3 367 000</b>	
<b>1. 1. International Law Phase III</b> Contribution agreement with UNDP	500 000	532 000(*)	1 032 000	EC
<b>1.2. Support to an Effective Lao National Assembly</b> Contribution agreement with UNDP	1 100 000	1 235 000(**)	2 335 000	EC
<b>Total</b>	<b>1 600 000</b>	<b>1 767 000</b>	<b>3 367 000</b>	

(\*) International Law Phase III: 500 000 EUR by the Government of Finland and 32 000 EUR by UNDP.

(\*\*) Support to an Effective Lao National Assembly: 600 000 EUR by the Government of Luxembourg and 400 000 EUR by the United Nations Development Programme (UNDP). United Nations Office on Drugs and Crime (UNODC) will contribute 130 000 EUR, the United Nations Development Fund for Women (UNIFEM) will contribute approximately 65 000 EUR and the United Nations Population Fund (UNFPA) approximately 40 000 EUR.

#### **4.4. Performance monitoring**

Regular/periodic monitoring will be the responsibility of UNDP project management and will be based on the annual work plans and project indicators at the purpose, results and activity levels. In addition, the two UNDP-implemented projects are subject to an annual review every year. These will involve all the key stakeholders. At this meeting, the National Project Director will submit to the review an annual project and financial report, as well as the Work Plan for the following year.

#### **4.5. Evaluation and audit**

Evaluations (mid-term, final, ex-post) and audit arrangements are an integral part of the contractual arrangements with the International Organisation (UNDP). External evaluations and audits might also be carried out by independent consultants recruited directly by the European Commission through the signature of contracts in accordance with the EC rules on the basis of specifically established terms of reference.

#### **4.6. Communication and visibility**

UNDP will publicise the financial support from the EC to the multi-donor programmes by promoting – wherever possible – EC’s visibility in accordance with the provisions laid down in the Financial and Administrative Framework (FAFA) signed by the EC and the United Nations. Thus EC visibility will be ensured on information materials pertaining to activities, projects, and programmes and at the sites and through specific dissemination events, such as press conferences, seminars, workshops etc.

**Annex 1-a – Indicative Logframe for Component 1 "International Law Project, Phase III" (agreed to by all stakeholders)**

<b>Results / outcome I: Improved incorporation of international law into domestic legal system</b>		
<b>Output</b>	<b>Baselines and indicators</b>	<b>Indicative activities</b>
Output1: Strengthen the capacity of the NA to ratify treaties and incorporate treaties into national law.	<ul style="list-style-type: none"> <li>National Assembly members acquire deep understanding of the treaties proposed by the Government for ratification.</li> <li>National Assembly members familiar with and applied techniques of incorporating, transforming of treaty obligations into national legislation</li> <li>New laws adopted by the NA fully harmonized with the Lao PDR international treaty obligations.</li> </ul>	Workshops, seminars Translation Dissemination
Output2: Support the National Assembly Standing Committee to expedite the adoption of the Ordinance on Treaty Making and Implementation.	<ul style="list-style-type: none"> <li>Ordinance on treaty making and implementation issued by the President of the Lao PDR.</li> <li>Ordinance widely Disseminated among the NA members.</li> </ul>	Workshops, seminars Translation Publication Dissemination
Output 3: Support the MoFA and other relevant institutions in the preparation of draft law on treaties of the Lao PDR	<ul style="list-style-type: none"> <li>Draft law on treaties in the Lao PDR prepared and submitted to the National Assembly.</li> </ul>	Research and analysis Workshops ,seminars Consultation meetings
Output 4: Support capacity building of line ministries in drafting treaty implementation legislation	<ul style="list-style-type: none"> <li>Line ministries familiar with techniques of incorporating, transforming of treaty obligations into national legislation.</li> <li>Treaty obligations reflected in draft laws, amendments to laws proposed by line ministries.</li> </ul>	Workshops, seminars
<b>Results / outcome II: Enhanced participation in the international legal framework by the Lao Government</b>		
<b>Output</b>	<b>Baselines and indicators</b>	<b>Indicative activities</b>

Output 5: Support line ministries in proposing treaties for signing and ratification	<ul style="list-style-type: none"> <li>• Multilateral and regional treaties proposed by line ministries for signing, ratification</li> </ul>	Research Workshops Consultation meetings Translation
Output 6: Ratification of the core UN treaties and participation in the Annual Treaty Event	<ul style="list-style-type: none"> <li>• Core UN treaties proposed to the National Assembly for ratification</li> <li>• Sectoral treaties and agreements signed and ratified.</li> </ul>	Research and analysis Workshops Seminars Translation
Output 7: Assist in the bilateral treaty making	<ul style="list-style-type: none"> <li>• Negotiation skills on bilateral treaties among Lao officials increased</li> <li>• Bilateral treaties signed by the Lao PDR reflected balanced interests of the parties.</li> </ul>	Training workshops Seminars Consultation meetings
Output 8: Increase role of the NA in treaty making process	<ul style="list-style-type: none"> <li>• National Assembly officials involved in bilateral and multilateral treaty negotiations</li> </ul>	Research and analysis Seminars
<b>Results /outcome III: Enhanced implementation, enforcement, monitoring and reporting under international legal instruments</b>		
<b>Output</b>	<b>Baselines and indicators</b>	<b>Indicative activities</b>
Output 9: Develop capacities of line ministries in implementation, monitoring and reporting under international treaties	<ul style="list-style-type: none"> <li>• Line ministries increased capacities to effectively implement treaties</li> </ul>	Research and analysis Workshop Seminars
Output 10: Develop capacity of the Prime Minister' Office to implement and monitor treaties	<ul style="list-style-type: none"> <li>• The officials of the PMO increased skills towards giving direction for the implementation of treaties</li> </ul>	Workshops Seminars Study tours
Output 11: Strengthen the function of the National	<ul style="list-style-type: none"> <li>• NA members increased their oversight</li> </ul>	Study tours

Assembly to oversight the implementation of treaties by the Executive and the Judiciary	capacity in terms of treaty implementation by the Government and the Judiciary	Workshops Seminars
Outputs 12: Strengthen capacity of the legal sector institutions in the implementation, enforcement and monitoring of treaties	<ul style="list-style-type: none"> <li>• Judges and prosecutors increased capacity to apply international legal principles</li> <li>• The police increased their capacity to enforced treaty obligations</li> </ul>	Workshops Seminars Study tours
Output 13: Assist the Lao Government to fulfill reporting obligations under the UPR	<ul style="list-style-type: none"> <li>• Report of the Lao PDR under the UPR prepared and submitted to the HRC</li> <li>• Delegation of the Lao PDR supported to participate in the HRC meetings</li> <li>• Follow up to the recommendations on the Lao PDR report under the UPR supported</li> </ul>	Seminars Workshops Field trips International travels Dissemination Sort term Consultancy
Output 14: Assist capacity building regarding reporting under human rights treaties and following ups	<ul style="list-style-type: none"> <li>• Report under the ICESCR prepared and submitted to the treaty body</li> <li>• Lao delegations participated in the relevant treaty bodies' meetings for the examination of the Lao PDR respective reports</li> <li>• Follow up to concluding observations and recommendations of treaty bodies supported</li> </ul>	Seminars Workshops Local travels International travels Short term consultancy Dissemination Publications
Output 15: Support the Lao Government to nationally implement the UN resolutions	<ul style="list-style-type: none"> <li>• Substantive resolutions of the UNSC, UNGA discussed at the national level.</li> <li>• National legal framework developed for implementing the binding decisions/ resolutions of the UNSC</li> <li>• Reporting under the UNSC resolution 1373 supported</li> <li>• Customary international law studied in the</li> </ul>	Workshops Seminars Field trips Consultation meetings. Dissemination

Lao PDR		
<b>Results / outcome IV: Developed national capacities in international law and negotiation</b>		
<b>Output</b>	<b>Baselines and indicators</b>	<b>Indicative activities</b>
Output 16: Annual seminars on international law and diplomacy for the MoFA staff	<ul style="list-style-type: none"> <li>MoFA officials grasped the skills to rely on international legal principles in the conduct of foreign service</li> </ul>	Workshops Seminars
Output 17: Support the Institute of Foreign Affairs in research and training in international law and human rights	<ul style="list-style-type: none"> <li>New MoFA staff acquired basic knowledge of international law and human rights</li> <li>Newly appointed Lao diplomats acquired deep knowledge and understanding of international law and human rights.</li> </ul>	Training workshops Seminars
Output 18 Support trainings on negotiation skills	<ul style="list-style-type: none"> <li>Negotiation skills of Lao officials increased</li> </ul>	Training workshops Short term consultancy
Output 19: Support the organization of a yearly International Law Forum	<ul style="list-style-type: none"> <li>Lao officials learned experiences in the field of international law and human rights from world renowned international law experts</li> <li>Forum papers published and disseminated.</li> </ul>	Annual Forum on International Law Publication Dissemination
Output 20: Support the participation of Lao officials in short term trainings abroad	<ul style="list-style-type: none"> <li>Lao officials supported to participate in selected international seminars, trainings in the fields of international law, human rights, humanitarian law, etc.</li> <li>Short term trainings in international law at the CMU and other possible arrangements supported.</li> </ul>	Study tours Seminars Trainings

## Annex I-b. Indicative Logframe to an Efficient Lao National Assembly (agreed to by all stakeholders)

<b>Outcome of Joint Programme:</b>						
<p>1. Enhanced Parliamentary Capacity for Exercising Legislative and Oversight Responsibility  <b>Indicator:</b> Number of laws considered and passed by the Parliament / Number of oral/written questions and other oversight mechanisms used by the Parliament/Extension of the duration and number of sessions/Number of enquiry and fact finding missions conducted by committees/Number of reports presented to the NA</p> <p>2. Effective Parliamentary Representation of Citizens  <b>Indicator:</b> Ratio of citizens aware of the National Assembly role and activities, including awareness of its capacities as the highest representative institution, receiving petitions, number of laws and informative reports disseminated and received by the citizens, number of public awareness initiatives implemented at national and local levels by NA; number of public concerns forwarded to government.</p> <p>3. Upgraded Parliamentary Support Services and In-House Flow of Information</p>						
Members of the NA and Committee Departments have the necessary skills and capacities to review and pass legislation and oversee their implementation						
Results  (Give corresponding indicators and baselines)	Implementing Partner	Indicative activities for each Output	Resource allocation and indicative time frame*			
			Y1	Y2	Y3	Y4
1.1.1 Members' and committees departments staff's skills and capacities are improved  Indicator:  <ul style="list-style-type: none"> <li>• Number of participants benefiting from capacity building</li> <li>• Number of staff trained and operational</li> </ul>	the NA	Develop a short-term and long-term capacity-building plan for Functional Committees members and related departments, including managerial, administrative and technical modules.				
	the NA	Conduct training for committees on sectoral issues, including parliament's legislative process				
	The NA	Identify suitable host parliaments to organise high-level training on attachments				
		Conduct workshops and seminars on MDGs, and PRSPs. awareness on gender issues, including through specific focus on Women's parliamentary caucus, environment, and implementation of laws, national plans and international commitments				
	the NA	Undertake specific training on legal drafting and analysis for functional committees and associated committees departments as well as on policy analysis on thematic issues				

1.1.2. Committees' operational capacities strengthened to provide enhanced and timely assistance to Members and department staff  <b>Indicators:</b> <ul style="list-style-type: none"> <li>• Number and relevance of documentation provided</li> <li>• Number of research requests by members</li> <li>• Number of experts commissioned on the roster</li> <li>• Number of joint committee meetings held</li> </ul>	the NA	Provide adequate and comprehensive research and documentation facilities in sectoral topics				
	the NA	Set up a roster of national and international experts to provide technical expertise to the Committees				
	the NA	Establish close links with universities and organise internship and page programmes				
	the NA	Training for Department staff on law drafting, policy analysis and presentation as well as specific briefings on thematic issues				
	the NA	Assist committees in better scrutinizing government ministries through implementation of oversight mechanism such as Committee hearings; Committee enquiries; Public hearings; ... (Output?)				
	the NA	Help improve coordination and work-balance between committees including institutionalisation of joint committee meetings to review bills of common interest				
1.2 Candidates for NA and Local Councils are aware of good practice in campaigning and following elections newly elected members are aware of their roles and responsibilities						
1.2.1 Newly elected members sensitized on their role and duties pre and post elections  <ul style="list-style-type: none"> <li>• The parliamentary training facilitation board for NA and local Councils Members is operative</li> <li>• The candidates have the required capacities to effectively run for seat</li> <li>• Number of</li> </ul>	the NA	Design modules for campaigning to be used as basis for orientation programmes				
	the NA	Develop material, draft manual(s) and train relevant trainers on how to deliver orientation programme for campaigning (NA and local Councils).  Organise a 3-day orientation/capacity building session on how to effectively and pro-actively run for seat in elections (institutional practice, campaigning techniques – with special attention to public outreach).				
	the NA	Organise a one-week orientation/capacity building session on role and duties of the MNAs and local Councils Members just after the elections  Organise additional trainings for MNAs and local Councils Members.				

<ul style="list-style-type: none"> <li>Number of attendants to the orientation programme</li> </ul>	the NA	Prepare a user-friendly members' handbook and procedural manual explaining key procedures, the legislative and oversight process, duties and responsibilities and available resources.				
1.3 The National Assembly is consulted earlier & substantively involved in law and budget making processes, considers international treaties, is informed on negotiation progress and monitors implementation of legislation passed						
1.3.1 NA substantively involved throughout the law making process through improved law making and oversight processes institutionalised  <b>Indicators:</b> <ul style="list-style-type: none"> <li>Rules of procedures reviewed, amended and in use</li> <li>Early involvement of the NA in the law making process</li> <li>Monitoring of the implementation of the laws set off</li> </ul>	the NA	Evaluate legislative process and establish mechanisms for earlier involvement of the National Assembly and its functional committees in the law making process.				
	the NA	Establish new/amended procedures and processes flows for NA and functional committees to review and amend legislation, including secondary legislation and assess expediting of legislative backlogs				
		Develop procedures and process flow for NA and committees (including Standing committee) to monitor drafting and adoption of; to review and endorse secondary legislation.				
		Improve consistency of the legislation and its compliance to ratified international treaties and conventions & Initiate codifying of Lao legislation				
		Support the improvement of the technical and legal quality of the laws passed.				
1.3.2. NA involved throughout the budgetary process and budget oversight and monitoring processes improved  <b>Indicators:</b> <ul style="list-style-type: none"> <li>Early involvement of</li> </ul>	the NA	Evaluate budgetary drafting process and establish with Ministry of Finance protocols for earlier involvement of NA through relevant functional Committees in the budget process, including from a gender perspective.				
	the NA	Establish procedures and protocols for relevant functional Committees to monitor budget implementation, including through field visits, and for establishment of budget execution monitoring system and reporting, including with a gender perspective.				
	the NA	Set up a formal system of review of public accounts, including consideration of institutionalization of a Public Accounts Committee or sub-Committee.				

the NA in the budgetary process • Number of budget monitoring reports	the NA	Undertake specific training for more enhanced budget analysis for the Economics, Planning and Finance Committee and Department staff				
1.3.3. NA is informed and consulted on negotiation and preparation of international treaties and monitors their implementation  Indicators:  • Number of treaties, conventions and agreements reviewed for ratification • Number of reports provided	the NA	Set up a database of international treaties being reviewed or ratified established				
	the NA	Establish protocols for tracking ratification and review process including appropriate liaising with Ministry of Foreign Affairs				
	the NA	Organise seminars on key international treaties such as Human rights treaties, UNCAC, CEDAW and others international obligations, particularly at provincial levels				
	the NA	Organise specific training on treaty ratification and reporting for relevant committee of National Assembly				
<p>Programme outcome 2: Effective Parliamentary Representation of Citizens Indicator: Ratio of citizens aware of the National Assembly role and activities, including awareness of its capacities as the highest representative institution, receiving petitions, number of laws and informative reports disseminated and received by the citizens, number of public awareness initiatives implemented at national and local levels by NA; number of public concerns forwarded to government</p>						
2.1 Mechanisms for regular and positive interaction between civil society and the parliament established						
2.1.1 Members of the NA are fully performing their role as the two-way interface between the citizens and the government	the NA	Improve the role and build the capacities of the Constituencies offices to streamline access of citizens to their Members				
	The NA	Baseline survey of public awareness regarding NA, its role and NA members undertaken				

Performance indicator: Number of meetings organised in the constituencies at district and grass-roots levels	the NA	Organise regular field / provincial visits by MPs/Committees to engage constituents				
2.1.2 Mechanisms for Civil Society to participate in the Law making process institutionalised  Indicators:  • Number of public hearings and meetings organised  • Number of participants in public hearings and meetings	the NA	Develop guidelines for the organisation and management of public hearings to support the work of committees; (seek the amendment of standing orders if required)				
	the NA	Facilitate roundtable dialogues to establish mechanisms for interaction between civil society organisations and members of the parliament;				
	the NA	Establish a forum for regular consultations with prominent civil society organisations, academia and others to provide a platform for their contribution to the work of parliament;				
2.2 Effective parliamentary public information, awareness, and parliament outreach strategy designed and implemented						

<p>2.2.1 The National Assembly communicates actively with civil society and the media</p> <p>indicators:</p> <ul style="list-style-type: none"> <li>• The rules of procedures allow for public relations activities</li> <li>• Communication strategy set up and implemented</li> <li>• Number of assessments and monitoring activities undertaken</li> <li>• Number of staff trained</li> <li>• Number of events / tours organised</li> <li>• Number of kits/guides distributed</li> <li>• Number of users researches/feedback</li> <li>• Feasibility study conducted</li> <li>• Radio/TV recording studio set up</li> <li>• Number of articles on the NA during session and non session periods</li> </ul>	the NA	Review and revise if necessary the Rules of Procedure of the National Assembly to allow the institution to engage proactively in public relations including activities such as constituent/public visits to National Assembly and sit in on parliamentary sessions, Services to the media; Educational visits and special events.				
	the NA	Develop and implement a comprehensive public relations / communication strategy for the National Assembly including means to measure the effectiveness of communication work, e.g. regular assessments, evaluations and user-surveys				
	the NA	Undertake training of staff and media personnel on media and governance: political, electoral and parliamentary reporting in the media				
	the NA	<p>Organise regular tours of the parliament for the general public (civic education visits and/or audio-guided visits) and public-related events where the parliament's premises are used as location for cultural or civic education events.</p> <p>Organise regular briefings/outreach seminars targeting specific groups (students, women, etc.) to popularise the NA.</p> <p>Organise regular visits of targeted groups to attend the sessions of the NA.</p>				
	the NA	Develop information kits/ citizens' guides on parliamentary work including an illustrated explanation of the legislative process (audio-visuals/radio and hardcopies) for dissemination to the public, schools, etc				
	the NA	Update regularly design and content of the NA web-site				

	the NA	Ensure frequent media broadcast.  Establish guidelines/code of conduct to be observed by parliament and the media to enhance the communication flow between parliament and the media, especially during non session periods				
<p>2.2.2 More effective and widespread public dissemination of laws</p> <p>indicators:</p> <ul style="list-style-type: none"> <li>• Strategy set up and implemented</li> <li>• Official Gazette / Hansard service developed and available for public review</li> <li>• Facts sheets produced and disseminated</li> </ul> <p>Laws translated into foreign languages and available on the NA website</p>	the NA	Establish law dissemination strategies including, provincial offices, mass media and public meetings				
	the NA	Develop and systematize transcripts, minutes of proceedings and reports among departments and improve timely in-house and external flow of information. Train staff on their new duties.				
	the NA	Establish Hansard and ensure its availability in hard copy and on-line.				
	the NA	Re-establish an Official Gazette to publish laws and decrees and ensure its publication and circulation in hard copy and on-line.				
	the NA	Institutionalize production of “law briefs”				
	the NA	Ensure procedures for translation of laws into foreign languages (English language at least) within one year of promulgation and made available for dissemination on the website				
2.3 Improved parliamentary reception and consideration of complaints against Government Officials and Court Decisions						
<p>2.3.1 Capacity of NA to receive and process petitions improved</p> <p>Indicators:</p> <ul style="list-style-type: none"> <li>• Number of staff receiving</li> </ul>	the NA	Develop a capacity building plan at national and provincial levels to strengthen the capacities of the Members of National assembly and staff charged with receiving and processing petitions. Training will include managerial, administrative and technical modules				
	the NA	Improve the system of “hotline” already set up in the National Assembly by turning it into a daily service				

<ul style="list-style-type: none"> <li>• Number of staff receiving petitions</li> <li>• Number of petitions received and processed (dispatched among being received directly at the NA, through the hotline, and from provinces through NA constituencies' offices)</li> <li>• Number of cases solved</li> <li>• Feasibility report done and upgrade implemented</li> <li>• Upgrading of petitions' department to permanent committee</li> <li>• (a qualitative survey of the petitions in the beginning and the end of the project?)</li> </ul>	the NA	Upgrade the department charged with receiving public petitions within the NA to a Committee for Parliamentary petitions vested with Ombudsman-like capacities.				
Programme outcome 3: Upgraded Parliamentary Support Services and In-House Flow of Information Indicator:						
3.1 Improved human resources system in the National Assembly						
3.1.1 First step of Human resources management development in place and operational  Indicators:  Ratio of appraisals / number of staff	the NA	Review, revise and approve individual job descriptions.				
	the NA	Introduce annual performance appraisals based on job descriptions.				
3.1.2 The Secretariat has the relevant capacities to provide effective services. Its organisation is improved.  Indicators: <ul style="list-style-type: none"> <li>• Number of training needs</li> </ul>	the NA	Conduct a capacity / training assessment to identify the global capacity building needs of the National Assembly staff based on performance appraisal				
	the NA	Develop and implement a global HRD policy/strategy for the staff of the National Assembly				
	the NA	Develop and implement a strategy for reforming the administration of parliament, including the review of the organisation chart				

identified <ul style="list-style-type: none"> <li>• Number of training workshops</li> <li>• Number of people attending the workshops</li> <li>• Strategy developed and implemented</li> <li>• Clear and efficient procedures and organisation charts set up and in use</li> </ul>	the NA	Develop and implement a global HRD policy/strategy for the staff of the National Assembly				
	the NA	Develop and implement a strategy for enhancing the administration of the NA, including the review of the organisation management chart				
3.2. Enhanced Secretariat technical capacities						
3.2.1 Information and communication technologies improved  Indicators: <ul style="list-style-type: none"> <li>• Plan elaborated</li> <li>• Number of equipment procured and installed</li> <li>• Feasibility study done</li> <li>• Intranet set up and in use</li> <li>• Procedures for documentation management set up and in use</li> <li>• Feasibility study done</li> <li>• Best solution for documentation management set up and in use</li> <li>• Internal business procedures and equipment modernised and in use</li> </ul>	the NA	Elaborate and implement a comprehensive ICT Plan at the national and provincial levels of the National Assembly (including Intranet), with consideration of the absorption capacity to maintain, upgrade and sustain the investment.				
	the NA	On the basis of the plan, procure and install equipment (hard and software)				
	the NA	Develop and implement IT training for Members and staff.				
	the NA	Review / establish documentation flow process, archiving and documentation management system. Establish document management system for the law review process.				
	the NA	Review internal business processes for the National Assembly functioning and modernize systems, tools and software				
	the NA	Define library and research services strategy and procedures with clear goals and objectives for the users and implement				
3.2.2 Research centre enhanced	the NA	Purchase books, periodicals, manuscripts and other material. Focus shall be on documentation in Lao language				

<p>Indicators:</p> <ul style="list-style-type: none"> <li>• Library and research strategy set up and implemented</li> <li>• Accessible procedures in use</li> <li>• Assessment of the documentation needs undertaken</li> <li>• Number of documentation equipment purchased</li> <li>• Internet digital library established</li> <li>• Number of people trained</li> <li>• Strategy defined and implemented</li> <li>• Number of libraries contacted</li> <li>• Number of partnerships created</li> </ul>	the NA	Establish an Internet digital library including news services, information databases, encyclopaedias and library catalogues, which will provide the NA with valuable information and research resources;				
	the NA	Training for library and archives staff, research officers and assistants in the use of the ICT hardware and software that have been procured;				
	the NA	Develop and implement a comprehensive strategy for parliamentary archives, including the preservation and retrieving of parliamentary documents and information, including constitutional archives, as well as storing of old documents with the National Archives.				
	the NA	Explore opportunities for linkages with other libraries in the region to learn from experiences of other libraries, archives and resource centres.				

## ACTION FICHE FOR LAO PDR

### SUPPORT TO THE GOVERNMENT'S REFORM AGENDA UNDER THE NATIONAL SOCIO-ECONOMIC PLAN / SECOND GENERAL BUDGET SUPPORT

#### 1. IDENTIFICATION

Title	Support to the Government's reform agenda under the National Socio-Economic Plan / Second General Budget Support to Lao PDR - 19518		
Total cost	€ 52 000 000 EC contribution: € 13 000 000 Other donors: € 39 000 000		
Aid method / Management mode	General budget support – centralised management		
DAC-code	51010	Sector	General Budget Support

#### 2. RATIONALE AND COUNTRY CONTEXT

##### 2.1. Economic and social situation

Lao PDR is one of the Least Developed Countries. Poverty is heavily concentrated in upland rural and remote areas: 80% of the total population lives in rural areas and among them about 40% are estimated to live in poverty<sup>2</sup>. Although there has been progress with poverty reduction in the last decade with the people living on less than US 1 dollar per day decreasing from 2.2 million in 1990 to 0.9 million in 2007, challenges remain to meet the Millennium Development Goals (MDGs) by 2015. Preliminary findings of the 2008 MDGs report have shown that there has been some progress in achieving universal primary education, reducing child mortality and significant progress in improving maternal health. However there is still a disparity between boys and girls in terms of education and concerns about the sustainability of the progress made in child mortality and maternal health remain.

The economic performance of Lao People's Democratic Republic's (PDR) is strong. Economic growth rates are robust at 7.1% in 2007<sup>3</sup>, driven mainly by the expansion of foreign direct investment inflows in large export-oriented mining and hydropower projects. The non-resource sector of the Lao economy (agriculture, manufacturing and tourism) grew by 5.1% in 2007, increasing from 4.3% in 2005. Inflation remains in single digit at 4% and international reserves have risen rapidly to 3.6 months of non-resource imports in 2007. Increased fiscal revenues (mainly resource revenues but also tax collections) combined with a prudent spending policy have led to a fiscal deficit declining to 1.3% of GDP for the fiscal year 2006/07 (from 3.7% in the previous year). Official Development Assistance (ODA) inflows as

---

<sup>1</sup> This figure includes indicative yearly World Bank IDA grants equivalent to € 6 700 000 and JBIC concessional loans equivalent to € 3 100 000

<sup>2</sup> Poverty and Social Impact Assessment (PSIA) report, Lao PDR, March 2007

<sup>3</sup> 2007 figures are World Bank projections.

a share of GDP have been declining in recent years. However funds channelled through budget support have been increasing. ODA as a percentage of GNI which is just under 12% being the highest in SE Asia.

The adoption by the Government of a proactive policy response to the emerging resource bonanza and continued progress on economic reforms to broaden the source of growth are needed to ensure sustained macro economic stability in the medium and long term, according to the 2007 International Monetary Fund's (IMF) Article IV review (see Annex 1).

The Government has a number of well supported policies concerning reforms for improving the investment climate, achieving greater trade integration, restructuring state owned banks and enterprises. Hence the stability oriented macro economic policies in place provide a favourable environment for the implementation of a general budget support (GBS) operation.

## **2.2. Cooperation related policy and strategy of beneficiary country**

In November 2006 donors and Non-Government Organisations (NGOs) active in Lao PDR endorsed the final 6<sup>th</sup> National Socio Economic Development Plan (NSEDP) prepared by the Government for 2006-2010. It is the first comprehensive Government-produced strategy prepared through a participatory approach, poverty focused and containing a limited small monitoring and evaluation framework (M&E) which includes with most of the MDGs. As a result it is considered by the Breton Woods Institutions (BWIs) as a Poverty Reduction Strategy. The plan is built around three strategic pillars for the reforms: i) to strengthen public finance management and sustain macroeconomic stability, ii) to encourage the private sector becoming the engine of growth and iii) to channel more Government resources in the four priority sectors (education, health, agriculture and infrastructure).

The plan needs improvement and would benefit from more comprehensive macroeconomic and M&E frameworks, as recommended by the BWIs. These shortcomings are being addressed by the current development of a robust M&E framework that will aim to bring closer the NSEDP monitoring, the MDG reporting<sup>4</sup> and the current ADB's support to develop and implement a macroeconomic framework. In addition, the ongoing PRSO is helping Government to prioritise the reform agenda. This is consistent with the focal area of the 2007-2013 EC Country Strategy where the EC has committed to support key Government policy reforms mentioned above under the NSEDP by means of the PRSO. Thus fulfilling the relevant eligibility criteria for budget support, the NSEDP represents a well-defined national development strategy that the EC could support through the PRSO.

## **2.3. Sector Policies**

EC policy dialogue within the PRSO process is focusing on: enhancing the business environment, particularly for small and medium enterprises, reducing trade barriers, improving public finance management, developing the health system and improving education sector management. Within those areas sector strategies are either under implementation (trade, SME and PFM) with support from donors (including the EC) or under formulation such as the Education Strategic Development Framework (ESDF) and the health financing strategy with the recent creation of Government-Donor Technical Working Groups.

Generally speaking, the quality of sector policies remains weak, particularly in terms of result-orientation and financing sustainability and this is most evident in the social sectors. The EC will promote increased results-orientation by introducing a variable tranche in addition to the fixed tranche to its funding of the PRSO. This variable tranche will be linked to progress in achieving identified outcomes in the health and education sectors. This

---

<sup>4</sup> The MDGs reporting is being updated systematically every three to four years with UNDP support.

innovation will be facilitated by the provision of support to develop Government capacities in the two specified sectors.

## **2.4. Public Finance**

Lao's Public Finance Management (PFM) system suffers from a number of structural weaknesses. As highlighted by the latest Public Expenditure Review (PER)<sup>5</sup> these include: poor articulation of expenditure with policy priorities, weak linkages between investment spending and recurrent funding, weak expenditure control, ineffective independent audit and lack of explicit rules and procedures relating to central-local transfers and revenue sharing. These shortcomings lead to a weak intergovernmental fiscal relations framework. Significant measures have been taken to address these deficiencies in recent years. These include: revision of the chart of accounts to enable a budget classification system capable to account for sector and sub-sector programmes, start of the implementation of a revised Budget Law with centralisation of revenue administration and reform of inter-governmental fiscal relations and approval of the Audit Law to improve the external audit functions.

Government action to roll-out the revised chart of accounts, develop a functional budget classification, a budget norms system and a revenue sharing framework, set up of a Treasury Single Account (TSA), improve external audit effectiveness and independence are clear evidence of the reform momentum. Most of these reforms are part of the Public Expenditure Management Strengthening Programme (PEMSP), approved in November 2005, which is the existing platform for Government-donor dialogue for strengthening PFM systems and building the capacity of the Ministry of Finance (MOF) and Provincial Finance Departments<sup>6</sup>. Financial support for PEMSP implementation is provided by a number of donors included the EC. The current PFM reform agenda promotes a favourable PFM environment for general budget support.

The preparation of a Medium Term Fiscal Framework (MTFF) as well as indicative Medium Term Expenditure Frameworks (MTEF) for the four NSEDP priority sectors (education, health, infrastructure and agriculture) is ongoing with the support from ADB. The latest IMF Article IV mission urged GoL to adopt an MTFF that takes into account the uncertainties of resource revenues and that supports the alignment of expenditure with national priorities. The proportion of the budget expenditure allocated to the social sectors has had a positive trend in the last few years but remains very low at 1.2% of GDP in 2006 for the health sector and 2.3% for the education sector. However this percentage does not reflect total national expenditure as provincial spending is still not consolidated at the Central level. Further, there is a lack of transparent financial reporting systems from the Provinces which account for 48% of total expenditure (higher in education and health at 78% and 73% respectively). These deficiencies are being addressed through the PEMSP. In addition, the EC will focus on financial issues in the health and education sectors with specific support attached to this General Budget Support (GBS) proposal.

## **2.5. Lessons learnt**

The first PRSO three-year series (2004-2007) proved to be a success at starting difficult structural and economic reforms that resulted in progress towards ensuring efficient management of public sector resources and promoting sustained growth. Concrete results were achieved in the reduction of fiscal deficit, the revision of the Budget Law, the strengthened oversight of the State-Owned Enterprises and the adoption of a new Enterprise

---

<sup>5</sup> The Public Expenditure Review (PER) 2005-06 is the latest joint PFM assessment available. A new assessment is anticipated in 2008 including a Government PEFA self-assessment.

<sup>6</sup> The PEMSP name is to be changed into Public Financial Management Support Programme in 2009 as actions related to Revenues have become part of the programme

Law as an important step in the continuing shift from a planned to a market economy. Part of the PRSO's success is also attributable to the impetus for the public finance management reforms created by the revenue flows expected from large mining and hydropower projects such as NT2 to which the PRSO is intrinsically linked. The PRSO process contributed to the fostering of inter-ministerial coordination for implementing the reforms in a context of very high capacity constraints. Complementary support through technical assistance has also been critical for faster progress in the areas supported.

During PRSO 3, the Commission concentrated its efforts on policy dialogue in the areas of public finance, private sector development, trade and health. This has strengthened the EC position and participation in the preparation of PRSO 4-7 which the Commission has used to enhance the pro-poor impact of the PRSO, especially in the education and health sectors.

## **2.6. Complementary actions**

EC actions in the specific areas covered by this GBS are essential for ensuring complementary policy dialogue at the sector level and continued collaboration with Government. Bilateral support to the implementation of three sector strategies is being provided firstly in the areas of Trade and PFM, through two programmatic Multi Donor Trust Funds (expected to start in 2008). Secondly TA support is being provided through the SME project to assist government efforts to improve the regulatory framework, enhance investment procedures, facilitate access to finance, and provide institutional strengthening to key government agencies responsible for promoting the private sector.

Some additional bilateral projects are supporting governance reforms (National Assembly and public service delivery in a Southern province) as well as basic education through the construction of schools in a Northern Province, but with limited policy dialogue.

In addition to these on-going commitments, this proposal will provide technical support to the health and education sectors in PRSO-related areas. This will allow the EC to increase its involvement in the development of sector strategies or SWAPs that will help underpin the social sector actions in the PRSO matrix. This support will be provided within a capacity development framework coordinated with other donors in the Sector Working Groups of the respective sectors where the consultations for the areas of EC support and the definition of the Terms of Reference (TOR) will be held in the coming months to get agreed TOR with the beneficiary line ministries. Indicative areas of technical assistance support are: i) sector wide policy dialogue and sector financing strategy formulation, including central/provincial expenditure planning systems and ii) sector performance monitoring system development, including liaison with the National Statistics Centre on education and health-related demographic planning.

## **2.7. Donor coordination**

The PRSO started in 2004 as a World Bank programme. The number of donors involved increased progressively with Japan providing funds for PRSO2, followed by the EC during PRSO3. Recently, Australia joined PRSO missions with a view to participating in future years. PRSO donor coordination is formalised in agreed Partnership Principles. Prior to meetings with Government, agreements are set between donors through sector technical meetings. In some sectors (trade, education and health) non-PRSO donors (including EU Member States) active in the related area are also included in the consultation process. PRSO is expected to become an important platform to be used for implementing the principles set down in the EU Code of Conduct on the Division of Labour. One important challenge for the PRSO donors is to work more closely with the existing Government-Donor Sector Working

Groups related to the Round Table implementation process of the NSEDP. This should be facilitated through the implementation of the Vientiane Declaration Action Plan which aims, amongst other things, at making these groups more operational.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The overall objective of the programme is to support the Government of Laos in achieving its long term development objective of graduating from LDC status by 2020. The purpose of the programme is to introduce key reforms in the public sphere to sustain growth, ensure efficient management of public sector resources and create the conditions to increase social service delivery with a view of reducing poverty.

#### **3.2. Expected results and main activities**

The Commission GBS support to the Government of Laos will aim for progress in the following three areas of reform underpinned by the PRSO (related to the three NSEPD strategic pillars in Section 2.2):

- Improved public finance management systems and sustained macro-economic stability
- Sustained growth through the reduction of trade barriers and the creation of an enabling business environment including strengthening the financial sector and improving the performance and monitoring of the state owned enterprises, and
- Enhanced performance in the health and education sectors.

These are articulated in a series of annual policy actions and triggers outlined in the PRSO 4-7 programme matrix agreed with the GoL (see annex). Satisfactory implementation of the annual priority actions assessed through joint missions will trigger disbursements by donors, including the EC fixed tranche. In addition, an EC variable tranche will be linked to supporting and accelerating progress in the health and education sectors measured through specific indicators (see section 4.4 below on monitoring activities). This will be complemented with additional EC support to capacity development activities in these two sectors to enhance Government systems in strategic areas to be defined with the Line Ministries.

#### **3.3. Stakeholders**

The key stakeholders in the PRSO are the population of Lao PDR and the GoL as the main beneficiaries of the programme and the donors contributing to this operation (for the time being: World Bank, Japan and EC, with Australia likely to join in the near future). The overall implementation of the PRSO is led by the MOF in coordination with other ministries through the PRSO Steering Committee and the Technical Secretariat. Inter-ministerial coordination between representatives from MOF, the Prime Minister's Office, the Ministry of Education, the Ministry of Health, the Ministry of Industry and Commerce, the Committee for Planning and Investment and the State Audit Organisation is ensured through frequent government PRSO meetings. With more focus in the health and education sectors through the variable tranche and additional capacity development activities to enhance the sector performance the programme will result in increased access to education and health services benefiting the population of Lao PDR.

### **3.4. Risks and assumptions**

The key assumptions that underpin the successful implementation of this programme are: (i) sustainability of the macro-economic stability, (ii) progress in improving the fiduciary environment, (iii) continuing efforts to liberalise the economy, (iv) Government commitment to improve health and education outcomes and (v) consensus being maintained among donors, and between donors and GoL, on the reform agenda.

For the first, it is expected that the non-resource sector will continue growing and offset the longer term risks associated with the current rapid investment in the resource sector. It is also important for government debt to remain under control. The second assumption will be sustained with Government progress in implementing the public finance management reforms and in implementing the decision to strengthen the State Audit Organisation. Efforts to liberalise the economy need to be monitored to ensure that progress continues. However, this process is well supported by a range of donor projects. Finally, improvements in the health and education sector will be facilitated by additional capacity development support from the EC in close collaboration with other donors in the sector.

### **3.5. Crosscutting issues**

The positive impact on good governance is expected to be high thanks to the public sector reforms promoted with this programme that will result in increased Government capacities and enhanced legislative framework. Actions with environmental implications will be limited to the adoption of the Extractive Industries Transparency Initiative by 2010. This programme does not address directly human rights and gender issues that are being analysed under the EC co-financed Poverty Social Impact Analysis (PSIA) and will be considered through the specific support to the upland communities.

## **4. IMPLEMENTATION ISSUES**

A Financing Agreement will be signed with the Government of Lao covering the entire programme.

### **4.1. Budget (in EUR) and calendar**

The total cost of the project is estimated at € 52 000 000 of which the EC contribution is € 13 000 000. The EC contribution will include €12 000 000 in General Budget Support, € 800 000 for complementary actions in the health and education sectors and € 200 000 for monitoring and evaluation. Other donors will contribute with indicative € 39 000 000<sup>7</sup>.

Services will be managed in centralised mode directly by the EC Delegation through service contracts following call for tender and the signature of framework contracts.

---

<sup>7</sup> This figure includes indicative yearly World Bank IDA grants equivalent to € 6 700 000 and JBIC concessional loans equivalent to € 3 100 000

Table 1: PRSO 4-7 budget contribution and allocation (in Euro)

Category Breakdown	EC	Other donors	Total	CA/PA
<b>1. Budget Support</b>	12 000 000	39 000 000	51 000 000	EC
1.1 General Budget Support	12 000 000	39 000 000	51 000 000	
<b>2. Services</b>	1 000 000		1 000 000	EC
2.1 TA to support capacity development in health and education sectors	800 000		800 000	EC
2.2 Monitoring and Evaluation	200 000		200 000	EC
<b>Total</b>	<b>13 000 000</b>	<b>39 000 000</b>	<b>52 000 000</b>	

The operational duration is of 48 months starting from the signature of the Financing Agreement.

#### 4.2. Budget support modalities

Direct general budget support will be utilised for this programme. The level of support will remain constant during the four years of the programme, with a variable tranche, to be introduced in the second year of implementation. In the first year of implementation only the annual fixed tranche will be disbursed. This will follow the signature of the Financing Agreement, the attainment of the three eligibility criteria and the successful implementation of PRSO 4. In the following three (fiscal) years the annual disbursement will consist of both a fixed and a variable tranche as shown in the following table:

Table 2: Annual disbursement (in Euro)

	Year 1 – Jan 2009	Year 2 - Oct 2009	Year 3 – Oct 2010	Year 4 – Oct 2011
<b>a) Fixed Tranche</b>	<b>3 000 000</b>	<b>2 000 000</b>	<b>2 000 000</b>	<b>2 000 000</b>
<b>b) Variable Tranche</b>	NA	<b>1 000 000</b>	<b>1 000 000</b>	<b>1000 000</b>
<b>Total Amount</b>	<b>3 000 000</b>	<b>3 000 000</b>	<b>3 000 000</b>	<b>3 000 000</b>

#### 4.3. Procurement and grants award procedures

##### Complementary services

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

#### **4.4. Performance monitoring and criteria for disbursement**

The release of the annual fixed tranche will relate to the fulfilment of three eligibility criteria (i.e. macro economic stability, sound PFM, accepted national development strategy) and the assessment of overall PRSO yearly progress measured by the achievement of annual priority actions. This will be monitored in joint PRSO appraisal missions. Variable tranche disbursements will be linked to positive performance measured by three selected indicators in the health and education sectors, included in the PRSO matrix. Indicators will be discussed and agreed with Government and will focus on progress in implementing the NSEDP. The indicators will relate to: i) pro-poor PFM and resource reallocation to the social sectors, ii) increased pro-poor access to social services and iii) pro-poor social sector development strategies and partnerships. The selected indicators for the variable tranche will be monitored within the context of the joint PRSO appraisal mission, supplemented by monitoring activities undertaken within the context of the sector coordination mechanisms.

Regular monitoring will be a continuous process as part of the Commission's responsibilities. External impact monitoring may also be carried out by independent consultants recruited directly by the Commission in accordance with EC rules and procedures on specific established terms of reference coordinated where appropriate with the Government and other donors.

#### **4.5. Evaluation and audit**

A final evaluation of this Budget Support Programme is also envisaged. Whenever possible it will be undertaken jointly with other PRSO donors. In addition, the mid-term evaluation of the 2007-2013 Strategy Paper planned for 2009 will include a preliminary assessment of EC General Budget Support to Lao PDR. Given the untargeted nature of this operation, no financial audits are foreseen.

External evaluations may also be carried out by independent consultants recruited directly by the Commission in accordance with EC rules and procedures on specifically established terms of reference coordinated where appropriate with the Government and other donors.

#### **4.6. Communication and visibility**

High level involvement in policy dialogue has significantly improved the EC visibility in Lao PDR. So far, thanks to its active participation in the PRSO 3 and 4 missions the EC is already recognised by the local authorities and other participating donors as a responsible and committed partner. All relevant activities and appropriate media coverage that will ensure maintaining and improving the visibility of the EC will be undertaken. At the time of the signing of the Financing Agreement there will be a media event, complemented by articles in the media on Budget Support. EC visibility will also be promoted through events related to EC interventions in the sectors covered by the PRSO (health and education, PFM, SME and trade). Budget Support will feature prominently in EC communications on its cooperation programme, e.g. in the Europe Day speech, media events for other EC-financed activities, official visits, etc.

### Annex 1. Macro-economic Assessment

The latest IMF's Article IV consultations occurred in April 2007 and concluded that "Lao PDR's economic performance continues to be strong, but progress on structural reform has been mixed". The macroeconomic policies are conservative and the macro-economic performance continues to be positive: the expansion of the mining and the construction of hydroelectric projects have helped to maintain a real GDP growth of 7.5% in 2006, inflation has stayed below 4 % thanks to favourable oil and food prices, important exports resource and growing tourism receipts have helped to narrow the current account deficit and the international reserves reached 3.6 months of non-resource imports end 2007.

However in the short term some pressures are already building up on monetary growth and exchange rate appreciation. The situation might worsen in the coming years if the GoL does not adopt the needed policies to expand the non-resource sector and to manage appropriately the resource sector necessary to maintain stability and accelerate reforms. Those risks include inflation coming from the pressures of the rising reserves on rapid monetary expansion, debt distress due to the high sensitivity of the debt outlook to changes in macroeconomic conditions, the conditionality of the newly contracted debt and pressures from the expansionary current and domestically financed expenditures planned in the 2007/08 budget.

With the industry increasing its share in GDP, accounting now for 30% and services representing 25%, the composition of the GDP is changing. However agriculture remains the major sector of the economy (45% of GDP). Thanks to this current structure of the economy, Gini index at 33% shows that the distribution of income is relatively equal. However income remains very low and 71% of the population lived with less than US \$ 2 per day in 2004.

Despite Lao's debt ratios continued improvement, Lao PDR faces a high risk of debt distress in the medium to long term in the event of exogenous shocks, as highlighted in the 2007 Debt Sustainability Analysis. The main creditors are multilateral agencies: ADB with 39.6% and the WB with 26% of the public external debt. The current debt stocks indicators are above the indicative thresholds with a net present value of the debt at 48% of GDP, 135 % of exports and 377 % of revenues. However the debt service ratios remain below the indicative thresholds due to a high degree of concessionality hence the debt remains manageable and the liquidity risk in the short term is low. To continue with this trend, future external borrowing has to be on concessional terms and Government efforts are needed on future macroeconomic reforms to raise growth and export performance of the non-resource sector.

The IMF urged Lao PDR to accelerate the banking and State Owned Enterprises reform and welcomed the authorities' plans to enhance trade integration and improve the investment climate. The Poverty Reduction Support Operation (PRSO) is supporting Government policies in those reform areas.

### Annex 2. Public Finance Management Assessment

The Public Expenditure Review (PER) 2005-06 is one of the most recent joint effort between the World Bank, the ADB, the IMF and the EC to analyse the poverty impact of social and priority sector spending (education, health, infrastructure, agriculture and environment). The main recommendations of it are: recentralize tax and customs administration, establish credible mechanism for revenue sharing and intra-governmental transfers, have clearer assignment of revenues and expenditures between centre and provinces and reassert authority of central Treasury over provincial treasuries by recentralising tax and customs. Those shortcomings are being addressed through the development of the Public Expenditure Management Strengthening Programme (PEMSP) which is the main Government Public Financial Management (PFM) reform programme. The programme, approved in November 2005, aims to improve policy consistency, efficiency, transparency and accountability in public expenditure management. It is mainly an institutional building programme that has so far been supported bilaterally by the World Bank (WB), Asian Development Bank (ADB) and the European Commission (EC). Other donors such as Sida and France have respectively provided assistance to tax and customs reforms. In addition, the State Audit Office has been backed by ADB and is now also receiving support from the WB. A momentum to increased donor coordination has emerged and regular coordination meetings are now being held. As a first result, Sweden, Switzerland and EC will pool funds under a Trust Fund managed by the WB to support the PEMSP implementation. Furthermore under the consultation process with Government non-contributing donors will also participate to the meetings.

The Government has recognised that there is a need for a comprehensive PFM reform and has committed to introduce revenue-related reforms. In this sense the approval of a revised Budget Law in 2007 was an important step towards broadening the scope of the PEMSP to the revenue reforms. The implementation of the revised Budget Law will be critical to address the current budgetary deficiencies and it is in line with the recommendations of the 2005/06 PER. It aims to transform the intergovernmental fiscal framework by centralising the treasury, the tax and customs functions as well as by developing a comprehensive intergovernmental fiscal framework that will give intergovernmental transfers. The proposed improvements include: (i) clarifying the roles and responsibilities of various actors involved in budget implementation; (ii) clarifying the assignment of expenditure and revenue between central Government and provinces; (iii) extending the budget preparation cycle to allow more time for dialogue between the Ministry of Finance, Committee for Planning and Investment, the line ministries and provinces; (iv) introducing a functional classification and programme code structure into the budget format to allow for monitoring on the expenditure; and (v) streamlining the budget execution process by strengthening the authority of the Treasury.

Under the 2005/06 PER, there was a first attempt to undertake a Public Expenditure Financial Accountability assessment by EC-funded consultants. However due to lack of preparation of the assessment and a lack of involvement of all stakeholders, particularly Government, the results were not satisfactory. According to PEFA Secretariat's comments to the assessment, only 21 indicators out of the 31 were evaluated although only 9 indicators were "adequately supported by information and correct use of the scoring framework"<sup>1</sup>.

---

<sup>1</sup> These partial results came out with three C scores on the 'credibility and classification of the budget', one D+ score on the 'policy-based budgeting' and five D scores on i) the comprehensiveness of information included in budget documentation, ii) the multi-year perspective in fiscal planning, expenditure policy and budgeting, iii)

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

---

The current low level of spending in the four priority sectors is the consequence of revenues decrease and lower aid inflows between 2001 and 2005. It is also a result of increased outlays in both the wage bill and external debt service. According to the 2005-06 Public Expenditure Review total expenditures fell during this period from 20.7% to 15.9 % of GDP. Domestic spending on agriculture and infrastructure was cut from 27% in 2001 to 8% of total public expenditure in 2005 much more deeply than education and health that fell from 13% to 12%. The decline in domestic spending has led to a substitution of GoL funds with donor and private sector funds. The GoL has maintained fiscal discipline leading to macroeconomic stability but also limiting the spending in the priority sectors. The priorities for the education and health sectors explained below are therefore implemented within that framework of limited budget resources.

---

effectiveness of internal audit, iv) scope nature and follow-up of external audit and v) legislative scrutiny of external audit reports.

### Annex 3. National Policy and Strategy and Sector Strategies

The Government of Lao PDR has articulated its national development strategy and policy in the National Socio-Economic Development Plan (NSEDP). It received the endorsement of the donor community in Laos at the Round Table Meeting in October 2006 and is being implemented for the 2006-2010 period.

It is the first comprehensive Government-produced strategy prepared through a participatory approach, poverty focused and containing a small monitoring and evaluation framework (M&E). As a result it is considered by the Breton Woods Institutions (BWI) as a Poverty Reduction Strategy. The plan needs improvement and would benefit from more comprehensive macroeconomic and M&E frameworks, as recommended by the BWI. These shortcomings are being addressed by the current development of the M&E framework with UNDP's support and by the current ADB IMF and WB's support for developing and implementing a macroeconomic framework. In addition, the PRSO is helping Government to prioritise the reform agenda.

Government reported progress on the execution of the plan at the last annual RTM in November 2007. As explained below, the plan is being implemented following sector strategies, where available. Consistently with Lao PDR needs, the strategy is based on three pillars:

- Improving Public Financial Management
- Promoting growth through the private sector
- Directing increased funding to key government services of education, health, infrastructure and agriculture.

#### ***Improving Public Financial Management***

Under the first pillar, the reforms are under the umbrella of the Public Expenditure Management Programme managed by the Ministry of Finance. The Government is receiving bilateral support from the World Bank, ADB, Sweden, Japan and France. The programme will start receiving increased funds through a Multi Donor Trust Fund that is being set up with funds from the EC, Sweden and Switzerland ensuring a donor coordinated and harmonised programme based approach.

Since the approval of the revised Budget Law, Government priority in this area is on the recentralisation of the revenue administration and recentralisation of the budget execution function. Intense discussions on the Central-Provincial fiscal relations are also ongoing with the support from the WB's project. Although historically change has been slow, it is now regarded as moving in the right direction.

#### ***Promoting growth through the private sector***

Economic reforms have been necessary to shift the economy from socialist central planning towards greater market-orientation. The second pillar involves improving the business environment to promote growth (reducing business registration formalities and licensing requirements, easing the process of foreign trade and investment). These reforms, which have been led by the World Bank, are contributing to a rapid increase in foreign investment and a high rate of economic growth.

To fight against the obstacles for the development the private sector a specific Small and Medium Enterprise (SME) Development Strategy was formulated in 2006 by the GoL's SME Promotion and Development Office (SMEPDO). The strategy includes proposals to i) support the creation of a better regulatory and licensing environment, ii) improve investment and trade policies and iii) improve access to finance for SMEs.

The NSEDP sets a growth target of 7% per year, mainly driven by a sustained growth of exports (12%). The GoL intends to support exports in labour intensive and higher value-added production. Diversification has started in light manufacturing, but agriculture remains the most important contributor to the GDP. Tourism is also growing. The Diagnostic Trade Integration Study (DTIS), recently completed under the Integrated Framework<sup>2</sup>, lists the key drivers and the binder constraints that the GoL has to consider to expand the trade sector. The GoL supported policy recommendations emerging from the DTIS and Action Matrix, committing to implement a complex reform process.

### ***Directing increased funding to key government services of education, health, infrastructure and agriculture.***

This pillar is consistent with the requirement to increase the spending in the priority sectors (see Annex 2) to reduce poverty and achieve the MDGs. Government has indicated its commitment to increase the spending in the health and education sectors. However the increase remains unknown and the consistency with a Medium Term Fiscal Framework has to be ensured.

#### ***3.1 Education sector***

The net enrolment rate in primary education is currently an indicative 86% with gender parity index at 0.94. Sector policies envisage significant expansion of secondary education and post-secondary education opportunities, as part of enabling an increasingly knowledge based economy.

A number of critical constraints on access, quality and capacity improvements are recognized. Improved primary and secondary education access is constrained by significant student repetition and dropout rate, which correlate with poverty factors and organizational arrangements (e.g. large numbers of incomplete schools). Achieving equity in higher quality provision of primary/secondary education is constrained by difficulties in deploying qualified teachers to poorer rural areas and limited Government resources for instructional materials, basic supplies and teacher upgrading.

Sector planning, management and monitoring systems are insufficiently results oriented. Financial planning in the sector is insufficiently responsive to province/district education performance disparities. Highly decentralized financial management makes it difficult to fully align resource allocations with national sector priorities. Overall, Government education recurrent expenditure is comparatively low by regional norms (10.3% in 2007/08) and school operations are heavily reliant on voluntary contributions from parents. The prevalence of repetition in early primary grades adds to the education cost burden of families.

---

<sup>2</sup> The Integrated Framework (IF) for Trade-Related Technical Assistance to least-developed countries (LDCs) is a multi-agency, multi-donor program that assists LDCs to expand their participation in the global economy whereby enhancing their economic growth and poverty reduction strategies ([www.integratedframework.org/](http://www.integratedframework.org/)).

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

---

The National Socio Economic Development Plan (NSED) and Education System Reform Strategy 2006/15 reaffirm Government commitment to achieving education related MDGs, especially universal access to high quality primary education and gender parity by 2015. The PRSO Education-specific actions are designed to address a number of these issues, within the context of an anticipated Education Sector Development Framework (ESDF), scheduled for completion in mid/late 2008. Expanded and equitable access to primary education will be addressed through formula funded school block grants, designed to help offset, or supplement, parental contributions; from 2010/2011. Enhanced quality improvement measures include ensuring provision of primary school textbooks in the poorest districts, alongside enhanced pay and incentives to recruit and retain better qualified teachers in remote areas over 2009/11.

Additional measures are planned to ensure more results oriented financial planning and performance monitoring systems, informed by the Education for All (EFA) mid decade assessment and the ESDF. The EFA MDA will be finalized for development partner review in March 2008. Systematic cost norms will be adopted as part of a prioritized and costed education work plan and budget in 2008/09. A three year work plan and outcomes for improved and results oriented sector performance information monitoring systems is another agreed action.

Formal joint education sector working group arrangements, underpinned by the Vientiane Declaration, are in place, although Government leadership is uneven. Development partner assistance is extensive, constituting around half of overall education spending and 90% of investment. External assistance is predominantly project based and mainly focused on primary and higher education, using parallel financial channelling and management systems. Some donor harmonization is in place, mainly through project co-financing. One donor has recently begun to support an education sector budget support approach. Overall, the influence of previous donor support on helping to facilitate institutional and recurrent financing reforms has been disappointing, although a number of innovative pilots are in place.

The results and process indicators proposed for the release of the variable tranche are designed to reinforce and extend PRSO actions in the areas of: i) pro-poor sector public financial management and resource allocation, including any transitional reform costs, ii) pro-poor improved education access strategies and iii) more poverty focused sector development strategy and partnerships, including the formulation and implementation of the ESDF.

The rationale for the focus on pro-poor sector financial management is to promote measures that help offset cost barriers for poor families and help support the recurrent transitional costs of these reforms. The proposed indicator is the percentage increase in the education recurrent budget allocation over previous year (FY 2008/09) being not less than the percentage increase in overall Government recurrent budget allocation, and at least 75% of the increase devoted to non-salary expenditures. The rationale for the focus on pro-poor education access outcomes is to help assess the poverty impact of sector reforms. The proposed indicator is the share of total primary enrolment in the poorest 47 districts increases. This indicator, rather than the more traditional net enrolment rate (NER) has been chosen because the information is more easily accessible and does not rely on acknowledged unreliability of age disaggregated population data. The rationale for the focus on poverty oriented partnership development processes is to ensure that emerging sector strategies are pro-poor, technically viable and feasible within defined resource envelope. The proposed indicator concerns the ESDF process.

It is recognized that a well planned process of policy and strategic dialogue will need to take place to help secure robust sector strategies and financing frameworks, through the ESDF process and ESWG. It is anticipated that EC, alongside other development partners, will provide technical assistance to Government to help facilitate the proposed policy/strategy dialogue and help assure that the proposed indicators are achieved. Indicative areas of technical assistance support are: a) sector wide policy dialogue and financing strategy formulation, including central/provincial expenditure planning systems, b) sector performance monitoring system development, including liaison with National Statistics Centre on education related demographic planning and c) education demand mapping and school organizational development planning.

It is proposed to adopt a service contract approach, on the grounds that it is the best available option. There is no EC member country which could act as lead donor and through which the EC might channel its funds under the new Code of conduct; UNICEF has no comparative advantage in the specialist areas and a contribution agreement with ADB is not possible.

Further consultation with the Ministry of Education and development partners is anticipated to ensure that any EC-supported technical assistance is fully complementary with anticipated or ongoing support.

### **3.2 Health sector**

Laos is one of the Least Developed Countries, characterized by multi-ethnic communities, with a large part of the population living in remote areas with very limited access to social services. There is still a long development process ahead with need for capacity building, before the public health services will be able to provide the most basic package of health services to most of the population. Information on health service delivery is not yet forthcoming in a routine way. Vital statistics are not available and there is no civil registration. Currently, many health statistics are estimates, adjusted to fit political expectations.

Access to health care is limited because of distance and poor transport, issues of quality of services and trust, cultural and traditional barriers to modern medicine, financial barriers due to high out-of-pocket payments and under-the-table fees. The health sector lacks sufficient budgeting for recurrent expenditure related to maintenance, supervision and support for peripheral providers, performance related incentives and continuous education of health staff. All this results in an extremely low utilization of all health services: out-patient visits, hospitalization, Mother and Child Health, incl. family planning and immunization coverage.

Mortality and morbidity remain very high, especially among the rural population. The maternal mortality rate at 405 per 100,000<sup>3</sup> and infant mortality at 70 per 1,000 are well above the regional averages of 117 and 29 respectively.

The sixth National Socio-Economic Development Plan (NSED) for 2006-2010 repeatedly calls for a more fair and equitable access to primary care for all (page 1, 5, 8, 151). The

---

<sup>3</sup> The 2008 MDG report has not been released yet. Therefore the 2005 data from the population census is the latest available figure for this indicator.

NSEDP says the Ministry is exploring options to improve financial access to basic services to protect the poor (p 95), and advises to improve health financing structures. The newly introduced health insurance (CBHI and SSO) and Health Equity Funds are cited to have considerable impact on financing health services for the poor (page 154).

A document of highest political authority is the Resolution to the 8<sup>th</sup> Party Congress (August 2006, 12 pages, signed by the PM), which sums up more than 100 priority projects in all sectors, grouped in 11 ‘work plans’, which absolutely must be implemented by the Lao Government. Under work plan 10: ‘Human resources and socio-cultural development’ is mentioned: Project 9: expansion of health insurance: ‘expand Community Health Insurance and HEF and simultaneously improve the quality of healthcare’ and Project 12: ‘develop and improve the health system, increase the quality of health management’.

Given these constraints and needs, PRSO donors have agreed to focus the policy dialogue and support to the health sector on the development of the health system rather than follow the vertical ‘disease oriented’ approach. The three strategic areas chosen to be supported within the PRSO are: health financing strategy, roll out social safety nets in the provinces and monitoring of the service delivery through the management information system. Improvements in access to health will be measured through the enrolment into social safety nets which is in turn expected to lead to increased utilisation of services mostly by the rural population and to improved quality of the services. Ultimately this should lead to improved MDGs indicators.

The EC is proposing to earmark resources to support the Capacity Development of the health sector. In addition, EC will place special emphasis on monitoring progresses towards improved service delivery through the use of the variable tranche of its General Budget Support Programme. The release of the variable tranche is expected to be related to three indicators, currently under negotiation. They are: i) measuring annual increase in budget allocation, ii) increased utilisation of health services (a proxy for quality of service) and iii) improved sectoral planning.

After preliminary discussions with the MOH and development partners there are two areas for possible support with TA:

1. Capacity development of the Health Financing Technical Working Group (TWG), in charge of defining the **Health Financing strategy**. A long-term Financial Strategy for the health sector would contribute towards a sector-wide framework. A Health Financing Strategy would also facilitate the development of a costed action plan for the sector, with clear understanding of the expected role of the GoL and donors. The development of the Health Financing strategy is part of the PRSO 4-7 matrix both as key action and indicator. This support may be done in coordination with future WB input to the TWG-Secretariat.
2. Capacity building support to the MoH to set up **regional and provincial teams to roll-out the social safety nets**. Expansion of the social safety nets has been disappointingly slow in the past three years because the MoH was not able to create regional teams and delegate responsibility to them. The expansion of social safety nets in Laos is one of the three selected actions of the PRSO. The regional teams for social safety nets could also be an instrument to formalise the safety nets and integrate the four existing networks, in line with the overall plan. Possible actions would be train the regional/provincial teams in

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

---

health financing, pre-payment and risk pooling; capacity building in starting-up, managing and monitoring social safety nets in health, etc. As learning tool the T.A. could support the implementation of the start-up of safety nets in a few districts (CBHI and/or HEF in a number of districts, to give on-the-job training to the provincial/regional teams).

### Annex 4. Acronyms and Abbreviations

ADB	Asian Development Bank
BWIs	Bretton Woods Institutions
CBHI	Community Based Health Insurance
EC	European Commission
EFA	Education for All
EN	English
ESDF	Education Sector Development Framework
EU	European Union
FA	Financing Agreement
FMCBP	Financial Management Capacity Building Programme
FY	Fiscal Year
GBS	General Budget Support
GDP	Gross Domestic Product
GoL	Government of Lao PDR
GPAP	Governance and Public Administration Reform Programme
IDA	International Development Association
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
Lao PDR	Lao People's Democratic Republic
LDC	Least Developing Countries
MOH	Ministry of Health
MIP	Multi-annual Indicative Programme
MPI	Ministry for Planning and Investment
MDG	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MDTF	Multi Donor Trust Fund
MOF	Ministry of Finance
NA	National Assembly
NER	Net Enrolment Rate
NGO	Non-Government Organisation
NGPES	National Growth and Poverty Eradication Strategy
NSEDP	National Socio Economic Development Plan
NT2	Nam Theun 2
ODA	Official Development Assistance
PEMSP	Public Expenditure Management Strengthening Programme
PEFA	Public Expenditure Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRSO	Poverty Reduction Support Operation
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty Social Impact Analysis
SME	Small and Medium Enterprise
SMEPDO	SME Promotion and Development Office
SOE	State Owned Enterprise
TA	Technical Assistance
TAS	Treasury Single Account
UNDP	United Nations Development Program
WB	World Bank

**Annex 5. PRSO4-7 Policy Matrix – Draft (3 April 2008) <sup>4</sup>**

---

<sup>4</sup>All items present expected policy actions. Bolded items present expected **prior** actions (**triggers**).

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
<b>Component 1. INVESTMENT CLIMATE, COMPETITIVENESS, AND BUSINESS DEVELOPMENT</b>					
1.1 Create enabling business environment and attract quality investment	<p><b>The Government approved the negative list of activities as part of Enterprise Law implementation</b></p> <p>MOIC abolished establishment license for manufacturing sector firms</p>	<p>MOIC issues notification on simplified enterprise registration procedures, including standard application forms and company by-laws as part of Enterprise Law implementation</p> <p>MOIC prepares action plan for licensing review process</p>	Government streamlines major licenses in manufacturing, tourism and other sectors	ADB, EC and IFC-MPDF	<p>Streamlined regulations for setting up and operating a business; more quality investment attracted</p> <p><u>Indicators:</u></p> <ul style="list-style-type: none"> <li>Number of days to start-up business based on procedures applied to general manufacturing sector (Doing Business: from 163 in 2006 to 70 in 2011);</li> <li><i>Business entry rate (newly registered as percent of total, increases by 10% per annum);</i></li> <li><i>Number of operating hydro-facilities consistent with NPH (from a few in 2006 to most operating facilities in 2011);</i></li> </ul>

<sup>5</sup> All items present indicators to be monitored under this program. The results framework indicators are in plain text, while more general monitoring indicators are in *italics*. The underlined indicators were proposed by EC within the new approach to EC's budget support and are now being considered by Lao PDR.

**Second Poverty Reduction Budget Support – Annexes to the Action Fiche**

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
	<p>MPI submitted addendum to Investment Law Implementation decrees for Government for approval</p>	<p><b>Government submits combined Investment Law, consistent with Enterprise Law, to the National Assembly</b></p> <p>MEM and WREA develop an action plan to bring relevant hydropower facilities in compliance with National Policy— Environmental and Social Sustainability of the Hydropower Sector in Lao PDR, 2007 (NPH)</p> <p>Government submits revised Mining Law to the National Assembly and conducts consultations on the Extractive Industries Transparency Initiative (EITI)</p>	<p>Government issues implementing regulations for combined Investment Law</p> <p>MEM and WREA implement the strategy and action plan and assess effectiveness of NPH</p> <p>Government adopts implementing regulation for the revised Mining Law</p> <p>Government considers measures on improving transparency in extractive industry</p>	<p>IFC-MPDF</p> <p>WB</p> <p>IFC-MPDF, WB</p>	

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
1.2 Reduce trade barriers and proceed with implementation of international and regional agreements	<p><b>MOIC abolished the requirement to follow approved annual import-export plan and abolished licensing requirements for all goods outside the revised control list</b></p> <p>MOIC and MOF reviewed current business procedures for international trade and drafted trade facilitation reform agenda</p> <p>Government issued implementing decree for 2005 Customs Law</p> <p>PMO, MOIC, and MOF implemented regulation to remove all but CIQ agencies from all customs border checkpoints</p>	<p>MOIC issues notification on revised list of prohibited goods for import and export and goods subject to import and export license</p> <p><b>MOIC, MOF, and related agencies prepare detailed Trade Facilitation Action Plan</b></p> <p>MOF issues key implementing regulations for 2005 Customs Law</p>	<p>MOF pilots and rolls out automated system for customs clearances, and prepare for other agencies connectivity with a view to single-window functionality</p> <p>Government stays on track with Trade Facilitation Action Plan implementation</p>	WB, EC, TDF, Australia, IMF	<p>Streamlined cross-border procedures</p> <p><u>Indicators:</u><sup>6</sup></p> <ul style="list-style-type: none"> <li>• Number of days to export and import (Doing Business: from 66 and 78 in 2006 to 32 and 33 in 2011);</li> <li>• Number of documents to export and import (Doing Business: from 12 and 16 in 2006 to 7 and 8 in 2011);</li> <li>• <i>Total trade as percentage of GDP (from 69 % in 2006, growth by at least 2.5% a year).</i></li> </ul>

<sup>6</sup> In addition to the Doing Business report, import export process mapping and the time release study currently in preparation by the World Customs Organization and the World Bank will be used to monitor progress of subcomponent 1.2.

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
1.3 Improve the performance and monitoring of state-owned enterprises (SOEs)	<p><b>BPO continued monitoring of SOEs, including completion of independent external audits for FY05 and FY06 for four Phase II and three Phase I SOEs</b></p> <p>BPO prepared evaluation report for the evaluation of Phase III SOEs</p> <p>MOF completed performance assessment for all SOEs for 2006</p>	<p>BPO submits restructuring plans for Phase II SOEs based on audit results to Government, and starts implementation</p> <p>BPO takes action based on recommendations of the evaluation of the Phase III SOEs</p> <p>MOF completes performance assessment for all SOEs for 2007</p>	<p>Government approves restructuring plans for Phase III SOEs and starts their implementation</p> <p>BPO issues a manual and guidelines for SOE management</p> <p>Government approves Strategic Plan for SOE reform and business development prepared by BPO</p> <p>MOF completes performance assessment for all SOEs for 2008</p>	WB, JBIC, [Japan/PH RD]	<p>Reduced SOE losses, greater transparency and commercial viability of SOEs</p> <p><u>Indicators:</u></p> <ul style="list-style-type: none"> <li>• performance of SOEs in Phase I, II and III (number of loss-making SOEs reduced by half by 2011, from 13 in 2006; aggregated losses reduced<sup>7</sup> by 2011, from K192billion in 2004);</li> <li>• stock of arrears from GOL entities to EDL for electricity usage (reduced from K133bn in 2005/06 to zero in 2011).</li> </ul>

<sup>7</sup> Specific target for this sub-indicator to be agreed during the next mission in 2008.

**Second Poverty Reduction Budget Support – Annexes to the Action Fiche**

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
	<p><b>MOF, MEM and Electricité du Laos (EDL) agreed upon the quantum and a plan to settle arrears from GOL entities to EDL up to September 2006, within implementation of the Action Plan for Financial Sustainability of the Power Sector</b></p>	<p>MOF and EDL remain current on settlement of arrears including for FY2004/05, FY2005/06, and agree upon the quantum and a plan to settle arrears from GOL entities to EDL up to September 2007 for FY2006/7, and MOF provides increased budget FY08/09 for covering current consumption of electricity, and MOF, MEM and EDL continue to comply with the Action Plan</p>	<p>MOF, MEM and EDL remain current on settlement of arrears for FY2004/5, FY2005/6 FY2006/7, and ensure that any in-year arrears are promptly reconciled between MOF and EDL, and settled</p>		

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
1.4 Enhance commercialization and transparency of state-owned commercial banks (SOCBs)	<p>BOL completed independent external audits for 2006 for BCEL, LDB, and APB, and started independent external audits for 2007</p> <p>BOL completed and submitted to MOF quarterly evaluation reports of BCEL and LDB, performance against operational and financial targets based on Governance Agreements</p>	<p>BOL completes independent external audits for 2007 for BCEL, LDB, and APB</p> <p><b>BOL approves Financial Sector Strategy (FSS)</b></p> <p>BOL complete and submit to MOF semi-annual evaluation reports of APB performance against operational and financial targets, and Governance Agreements</p>	<p>BOL completes independent external audits for 2008-10 for BCEL, LDB, and APB</p> <p>GOL approves the FSS and Action Plan, and stay on track with their implementation</p> <p>BOL complete and submit to MOF semi-annual evaluation reports of APB performance against operational and financial targets, and Governance Agreements</p>	IFC-MPDF, ADB, WB	<p>More modern and better performing banking sector</p> <p><u>Indicators:</u><sup>8</sup></p> <ul style="list-style-type: none"> <li>• <i>percent of total NPLs in the state-owned banking system (reduced to below 5 percent by 2011, from 21.2% in 2006);</i></li> <li>• <i>percent of NPLs from new risk activities since 2003 (kept below 5 percent by 2011, from 8.1% in 2006);</i></li> <li>• <i>concentration of top 10 accounts on “flow” loans (reduced by 30% of total credit by 2011, from 37.7% in 2006);</i></li> <li>• <i>share of credit to private sector (kept above 80% of the total credit by 2011, from 71.6% in 2006);</i><sup>9</sup></li> </ul>
	Government submitted revised Presidential decree law on Governing the Management of Foreign Exchange and Precious Metals to the National Assembly	<p>BOL issues regulations on microfinance concerning all deposit-taking and non-deposit taking MFIs</p> <p>Government approves decree on implementation of the Law on Commercial Banks</p>			

<sup>8</sup> It is important to remember when looking at NPL numbers that as classification of assets by the banks improves, the numbers may change which could result in an increase at one point, or slower decreases than expected due to the increased number from which the banks will calculate.

<sup>9</sup> This calculation is based upon the definition of private sector currently in use in Lao PDR by the banks. Businesses of less than 100% ownership by Government may today be classified as private in some instances.

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
<b>Component 2. PUBLIC FINANCE MANAGEMENT AND IMPROVING SERVICE DELIVERY</b>					
2.1 Improved credibility of budget planning, and enhancing transparency and comprehensiveness of budget reporting	MoF expanded coverage of PEMSP to include revenue reforms (customs and tax) and approved updated Public Finance Management Strengthening Program (PFMSP) program document and annual work plan for FY2008, incorporating elements of Budget Law Implementation, and the medium term implementation schedule, and demonstrated on-going progress with implementation and capacity building	MoF continues to update regularly the PFMSP program document, with annual work plans, and demonstrates on-going progress with implementation and capacity building	MoF continues to update regularly the PFMSP program document, with annual work plans, and demonstrates on-going progress with implementation and capacity building	WB FMCBP and PFMSP multi-donor trust fund supported by EC, SDC, SIDA, and Japan PHRD facility	<p>(i) Improved credibility of budget planning, and enhancing transparency and comprehensiveness of budget reporting; (ii) Improved transparency of the intergovernmental fiscal relations and faster budget execution; and (iii) improved timeliness and quality of external audit</p> <p>Indicators (PEFA Performance Monitoring Framework):</p> <ul style="list-style-type: none"> <li>• PEFA Section A: PFM Out-Turns – Credibility of the Budget (4 Indicators TBD)</li> <li>• PEFA Section B: Key Cross-Cutting Issues – Comprehensiveness and Transparency (6 Indicators TBD)</li> <li>• PEFA Section C: Budget Cycle (18 indicators TBD)</li> </ul> <p>Measured by:</p> <p>Improvement in at least 10 indicators. (Baseline to be determined in 2008 and measured again in 2011)</p>
	<b>MoF issued a Ministerial Decision requiring ministries and provinces to prepare FY2008/9 budget estimates based on revised Chart of Accounts (CoA) and Budget Nomenclature</b>	<p><b>MoF, in collaboration with MoH, MoE, and provinces, approve a system of Budget Norms to guide preparation of FY2009/10 and future budgets</b></p> <p>MOF implements new CoA and budget nomenclature for the FY2008/09 budget</p>	MoF implements and continues to refine the system of Budget Norms for MoE and MoH in FY2010/11 and subsequent budgets		

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
	<p><b>MoF published FY2005/6 actual budget and the FY2007/8 summary budget with: (i) administrative classification; (ii) priority expenditure sectors; (iii) summary data on statutory funds; and (iv) technical revenues for health and education sectors at central level, publishing a summary within the second quarter of the fiscal year</b></p> <p>MoF developed reports for extracting necessary data from GFIS for the approved quarterly consolidated budget execution report formats;</p>	<p>MoF publishes FY2006/7 actual budget and FY2008/09 summary budget with: (i) administrative classification; (ii) priority expenditure sectors; (iii) summary data on statutory funds; and (iv) technical revenues for health and education sectors at central and provincial level, publishing a summary within the second quarter of the fiscal year</p> <p>MoF publishes quarterly budget execution reports from GFIS starting first quarter of FY2008/9 reports with sectoral breakdowns</p>	<p>MoF publishes FY 2007/8 actual budget and FY2009/10 summary budget with: (i) administrative classification; (ii) priority expenditure sectors; (iii) summary data on statutory funds; and (iv) technical revenues, publishing a summary within the second quarter of the fiscal year.</p> <p>MoF continues to publish quarterly budget execution reports with sectoral breakdown</p>		

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
<p>2.2 Improve transparency of the intergovernmental fiscal relations, and faster budget execution</p>	<p>MoF prepared comprehensive master plan for Treasury centralization, consistent with the Budget Law</p> <p>Government approved the Budget Law Implementation Decree</p> <p>MOF has approved an appropriate debt reporting format consistent with the international standards and selected DMFAS as a debt reporting format and system</p> <p>MOF issued official notifications requiring all procuring agencies to (a) apply the standard procurement documents developed by PrMO, and (b) submitted to PrMO at regular intervals procurement performance data in the format developed by PrMO</p>	<p><b>MoF adopts an appropriate framework for Treasury Single Account</b></p> <p>MOF approves appropriate legislation or regulations for administrative centralization of customs and tax departments</p> <p>MOF deploys DMFAS system, and reports semi-annually on external debt</p> <p>MOF strengthens PrMO's staffing capacity in-line with its approved Charter. PrMO issues reports on the procurement performance data provided by procuring agencies, including application of the standard procurement documents, and puts the Public Procurement Website into operation</p>	<p>MoF implements a framework for Treasury Single Account and demonstrates on-going progress with Treasury Centralization</p> <p>CPI prepares PIP budget aligned with the manuals and regularly submits it to the National Assembly</p> <p>MOF publishes semi-annual reports on aggregated external debt in the Official Gazette</p> <p>MOF takes steps for further improvement of the legal framework for public procurement, including requiring advertising of bidding opportunities and contract award information on Public Procurement Website</p>	<p>WB FMCBP and PFMSP Multi-donor Trust Fund supported by EC, SDC, SIDA, and Japan PHRD facility</p> <p>WB IDF grant and FMCBP</p>	

**Second Poverty Reduction Budget Support – Annexes to the Action Fiche**

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators <sup>5</sup>
2.3 Improving the timeliness and quality of financial audit	SAO completed the Audit Peer Review (APR) and drafted the APR report as a basis for the capacity strengthening plan	<b>SAO approves audit strengthening plan based on the APR</b>	SAO commences implementation of the audit strengthening plan based on APR	FMCBP and ADB	

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators
2.4 Improving service delivery	PACSA drafted and submitted for review to Government decree on incentives and benefits for officials working in remote areas	Government adopts a civil service reform strategy that aims to address (i) sectoral issues of adequate pay and incentives; (ii) performance management; and (iii) issues relating to ensuring adequacy of service delivery staff in remote, rural, and underserved areas	Government begins implementation of the civil service reform strategy	UNDP-EC-UNCDF GPAR, WB	
Education	<b>MOE presented the Education for All Mid-Decade Assessment to the Education and Gender Sector Working Group</b>	<b>MOE presents costed and prioritized annual work plan to Education and Gender Sector Working Group, identifying resources needed in FY2009/10 budget</b>  MOE adopts Education Sector Development Framework	MOE implements Education Sector Development Framework  MOE and MOF agree to provide one set of textbooks per student for Grades 1-5, including free distribution to poorest students, and reflect this in the FY2010/11 budget  MOE and MOF agree to pilot formula-funded school grants for non-wage recurrent expenditures, with allocations in the FY2010/11 budget	AusAID ADB UNICEF WB	Improved management, allocation, and monitoring of education expenditures  Indicators: <ul style="list-style-type: none"> <li>• Recurrent education expenditure as % of total recurrent expenditure (domestic, increase from 14.4% in FY2005/06)</li> <li>• <i>Average student/textbook ratio in 47 priority districts, % (average for 3 types of books, decrease from 4.7 in FY2006/07)</i></li> <li>• School grants as % of total non-wage recurrent budget (increase from zero in FY2006/07)</li> <li>• <u>Recurrent education budget as % of total recurrent budget (domestic, allocation, increase from 14.1 % in FY2007/08);</u></li> </ul>

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators
	MOE presented EMIS strategy and implementation plan and detailed 3-year plan of activities and support to Education and Gender Sector Working group	MOE adopts EMIS strategy and implementation plan, along with final 3-year plan of activities and support, and consolidates EMIS data in its Statistics & IT Center	MOE regularly publishes Education Yearbook using consolidated data, including ASLO results	AusAID WB EC AFD	<ul style="list-style-type: none"> <li>• % of provinces that submit complete EMIs information by end of December each year (increase from 82% in FY2006/07);</li> <li>• % of total primary school enrollments accounted for by 47 priority districts (incr from 28.4% in FY2006/07).</li> </ul>
Health	<p>MOH approved guidelines for implementing pilot Health Equity Funds (HEF) in five districts</p> <p>MOH established Health Financing Technical Working Group and held regular meetings</p>	MOH prepare annual report on coverage, utilization, revenues, and expenditure of all operating HEFs and Community Based Health Insurance schemes; MLW prepare annual report containing similar data for Social Security Scheme, and Civil Service Scheme	<p>Government adopts Health Financing Strategy</p> <p>MOH evaluates HEF pilots and other health financing initiatives</p> <p>MOH initiates implementation of the health financing strategy, based on agreed plan</p>	WB WHO ILO ADB AFD	<p>Improved access to health care and financial protection; effective performance monitoring for health sector policy</p> <p>Indicators:</p> <ul style="list-style-type: none"> <li>• % of population enrolled in HEFs, CBHI, SSO, CSS and other prepayment and subsidized schemes (planned increases monitored regularly, starting from 9.2% in FY2006/07);</li> <li>• Outpatient visits per capita for general population (measured in 7 southern provinces, increase from 0.24 in FY2006/07);</li> <li>• <u>Number of health personnel in 47 priority districts (increase from 1644D in 2007);</u></li> </ul>

**Second Poverty Reduction Budget Support – Annexes to the Action Fiche**

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators
	MOH reviewed HMIS strategy and implementation plan	The MOH updates the HMIS strategy and implementation, consolidates HMIS data in the Division of Statistics, and prepares outline of National Health Report	MOH publishes First National Health Report in September 2010  MOH makes regularly available consolidated HMIS reports publishes data regularly	WB WHO ADB Lux. EC	<ul style="list-style-type: none"> <li>• % of districts that submit HMIS information to MOH on time (increase from 20% in FY2006/07);</li> <li>• Recurrent health expenditure as % of total recurrent expenditure (domestic, increase from 3.6% in FY2005/06);</li> <li>• <u>Recurrent health budget as % of total recurrent budget (domestic, allocation, increase from 3.9% in FY2007/08).</u></li> </ul>

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators
2.4 Improving service delivery	PACSA drafts and submits for review to Government decree on incentives and benefits for officials working in remote areas	Government adopts a civil service reform strategy that aims to address (i) sectoral issues of adequate pay and incentives; (ii) performance management; and (iii) issues relating to ensuring adequacy of service delivery staff in remote, rural, and underserved areas	Government begins implementation of the civil service reform strategy	UNDP-EC-UNCDF GPAR, WB	
Education	<b>MOE presents the Education for All Mid-Decade Assessment and Fast Track Initiative report to Education and Gender Sector Working Group</b>	<b>MOE presents costed and prioritized annual work plan to MOF, identifying resources needed in FY2009/10 budget (using new budget norms and revised chart of accounts)</b>	MOE implements Education Sector Development Framework  MOE and MOF agree to provide one set of textbooks per student for Grades 1-5, including free distribution to poorest students, and reflect this in the FY2010/11 budget  MOE and MOF agree to pilot formula-funded school grants for non-wage recurrent expenditures, with allocations in the FY2010/11 budget	ADB AusAID WB UNICEF	Improved management, allocation, and monitoring of education expenditures  Indicators: Improved management, allocation, and monitoring of education expenditures  Indicators: <ul style="list-style-type: none"> <li>• Recurrent education budget expenditure (actual) as % of total recurrent budget expenditure;</li> <li>• Average student to textbook ratio in 47 priority districts;</li> <li>• School grants as % of</li> </ul>

## Second Poverty Reduction Budget Support – Annexes to the Action Fiche

Objectives	PRSO4, by March 2008	PRSO5, by March 2009	PRSO6, by March 2010 PRSO7, by March 2011	TA	Outcomes/Indicators
	MOE adopts EMIS strategy and implementation plan and presents a detailed 3-year plan of activities and support to Education and Gender Sector Working group	MOE consolidates EMIS data in its Statistics & IT Center	MOE regularly publishes Education Yearbook using consolidated data, including ASLO results	AusAID WB EC (TBD), AFD	total non-wage recurrent budget; <ul style="list-style-type: none"> <li>• % of provinces that submit complete EMIS information by annual deadline established by the MOE;</li> <li>• Net enrollment rate;</li> <li>• % of total primary school enrollments accounted for by 47 priority districts.</li> </ul>
Health	MOH approves guidelines for implementing pilot Health Equity Funds (HEF) in at least three districts  MOH establishes Health Financing Technical Working Group and holds regular meetings	MOH and MLW report quarterly on coverage, utilization, revenues, and expenditure of all operating HEFs, Community Based Health Insurance, Social Security Scheme, and Civil Service Scheme	Government adopts Health Financing Strategy  MOH evaluates HEF pilots and other health financing initiatives  MOH initiates implementation of the health financing strategy, based on agreed plan	WB WHO ILO ADB AFD (TBD)	Improved access to health care and financial protection; effective performance monitoring for health sector policy  <u>Indicators:</u> <ul style="list-style-type: none"> <li>• % of population enrolled in HEFs, CBHI, SSO, CSS and other prepayment and subsidized schemes;</li> <li>• Outpatient visits per capita for CBHI members;</li> <li>• Outpatient visits per capita for general population;</li> <li>• % of districts that submit HMIS information to MOH on time;</li> <li>• Recurrent health budget expenditure (actual) as % of total recurrent budget expenditure.</li> </ul>
	MOH reviews and updates HMIS strategy and implementation plan	MOH consolidates HMIS data in the Division of Statistics and prepares outline of National Health Report	MOH publishes First National Health Report in September 2010  MOH makes regularly available consolidated HMIS reports publishes data regularly	WB WHO ADB Lux. EC (TBD)	

