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INTERNATIONAL DEVELOPMENT ASSOCIATION

Program Appraisal Document

FOR A PROPOSED GRANT
IN THE AMOUNT OF US\$7.2 MILLION EQUIVALENT

TO
THE LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR A
PUBLIC FINANCIAL MANAGEMENT STRENGTHENING PROGRAM
MULTI-DONOR TRUST FUND

April 8, 2008

Poverty Reduction and Economic Management Unit
East Asia and Pacific Region

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GOVERNMENT FISCAL YEAR

October 1 – September 30

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of May 1, 2007)

Currency Unit		Kip
US\$1.00	=	9,650

Weights and Measures

Metric System

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PROGRAM APPRAISAL DOCUMENT
PUBLIC FINANCIAL MANAGEMENT MULTI-DONOR TRUST FUND TO SUPPORT
GOVERNMENT OF LAO PEOPLES' DEMOCRATIC REPUBLIC
PUBLIC FINANCIAL MANAGEMENT STRENGTHENING PROGRAM (PFMSP)
(APRIL 8, 2008)

Summary

Recipient	Lao Peoples Democratic Republic
Trust Fund Budget (preliminary)	US\$ 8.0 million over a four year period ¹
Trust Fund Management Unit	East Asia and the Pacific Poverty Reduction and Economic Management Sector Unit
Project Period	Four Years (48 months starting in calendar 2008)
Description	<p>The proposed multi-donor trust fund seeks to assist the Government of Lao Peoples Democratic Republic, in provision of advisory services for effective implementation of the Public Financial Management Strengthening Program (PFMSP). The Government's integrated PFMSP program locks in major policy and institutional reforms across broad areas of Public Finance Management². The reform program aims to strengthen public finance management systems and processes which are central for improving delivery and hence economic growth and poverty reduction, as per the goals of the Socio-Economic Development Plan 2006-2010.</p> <p>The trust fund shall be administered by the World Bank and finance activities related to capacity building, analytical & advisory services, provision of goods, and technical assistance to PFMSP implementing agencies for effective implementation of component interventions of the PFMSP. The trust fund is intended to complement other Public Financial Management projects financed by donors that can not put their funds in the Trust Fund.</p>

I. INTRODUCTION

1. The Public Finance Management Strengthening Program (PFMSP) is part of Government of Lao PDR's medium-to-long term framework for public finance management reform program. The PFMSP, which was adopted by the Government of Lao PDR in November 2005, by the approval of the Minister for Finance and the Prime Minister's Office. The PFMSP is a multi-year medium-to-long term program which aims to improve policy consistency, efficiency, transparency and accountability in public expenditure management by strengthening institutional systems and capacity and making progress towards appropriate international financial management standards. Revenue reforms is also a key element of the program, where the government is also moving ahead with reforms aimed at improving revenue policy and administration. The PFMSP is the umbrella reform program that is also implementing all elements of the new Budget Law that was promulgated in February 2007 and the Nam Theun2 Revenue Management

¹ SIDA: 4 million Swedish Kronor; EU: 3 million Euros; SDC 200,000 US\$; and AUSAID Aus\$2 million

² Annex 1 presents the PFMSP implementation schedule

Arrangements. The PFMS is the main vehicle for implementing Government policies and strategies laid out in the “Policy Paper on Governance 2003”, the National Growth and Poverty Eradication Strategy, and the National Socio-Economic Development Program 2006 - 2010. The PFMS focuses on strengthening the management systems and capacity of the Ministry of Finance and Provincial Finance Departments, supported by pilot interventions at the provincial and sector levels. The program has six components:

- A. Revenue sharing, fiscal planning and budget preparation;
- B. Treasury centralization, budget execution, accounting, and financial reporting;
- C. Revenue policy and administration;
- D. Local government financial management;
- E. Financial legislation and regulatory framework; and
- F. Human resource and capacity development.

2. The Ministry of Finance has been implementing the PFMS for more than two years. Progress has been steady albeit at a slower pace than initially envisaged by Government. The PFMS Steering Committee and an Implementation Committees have been established and some important reforms elements under the PFMS remain on-going. The pace of progress has been slower than envisaged mainly on account of two issues: (i) inadequate funding; (ii) lack of implementation capacity and coordination mechanisms; and (iii) restructuring of the Ministry of Finance (completed in 2007).

3. Development partners and the World Bank have been supporting PFMS implementation and are now working towards better aligning donor support and considering establishing a Multi-Donor Trust Fund framework. The intention of the proposed MDTF is to support the PFMS implementation for four years. The proposed MDTF would provide complementary and flexible support to all stages of PFMS by providing quick technical assistance in the implementing of critical interventions. In addition to flexibility, the principles of government ownership, policy engagement, institutional development, accountability, transparency, donor coordination, and participation would underlie the implementation of the PFMS MDTF.

4. Supporting the PFMS is consistent with Lao PDR’s 5-year NSEDP, the World Bank’s Country Assistance Strategy (CAS Progress Report, 2007), as well as respective country strategies of other development partners. Improving governance is a one of four pillars of the World Bank CAS, and public finance management reforms envisaged under the PFMS are central to achieving the outcomes that the Bank program is supporting.

II. STRATEGIC CONTEXT AND GOVERNMENT STRATEGY

5. **The proposed MDTF centrally supports the PFMS**, which (as stated earlier) is a multi-year program for improving public finance management. PFMS started implementation in November 2005 and its strategic objective is, as part of Government of Lao's National Growth and Poverty Eradication Strategy, to improve policy consistency, efficiency, transparency and accountability in public expenditure management by strengthening institutional systems and capacity, and making progress towards appropriate bringing the public financial management system at par with international standards.³

6. **Progress with PFMS implementation has remained broadly on track**⁴. A PFMS Steering Committee headed by the Vice Minister for Finance has been established. Under the Steering Committee, an Implementation Committee has been formed. This committee is headed by the Fiscal Policy Department and supported by a full time Secretariat. The Steering Committee approves the annual work plan, which is executed by relevant Ministry of Finance departments, with guidance from the Implementation Committee. During the last two years of PFMS implementation from November 2005 to March 2008, the following has been achieved: (i) revised implementation arrangements have been established to include revenue reforms; (ii) a new Budget Law has been promulgated which mandates the centralization of the Treasury Department, Customs Department, Tax Department, and requires the development of a new revenue sharing framework; (iii) a new structure of the chart of accounts and budget nomenclature was approved and work on deploying the chart of accounts is on-going; (iv) work on improving the government financial information systems has commenced; (v) medium term expenditure framework for the health and education sectors have been drafted; (vi) a public expenditure review and public expenditure tracking survey were completed and disseminated; (vii) analytical work on addressing issues relating to the Central-Local financial relations framework has been conducted; and (viii) Ministry of Finance wide English language program has been underway. In addition to PFMS implementation, the government has conducted several provincial consultative workshops with local governments and financial managers around the PFMS implementation, the new Budget Law and future work program. Based on these consultations, the government has prepared an implementation progress report for the FY2006/7 work plan and the work plan for 2008 (attachment 1) and the medium term implementation schedule (attachment 2).

7. **However, the pace of implementation has been slower than originally envisaged on account of capacity and resource constraints.** PFMS is an ambitious reform program that requires significant technical capacity and financial resources. The pace of implementation, thus far, has been hindered by lack of adequate financing, technical capacity constraints, and the non-existence of a resource delivery mechanism that would provide quick disbursing funds to the Government. Looking ahead, there is need to address these concerns if the PFMS is to achieve its medium-to-long term outcome objectives.

³ See PFMS Program Document dated September 2006

⁴ The Government has shared with development partners the PFMS Progress Report for FY2006/07.

8. The Government of Lao PDR is pushing ahead with yet more reforms, as envisaged in the new Budget Law. The Parliament has promulgated a revised organic Budget Law⁵. This law mandates wide ranging changes in the Central-Local fiscal relations framework and will need significant additional resources for effective implementation. Some of these changes pertain to centralization of the Treasury, tax administration and customs. Furthermore, the government is moving ahead with reforms aimed at clarifying revenue and expenditure assignments, and developing budget norms for key sectors in order to improve service delivery across the country. For these reforms to succeed there is need to provide the Government with top quality technical assistance via a mechanism that ensures flexibility, the principles of government ownership, policy engagement, donor coordination, and participation.

9. A key goal of the MDTF is also to improve coordination between development partners working on public finance management reforms in Lao PDR. In this context the consultative process will include all development partners supporting the PFMSPP at bi-annual consultations with the PFMSPP Steering Committee, to ensure that: (i) comments by development partners has help government develop the work plans; (ii) jointly with government, review progress of PFMSPP implementation; and (iii) project support by bilateral and other multilateral agencies is coordinated well and aligned with interventions supported by the MDTF within the PFMSPP framework. This will reduce the overlap of interventions, and improve coordination of donor support.

10. The proposed MDTF is aligned to the Government NSEDP and donor country development partnerships and current World Bank Country Assistance Strategy. The proposed MDTF will also be a positive step towards achieving the objectives of the Paris Declaration on Aid Effectiveness, and the Vientiane Declaration. The MDTF will: (i) reduce transactions cost for government by aligning development partners behind one program which is administered through one modality; (ii) harmonize reporting to all development partners through agreed reporting format with suitable timelines; (iii) provide un-tied resources to government for implementing its reform program, thereby fostering greater ownership; and (iv) provide government with objective technical support from development partners for quality assurance purposes.

11. The World Bank is working closely with other development partners in supporting PFM reforms. Supporting good governance and public finance management reforms is consistent with the World Bank's Country Assistance Strategy for Lao PDR. The World Bank has been working with other bilateral and multilateral donor partners in Vientiane for supporting Lao PDR in effectively addressing the development challenges faced by the country. The intention of all parties is to intensify the cooperation.

12. Coordinated donor support to PFMSPP is important to achieving results. Thus far eight development partners – Embassy of France, Embassy of Japan, Embassy of Sweden/SIDA, AusAID, JICA, ADB, European Commission (EC) and the World Bank - have met on several occasions to review progress on the PFMSPP, alignment of donor support and establishment of the MDTF framework. The Government expressed at the Round Table Implementation Meeting in November 2007 that there will not be any

⁵ The National Assembly debated the amendments in its November 2006 session

additional sectoral working group. However, the interested donors who participate at the Steering Committee consultations could provide suggestions on the PFMSIP implementation plan and quarterly progress reports. The agreed consensus is to form an informal working group of these development partners, and meet regularly to discuss a coordinated approach covering both bilateral and MDTF support. In those meetings donors will coordinate reactions and comments to implementation plans and quarterly progress reports. In order to improve the coordination and harmonization among donors, as well as to ensure the high quality of the implementation of the PFMSIP MDTF program by sharing international best practice, a MDTF Facilitating Unit will be established..

13. This Program Appraisal Document has benefited from a government-World Bank workshop on MDTF's and several development partner consultations and one appraisal mission. The proposed MDTF framework is based on these discussions. The government has urged that the proposed MDTF should provide adequate and non-tied resources to PFMSIP implementing agencies via the PFMSIP Implementation Committee, and that the reporting and monitoring reports should be harmonized for all donors, and should in any case respect the reporting requirements of Framework Agreement between the World Bank and respective donors. The development partners have stressed that ownership of the PFMSIP by Government is central to their support, alignment of donor support, and the need to focus on long term capacity building measures to sustain the reform momentum. Both Government and development partners are supportive of the MDTF framework as a flexible tool to support the implementation of PFMSIP.

III. THE PROPOSED TRUST FUND

A. General Overview

14. The overall objective of the proposed Trust Fund is to support the Government of Lao PDR to enhance the public sector effectiveness to the socio-economic development of its population. The purpose of the proposed activities is to improve the effectiveness of public finance management in Lao PDR through support to the Government's Public Financial Management Strengthening Program.

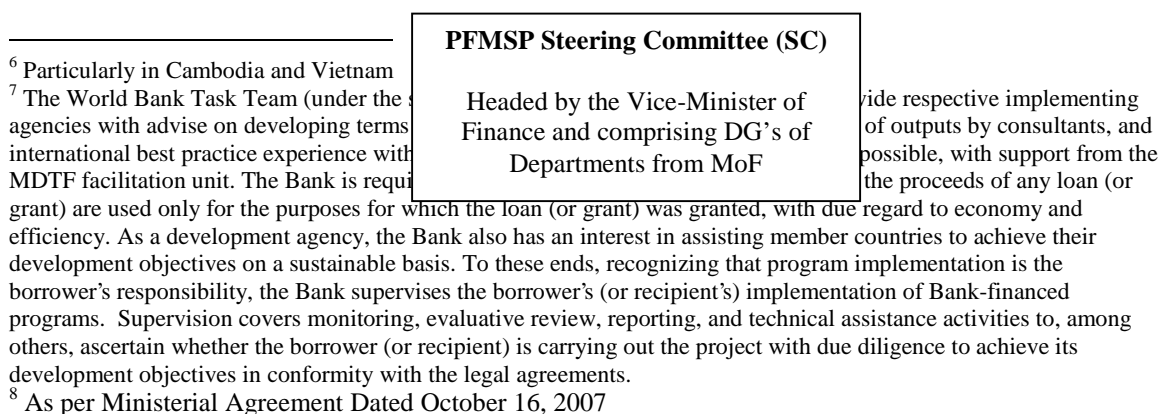
15. The underlying principles by which the PFMSD MDTF will function include: (i) government ownership; (ii) policy dialogue; (iii) flexibility; (iv) coordination; and (iv) participation. These principles are manifest in the governance structure and the overall administration of the PFMSD MDTF. The PFMSD will have its own monitoring results framework that will incorporate some of the key and relevant indicators of the Public Expenditure Financial Accountability (PEFA) framework. It is expected that the detailed monitoring and evaluation arrangements (including indicators, benchmarks and target values) for PFMSD will be delivered as the first key output under the MDTF.

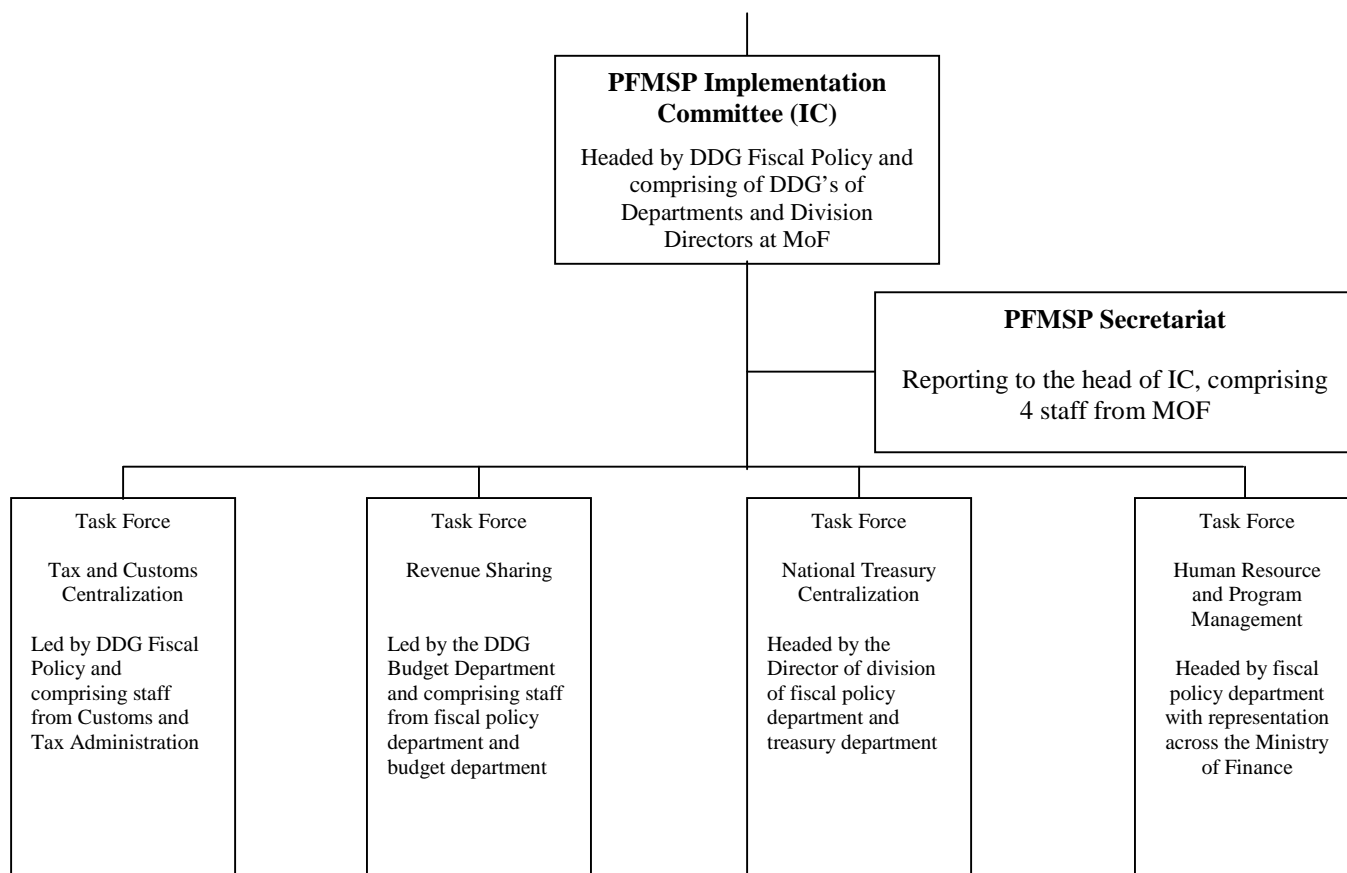
16. The Trust Fund builds on existing partnerships between the Government and Development Partners (bilateral and multilateral) through which trust funds have been established. It takes into account lessons that the Bank has learned from administering other trust funds, particularly in the area of public finance management⁶. As the administrator of the PFMSD MDTF, the World Bank has overall management and financial accountability responsibility for the MDTF. Given this responsibility, the Bank will endeavor to assist the Government take management, program, and financial decisions⁷ to achieve the objectives of the MDTF – which is essentially to successfully implement the PFMSD. The MDTF will be in accordance with the standard EC-World Bank Framework Agreement as well as those with other development partners, and the Bank's own internal policies and guidelines governing trust fund administration.

B. Governance Structure

17. The governance of the MDTF is centered on the existing PFMSD implementation structure⁸ as depicted in Figure 1.

FIGURE 1: PFMSD Implementation Structure





NOTE:

- PFMSU Steering Committee is headed by the Vice Minister for Finance and includes Director Generals of departments responsible for implementing components of PFMSU.
- PFMSU Implementation Committee is headed by the Deputy Director General for the Fiscal Policy Department and includes Deputy Director Generals of departments responsible for implementing components of PFMSU

18. This structure comprises (i) the Steering Committee and (ii) the Implementation Committee. These committees are already in place (see paragraph 7). Furthermore Government has established four thematic task forces – (i) tax and customs centralization, (ii) revenue sharing for improving budget planning, (iii) Treasury centralization for strengthening budget execution and reporting, and (iv) human resource and program management. The Task Forces include the appropriate representatives from the concerned Departments and Line Ministries. This proposed MDTF will not establish parallel or new governance structures, but will make use of existing structures and capacities to integrate the MDTF into normal operations of MoF. Those structures will be supported by technical expertise available at the PFMSU as well as by the World Bank Task Team.

19. The envisaged MDTF shall be managed by the PFMSIP Implementation Committee, with its head responsible for day-to-day execution of the MDTF. The Ministry of Finance has already established the Public Finance Management Strengthening Unit (PFMSU) within the structure of the external finance department. The PFMSU is headed by a division director from the Ministry of Finance, and includes procurement and financial management staff capable of executing both, the Lao PDR national and the World Bank procurement and financial management regulations. This unit handles the FMCBP⁹ and the PFMSU will be strengthened by appropriate technical staff to manage the additional procurement and financial management work due to the establishment of the PFMSIP MDTF. This unit will receive the support of an international PFM expert and a local expert. Their TORs have been developed by the head of the PFMSIP implementation committee and the selection process is on-going. It is expected that the international expert will be a liaison contact between the GOL and the donors, will provide quality assurance in the development of TORs and support to develop and strengthen GOL's capacity in PFM. Such an arrangement will have the following benefits:

- a. Make use of existing capacity on financial management and procurement of the FMCBP already operational at the Ministry of Finance, consistent with Government laws as well as World Bank procedures and guidelines for grants;
- b. Ensure no additional structures are created within Government for the MDTF;
- c. Contribute to a smooth PFM communication between GOL and development partners; and
- d. Effectively coordinate work on public finance management reforms.

20. With regards to a consultation mechanism between Government and development partners on PFMSIP implementation, there is need to ensure that: (i) transactions cost is minimized; (ii) existing PFMSIP structures are used; and (iii) effective sharing of information between Government-development partners takes place. Keeping this into account, it is proposed that:

- a. The development of a robust monitoring framework would be one of the first activity of the PFMSIP MDTF as it will be the key tool for evaluating the results of the reforms. At the policy level bi-annual consultations take place between the PFMSIP Steering Committee and development partners supporting PFMSIP. The first biannual discussions will be

⁹ The FMCBC is a World Bank project aimed at assisting the Government build public finance management capacity. This project became effective in 2003 and supports *some* component elements of the PFMSIP. These are: (i) revision of the chart of accounts and development of budget nomenclature; (ii) stabilization of the GFIS; (iii) PFMSIP technical advisor; (iv) Treasury Centralization; (v) English training; (vi) strengthening external debt management; (vii) support to Procurement Monitoring Office; and (viii) support to intergovernmental fiscal framework.. The project is expected to close in April 2011. The World Bank will share with the MDTF contributors the appraisal document that will include among others an assessment of the fiduciary and safeguards capacity of the implementation unit(s), risks and mitigation measures to be adopted.

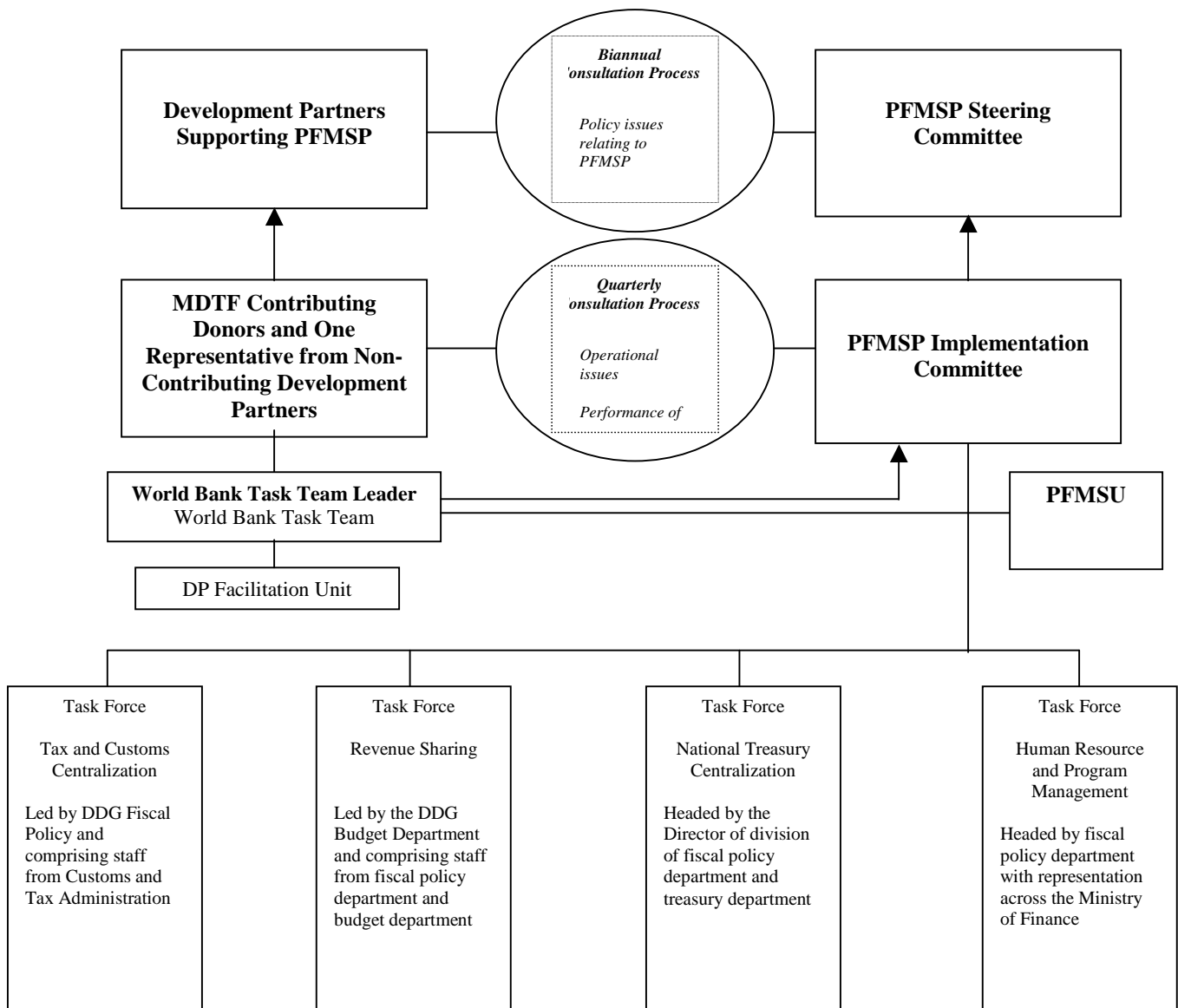
held prior to the finalization of the annual work plan, so that development partners can provide input into the draft work plan. The second biannual consultation will be held at mid-year of implementation to discuss progress to-date. This consultation will resolve any policy issues pertaining to PFMSU. The MDTF will finance the work plans discussed and agreed at the bi-annual consultations. An annual external review of the overall performance of the program, to be financed under the Bank-executed MDTF, will also be discussed. The annual decision of disbursing funds to the Trust Fund will depend on this review and on the readiness and soundness of the annual work plans for the following year. The meeting will be chaired by the Vice Minister for Finance and the World Bank Country Manager. The secretariat will be PFMSU.

- b. The Implementation Committee will meet with MDTF contributing donors, one representative of other development partners supporting the public financial management reform and representatives from the Task Forces to review outputs of the support provided by the MDTF, and to flag any issues that need to be addressed. These working level technical meetings will be on a quarterly basis unless a more frequent schedule is decided upon by its members. These meetings will be co-chaired by the head of the PFMSU Implementation Committee and the World Bank. The secretariat for this meeting will be the PFMSU.

21. The World Bank Task Team Leader (TTL) for the MDTF will report to the donors on performance of the MDTF including on program implementation, disbursement, procurement activity and new commitments for the program, as per requirements to be specified under the Administration Agreement. The TTL will consult with contributing development partners formally on quarterly basis on performance of the MDTF. The World Bank TTL will be responsible for trust fund administration¹⁰. An annual review of the overall performance of the reform program, funded under the TF, will be conducted by independent evaluators to review the overall effectiveness of the program. The government, with the guidance from the World Bank, will endeavor to implement recommendations made in such review.

¹⁰ Supervision of procurement, financial management arrangements of the MDTF and reporting

FIGURE 2: Government-Development Partner Interface for Dialogue, Consultation and Engagement



22. Reporting¹¹. There will be need to streamline reporting on performance of the MDTF and resulting outcomes. This is important to ensure that transactions cost for government is reduced and harmonization of reporting is achieved. In this spirit the following reporting is proposed:

- a. At the bi-annual consultations, a strategic progress report on PFMSP with a summary of implementation will be tabled and discussed. This report will include information on: (i) comparison of proposed activities under the PFMSP with actual, along with brief explanation of reasons for any delays; (ii) financial management and procurements conducted during the year; and (iii) implementation plans for the next year once a year. Annually there will also be a discussion on an external review report

¹¹ Further discussion on the reporting mechanisms and frequency will be undertaken during the appraisal completion mission.

prepared by independent evaluators. MDTF contributors will disburse on the basis of the results of this report.

- b. At the quarterly technical meetings, there will be an Implementation report prepared by PFMSU and technical MDTF Performance Report prepared by the WB Task Team. This report will include information on: (i) status of component interventions; (ii) work on-going; (iii) expected outcome and outputs, (iv) financial accounts, (v) work plan for the next quarter; and (v) any issues arising. This report will be reviewed and formally approved by at the meeting.

23. The governance structure, with responsibilities and accountabilities, as described above, are presented in Table 1.

Table 1. Summary Matrix of the PFMSP Governance Structure Including the MDTF Consultative Process with Donors

Actor	Members/Composition	Tasks/Responsibilities	Reporting
<i>PFMSP institutions</i>			
PFMSP Steering Committee (SC)	<ul style="list-style-type: none"> - Chaired by Vice Minister of Finance - Members: Director General's of MoF Departments implementing PFMSP components 	<ul style="list-style-type: none"> - Serve as policy formulation and strategic guidance forum on PFMSP - Review progress of PFMSP implementation - Endorse annual implementation plan prepared by Government - Members propose to chairman observers for participation in Steering Committee, chair to decide 	
PFMSP Implementation Committee (IC)	<ul style="list-style-type: none"> - Chaired by Deputy Director General for Fiscal Policy Department - Members: DDG's of departments implementing PFMSP components 	<ul style="list-style-type: none"> - Review and approve quarterly work plan with clear implementation arrangements assigned - Members propose to chairman observers for participation in IC, chair to decide - Head of Implementation Committee responsible for execution of the MDTF funds - Obligation to demonstrate achievement of expected results 	
Public Finance Management Strengthening Unit (PFMSU)	<ul style="list-style-type: none"> - Headed by a Director: full time, government staff member, at the position of at least Division Director - PFMSP Technical advisor – international advisor - One technical staff (GOL) - Two procurement local consultant - Two financial management local 	<ul style="list-style-type: none"> - Management of MDTF funds - Provide implementation support to the Implementation Committee - Provide financial management and procurement services to the PFMSP IC - Act as secretariat of annual consultative Steering Committee meetings and quarterly technical meetings of the IC 	<ul style="list-style-type: none"> - to the head of PFMSP IC - the implementation report - financial management and procurement reports

	<ul style="list-style-type: none"> - consultants - Two accountants local consultants - One Assistant to PFMSU Director 		
Task Forces (TF)	<ul style="list-style-type: none"> - Headed by lead department - Members: relevant departments in MOF and LMs and agencies for implementing PFMSP components 	<ul style="list-style-type: none"> - develop work plans for implementation of PFMSP interventions per components - preparation of ToRs with PFMSU help and submission to head of IC 	
Consultation mechanisms			
Biannual Consultation Process	<ul style="list-style-type: none"> - Members: PFMSP SC and Development partners supporting PFMSP reforms - co-chaired by Vice Minister for Finance and WB country manager 	<ul style="list-style-type: none"> - provide input into the work plan for the next year; - jointly review and assess results of the reform programme - coordinate donor support to individual components of PFMSP - provide strategic guidance to the PFMSP MDTF and ensure coherence between the MDTF and Annual Implementation Plan (including endorsement of the results framework for the Program & priority/focus areas for funding under the MDTF) - assess achievements of the MDTF for PFMSP vis-à-vis results framework 	<ul style="list-style-type: none"> - report on PFMSP implementation and on performance of the
Quarterly Consultation Process	<ul style="list-style-type: none"> - Members: Representatives of: PFMSP IC, TF, and Development Partners funding the MDTF - co-chaired by the DDG of FPD and World Bank 	<ul style="list-style-type: none"> - review outputs and outcomes from the support provided by the MDTF - flag issues that need to be addressed - Decide the activities to be financed by the MDTF 	<ul style="list-style-type: none"> - MDTF Performance Report prepared by the PFMSU
MDTF Administration			
World Bank		<ul style="list-style-type: none"> - administrator of the PFMSP MDTF - Financial accountability responsibility for the trust fund - responsible for fiduciary oversight issues including supervising compliance with procurement and financial management guidelines as set out in the Grant Agreement - obligation to ensure that the MDTF supervision is conducted to ascertain that the project is being carried out with due diligence to achieve its development objectives in conformity with the legal 	<ul style="list-style-type: none"> - to the PFMSP steering committee at bi-annual consultations on performance of the MDTF including the performance of the MDTF facilitating unit

		agreements	
World Bank Task Team	<ul style="list-style-type: none"> - Task Team Leader for the World Bank public sector program for Lao and technical staff. <p><i>None of the Task Team members will be financed by the MDTF resources</i></p>	<ul style="list-style-type: none"> - supervises MDTF-financed recipient and ensures activities financed out of the TF are in compliance with Grant Agreements - reviews requests and issues “no-objections” as needed - manages the MDTF facilitating unit 	<ul style="list-style-type: none"> - quarterly to Implementation Committee and Donors on progress of activities financed, the contributions, disbursement, procurement activity and commitments for the program as well as the performance and activities of the facilitating unit and the World Bank Task Team
Development Partner facilitating unit	<ul style="list-style-type: none"> - an international public finance management expert (non-World Bank staff) - a local expert 	<ul style="list-style-type: none"> - assist development partners in providing quality technical advisory services towards effective MDTF implementation to each department of the MOF: <ul style="list-style-type: none"> i) provide technical advice on the development of TOR; ii) assistance with analyzing outputs for quality; and iii) coordination just in time advice from development partners - Act as secretariat of quarterly technical meetings among and between government, Bank and development partners, thereby improving donor harmonization 	<ul style="list-style-type: none"> - quarterly activities report to the World Bank Task Team and the Donors

24. The annual implementation plans will be derived from the annual PFMSR progress report and updated program document, which will be prepared by Government. The Steering Committee will present the Implementation Plan at the bi-annual consultations and based on the discussion, finalize the activities that will need to be conducted over the next six month period. The government only Steering Committee will continue to provide: (i) strategic guidance to the PFMSR reforms and ensuring coherence between donor funded activities and the Implementation Plan; and (ii) reviewing general achievements of the activities funded by development partners’ support. Outside the bi-annual consultations, the government may convene the Steering Committee as needed.

25. Government’s continuous ownership is critical to the success of the PFMSR and hence the MDTF. Accordingly, only PFMSR reform elements will be supported by the MDTF. Donors will not add any proposals that are outside the ambit of the PFMSR. The World Bank support to PFMSR implementation will be parallel to the MDTF financing and supported by World Bank task team. All activities of the World Bank and other development partners assisting in implementation of the PFMSR will be coordinated via the consultative PFMSR consultative process. The Implementation Committee comprising only government officials will execute the PFMSR. The quarterly donor consultations with the Implementation Committee will discuss progress with implementation of component elements and the work plan. Reform implementation will solely be done by Government, and donors will only assume advisory roles. At no stage will development partners be implementing any of the reforms.

C. Trust Fund Operational Aspects

26. The proposed PFMSD MDTF will comprise of two funds - the principal government executed operational fund and a small Bank executed fund for the operations of the donor MDTF facilitating unit (providing quality assurance and technical advisory services towards effective program implementation). The operational fund will provide resources to government for implementing PFMSD. Funds will be used for consulting services, essential goods, workshops, training, and study tours – as agreed annually at the PFMSD consultations. The operational fund will be executed by the Ministry of Finance under the direction of the head of the PFMSD Implementation Committee. The head of the PFMSD implementation committee will be supported by the full-time PFMSU. This Unit will assist in all aspects of procurement, and financial management. Procurement and financial management arrangements will follow Bank's procurement and financial management guidelines.

27. Each Task Force head will work with respective implementing department for developing respective work plans for implementation of PFMSD interventions pertaining to their areas of responsibilities. From the agreed PFMSD multi-year implementation schedule will emerge an annual implementation plan. For each intervention there already has been identified a lead department for the Task Force. The head of department (or designate) will lead the preparing of a work plan for each activity supported by PFMSU. Once prepared, the lead will submit the respective terms of references or requisition for goods/services to the head of the PFMSD Implementation Committee. The head of the Implementation Committee will cross reference the request with the agreed plan, and authorize the PFMSU to procure the requisite goods/services.

28. The Bank will have a “no objection” basis relationship with government in execution of the operational fund. The no-objection basis is an approval process that ensures quality of proposals of implementation plans submitted by the government. As is the general practice with trust funds, the Bank shall adopt a no-objection basis for trust fund execution. In order to dispatch its responsibilities under the Trust Fund agreement, the Bank will require the PFMSU to request no-objections for procurement of certain services, as per the MDTF Grant Agreement. The no-objection thresholds and eligibility criteria will be spelled out in the Grant Agreement as applicable. [The Bank will circulate terms of reference for assignments to development partners for information and comment prior to issuing “no objection”.](#)

29. The Bank shall establish a Development Partner facilitating unit, financed by the Bank executed component of the Trust Fund (terms of reference contained in Attachment 3). This support unit will be staffed by an international public finance management expert and one local expert, both of whom will be hired by the World Bank on an extended term consultant/co-terminus basis. This support unit shall assist the development partners in providing technical assistance and quality assurance services to each department of MoF implementing PFMSD, in coordination with the Implementation Committee. These services would include: (i) assistance with developing terms of references for component interventions; (ii) assistance with analyzing outputs for quality; (iii) facilitating donor-government dialogue harmonization and provide administrative support in this regard; (iv) coordinating just-in-time advice from development partners at regular coordinating meetings – contributing and noncontributing; [and \(v\) joint analytical work.](#) This facilitating unit will not do any independent reporting on the PFMSD, shall not assume any program supervision role, and shall perform strictly according to the roles and responsibilities assigned in the detailed terms of references to be prepared and agreed with government and development partners at a later time. [The tentative summary cost estimate for the MDTF based on the Work Plan for 2008 \(Attachment 1\) is presented in Attachment 4.](#)

30. The results framework and the supported interventions shall be the same that those articulated by the Government in the PFMSD program document. The PFMSD states that the Public Expenditure and Financial Accountability (PEFA) high level indicators shall be applied to measure the impact of PFMSD interventions. However, at this time a baseline for the said indicators has not been established. The proposed MDTF will assist the Government in developing a baseline for PEFA indicators and over time these will be used to gauge impact of PFMSD interventions. The timing of establishing a PEFA based results framework will be discussed at the first government-donor consultations with the PFMSD Steering Committee after the MDTF is established.

31. The proposed MDTF's institutional arrangements have been arrived at taking on-board lessons from other multi-donor trust fund arrangements. The structure and governance arrangements proposed in this program brief have been reached at, taking into account the lessons from other such arrangements including in Cambodia, Vietnam and Indonesia.

32. Government has expressed the need to ensure smooth funds flow through the MDTF for successful PFMSD implementation. There is need to ensure effective application and execution of funds. With the adequate capacity for financial management and procurement that will be available at the PFMSU and with the use of the World Bank guidelines, inputs are expected to be procured in a timely manner, and fiduciary agreements to be duly met. Figure 3 presents the funds flow arrangements for the proposed MDTF.

D. Risk and Mitigation Measures

33. The key risks to successful implementation of PFMSU are: (i) inadequate resource availability for engaging quality advisory services; (ii) sub-optimal coordination within departments implementing components of PFMSU; (iii) key personnel risk is high with limited technical staff working on specific issues; (iv) lack of adequate capacity on procurement and financial management; (v) significant rollback risk in case of inadequate reform implementation; and (vi) reduced commitment by the GOL to implement the reform agenda as planned. These risks can delay PFMSU implementation significantly.

34. The risk mitigation measures proposed are: (i) ensure multi-year resource availability via the proposed MDTF and close coordination with other development partners supporting PFMSU implementation; (ii) work with strengthening the existing implementation structure, which brings together a cross-section of staff from across departments implementing PFMSU; (iii) ensure process reengineering and spaced out training programs – staff turnover is low in Lao PDR; (iv) make sure additional and adequate procurement and financial management capacity is engaged in the PFMSU; (v) follow very closely the progress reports and condition the MDTF funding on successful implementation evidenced in those reports.

35. In addition to the above measures, the Bank team will provide more technical advice to implementing agencies and departments. As trustee the World Bank has a responsibility to supervise the implementation of the activities funded by the recipient-executed grant. In conducting the supervision, the World Bank task team is expected to regularly – (a) monitor progress in all substantive aspects of the project against the targets, development objectives and performance monitoring indicators set out in the PFMSU Program Document; (b) monitor procurement implementation and disbursement, recommending ways to ensure that procurement activities and grant disbursements proceed smoothly in line the planned schedule; (c) review the audited financial statements, audit reports, and Project Monitoring Reports and other project progress reports submitted by the Government; (d) ascertain the extent of compliance with grant agreement covenants, including those related to environmental and social safeguards; and (e) review the continued relevance of the project to the Government priorities. As appropriate, the task team visits the project sites and facilities to review progress, provide advice, meet with project beneficiaries and stakeholders, perform sample reviews of the documentation supporting statements of expenditure, review Project Monitoring Reports and carry out ex-post reviews of procurement and obtain additional information.

36. Strengthening good governance is the key element for the success of this program reform. By fortifying the institutional capacity and throughout the implementation of the program, the PFMSU goals of more efficiency, transparency and accountability in public expenditure management should be reached.

37. The overall risk of the MDTF has been rated as moderate. The table on the following page summarizes the key risk elements and how the risk can be mitigated.

Type of risk:	Description	How can risk be mitigated?	Rating (H, S, M, N)
<u>Activity-related</u>	<p><i>Weak coordination between departments within the Ministry of Finance, between the Central and Provincial authorities and between Ministry of Finance and Line Ministries may delay component reform implementation significantly. Many on-going public finance management reforms supported non-strategically may pull the government in different directions</i></p>	<p><i>Activities supported by the MDTF span mostly departments within the Ministry of Finance, which come squarely under the purview of the Vice Minister for Finance, who is the chairperson of the PFMSP Steering Committee, while the Implementing Committee is headed by the Director General for the Fiscal Policy Department. This implementation structure has been approved by the Minister for Finance and will help in coordinating activities appropriately within MoF</i></p> <p><i>Long term advisory services are planned to help with program management, monitoring and evaluation, and to assist with effective program coordination. This advisor will report to the head of the PFMSP IC</i></p>	M
<u>Strategic Fit</u>	<p><i>Supporting the PFMSP is consistent with Lao PDR's 5-year NSEDP, the World Bank's Country Assistance Strategy (CAS), as well as respective country strategies of other development partners. Improving governance is a one of four pillars of the World Bank CAS, and public finance management reforms envisaged under the PFMSP are key to achieving the outcomes that the Bank program is supporting.</i></p>	<p><i>The MDTF supports the implementation of the Government of Lao PDR Public Financial Management Strengthening Program (PFMSP). This is an internally consistent program that is led by the Ministry of Finance and is updated annually. Strategically the Ministry of Finance has put PFMSP as the umbrella program to lead reforms in the public finance management arena and has shown commitment with implementation. Many development partners are supporting this reform program. PFMSP also encapsulates elements related to Nam Theun2 Revenue Management Arrangements</i></p>	N

Financing Arrangements	<p><i>Multiple donors providing resources at different times and not adequately sequenced may undermine implementation by Government.</i></p>	<p><i>There will be one Grant Agreement with Government and respective administration agreements with contributing development partners.</i></p> <p><i>Financial management and procurement will be done by the PFMSU on the Government side headed by a Director for Division of the Ministry of Finance, and the World Bank for the Bank executed Trust Fund. A schedule funds installment from donors will be discussed upfront to ensure that project financing requirements under the Grant which is executed by the recipient are in synch with the need of the reform program. Adequate capacity assessment will also be conducted of the PFMSU to ensure that financial management and procurement guidelines are followed in a timely and efficient manner.</i></p>	M
Donors	<p><i>The MDTF will help bring together financing from other development partners in a coherent, untied, and coordinated way. This will help further anchor the PFMSU into the core reform agenda being led by the Ministry of Finance. Provision of financing will also get the development partners a seat at the table with regards to advising on the strategic direction of the reform program.</i></p>	<p><i>Through the MDTF there will be harmonization of financing and policy advice from development partners. The MDTF framework will be designed in such way that contributing donors and other development partners can come together to discuss policy issues in a focused, harmonized and coordinated manner with GOL</i></p>	M
Trust Fund Roles & Responsibilities	<p><i>Execution of the main Trust Fund activities by Government may be too centralized for effective provision of support to all implementing departments within the PFMSU.</i></p>	<p><i>The main Trust Fund will be executed by the Head of the PFMSU implementation committee – Director General for the Fiscal Policy Department. The annual work plan will be discussed and agreed with donors at the bi-annual consultation process with the Steering Committee</i></p> <p><i>The FM and Procurement arrangements will be handled by the Public Finance Management Strengthening Unit (PFMSU) which is headed by a government staff and has expertise in working with Bank procurement and financial management guidelines. The PFMSU is also executing the World Bank's Financial Management Capacity Building Project, which is one of many projects which are providing complementary support towards implementation of the PFMSU. There will need to adequately strengthen the capacity of the PFMSU to be able to execute the FM and Procurement arrangements in a timely and efficient manner</i></p>	S

<u>Bank Supervision or Implementation Capacity</u>	<i>Supervision resources may not be sufficient for adequate support to Government for effective implementation of the PFMSU which is largely TA and capacity building would require handholding given weak capacities in Government.</i>	<p><i>The MDTF will have a Bank-Executed component which will be used to establish an MDTF facilitation unit to assist with harmonizing donor interactions, provide technical advice, and administrative support. This unit will function under the guidance of the Bank TTL</i></p> <p><i>TTL will be field based.</i></p> <p><i>Ensure that the Facilitation Unit is established and staffed appropriately and that there is an agreed reporting and monitoring framework for the PFMSU and this MDTF</i></p>	M
<u>Cost Recovery and Dependency</u>	<i>Inadequate cost recovery makes the supervision dependent on other projects/programs.</i>	<p><i>The MDTF will seek the standard 2% fee to cover Bank supervision costs.</i></p> <p><i>The support to PFMSU via the Trust Fund is already complimentary to the Bank's FMCBP and the TA support being provided for implementation of Nam Theun2 Revenue Management Arrangements. This means that supervision of the MDTF activities will not be new or excessive, but only expanded to draw upon synergies with Bank's on-going work.</i></p> <p><i>There will be full cost recovery under the trust fund with a child account to be established for the MDTF facilitation unit discussed above</i></p>	M
<u>Policy or control exception</u>	<i>There are no policy or control exemptions sought</i>	N/A	N
Overall Risk Rating: The overall Public Financial Management Strengthening Program (PFMSU) has already been under implementation for the last 2 years. Implementing arrangements are in place and effective. The Vice Minister for Finance leads the PFMSU Steering Committee, while the Director General for the Fiscal Policy Department leads the Implementation Committee. Key reforms are on-going. This proposed MDTF will provide flexible and untied resources to the PFMSU implementation committee for executing the reforms. The MDTF will also provide a platform for development partners and government to come together and discuss PFMSU issues in a coordinated and harmonized manner. In this regard, the MDTF's Government executed TF procurement and financial management arrangements will be handled by the PFMSU, which has adequate experience with Bank rules and guidelines. There will be need to ensure there is adequate number of staff and skills at the PFMSU to execute this MDTF. In order to ensure smooth operations of the TF, there will also be a Bank Executed TF that will finance a facilitation unit that will support the Bank TTL and the trust fund development partners in providing adequate day-to-day supervision to the Government			M

implementing units.		
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E. FIDUCIARY

38. Assessment of Financial Management Arrangements. The aim of the assessment was to determine whether the PFMSU responsible to implement the activities related to the MDTF has acceptable financial management arrangements. The arrangements include the unit's system of accounting, reporting, auditing, and internal controls. The unit's arrangements are acceptable if they are considered capable of recording correctly all transactions and balances, supporting the preparation of regular and reliable financial statements, safeguarding the PFMSU assets, and are subject to auditing arrangements acceptable to the World Bank.

39. The current financial management and disbursement arrangement for the PFMSU were assessed as adequate to handle the financial transactions of the MDTF. An appropriate accounting software will be used to generate the agreed financial management reports for the MDTF. This software will be the same as the one the PFMSU uses for managing World Bank projects.

40. Financial management risk: The financial management risk rating of the additional financing is substantial due to inherent risks before mitigating measures, and moderate after the measures. The substantial risk arises from weak control environment in the country and low capacity. External and internal audit are also weak. The mitigating measures at country level include implementation of the various reforms in Public Financial Management currently being undertaken address the identified issues. Specific to the MDTF include the setting up of a separate project accounting system for the MDTF. More training in World Bank financial management rules to new staff that have recently joined the project will be done. Carefully planned implementation missions aimed at addressing any new risks and following up on the implementation of measures to address old risks will be done.

41. Assessment of Procurement Arrangements. The procurement under the MDTF is expected to be mainly individual consultant services, small - value contracts for goods which are expected to be procured mostly through shopping and NCB. The PMFSU has already gained experience in procurement of goods and consulting services using World Bank guidelines over the last four years. It has been agreed that with the MDTF, strong procurement knowledge on procurement of goods, works and consultants' services are needed and thus the PFMSU plans to further strengthen procurement capacity. The original staff in the project that has knowledge on consultants' services and procurement of goods will continue to work on the project and one additional position will be provided to assist with carrying out procurement of goods and also with the significant number of individual consultant services and procurement of goods. All procurement processing will continue to remain centralized at the PFMSU. With these strengthening measures, the capacity of the project to undertake the remaining procurement is considered to be adequate and the procurement risk is moderate.

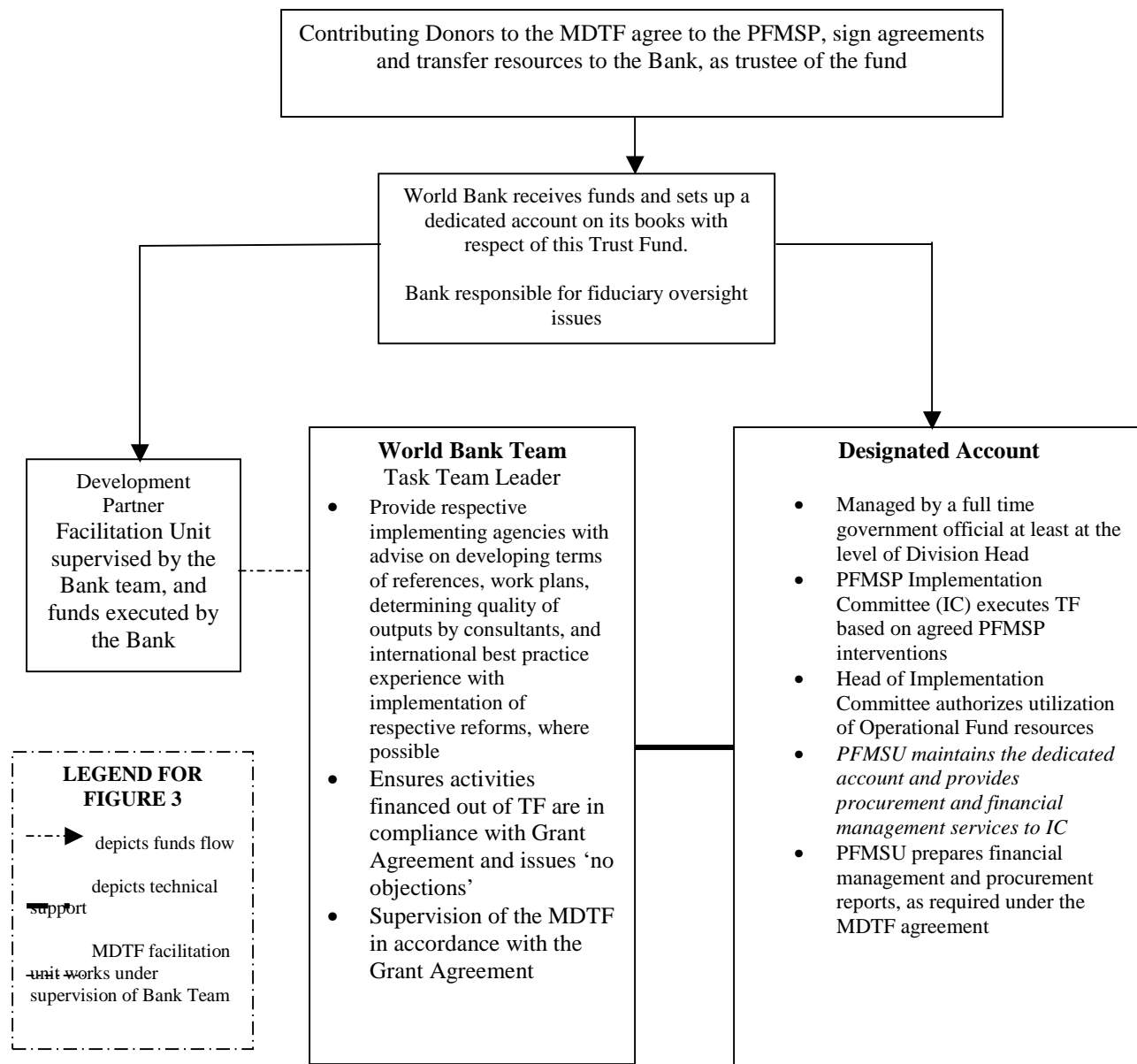
42. Capacity Development. As part of the procurement capacity building initiative, the World Bank will provide adequate training to PFMSU appointed procurement staff and the procurement evaluation committee; these training will be conducted collaboratively by WB procurement staff in the Vientiane and Bangkok's Offices. In addition, capacity development for all levels of PFMSU staff and executing agencies staff involve in MDTF project implementation will be discussed with MoF and an action plan for training and capacity building over the life of the MDTF will be agreed upon.

F. Proposed Processing Schedule

43. It is expected that the proposed MDTF will be established by the middle of the 2008 calendar year. In this regard the interim processing schedule is: (i) finalize concept note; (ii) confirmation by participating donors; (iii) confirmation of donor contribution; (iv) World Bank to finalize the Initiating Brief for Trust Fund and secure approval for establishing the MDTF; (v) appraise proposed implementation arrangements and funds requirements and prepare the Program Appraisal Document; (vi) sign Administration Agreement; and (vii) issue call for funds.

44. Donors will start contributing to the MDTF immediately after signing of the Grant Agreement, with the first activity being the development of a robust monitoring and evaluation framework. The annual work plans will be prepared by the Implementation Committee in a participative process. It will be discussed with development partners and formally approved with by the Vice-Minister of Finance.

Figure 3: Proposed Work and Funds Flow for the MDTF



G. Other Implementation Issues

45. Procurement. Contracting and procurement will follow World Bank guidelines and procedures. Furthermore, the administration and enforcement of all provisions of any grant agreement entered into between the Bank and a third party that is financed by the PFMSU MDTF shall be the responsibility solely of the Bank and shall be carried out in accordance with its applicable procedures. The grant agreement shall further provide that no amount of the grant funds may be used for the payment of taxes levied by or in the territory of the Recipient country.

46. Financial Management. Resources from the Operational Fund will be executed in accordance with the Bank financial management guidelines, as specified at the time of appraisal of this MDTF. The administration, implementation and coordination of the PFMSU MDTF will be carried out by the existing PFMSU on behalf of the other beneficiary departments of the Ministry of Finance.

47. Outreach Communication Strategy. The World Bank and the GOL authorities will promote visibility and awareness of the program and its donors on information materials pertaining to program activities financed by the MDTF, at the sites of program activities under implementation, and through specific dissemination events, such as press conferences and/or seminars.

PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

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PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

Activity	Main Responsibility	Progress Status	Q1	Q2	Q3	Q4	Funding Source	Inputs	Outcome
A.1. Finance Minister's Instructions on implementation of the Budget Law in two periods	DDG Budget Department	Started Drafting	X	X			MDTF	(i) 3 consultative workshops; and (ii) administrative support	Define shared revenue rate and establish grant system
A.2. MoF, in collaboration with MoH, MoE, and provinces develops: (i) concept note on Budget Norms and Revenue Sharing framework; and (ii) high level budget norms for education and health sectors for FY2008/09 Budget	DDG Budget Department	Fiscal Advisor under recruitment process	X	X	X	X	FMCBP	(i) TA 12 months; (ii) 10 consultative workshops; (iii) Knowledge exchange trips to 3 countries for 7 people; (iv) 12 months of local consultants for data gathering; and (v) 10 computers (vi) 1 LCD Projector (vii) 3 printer (viii) 2 photocopy machines; and (ix) 5 laptops	Improved alignment of expenditure policy with the Budget
A.3 Develop a simple macro-fiscal forecasting model and training program for staff of fiscal policy department and budget department	DDG Fiscal Policy and DDG Budget Department	Will commence once MDTF is established		X	X	X	MDTF and ADB TA	(i) TA 6 months; (ii) 5 training courses for 5 staff each time;	Improve budget planning and macroeconomic forecasting capacity at MoF
A.4 Draft Decree on vehicles management	Fiscal Policy Dept.	On going			X	X	MDTF	(i) 5 training and workshops; (ii) one study-tour; and (iii) administrative support	Improve the alignment of the budget expenditures and implement the cost-effectiveness (economizing) policy
A.5 Implement MTFF and MTEF methodology and develop Medium Term Expenditure Framework for Agriculture and Transport Sectors	DDG Fiscal Policy and sector ministries		X	X	X	X	ADB TA	(i) TA – 12 months; (ii) training workshops; and (iii) administrative support	Strengthen link between budget and sector policy as per the NSEDP Priority Sectors
A.6 Pilot usage of standard budget preparation forms in selected ministries and roll-out to all ministries and provinces	DDG Fiscal Policy and DDG Budget	Leased lines under procurement process Working closely with GPAR)	X	X			MDTF	(i) TA – 2 months; (ii) 17 dissemination workshops; and (iii) 17 computers	Reduce time taken to consolidate budget proposals from ministries and provinces

PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

Activity	Main Responsibility	Progress Status	Q1	Q2	Q3	Q4	Funding Source	Inputs	Outcome
A.7 Upgrade GFIS core system, improve connectivity of provinces with central ministries, re-program GFIS to accommodate the revised Chart of Accounts, program new budget execution reports using crystal report writer, and pilot budget execution reports for FY2007/8	DDG Cabinet MoF, DDG Accounting Department, DDG Budget Department	On going – under procurement	X	X	X	X	FMCBP on hardware and GFIS programming; MDTF on TA	(i) TA – 6 months; (ii) 6 servers and 60 computers; (iii) rehabilitation of server room; (iv) lease connectivity infrastructure; (v) 17 training workshops; (vi) 6 local consultants for 25 person months; and (viii) Administrative support for providing support to users in provinces	MoF publishes the FY07/08 Budget with: (i) detailed administrative classification; (ii) NSEDP priority sectors; (iii) summary of statutory funds; and (iv) technical revenues at the central government level within the first quarter of the fiscal year
A.8. MoF continues develop the MTEF for education and health sectors and incorporate into budget preparation process	DDG Fiscal Policy, DDG Finance and Planning MoE, and DDG Finance and Planning MoH	Aide Memoris has been signed		X	X	X	ADB TA	(i) TA – 8 months; (ii) 8 training and consultation workshops; and (iii) administrative support	Institute medium term planning mechanism for the health and education sectors
A.9. Commence preparation of the second PETS and PER-IFA focusing on NSEDP priority sectors	DG Fiscal Policy and World Bank	Will commence in July with World Bank and other Development Partners			X	X	MDTF and World Bank	(i) 5 national/provincial consultative workshops to discuss PER-IFA issues; (ii) to support the PER-IFA meetings on the Government side.	Increased capacity for diagnostic work in government and establishing monitoring and evaluation methodology for reform program
A.10. Develop a simple revenue forecasting model at the Customs and Tax Departments and training for staff	DG Tax Department, DG Customs Department	Will start once the MDTF is established		X	X		MDTF	(i) TA – 4 months; (ii) 2 training courses; (iii) 4 workshops and seminars; and (iv) 10 computers and 1 server	Enhance revenue forecasting capacity
A.11. Study and develop the borrowing strategy	External Finance Department	In house research ongoing			X	X	MDTF	(i) 2 study tours and training; (ii) 4 consultative workshops; (iii) administrative support; and (iv) operational budget	A draft borrowing strategy
B. Treasury Centralization, Budget Execution, Accounting and Financial Reporting									
B.1. MoF conducts needs assessment and develops a comprehensively phased master plan for centralizing the national treasury, including consolidating treasury functions	DDG Treasury Department	Under procurement				X	FMCBP	(i) TA – 6 months; (ii) 10 computers; (iii) 20 tours to provincial Treasury Departments; and (iv) administrative support	Plan and phased strategy for restructuring Treasury approved

PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

Activity	Main Responsibility	Progress Status	Q1	Q2	Q3	Q4	Funding Source	Inputs	Outcome
B.2. Develop a framework for Treasury Single Account (TSA) along with related Information Technology needs assessment to operate the TSA	DDG Treasury Department	Under procurement				X	FMCBP	(i) TA – 10 months; (ii) 15 consultative workshops; (iii) 3 knowledge exchange visits; and (iv) administrative support	Improve the framework for cash management in order to reduce delays in providing allocations to service delivery units across the country
B.3. Prepare a human resource (HR) management strategy, capacity building plan, and implementation plan for effective operation of the National Treasury	DDG Treasury Department	Under procurement				X	FMCBP	(i) TA – 5 months; (ii) 10 consultative workshops; (iii) 4 knowledge exchange visits; and (iv) field visit support	Ensure human resources are adequate (quantity and quality) and business process support functioning of National Treasury
B.4. Conduct a gap analysis for deploying an electronic payment settlement system at the Bank of Lao (including cost estimates) in order to effectively execute the TSA nationwide	DDG Treasury, DDG Cabinet, and BOL Payments Department	To be conducted with support from the MDTF			X	X	MDTF	(i) TA – 6 months; (ii) 10 consultative workshops; (iii) 17 provincial visits; and (iv) administrative support	Assist BOL is having the capacity to provide nationwide Banking services to GOL
B.5. MoF pilots the Budget Nomenclature in the education sector for FY2007/8; and across Government for the FY2008/9 Budget	DDG Accounting Policy, DDG Budget Department, and DDG Cabinet	Piloting done and now programming reports – on track for deployment for FY2008/9 Budget	X	X	X	X	FMCBP	(i) TA – 15 months; (ii) 10 consultation workshops; (iii) 17 provincial visits; and (iv) administrative support	Functional breakdown of the budget – by sector and sub-sector prepared and CoA capable of providing information consistently across government
B.6. Strengthen the financial information consolidation framework and develop standard forms for consolidated in-year budget execution reports and management reports.	DDG Budget Department; DDG Accounting Department; and DDG Cabinet	Work will get underway shortly		X	X		MDTF	(i) TA – 3 months; (ii) 5 consultation workshop; and (iii) 20 computers for the Budget Department, Accounting Department and Cabinet MoF	MoF (i) develops tool for extracting necessary data from GFIS for the approved quarterly consolidated budget execution report formats; and (ii) pilots quarterly consolidated budget execution reports for starting first quarter of FY2007/08
B.7. Establish a debt management and recording system, develop and implement a capacity building plan for strengthening debt management, including manual for ODA management	Director External Debt Division, MoF and DDG Treasury	Final selection the system has been done and work will commence on its deployment	X	X	X		FMCBP	(i) TA – 6 months; (ii) 7 computers and 1 server; (iii) 5 training courses for 3 staff each time; and (iv) administrative support	Consolidated reports on public debt produced by September 2008

PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

Activity	Main Responsibility	Progress Status	Q1	Q2	Q3	Q4	Funding Source	Inputs	Outcome
B.8. Based on the report on strengthening capacity of the state inspection department prepare an action plan to implement key recommendations	DDG Inspections Department	Work will commence with support from the MDTF		X	X	X	MDTF	(i) TA – 3 months; (ii) 5 dissemination workshops; (iii) 10 computers; (iv) 2 LCD Projectors; 2 photocopy machines; (v) 6 Faxes machines ; 4 digital cameras; 4 Record players; (vi) 5 training courses (4 staff each time)	Enhance capacity of the inspection department for improving inspection and internal audit function
B.9. Finalize ICT strategy with implementation plans for medium-to-long-term ICT development across Ministry of Finance	DDG Cabinet	Draft ICT strategy already prepared and need for further refinement with additional TA from MDTF		X	X		MDTF	(i) TA – 5 months; and (ii) 5 dissemination workshops	Improve capacity of MoF to manage and maintain ICT infrastructure
B.10. MOF issues harmonized Procurement Manual, Standard Request for Proposals and standard consultant evaluation report. And provides training to Departments and Agencies in its usage	Director PrMO	The standard document was approved on Jan 2008	X	X	X	X	MDTF	(i) TA – 4 months; (ii) 10 training and dissemination workshops; (iii) 17 provincial visits; and (iv) administrative support	Increase competition and contestability of the procurement processes
B.11. Procurement Monitoring Office completes pilot application of the Performance Measuring Tool in selected agencies/ministries and rolls out system to other departments	Director PrMO	Work underway	X	X	X	X	MDTF and FMCBP	(i) TA – 4 months; (ii) 10 computers; and (iii) 10 training workshops	Publication of report on public procurement
B.12. MoF conducts a needs assessment for the State Owned Enterprise management department and provide assistance to strengthen capacity and training	DG SOE Management Department	Work underway	X	X	X	X	MDTF	(i) TA – 3 months; (ii) 5 consultative workshops; (iii) 15 computers; (iv) 3 knowledge exchange visits; (v) 1 photocopy machine ; 15 USB; (vi) 7 Laser Printers; (vii) Administrative support	Enhance capacity of the SOE management department to ensure SOE sector performance improves over time

PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

Activity	Main Responsibility	Progress Status	Q1	Q2	Q3	Q4	Funding Source	Inputs	Outcome
B.13. Upgrade the capacity of assets management (information correction statistic and state property management in the nation wide).	DG state property management Department	Work will commence once MDTF is established		X	X	X	MDTF	(i) TA – 3 months; (ii) 5 consultative workshops; (iii) 28 computers; (iv) 3 knowledge exchange visits; (v) 1 photocopy machine; (vi) 10 USB; (vii) 16 Laser Printers ; (viii) 2 Digital cameras. (ix) 4 training on effective Assets Management (5 Staff each time)	Enhance capacity of the state property management to ensure information statistic performance
B.14. Preparing and implementing a strategy for developing and issuing comprehensive annual financial statements	DG accounting Policy Department	On going	X	X	X		ADB TA	(i) TA – 12 months; (ii) workshops and training; (iii) administrative support	Increased availability of key financial information
B.15. Establish internal audit function within finance departments of ministries and provincial offices	DG Inspections Department	On-going		X	X	X	ADB TA	(i) TA – 9 months; (ii) workshops and training; (iii) administrative support	Improve capacity of the inspections department to conduct internal audits
B.16. Assist the State Audit Organization in capacity strengthening based on the Audit Peer Review	State Audit Organization	Audit Peer Review main mission completed and now being finalized		X	X	X	FMCBP, ADB TA, MDTF	(i) TA – 6 months; (ii) 10 training workshops; (iii) CAAT software and related computing equipment	Improve the quality and timeliness of external audit functions
B.17. MoF invites development partners to clarify their respective legal and policy regulations for the use of national PFM and procurement systems and standards to deliver ODA	DG External Finance Department - PrMO	On going	X	X	X	X	FMCBP	(i) 4 workshops and (ii) administrative support	Clarity on development partners requirements for utilizing government PFM and procurement systems
B.18. MoF prepares a Financial Management Manual for DPs to adopt GoL's FM procedures, rules and regulations	External Finance Department	On going	X	X	X	X	IDF	TA - 5 months (i) Assessment of existing financial management procedure; (ii)Preparation of FMM; (iii) Training and dissemination	Detailed guidance and standard procedures on all areas of ODA related financial management.

PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

Activity	Main Responsibility	Progress Status	Q1	Q2	Q3	Q4	Funding Source	Inputs	Outcome
C. Revenue Policy and Administration									
C.1. Develop a master plan for Tax Department Centralization covering all aspects (IT, human resource management, business process, and VAT implementation). In this regard, also develop a sequenced annual implementation plan.	DG Tax Department	On going	X	X	X	X	MDTF	(i) TA – 5 months; (ii) 10 consultative workshops; (iii) 10 field visits; (iv) 17 Computers for provinces and district; and (v) administrative support	Approved and internally consistent plan for centralization of tax department, as per the new Budget Law
C.2. Finalize: (i) decree and instructions on introduction of VAT; (ii) TIN decree and instructions; and (iii) manual for large and medium taxpayers staff	DG Tax Department	On going	X	X	X	X	SIDA Tax Project	(i) TA from SIDA tax project; (ii) training of staff; (iii) consultative workshops; and (iv) administrative support	Increase tax revenue by widening the tax base through tax policy measures
C.3. Finalize and implement the human resource management program and respective manuals, and commence implementation. Develop a curriculum for TADM	DG Tax Department	On going	X	X	X	X	SIDA Tax Project	(i) TA from SIDA tax project; (ii) training of staff; (iii) consultative workshops; and (iv) administrative support	Improve human capacity utilization and improve revenue collection
C.4. Implementation of ICT system (Lao TIS) in pilot sites. This will inter alia require: 1. Completion of the module on taxpayer management, finalization of the other remaining modules; 2. Update the ICT strategy along with budget to support its implementation; 3. Strengthen ICT division capacity at the Tax Department	DG Tax Department	On going – Lao TIS under pilot testing	X	X	X	X	SIDA Tax Project	(i) TA from SIDA project; (ii) appropriate training of staff; (iii) computing and related equipment; (iv) consultative workshops; and (v) administrative support	Improve ICT capacity for efficient tax administration

PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

Activity	Main Responsibility	Progress Status	Q1	Q2	Q3	Q4	Funding Source	Inputs	Outcome
C.5. Develop a mater plan for Customs Department Centralization taking into account plans for WTO accession, deployment of ASYCUDA system. This master plan will include HR management, capacity building, and additional IT capacity needs	DG Customs Department	Commence once the MDTF is established		X	X		WB Trade Project for main system and MDTF	(i) TA – 5 months; (ii) 10 consultative workshops; (iii) 10 field visits; and (iv) administrative support	Approved and internally consistent plan for centralization of customs department, as per the new Budget Law
C.6. Commence implementation of the HR strategy and subsequent training and capacity building including any additional ASYCUDA module deployments	DG Customs Department	Commence once the MDTF is established				X	MDTF	(i) 2 training courses; (ii) 2 knowledge exchange visits; (iii) 5 National Customs Department workshops; (iv) computers and peripherals, as identified in the IT needs assessments	Enhance capacity of customs department
C.7. Revamp the customs website into a dynamic portal	DG Customs Department	Commence once the MDTF is established		X	X	X	MDTF	(i) IT and web design consults to help design the website; (ii) 5 computers, (ii) 2 scanners; (iii) 2 digital cameras; (iv) 1 server; (v) national/regional long term IT advisor	Enhance information dissemination and establish a citizen feedback mechanism
C.8. Establish a Customs Department – Business Community consultative forum to improve services provided by the customs department to businesses	DG Customs Department	Commence once the MDTF is established			X	X	MDTF	(i) 5 workshops; (ii) 10,000 facilitation costs and start up of joint Customs Department – Business Community discussion forum	Improve the business climate and services rendered by the customs department to taxpayers
D. Local Government Financial Management									
D.1. Execute a local government wide training program for implementation of new budget law, using revised Chart of Accounts and budget nomenclature, and using GFS compatible functional classification of the budget for the education sector	DDG Fiscal Policy, DDG Accounting Policy, and DDG Treasury Department	Under Procurement	X	X	X		FMCBP	From component B.6.	Improved budget reporting, consistent with GFS standards
D.2 Roll-out standard budget preparation forms to provinces	DDG Fiscal Policy and DDG Budget Department	Approved No. 25/PM Feb,14 2008			X	X	MDTF	From component A.6.	Reduced time for consolidating budget proposals from across government

PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

[illegible]

PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM – WORK PLAN FOR 2008

Activity	Main Responsibility	Progress Status	Q1	Q2	Q3	Q4	Funding Source	Inputs	Outcome
F.1. Prepare comprehensive plan for upgrading physical capacity and strengthening curriculum offered by the three MoF financial training centers to deliver training necessary for effective management of the centralized public financial sector. Begin implementation of this plan	DG Personnel Department and respective department of the Ministry of Finance	Draft Report Finalized	X	X			FMCBP and MDTF on teacher training	(i) TA – 8 months; (ii) rehabilitation of physical facilities; (iii) 60 computers; (iv) 10 consultative workshops; and (iii) 5 study tours	MoF issues order on new curriculum
F.2 Conduct needs assessment of courses that are needed for the financial sector	DG Personnel Department and respective departments of the Ministry of Finance	On-going		X	X		MDTF	(i) TA – 5 months; (ii) consultation workshops; (iii) provincial field visits; and (iv) two knowledge exchange visits to other ASEAN country's	Bring the courses being taught at the training centers in line with the requirements for the financial sector
F.3. Prepare overall capacity building strategy considering: (i) individual departmental mandates; (ii) staff skills and needs; and (iii) institutional arrangements	DG Personnel Department	Terms of reference being discussed with World Bank		X	X		MDTF FMCBP	(i) TA – 7 months; and (ii) 4 consultative workshops	Capacity building strategy issued by MoF
F.4. Start implementation of the capacity building strategy	DG Personnel	Capacity building strategy to be prepared			X	X	MDTF JICA	To be determined, based on strategy	Improve institutional arrangements and enhance capacity of staff to effectively plan, execute, monitor, and report on public finance management issues
F.5 Strengthening capacity for project preparation and negotiations	External Finance Department	Preliminary discussions started within Department		X	X	X	FMCBP	(i) seminar and workshop; and (ii) training on negotiation skill and (iii) administrative support	Improve the quality of projects
F.7 Study and develop the Fiscal policy strategy Medium and Long term	Fiscal Policy Department	On-going			X	X	MDTF	(i) 2 study tours and training; (ii) 5 consultative workshops; and (iii) administrative support	More comprehensive Fiscal Policy Strategy
F.8 Improve human resource management skills	DG Personnel Department	TA program finalized with JICA		X	X	X	JICA TA	(i) 3 in-house advisors; (ii) workshops; (iii) training	Improve management of human resources

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
Program Management	<ul style="list-style-type: none"> - PEMSP coordination and implementation arrangements put in place. - MOF contracted a long-term technical advisor for PEMSP - MOF approved PEMSP annual implementation, capacity building plan for FY 2005/2006 and updated implementation schedule - MOF contracted a long-term capacity building advisor for PEMSP - Established four task forces: <ol style="list-style-type: none"> 1. Budget Planning 2. Budget Execution 3. Capacity Building 4. ICT 	<ul style="list-style-type: none"> - MoF prepares and approves the revised PFMSP Program Document with Work Plan for FY2008/9 and revised Medium Term Implementing Schedule - Prepare quarterly implementation status report for PFMSP - Establish Multi-Donor Trust Fund and ensure that operations are in compliance with provisions on Grant Agreement - Develop a specific and comprehensive performance monitoring and outcome indicators framework for PFMSP - Operationalize the five Task Forces as per the revised Implementation Structure of PFMSP signed by the Minister for Finance 	<ul style="list-style-type: none"> - MoF prepares and approves the revised PFMSP Program Document with Work Plan for FY2009/10 and revised Medium Term Implementing Schedule - Prepare quarterly implementation status report for PFMSP - Effectively operate the MDTF - Continue to support and deepen the operations of the task forces 	<ul style="list-style-type: none"> - MoF prepares and approves the revised PFMSP Program Document with Work Plan for FY2010/11 and revised Medium Term Implementing Schedule - MoF conducts a medium term review of the PFMSP and refines the program as per the recommendations of the review - Prepare quarterly implementation status report for PFMSP - Continue to effectively operate the MDTF - Continue to support and deepen the operations of the task forces 	Progressive implementation of PFMSP	Task completion against implementation schedule

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
Fiscal Planning	<ul style="list-style-type: none"> - MOF and CPI updated Medium Term Fiscal Framework - MOF used updated Medium Term (five-year) Fiscal Framework as basis for setting indicative recurrent and capital expenditure ceilings to guide FY2006-07 budget preparation. - Completed the first Public Expenditure Review and Integrated Fiduciary Review, and the first Public Expenditure Tracking Survey - Draft MTEF for education and health sector prepared - National Assembly promulgated new Budget Law which mandates development of new revenue sharing framework 	<ul style="list-style-type: none"> - Approve decree on implementation of the Budget Law - Develop a simple macro-fiscal forecasting model and training program for staff of fiscal policy department and budget department - Develop a simple revenue forecasting model at the Customs and Tax Departments and training for staff - Develop MTEF for transport and agriculture sectors - Commence preparation of the second PETS and PER-IFA focusing on NSEDP priority sectors - Refine the MTEF for the education and health sectors 	<ul style="list-style-type: none"> - Refine macro-fiscal forecasting model and continue staff training program for the fiscal policy department and budget department - Refine revenue forecasting model at the Customs and Tax Departments and continue staff training in its usage - Refine MTEF for transport and agriculture sector - Review MTEF for health and education sectors - Finalize the PETS and PER-IFA 	<ul style="list-style-type: none"> - Develop further the macro-fiscal model - Develop further revenue forecasting model - disseminate PER-IFA and PETS and continue working on next PER-IFA and PETS process - Further refine the MTEF for health, education, transport, and agriculture sectors 	Improved predictability and NGPES alignment of expenditure allocations.	% expenditure on NGPES sectors;
Budget Preparation	<ul style="list-style-type: none"> - MOF published FY 05-06 budget with : i) detailed 	<ul style="list-style-type: none"> - Draft decree on Implementing Budget Norms Approved 	<ul style="list-style-type: none"> - Develop targeted and non-targeted grant system 	<ul style="list-style-type: none"> - implement targeted and non-targeted grant system within the 	Timely, comprehensive, transparent budget aligned with Government policy	Timeliness in publication of budget books; coverage of financial operations in

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
	<p>administrative classification; ii) NGPES priority sectors; iii) summary data on statutory funds.</p> <p>- MOF prepared FY06-07 budget with i) detailed administrative classification; ii) NGPES priority sectors; iii) summary data on statutory funds</p> <p>- Needs assessment for strengthening debt management prepared</p>	<p>- MoF, in collaboration with MoH, MoE, and provinces develops: (i) concept note on Budget Norms and Revenue Sharing framework; and (ii) high level budget norms for education and health sectors for FY2008/09 Budget</p> <p>- Pilot usage of standard budget preparation forms in selected ministries and roll-out to all ministries and provinces</p> <p>- Establish a debt management and recording system, develop and implement a capacity building plan for strengthening debt management, including manual for ODA management</p>	<p>- Refine high level budget norms to more specific sub-sector level for health and education sectors</p> <p>- Develop high level budget norms for other social sectors</p> <p>- roll-out usage of standard forms for budget preparation across all budget entities</p> <p>- Prepare medium term external debt forecast drawn from the debt recording system</p>	<p>budget</p> <p>- Continue refining specific budget norms for health and education sectors</p> <p>- Develop specific budget norms for other social sectors</p> <p>- Continue using standard forms for budget preparation for all budget entities</p> <p>- Prepare bi-annual external debt reports for MoF management</p>	<p>Participation of agencies, provinces and the legislature in budget process.</p>	<p>budget documentation (debt, funds, SOEs, external, local administration); % expenditure on NGPES sectors; % recurrent spending.</p>
Treasury, Customs and Tax Department Centralization	<p>- New Budget Law promulgated, requiring centralization of customs, tax, and customs department</p> <p>- Prime Minister's Order on centralization of</p>	<p>- Prepare Treasury Law and related regulations consistent with the new mandate of the Treasury</p> <p>- MoF conducts needs assessment and develops a comprehensively phased master plan for centralizing the national</p>	<p>- Implement the Treasury Law</p> <p>- Commence phased implementation of the master plan for Treasury Centralization</p>	<p>Continue implementing the Treasury Law</p> <p>- Continue phased implementation of the master plan for Treasury Centralization</p>	<p>Progress toward centralized treasury with consolidated functions and Treasury effectively manages all Government financial resources</p> <p>Improve the quality of services provided by the customs and tax department to tax payers</p>	<p>Revised organizational structure implemented, job descriptions applied, regulations implemented</p>

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
	<p>customs, tax and treasury departments issued</p> <p>- Minister for Finance guideline on centralization of treasury, customs and tax issued</p> <p>- High level plan for centralization of customs, treasury, and tax prepared</p>	<p>treasury, including consolidating treasury functions</p> <p>- Treasury Department develops a framework for Treasury Single Account (TSA) along with related information technology needs assessment to operate the TSA</p> <p>- Prepare a human resource (HR) management strategy, capacity building plan, and implementation plan for effective operation of the National Treasury</p> <p>- Develop a master plan for Tax Department Centralization covering all aspects (IT, human resource management, business process, and VAT implementation). In this regard, also develop a sequenced annual implementation plan.</p> <p>- Finalize: (i) decree and instructions on introduction of VAT; (ii) TIN decree and instructions; and (iii) manual for large and</p>	<p>- Adopt a TSA framework for commence deployment of needed technology and physical infrastructure</p> <p>- Commence implementation of the HR management strategy and capacity building plan</p> <p>- Commence implementing the tax department centralization plan, in tandem with SIDA tax project closure to ensure continuity of program and support</p>	<p>- Implement the TSA and corresponding IT infrastructure and training plan</p> <p>- Continue implementing the HR management strategy and capacity building plan</p> <p>- Continue implementing the tax department centralization plan</p>	and the business community	

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
		<p>medium taxpayers staff</p> <ul style="list-style-type: none"> - Finalize and implement the human resource management program and respective manuals, and commence implementation. - Develop a curriculum for TADM - Implementation of ICT system (Lao TIS) in pilot sites. This will inter alia require: <ul style="list-style-type: none"> • Completion of the module on taxpayer management, finalization of the other remaining modules; • Update the ICT strategy along with budget to support its implementation; • Strengthen ICT division capacity at the Tax Department - Develop a master plan for Customs Department Centralization, taking into account plans for WTO accession 	<p>Continue implementation of the human resource management strategy</p> <ul style="list-style-type: none"> - Ensure that Lao TIS is functioning error free and rolled out to all tax offices and ensure adequate capacity development at the Tax Department - Commence implementation of the HR strategy and subsequent training and capacity building 	<p>Continue implementation of the human resource management strategy</p> <ul style="list-style-type: none"> - Continue error free operations of Lao TIS and related capacity building strategy for management of ICT systems - Continue implementing the customs department centralization plan 		

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
		<p>WTO accession, deployment of ASYCUDA system. This master plan will include HR management, capacity building, and additional IT requirements</p> <p>- Revamp the customs website into a dynamic portal</p> <p>- Establish a Customs Department – Business Community consultative forum to improve services provided by the customs department to businesses</p>	<p>including any additional ASYCUDA module deployments</p> <p>- Maintain the customs website and ensure that information is current on the website</p> <p>- Continue the functioning of the Customs Department – Business Community consultative forum to improve services provided by the customs department to businesses</p>	<p>- continue maintaining the customs website and ensure that information is current on the website</p> <p>- Continue the functioning of the Customs Department – Business Community consultative forum to improve services provided by the customs department to businesses</p>		
Accounting	<p>- MOF implemented unified budget and accounting codes structures for GFIS</p> <p>- MOF approved revised structure of the chart of accounts and budget nomenclature that is consistent with the IMF GFS and IPSAS</p>	<p>- MoF pilots the new Chart of Accounts and Budget Nomenclature in the education sector for FY2007/8; and across Government for the FY2008/9 Budget</p>	<p>- MOF continues training of provincial and line ministry users for implementation of new Chart of Accounts and Budget Nomenclature</p> <p>- MoF prepares FY 09/10 budget based on new COA and new Budget Nomenclature.</p>	<p>- MOF continues training of provincial and line ministry users for implementation of new Chart of Accounts and Budget Nomenclature</p> <p>- MoF continues refining the COA and BN as per the structure of government evolves</p>	<p>Budget and accounts provide comprehensive information following appropriate international standards.</p>	<p>Budget and CoA provide data on administrative, organizational, economic and functional basis.</p>

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
Reporting	<ul style="list-style-type: none"> - Formats of consolidated financial statements approved in accounting regulations No. 1301/MF 	<ul style="list-style-type: none"> - Strengthen the financial information consolidation framework and implement consolidated in-year budget execution reports and management reports 	<ul style="list-style-type: none"> - Start preparing quarterly budget execution reports from GFIS for FY2008/09 	<ul style="list-style-type: none"> - Continue preparing quarterly budget execution reports from GFIS 	Timely publication of budget execution reports and improvement in budget execution and audits.	Published annual financial statements within legislated deadlines; financial statements based on international standards; coverage of financial operations.
Computerized Financial Management System	<ul style="list-style-type: none"> - Implement Government Financial Information System (GFIS) in 39 central ministries and selected provinces - Rolled out GFIS to all provinces completed - Commence country wide training program on GFIS - Reprogrammed GFIS to handle the new chart of accounts and budget nomenclature 	<ul style="list-style-type: none"> - Upgrade GFIS core system, improve connectivity of provinces with central ministries, re-program GFIS to accommodate the revised Chart of Accounts, program new budget execution reports using crystal report writer, and pilot budget execution reports for FY2007/8 - Prepare technical specifications and HR strategy for deploying integrated financial management information system - Conduct a gap analysis for deploying an electronic payment settlement system at the Bank of Lao (including cost estimates) in order to effectively execute the TSA nationwide 	<ul style="list-style-type: none"> - Ensure connectivity and smooth operations of GFIS are achieved and system is capable of producing budget monitoring reports - Develop migration plans from GFIS to fully integrated government wide financial management information system and commence procurement process of the new integrated financial management information system (Treasury System) - Finalize plans for deployment of the nationwide electronic payment settlement system, secure funds, and commence procurement of the system. This activity will be synchronized 	<ul style="list-style-type: none"> - Commence and complete deployed of fully integrated financial management information system (Treasury System) – including business process reengineering, staff training - Commence and complete deployment of the electronic payment settlements system, in-line with the Treasury Single Account establishment - Continue nationwide training on Treasury system and electronic payment settlement system usage and maintenance 	Government financial management information system providing enhanced internal control, timely and reliable financial information for budget execution monitoring and reporting	Computerized financial management system used for recording and controlling budget expenditure; generates financial reports; % financial transactions captured by IFMIS.

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
			with the Treasury System			
Cash management	<ul style="list-style-type: none"> - Treasury prepared and monitors i) quarterly cash plans; ii) register of all accounts payable each quarter at central level; and iii) weekly reports on cash balances and consolidated treasury balances 	<ul style="list-style-type: none"> - Treasury Department develops a framework for Treasury Single Account (TSA) along with related information technology needs assessment to operate the TSA - MoF conducts a survey of Bank accounts being operated by different agencies and links consolidation of the bank accounts with the TSA development 	<ul style="list-style-type: none"> - Adopt a TSA framework for commence deployment of needed technology and physical infrastructure - Begin bank account consolidation process 	<ul style="list-style-type: none"> - Implement TSA, synchronized with the integrated financial management information system and electronic payment settlements system - Complete the bank account consolidation process into the TSA 	Predictable, efficient and transparent budget execution, allowing timely payments of personnel and suppliers. Budget and budget implementation adjusted in line with cash plans.	# of government bank accounts and dispersal of financial assets; arrears as % of expenditures; cash releases and balances within % of cash plans.
Internal Audit	<ul style="list-style-type: none"> - Reports on strengthening capacity of the state inspection department prepared 	<ul style="list-style-type: none"> - Based on the report on strengthening capacity of the state inspection department prepare an action plan to implement key recommendations - Begin implementation of capacity building plan for state inspections department 	<ul style="list-style-type: none"> - Continue implementation of the action - Training and capacity building activities to enhance capacity of the inspections department 	<ul style="list-style-type: none"> - Train internal auditors - Commence trialling internal audit - Implement the new institutional arrangements relating to the inspections department 	Enhance capacity of the inspection department for improving inspection and internal audit function	% government operations subject to internal audit; # of audits completed; follow-up on audit reports.
Procurement	<ul style="list-style-type: none"> - Procurement Monitoring Office (PrMO) prepared and circulates drafts of Harmonized Standards Bidding 	<ul style="list-style-type: none"> - MOF issues harmonized procurement manual, standard request for proposals and standard consultant evaluation 	<ul style="list-style-type: none"> - MOF issue continues training on use of standard bidding documents and related procurement monitoring tools 	<ul style="list-style-type: none"> - PrMO establishes and puts into operation an electronic procurement website/bulletin - PrMO initiates 	Public procurement based on clear rules, consistently applied resulting in improvements in efficiency, contestability, and transparency	% of public procurement using standardized procedures; % of procurement advertised on website

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
	<p>Documents</p> <ul style="list-style-type: none"> - PrMO conducted baseline assessment of public procurement system and develops performance monitoring tools 	<p>report, and PrMO provides training to Departments and Agencies in their usage</p> <ul style="list-style-type: none"> - Procurement Monitoring Office completes pilot application of the performance monitoring tool in selected agencies/ministries and rolls out system to other departments - Commence usage of standard bidding documents 	<ul style="list-style-type: none"> - PrMO continues implementation of capacity strengthening measures for fulfilling its chartered functions 	<p>implementation of institutionalized procurement capacity building program</p> <ul style="list-style-type: none"> - PrMO completes design of institutionalized procurement capacity building program 		Baseline zero.
State Owned Enterprise Management	<ul style="list-style-type: none"> - MoF established a dedicated state owned enterprise management department to supervise financial management of SOE's 	<ul style="list-style-type: none"> - MoF conducts a needs assessment for the State Owned Enterprise management department and provide assistance to strengthen capacity and training - Conduct a needs assessment for upgrading the capacity of assets management (information correction statistic and state property management in the nation wide) 	<ul style="list-style-type: none"> - MoF continues to implement capacity building plan for strengthening capacity of the SOE management department - Implement the needs assessment for upgrading the capacity of assets management (information correction statistic and state property management in the nation wide) 	<ul style="list-style-type: none"> - MoF continues to implement capacity building plan for strengthening capacity of the SOE management department - Continue implementing the needs assessment for upgrading the capacity of assets management (information correction statistic and state property management in the nation wide) 	Improve capacity of SOE management department in order to effectively supervise financial management practices at SOE's	Capacity building plan for the SOE management division approved

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
<i>Strengthening and upgrading Provincial Finance Departments</i>	<ul style="list-style-type: none"> - MoF engaged the services of an education management advisor to develop plans for curriculum strengthening - Plans to upgrade physical facilities at the MoF training centers in Vientiane and Luang Prabhang finalized 	<ul style="list-style-type: none"> - Prepare comprehensive plan for upgrading physical capacity and strengthening curriculum offered by the three MoF financial training centers to deliver training necessary for effective management of the centralized public financial sector. Begin implementation of this plan - conduct needs assessment of courses that are needed for the financial sector 	<ul style="list-style-type: none"> - Implement the curriculum strengthening program and rehabilitation of physical infrastructure at the MoF training centers - Begin implementing needs assessment for courses needed for the financial sector 	<ul style="list-style-type: none"> - Implement strengthening program for pilot provinces - Complete rehabilitation of physical infrastructure at the Luang Prabhang and Vientiane training centers - Continue implementing the curriculum strengthening program 	Improve the coherence of the curriculum being taught at the MoF training centers	New syllabus approved by the Minister for Finance for courses related to the financial sector
<i>Financial Legislation and Regulatory Framework</i>	<ul style="list-style-type: none"> - Conducted review of Treasury Decree and Budget Laws including regulations and guidelines, related to management of public finances - New Budget Law promulgated - Prime Ministerial Order on centralization of tax, treasury and customs issued 	<ul style="list-style-type: none"> - Draft decree on Implementing Budget Norms Approved - Decree on implementation of the Budget Law approved - Present Treasury Law and related regulations to the National Assembly 	<ul style="list-style-type: none"> - Implement the budget law - Implement the decree on budget norms - implement the Treasury Law 	<ul style="list-style-type: none"> - Implement the revised Budget Law across government for FY07/08 	Coherent regulatory framework supporting management of public finances	New laws, regulations and instructions promulgated and applied
<i>Capacity Building Assessment and</i>	<ul style="list-style-type: none"> - Conducted technical English training 	<ul style="list-style-type: none"> - Prepare overall capacity building 	<ul style="list-style-type: none"> - Continue implementation of 	<ul style="list-style-type: none"> - Continue implementation of 	Improvement in budget planning execution and	Number and % of relevant personnel trained for each

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
Program	<p>courses</p> <ul style="list-style-type: none"> - Engaged long term capacity building advisor - Drafted ICT strategy across MoF, and created centralized ICT division - Drafted capacity building concept note - Prepared need assessment for improving external debt management 	<p>strategy considering: (i) individual departmental mandates; (ii) staff skills and needs; and (iii) institutional arrangements</p> <ul style="list-style-type: none"> - Start implementation of the capacity building strategy - Finalize ICT strategy with implementation plans for medium-to-long-term ICT development across Ministry of Finance - Commence implementation of external debt management strengthening program - Develop a financial management improvement model for provinces where centralization is being piloted <p>MoF develops the borrowing strategy</p>	<p>capacity building strategy</p> <ul style="list-style-type: none"> - Continue implementation of ICT strategy - Continue implementation of external debt management strengthening strategy - MoF commences dissemination of the borrowing strategy 	<p>capacity building strategy</p> <ul style="list-style-type: none"> - Continue implementation of ICT strategy - Continue implementation of external debt management strengthening strategy - MoF commences implementation of the borrowing strategy 	<p>reporting with staff demonstrating progressively higher skills sets.</p>	<p>program component. % completion of annual capacity building plans. Training program evaluations.</p>
Improving Effectiveness of Development Assistance	<ul style="list-style-type: none"> - Government and Development Partners signed the Vientiane Declaration 	<ul style="list-style-type: none"> - MoF invites development partners to clarify their respective legal and policy regulations for the use of national PFM and procurement systems 	<ul style="list-style-type: none"> - MoF prepares a Procurement Management Manual for Development Partners to adopt Government procurement rules and 	<ul style="list-style-type: none"> - MoF monitors donor compliance with using Procurement Management Manual - MoF continues to monitor and reports 	<p>Improving harmonization of donor assistance</p>	<p>Percent of donor projects using government procurement and financial management rules</p>

PFMSP: Medium Term Implementation Schedule, 2005-2011

Program Sub-Components	Implementation Schedule				Expected Outcome	Progress Indicators
	2005-2007	2008	2009	2010-2011		
		and standards to deliver ODA - MoF prepares a Financial Management Manual for Development Partners to adopt Government financial rules and regulations	regulations - MoF monitors and reports donor compliance with using the Financial Management Manual	donor compliance with using Government Financial Management Manual		

Terms of Reference --- PFMSF Facilitating Unit

The PFMSF focuses on strengthening the management systems and capacity of the Ministry of Finance and Provincial Finance Departments, supported by pilot interventions at the provincial and sector levels. It is part of Government of Lao PDR's medium-to-long term framework for public finance management reform program.

The program has six components: (1) Revenue sharing, fiscal planning and budget preparation; (2) Treasury centralization, budget execution, accounting and financial reporting; (3) Revenue policy and administration; (4) Local Government Financial Management; (5) Financial Legislation and Regulatory Framework; (6) Human resource and capacity development. In addition to these components Government has also decided to include revenue management and treasury centralization into the program in context of the new Budget Law implementation

The World Bank and development partners – Sida and the EC - have been supporting PFMSF implementation and have considered establishing a Multi-Donor Trust Fund (MDTF) together with SDC and AUSAID in order to better align donor support. The intention of the MDTF is to support the PFMSF implementation for four years.

In order to improve the coordination and harmonization among donors as well as to ensure the high quality of the implementation of the PFMSF MDTF program, following international best practices, a MDTF Facilitating Unit will be established according to the Program Brief agreed by the Government of Lao PDR, the World Bank, the AUSAID, EC, Sida and SDC.

This Facilitating Unit will work under the overall supervision of the World Bank task team leader for PFMSF-MDTF, and will be responsible for:

1. Providing quality assurance services towards effective MDTF implementation to each department of the Ministry of Finance in coordination with the PFMSF implementation committee:
 - provide technical advice on the development of TOR for component interventions and operational processes involved in securing the consultant services and the evaluation of technical proposals;
 - assistance to ensure quality services provided by the consultants supporting the departments and follow-up of the implementation of the program;
 - coordination of just in time advice from development partners together with the World Bank team;
 - ensure the program implementation's compliance with the relevant policies of the World Bank and the Multi-Donor Trust Fund Agreements.
2. Coordinating donors through quarterly donors meetings and more if required and to consult with donors on Government requests.
3. [Engaging external consultant services for the analytical work.](#)
4. Preparing quarterly activity reports on: (i) the activities of the facilitating unit including the areas supported and follow-up of the implementation of PFMSF; (ii) quarterly activity plans of Facilitating unit

The composition of the team will be:

- one international senior public sector specialist (non-World Bank staff)
- one national expert in public financial management (non-World Bank staff)

Annex 1: Terms of Reference for Senior Public Sector Specialist

Annex 2: Terms of Reference for National Expert in Public Financial Management

Job Description and Accountabilities

The Senior Public Sector Specialist will carry out the following duties:

1. Coordinate MDTF donors, through regular communications, quarterly donors meetings and consultations when Government requests technical support.
2. Provide support to PFMSIP implementing committee in accordance with the PFMSIP's objectives, plans, and principles in the following areas (but not limited to):
 - facilitating dialogue between donors and the Government and help to maintain high quality reporting on the progress of the program including on fiduciary risk;
 - providing technical advisory and best practice knowledge sharing on public finance management and,
 - management of the medium term independent, external review process.
2. Assist with management of the World Bank-executed component of the MDTF; and,
4. Help contributing donors to liaise and work with non-pooling partners providing support to PFM reform for the purpose of coordination of technical assistance and areas of potential over-lapping, as needed and agreed.

The Specialist will work under the direction of Bank's PFMSIP-MDTF Task Team Leader and in close collaboration with a Lao Expert in Public Financial Management.

Qualifications and Experience

- Master's degree in public finance, public/business administration or economics with 7 to 10 years of directly relevant external experience and/or with the Bank
- Good understanding of the inter-relationships within public sector management, and with identified opportunities for integration of his/her sector or field of expertise with multi-sectoral projects/programs and/or programmatic operations
- Experience in public financial management reforms with adequate knowledge of other areas of public administration
- Demonstrated ability with capacity development and change management in low income countries
- Demonstrated ability to lead and participate in high-performance teams in non-hierarchical, networked settings
- Demonstrated record of delivering innovative, strategic, and high-value reform solutions that integrate multiple aspects of public sector management
- Strong interpersonal and facilitation skills, proven team orientation, and ability to work across boundaries in a multi-cultural environment.

Annex 2: Terms of Reference for National Expert in Public Financial Management

Job Description and Accountabilities

The National Expert in Public Financial Management will assist the MDTF Facilitating Unit in carrying out the following duties:

1. Assist the Bank TTL in Liaising closely with MOF Departments requiring support and do the needed follow-up;
2. Support the administrative activities of the FU;
3. Assist with management of the World Bank-executed component of the MDTF; and,
4. Liaise and work with non-pooling partners in the PFMSD Technical Working Group for the purpose of coordination of technical assistance, as needed and agreed.

The National Expert in Public Financial Management will work under the direction of World Bank's PFMSD-MDTF Task Team Leader and in close collaboration with an International Public Sector Specialist.

Qualifications and Experience

- Master's degree in public finance, public/business administration or economics
- Minimum 5-7 years of working experience in public financial management with adequate knowledge of other areas of public administration
- Strong interpersonal and facilitation skills, proven team orientation, and ability to work across boundaries in a multi-cultural environment
- Initiative and ability to work independently
- Able to work well in a team environment
- Written and oral communication skills in Lao and English.

MDTF - PUBLIC FINANCE MANAGEMENT STRENGTHENING PROGRAM : COST TABLE

SUMMARY BY COMPONENT/DISBURSEMENT CATEGORY

Activity	Total Cost	Consultant Services				Training/Workshops and Knowledge Exchange Visit				Goods			
	USD	Yr 1	Yr 2	Yr 3	Yr 4	Yr 1	Yr 2	Yr 3	Yr 4	Yr 1	Yr 2	Yr 3	Yr 4
Program Management	119,543	-				113,850				-			
A. Revenue Sharing, Fiscal Planning and Budget Preparation	1,109,753	166,200	50,000	50,000	50,000	406,000	80,155	80,155	80,155	78,550	8,000	8,000	8,000
B. Treasury Centralization, Budget Execution, Accounting and Financial Reporting	2,167,089	688,300	50,000	50,000	50,000	836,650	80,155	80,155	80,155	150,850	8,000	8,000	8,000
C. Revenue Policy and Administration	1,401,179	350,800	99,500	99,500	99,500	350,175	80,155	80,155	80,155	102,600	8,000	8,000	8,000
D. Local Government Financial Management	697,016	246,400	50,000	50,000	50,000	34,125	80,155	80,155	80,155				
E. Financial Legislation and Regulatory Framework	-	-				-	-						
F. Human Resources Development	982,722	236,200	50,000	50,000	50,000	316,425	80,155	80,155	80,155				
MDTF-PFMSP Facilitation Unit	1,522,699												
TOTAL	8,000,000	1,687,900	299,500	299,500	299,500	2,057,225	400,775	400,775	400,775	332,000	24,000	24,000	24,000

Estimated exchange rate: US\$1 = Kip 9,000

NOTE:

Activities aimed at improving local government financial management and human resource development are also being conducted in Components A and B.

Year 2 - 4 costing is indicative

