



**GOVERNMENT OF THE
LAO PEOPLE'S DEMOCRATIC REPUBLIC**



**UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
SWISS AGENCY FOR DEVELOPMENT AND COOPERATION (SDC)
NETHERLANDS DEVELOPMENT ORGANISATION (SNV)**

**GPAR Xieng Khouang – Strengthening Public Administration for Poverty
Reduction and Equitable Growth**

Project Code 00041021

GPAR Xieng Khouang sets out to strengthen the operational capacities of selected government institutions at the provincial and district levels to contribute to poverty reduction and equitable economic growth. As such the project will pilot governance and public administration reforms with emphasis on more effective and participatory services in the agricultural sector and strengthen financial management and accountability. The project will facilitate institutional change to create an enabling environment especially for farmers and local entrepreneurs, notably by enhancing people's greater involvement and ownership.

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SECTION I

PART I: SITUATION ANALYSIS

This section provides an analysis of the situation in Lao PDR and Xieng Khouang, and justifies the need for and priorities of the Governance and Public Administration Reform Project.

1.1 Introduction

Laos is one of the 13 LDCs in the Asia Pacific region. It is ranked 135 out of 175 countries in the Global Human Development Report (HDR)¹ 2004. According to the Lao National HDR (2001), the number of people that live below the poverty line decreased from 45% in 1992-1993 to 38.6% in 1997-1998. Preliminary data from the latest Lao Expenditure and Consumption Survey (LECS 2002-2003) suggests that the incidence of poverty has further decreased to about (31%).

In its successive five-year “Socio-Economic Development Plans” (SEDP), the government has strongly emphasized poverty eradication in order to achieve its goal of overcoming LDC status by the year 2020. Party Resolution nr. 21 (May 1993) clarified the re-distribution of responsibilities between the line ministries and their field offices and the local authorities, allowing central ministries to gradually regain control over some of the key management functions, notably personnel management, sectoral planning and budgeting.

The National Growth and Poverty Eradication Strategy (NGPES) – which functions as Laos’ Poverty Reduction Strategies Paper (PRSP) – was approved by the National Assembly in October 2003. The NGPES advocates a more targeted approach, focusing on four main sectors: agriculture/forestry, health, education and infrastructure. The supporting sectors comprise industrial development through energy and rural electrification, tourism, mining and construction materials industries. In addition, it targets 72 “poor” and 47 “poorest” districts for special focus during the period of the strategy (2004-2006). Of these, among a core group of the poorest 47 districts has been selected for priority investments for the period 2003-2005. Cross sector priorities encompass environment, gender, information and culture, population and social security, and last but not least governance, capacity development and institutional strengthening, which are considered the vital link between economic growth and poverty eradication. Thus, the NGPES clearly recognizes that poverty reduction in Lao PDR will require local level, community-based, planning, as well as an alignment of public expenditure patterns towards pro-poor service delivery.

¹ Human Development Report 2003, “Millennium Development Goals: A compact among nations to end human poverty”.

The government has expressed its commitment for moving forward with a wide range of governance reforms. A Policy Paper on Governance entitled “Public Service Reform, People’s Participation, Rule of Law and Sound Financial Management”- prepared with the assistance of the UNDP Governance and Public Administration Reform (GPAR Central) project, was presented to the Governance Round-table meeting in April 2003. The paper prioritizes governance reforms in the area of public administration as well as in the political, economic and legal sectors, “as a cornerstone of the nation’s approach to eradicate poverty.” The stated aim of these reforms is to strengthen the conditions that enable sectoral policies and strategies to be implemented in the best possible manner, under the rule of law and with the broadest possible participation of the population. However, a more detailed implementation plan, with specific projects and indicative costing is still to be developed.

**INSTITUTIONAL FRAMEWORK FOR PUBLIC ADMINISTRATION REFORM
AND LOCAL GOVERNANCE**

This includes:

- A civil service statute, adopted in May 2003 (Decree No. 82/PM), which provides for a more performance-oriented and accountable civil service, and includes provisions for curbing nepotism and corrupt practices and for encouraging output-based performance evaluations.
- An updated Law on Government, passed in 2003, which defines the principles underlying the organization and functioning of the government.
- A Law on Local Administration, also adopted in 2003, which tries to clarify the roles and responsibilities of sub-national administrations. The new Law also provides for the creation of municipalities, and offers the potential for a greater degree of citizens’ participation in local administration.
- PM Decree No. 01 (2000) constitutes the basic decentralization framework: it identifies the province as the strategic unit, the district as the planning and budgeting unit, and the village as the implementing unit.
- Other Decrees, Instructions and Recommendations (192/PM, 128/SPC and 475/MF – dating back to 1999-2000), which, in tandem with the State Budget Law (adopted by National Assembly in 18th July 1994) , define the overall framework for administrative and fiscal decentralization.

Of relevance to this proposal are Parts I and II of the Governance Policy paper, which focus on Public Administration Reform (PAR) and Decentralization. The medium-term and short-term action plan for the implementation of the decentralization policies specifies concrete actions to be undertaken in the coming years, including:

- Development of a cost effective and people’s centred public administration;
- Modernisation of civil service personnel management, including the use of information and communication technologies;
- Development of a productive and highly motivated public service;
- Development of an honest and ethical public service;
- Enhanced professionalism in the public service through training and development;
- Improving information and communication technology to enhance transparency and productivity;
- Promotion of a dynamic and participatory society;
- Promoting an open and transparent society; and
- Redefining central-local relationships, bringing services closer to the people.

1.2 Governance and Public Administration Reform (GPAR) Programme

The development and implementation of the government's decentralization strategy is assisted by the Governance and Public Administration Reform (GPAR) programme, which was formally adopted by government in 1997. The programme, which consists of the GPAR Central project together with decentralization pilots in various provinces, assists the government to upgrade the capacity of the Lao public administration and implement governance reforms in Lao PDR. The UNDP partnership with the Prime Minister's Office (the Public Administration and Civil Service Authority - PACSA)² during the last 10 years has been instrumental in enabling the development, review and implementation of reforms in the area of PAR and decentralization. GPAR Central also enables the preparation of policy papers and drafts for the institutional/legal framework for PAR and decentralization, and facilitates improved coordination and resource mobilisation in this sub-sector. Since late 2003, the Swiss Agency for Development and Cooperation (SDC) has been a funding partner in GPAR Central.

A major component of GPAR is to support the ongoing decentralization strategy of the government and bring governance closer to people. The government has committed itself to pilot experimentation with decentralization and public administration reforms. Under the umbrella of the GPAR Programme, PACSA (in the Prime Minister's Office) coordinates activities undertaken in pilot provinces, providing guidance to understand practical implementation challenges for decentralization at provincial and district levels.

In the government's decentralization strategy, the purpose of such pilots is to diminish the risks associated with and absorb the costs of innovations, trial the feasibility and effectiveness of proposed measures in selected organizations, test the impact of the changes, to evaluate the financial and social costs and make necessary adjustments before scaling up innovative practices and processes on a widespread basis.

The GPAR programme thus enables governments to usher in, albeit cautiously, a strengthened public administration, improved transparency and greater involvement of people at sub-national levels. The GPAR Luang Prabang provincial pilot began implementation in 2002 with Sida support, and will start a second phase in 2005; this is complemented by the UNV-supported assistance focusing on district and village levels in the province. As a joint partnership between UNDP and UNCDF (Local Development Programme), the GPAR Saravane project is starting operations in the first quarter of 2005. The project addresses improved governance and public administration with emphasis on more coherent decentralization and more effective delivery of public goods and services at local levels, thereby piloting the instrument of District Development Funds (DDF). Furthermore, PACSA has identified a number of other provinces for formulation of additional pilots, including Khammouane, Oudomxai and Sekong.

² Formerly known as the Department for Public Administration and Civil Service (DPACS), this has recently been upgraded to the status of a sub-ministry within the Prime Minister's Office (PMO).

1.2 Xieng Khouang Province

PROVINCIAL PROFILE

- Xieng Khouang is a central province, bordered by Luang Prabang in the north, the Saysomboun Special Zone in the south, Vientiane in the west, Bolikamxay in the southeast and Vietnam in the east. It has a total land area of 15,880 sq.km.
- It has a population of 227,662 comprising of three ethnic groups: Lao Lum or Lao lowland (56%), Lao Sung or Hmong (35%), and Lao Theung or Khmu (8%).
- Xieng Khouang is largely an agricultural province. It produces 65,390 tons of rice annually. Another major product of the province is livestock (cows, buffalos, pigs, goats). It produces a variety of vegetables and fruits as well. Agriculture depends on shifting cultivation; very little land is cultivated as paddy or irrigated. Livestock has been an important source of income in the province although the traditional practice (free-range grazing) was not productive.
- There are approximately 35,000 families, 9,000 (28%) of which are classified as poor. The province has seven districts and 536 villages. Four of the seven districts are included in the NGPES list of 72 poor districts in the country and two – Nong Het and Khoun – are among the 47 poorest districts.
- Life expectancy for males is 62 years while that of females is 60 years. There is one Provincial Hospital with a capacity of 70 beds and 6 district hospitals with a total capacity of 75 beds and 42 dispensaries (health centres/clinics) all over the province. Malaria is a leading cause of morbidity and mortality.
- Politically, the province is unique in that the provincial Governor is not the Party Secretary, unlike in all other provinces of the country.
- Adult illiteracy rate in the province is 13.87% compared to the national average of 68.5. There are 15 pre-schools, 395 primary schools and 44 secondary schools across the province. For the pre-schools, there are 47 teachers and 760 pre-schoolers. In the primary schools there are 45,548 students and 1,357 teachers giving a ratio of 34:1. In the secondary schools there are 22,888 students and 736 teachers giving a ratio of 31:1. In Nong Het district there are 40 villages, which have schools but no teachers at all.
- There are currently 3687 civil servants in the province: 3321 are working in the field offices of the line ministries while 366 are working in the horizontal organizations (OoG and Offices of the District Chiefs, party committees and mass organizations at provincial and district level). 23% of the workforce is located at provincial level while the remaining 77% are located in the districts³. With a population of 227,662 people, the ratio for Xieng Khouang is 1 civil servant for 61 people, which is slightly lower than the national average of 1 civil servant for 58 citizens.
- Xieng Khouang is a “deficit” province: with only 23% covered by local revenue collections (primarily business taxes and customs duties), it has to depend on central government for most of its expenditure needs. The major expenditure items are salaries and capital outlays. In 2001-02, 44% of the total expenditure went to capital outlays while 35.6% went to salaries. In 2002-2003, 35% was spent for capital outlays while 39% went to salaries. Thus, there is little discretionary funding available for provincial development.
- According to the Foreign Aid Report 2001-2002, for that fiscal year Xieng Khouang received only 2.81% of total ODA disbursement: 5.85% of total multilateral ODA disbursements (mainly UNDCP and UNESCO) and only 0.02% of the total bilateral aid for that fiscal year – Vietnam and India).

Source: Needs and Opportunity Assessment Report, Xieng Khouang province (June 2004) and NHDR, 2001, Lao PDR.

³ The majority of these are teachers. In many other sectors there still is understaffing at the district level and an oversupply of staff at the provincial level. E.g. in the agriculture sector 47% of the staff are still employed at the provincial level.

1.4 The GPAR Xieng Khouang Pilot Project

The present document proposes a fourth pilot in the central province of Xieng Khouang. GPAR Xieng Khouang sets out to strengthen the operational capacities of selected government institutions at the provincial and district levels to contribute to poverty reduction and equitable economic growth. As such the project will pilot governance and public administration reforms with emphasis on more effective and participatory services in the agricultural sector and strengthen financial management and accountability. The project will facilitate institutional change to create a conducive environment especially for farmers and local entrepreneurs, notably by enhancing people's greater involvement and ownership.

The project addresses several key issues that figure in UNDAF, notably the need to build institutional and administrative capacity in Lao PDR, where "(...) institutional structures and administrative management capacity (...) remain weak." UNDAF also notes that "(...) there is a need to develop effective, transparent and accountable operational mechanisms and procedures at all levels (...) of the Government." The project's focus on reforms to provide more effective agricultural extension services and participatory planning approaches fits in coherently with both UNDAF and the National Growth and Poverty Reduction Strategy (NGPES), which recognize the importance of agriculture as a priority sector for pro-poor growth.

PART II: STRATEGY

In preparation for the development of the GPAR provincial project, a Needs Assessment mission to Xieng Khouang was fielded in July 2004. As detailed in this report (see Annex I), various government stakeholders identified key challenges impeding effective delivery of public services in the province. The most significant among them are noted below:

- (i) A key issue is the lack of the capacity of officials at all levels. Staff are unclear about their job responsibilities or how to implement them effectively. There is a need to improve substantive skills (information about laws, regulations, procedures) as well as process and management ones (e.g., planning, data analysis, monitoring and evaluation, as well as report writing, computer, English language, etc.) in order to improve service delivery.
- (ii) Planning support is critically needed. One problem in the bottom-up planning approach is the inability of many villages to prepare development plans; this is especially acute for remote villages, with district offices not being able to provide additional assistance. Provincial and district planning officials also require assistance in the areas of investment and integrated planning approaches.
- (iii) While staff numbers are adequate in certain offices (e.g., the Office of the Governor, OoG), their way of functioning is not. Staff assignments do not reflect a good fit between skills and needs. The OoG has identified an urgent need for its restructuring to become a "model office."
- (iv) Restructuring is needed in other areas as well. Land/housing management functions need to be rationalized rather than being spread across several organizations (e.g., Finance, Agriculture and Forestry and the Office of the

Governor). Similarly, there is a need to review the structure and job descriptions within the District Agriculture and Forestry Offices (DAFO) in coordination with concerned Ministries. Currently, staff are assigned to subject matter areas, such as irrigation and forestry. In practice however, the limited staff available has to assume the role of “generalist” extension workers and be responsible for a group of villages to cover the bulk of the villages in a district.

- (v) The position of public finance in Lao PDR remains fragile, with low domestic savings, deficient revenue collection and a mismatch between planned and prioritized activities and expenditures. The management of financial resources is not fully adequate and efficient. As a result, there is no assurance that resources have been used efficiently and effectively, or that the administrations function proficiently. In terms of revenue collection, offices lack suitable resources and facilities to undertake their work effectively. There is a need to improve voluntary compliance and encourage a positive tax culture. The provincial audit function is weak and requires new procedures to be implemented, guidelines to be prepared and training to be conducted.
- (vi) The issue of resettlement is a sensitive one. The Governor indicated that, in his perspective, this issue is linked to the decentralization process – better services need to be provided closer to the people.
- (vii) The incidence of poverty in Xieng Khouang (35% of the population are poor) is below the national average (38.6%). Since 1992-93, the poverty rate in the province has declined by 9.9% - the third highest decline after Bolikhamxay (17.8%) and Vientiane Municipality (-13.9%). Still, 55% of the villages in the province are considered poor. The incidence of poverty varies among the different districts: in Paek district, for example, 28% of the villages are considered poor, compared to 43% in Khoun and 78% in Nong Het.

Despite these constraints, the province has many characteristics that offer opportunities for it to build on in the future.

- The provincial authorities have already taken steps towards rationalising the public administration. Over the past year, technically competent staff have been appointed to key positions, in particular in those sectors that are directly related to NGPES implementation. A limited number of women have also been appointed as village chiefs and deputy village chiefs; these villages will receive priority selection as pilot villages.
- 87% of the provincial staff are under 45 of age; 41% are under 30 years of age. The long-term benefits to be gained from well-designed staff development are thus considerable.
- The province is piloting a new model of power sharing by introducing the separation of executive functions (Provincial Governor) and political functions (Secretary General of the Party). This may be an interesting lesson for strengthening checks and balances (through mutual accountability) within the provincial administration.
- Over the past years, the province has seen tangible improvements in living conditions (improved road network, electricity, telephone, mobile coverage, internet

connectivity, etc). These are likely to generate interest from economic entrepreneurs and a conducive institutional environment to stimulate such economic growth needs to be developed. The province also has rich potential for tourism development.

- The implementation of sub-district clusters of villages or *kum ban* provides opportunities to improve local governance in both rural and urban areas. Creating clusters of villages with some degree of social/ethnic homogeneity and “perceived common area identity” is a good basis for participatory planning and collective action, including for the management of common communal infrastructures and poverty monitoring. These larger grassroots communities also facilitate people’s transition from traditional self-sufficiency towards market-based production and services.
- Ongoing projects have helped many civil servants, farmers and traders improve their practical knowledge, but they still lack opportunities/incentives to take initiatives. Within two of the districts identified for pilot focus in the new project (Paek and Nong Het), there are a core of technical staff who have good technical knowledge and extension skills already. This should enable quick results to be obtained in the field, thus demonstrating the enabling function of improved Public Administration Reform for management of extensive activities within a sector.
- Xieng Khouang’s geographic position has resulted in a long association with Vietnam, therefore, some of the senior staff can communicate in the Vietnamese language. This provides the opportunity for Xieng Khouang not only to link with its neighbouring country’s experience in Public Administration Reform, but also to examine ways to facilitate the increasing cross-boarder trade and strengthen revenue collection.
- Finally, there will be opportunities for the province to learn from the established network of ongoing and future GPAR projects, at central and provincial level, and in particular from the nearby Luang Prabang GPAR pilot. Moreover, Xieng Khouang is ideally placed to provide guidance to the provinces of Houaphan, Phongsaly, and possibly Luang Namtha, which have similar conditions and administrative cultures.

The selection of Xieng Khouang as the third pilot project in the area of local governance reforms is fully in line with the government’s poverty reduction mandate and the Government’s Policy Paper on Governance issues. Supporting a poor and deficient province in its challenging endeavour to fight poverty and improve the livelihoods of its people also directly support the Millennium Development Goals. UNDP’s assistance to GPAR Xieng Khouang is in line with its global development mandate to foster Democratic Governance. More specifically, the project feeds into the outcomes defined under two service lines in the Multi-Year Funding Framework (MYFF) 2004-2007:

- 2.6 Capacities and partnerships developed of local governance actors in urban/rural areas for policy formulation, service delivery and resource management;
- 2.7 Public administration reform for efficient, effective, responsive, and pro-poor public services promoted.

2.1 Rural / Agricultural Development and Local Governance

Overall, Xieng Khouang offers an interesting example of a province that is facing serious constraints yet is making substantive progress in poverty eradication. While progress so far was mainly facilitated by improved infrastructure and facilities, improvements in service delivery with tangible impact on livelihoods of the more remote populations still lags behind. There is thus potential for further growth and poverty reduction to reach out to all segments of society, and in particular to stimulate agricultural production as a vehicle for achieving sustainable livelihood security for the ethnic groups living in the remote areas. These growth and poverty eradication strategies will have direct implications on the capacity of the administration to plan, deliver and monitor economic and social development in the province.

93% of the population in Xieng Khouang lives in the rural areas. Development of the agriculture sector so far had been quite static, but specific production opportunities have begun to be realized in recent years. These include: improved livestock production (cattle and buffalo), high value mushrooms for export to Japan, production of mulberry for silk production and production of improved fruit varieties (premium prices) for domestic markets, and export of maize to Vietnam. Some projects have begun to demonstrate new opportunities that could be expanded to a larger number of villages in the Province.

Whilst a number of technical interventions have been successfully piloted, there is a lack of coordination across different donor funded projects in the province and most of all, a lack of institutional mechanisms that allow for assessing and replicating positive experiences.

The project will use agricultural extension work as a main driver to demonstrate the role of successful Public Administration Reform in improving service delivery. More effective extension work can quickly result in tangible impact at the grassroots. It will thus improve the relations between the public administration and the population. As bottom-up planning from the village, DAFO and district authorities are carried out effectively and on a regular basis, it is expected that positive experiences will result in a spill-over that generates demand for improved governance in other sectors.

Attracted by the potential of linking rural development, poverty and governance, UNDP and SDC have expressed a strong interest in accommodating the government's request for support to Xieng Khouang. In addition, the SNV Netherlands Development Organisation (SNV), which is also associated with GPAR Central and UNV Luang Prabang, will strengthen the Xieng Khouang GPAR initiative by providing technical assistance to the project (see annexed ToR for one international and one national position).⁴

SDC, which is currently co-funding the GPAR Central II project, is already funding two projects in Xieng Khouang province.

- The Small-scale Agro-enterprise Development for the Uplands (SADU) project is being implemented in Paek district and expected to expand to Khoun district in

⁴ Apart from activities in local governance, SNV's operations in Lao PDR cover the sectors of ecotourism, non-timber forest products, gender and private sector development.

2005. It uses an agro-enterprise development approach to enable farmers to better link to markets. SADU is implemented by the International Center for Tropical Agriculture (CIAT). The project has just begun field work, and with its initial product (peanuts) has already resulted in a dramatic increase in production, negotiated contracts, and the emergence of a new service industry (construction of small farm machinery). The project is particularly relevant to GPAR in that, in the process of its analysis of supply chains, various issues relating to taxes, fees, cross-border trading procedures, etc. are emerging; these identify opportunities for increased transparency and introduction of “one-stop shops” (OSS). In addition to the synergies drawn from cooperating with SADU, CIAT will provide the GPAR Xieng Khouang pilot with backstopping services in the field of agricultural extension and planning, monitoring and evaluation on a consultancy basis (see annexed ToR).

- The Lao Extension for Agriculture project (LEAP) will extend its activities into Xieng Khouang province in 2006. It is expected that Khouang district will be identified for capacity building of agricultural extension staff. LEAP is based on the concept that an effective extension system is a key element to achieve food security by increased food production based on sustainable agriculture, to improve the livelihood of Lao farmers and alleviate poverty in rural areas by rural development. LEAP is based at the National Agriculture and Forestry Extension Service (NAFES). Its current focus is on the following areas: Extension Methods and Delivery Mechanisms; Institutional Strengthening; Training and Coaching; and Assessment and Evaluation.

The GPAR Xieng Khouang pilot, which will be implemented by the Office of the Governor and embedded in local governance structures, will be in a position to draw considerable synergies from existing initiatives in the agricultural sector, in particular from the LEAP pilot and SADU project.⁵ The GPAR pilot will aim to establish more permanent mechanisms, such as annual fora, to promote a process, in which lessons generated in a particular pilot projects are assessed and evaluated for replication at larger scale. This will work towards creating a learning environment within the agricultural sector at the provincial level and eventually also enable more effective strategic planning.

Working with the provincial Government agencies, the project will be able to support the Government to better identify constraints and opportunities for improved service delivery. Such areas will include improved agricultural production, trade with key markets, access to information and village participation in planning and monitoring of development activities. Due to the pilot nature of these provincial initiatives in the field of agriculture and rural development, the project will establish close linkages with central Government levels to ensure that policies can be adequately addressed at a National level.

⁵ See chapter 3. Recent donor activities in governance / provincial development” in the Annex of this document.

2.2 Project Objectives

The expected outcome of the project is a contribution to poverty reduction and equitable growth in the province. As detailed in the Results Framework (See Section II), the project will enable these results through strengthening the operational capacities of selected government institutions at provincial and district levels to helping the government:

- respond to citizens' demands and needs, through inclusive participatory planning and priority setting and support to economic development, thereby ensuring equal access to public services and decision-making for women and men and all ethnic groups;
- implement decisions and reach provincial and district objectives in a transparent, coordinated and cost-effective manner; and
- monitor progress in service delivery.

There will be a strong emphasis in Xieng Khouang on bringing governance closer to the people by improving the ability of local administration to respond to citizens and entrepreneurs' demand and needs through: improved public understanding of opportunities and limitations for administrative reforms; strengthened management systems and capacities for participatory planning and budgeting; and more effective strategic planning and priority setting.

To this end, the project aims to: help clarify roles and functions of various offices at provincial and district levels; improve Human Resource Management systems for civil servants; adopt more efficient methods of organizational functioning; and, most importantly, establish sound financial management procedures and tools to support financial accountability and transparency for service delivery in the provincial and district administration. The project will emphasise improved management and monitoring systems relating to service delivery and poverty eradication. Processes and procedures for obtaining and acting on feedback received regarding service delivery will be clarified, and will inform future improvements in public administration and service delivery.

The project will also explicitly enable the implementation of the NGPES strategy by focusing on three pilot districts, namely: Khoun, Nong Het and Paek (the latter two being among the "poorest" districts. Paek district is located in the center of the province and has thus the potential to become a small municipality in the future. Khoun district is one of the 47 poorest district targeted in the NGPES as is Nong Het; the latter is also the districts selected for priority government support for NGPES implementation.

To see effects of improved administration on livelihoods, it is necessary for these to be applied within one of the technical agencies that work directly at the village level: Health, Agriculture or Education. With the population of Xieng Khouang overwhelmingly basing its livelihoods on agriculture production, the agriculture sector is most relevant to poverty reduction and the sector where most dynamic changes are expected to take place in the future. The GPAR Xieng Khouang project will thus focus specifically on the development of capacity in the agriculture sector.

The project will support PAFO and DAFO to develop and demonstrate participatory working approaches from village level planning, to models for staff capacity building, and improvements in organizational structure. Key activities include the review of planning procedures at village, DAFO and district levels; the piloting of tools for Monitoring and Evaluation (M&E) and the prioritization of activities, which compete for limited funds and

human resources; capacity building for all technical and administrative staff for the DAFO in the pilot districts and, where relevant, for the PAFO. As the project progresses, it will review the structure and job descriptions of the DAFO in coordination with the concerned Ministries at central level.

By linking with other pilot initiatives in Xieng Khouang and strengthening the capacities of PAFO and DAFO to deliver quality services, the impact of reforms should soon be felt at the grassroots, thus resulting in increased demand for good governance, both from the population and, particularly as performance and effectiveness of PAFO/DAFO increases, from within the public administration. To illustrate increased performance from improved public administration, the project seeks to enable the DAFO in the target districts to expand extension activities in a significant number of villages (initially 30%). In addition, the agricultural sector provides an excellent opportunity to develop and demonstrate participatory working and planning approaches from village (kum ban) level.

The project will also strengthen the institutional environment for economic development in the province. For villagers to move out of poverty, to buffer shocks, to access services (send children to schools, etc.) and to escape from shifting cultivation they need to be able to market their produce. The difficulties of marketing agricultural produce are a combination of regulations that hamper trade and the lack of understanding and confidence of the villagers themselves in markets. The project will link with the SADU project to identify such constraints and assist the local authorities in creating a more conducive institutional environment for a dynamic involvement of the local entrepreneurs in local development.

Similarly, access to land is a key to the livelihoods of the rural population. Village level planning can take place on a micro level, but at some point it needs to be based within a framework of regulations and guidelines relating to land use planning and land allocation. Thus there is the need for a broader planning framework to include an inventory of the resources and land-use patterns. While this is too complex to be included as a component of the present project, the project will address the issue indirectly, through its support in streamlining the division of responsibilities between the different agencies currently involved in land management and land allocation.

UNDP has a mandate to promote partnerships to fight poverty and to ensure equity and justice, including gender justice, as a precondition for poverty reduction. Similarly, the Government of Lao PDR is committed to the equitable participation of all people, regardless of gender, culture and ethnic group, in decision-making that affects their lives. The project will therefore aim to develop the capacity of governments to build more inclusive policies and programmes, particularly aimed at promoting the participation of ethnic groups and women in planning and decision-making at the village and kum ban level. In addition, the project will carry out a study on the impact of resettlement on service delivery and explore mechanisms to provide better (agricultural) services to remote villages.

Experience in Lao PDR has shown that donor funded projects in the field of public administration reform (PAR), which are directed exclusively at the local or provincial levels without proper coordination with central levels of government run a high risk of failure. In addition to the coordinating role that the GPAR Xieng Khouang pilot will assume at the district and provincial level, the project will closely relate to central levels

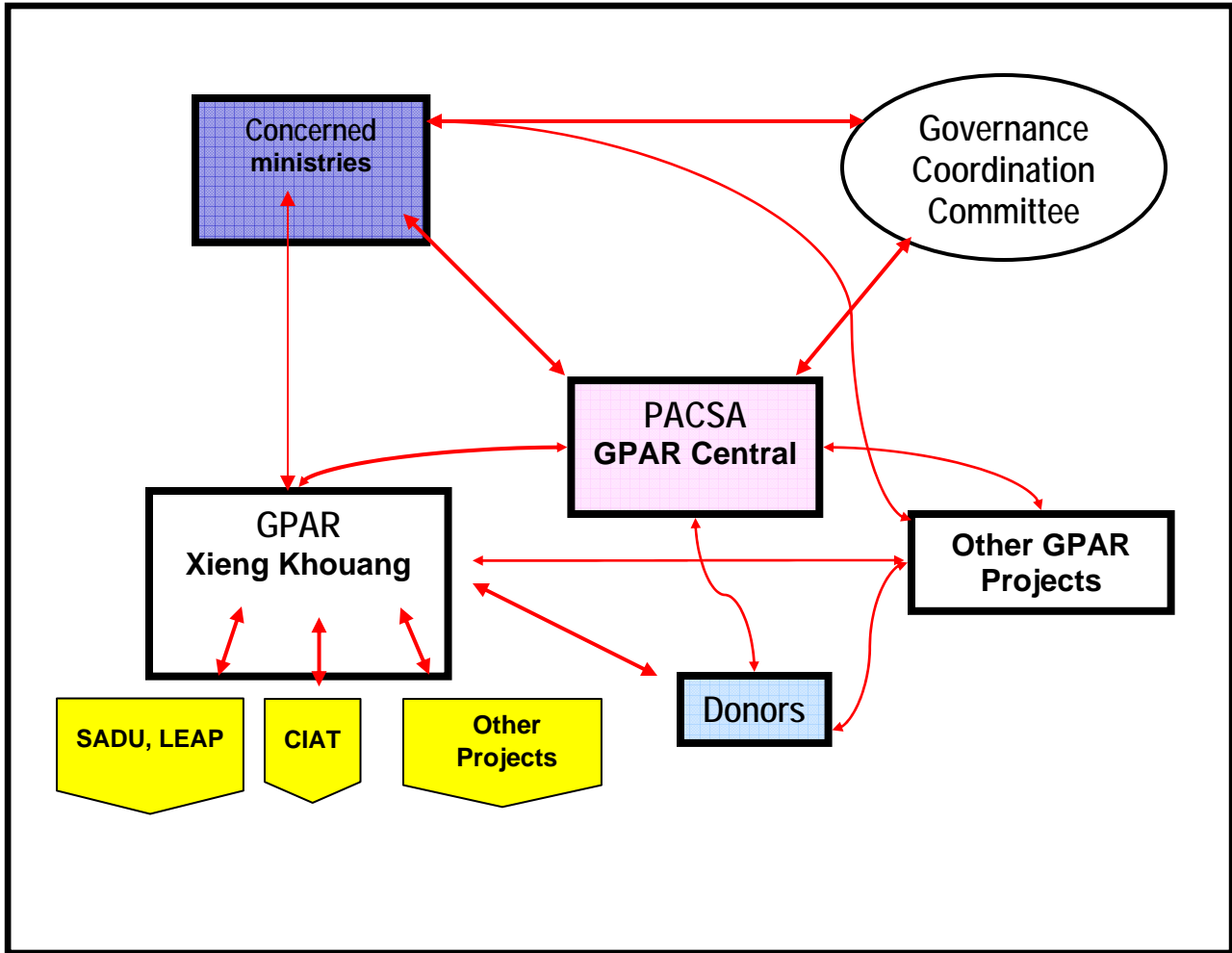
of government to influence national policy on public administration reform, decentralization and pro-poor planning and service delivery. It will do so by:

- (i) establishing regular, two-way, linkages with the rest of the GPAR programme, exchanging technical assistance with the Governance Change Management Team, which consists of representatives of the concerned key ministries and selected provinces (including Xieng Khouang), as well as with other like-minded projects (e.g. the SIDA-funded tax project, the ADB-supported National Accounting project, SDC supported LEAP project). The links to PACSA/GPAR are of particular importance given the key role that they play in public administration reform and decentralization policy development;
- (ii) informing a wide audience (central government, donor agencies, etc.) in Lao PDR of project activities and progress, through various information gathering and discussion forums; and
- (iii) liaising with NGPES implementation, as a way of ensuring that local progress on pro-poor planning, budgeting and service delivery is mainstreamed into national thinking on such issues.

Specific areas where the GPAR Xieng Khouang pilot in coordination with other projects in the province, GPAR pilots and government initiatives will seek to contribute to refining national policies include:

- Concepts of participatory planning and monitoring at village and kum ban level;
- Recommendations to revise the structure of District Agriculture and Forestry Offices (DAFO) for more effective and efficient extension work, including job descriptions for functions of staff in extension and administration units;
- Tools for assessing sectoral plans and transparent prioritizing and decision-making in budget allocations at the provincial level;
- Recommendations to review national and provincial policies related to trade and investment;
- Robust tools for allocating and monitoring government District Development Funds (DDF) and Village Development Funds (VDF);
- Models for One-stop Shops and Citizen's Information Centres; and
- People's audit mechanisms to express people's views on the quality of government services.

GPAR Coordination Framework



PART III: MANAGEMENT ARRANGEMENTS

Management Arrangements

The programme will be managed and implemented by the Office of the Governor (OoG) in Xieng Khouang, under the National Execution (NEX) modality. The OoG will be responsible for ensuring the substantive quality of the project, the effective use of both international and national resources allocated to it, the availability and timeliness of national contributions to support project implementation and the proper coordination among all project stakeholders. It will participate in all major reviews of the project and monitor progress through periodic reports submitted by the project.

At the provincial level, overall project orientations and policy focus will be overseen by the Leading Committee for Public Administration Reform (LCPAR), which will be chaired by the Vice Governor of the province (See Annex III for LCPAR Terms of Reference).

The OoG through the Project Management Team (PMT) will mobilize all national inputs and international inputs (the latter through the UNDP Country Office) in a timely manner, to support project implementation, organizing project activities in accordance with the project work plan.

The Programme Management Team (PMT) will be led by a National Programme Director (NPD), who will be nominated by the LCPAR and appointed by the government. The NPD will assume overall responsibility for the implementation of the project and will be accountable to the Leading Committee and to UNDP for the proper and effective use of project resources. The NPD will also function as the focal point for coordination with national and local stakeholders. Terms of reference for the NPD are included in Annex IV of this document.

The National Project Manager (NPM) will be nominated by the LCPAR and appointed by the Governor. He will be responsible for the day-to-day management of project activities (full time). The NPM will report directly to the NPD. Terms of reference for the NPM are included in Annex V of this document. The NPD will, as and when necessary, delegate the responsibility for payment authorisation to the NPM.

The recruitment of international and national advisors and specialists lies within the responsibility of the recruitment committee, in which PACSA, UNDP and SNV and the OoG shall be equally represented. The selection procedure will be subject to UNDP/NEX rules and regulations.

These positions include:

- International Resident Project Coordinator (full time)
- Resident Organizational Development Advisor, (full time; supported by SNV)
- Resident national Human Resource Specialist (full time; supported by SNV)
- Agriculture and Monitoring Specialist (provided by CIAT on a consultancy basis). It is anticipated that this position will be required for 4 months in the first year and at least 3 months in each of the following years
- Financial Management Specialist (short term)
- Other Advisors, short term. International and national, as required for implementation. (See Annex VII for ToR for these positions.)

The project office will also include the following national support staff: Translator; Secretary; Accountant; and Driver.

As the executing Agency, the OoG will be responsible for several government inputs. These include the provision of office space and related utility charges; ensuring that relevant departmental resources and personnel are assigned as needed to facilitate the participatory implementation of the project; facilitate coordination of departmental work plans with those of the project in such a way that they are mutually reinforcing and complementary. The Provincial Government will also consider allocating capital budget support funds to support the project objectives as appropriate.

To facilitate effective integration between the project and government priorities, a Project Implementation Coordinators Team composed of officials from partner departments and districts involved in implementing the project, will work with the PST, as needed, to facilitate project implementation in the Departments and Districts. These can include:

- *Office of the Governor:* The Office of the Governor is the prime organizational entity within the province and it is central to the management and implementation of government policy in the province. Its prime role is to coordinate all administrative activities of the government within the province.
- *Offices of the District Chiefs* of Muong Peak, Muong Khoun and Muong Nong Het: the offices of the district chiefs play a similar role to the one exercised by the office of the Governor at provincial level.
- *Provincial and District Committee of Organization and Personnel:* The Committee is the prime organizational entity within the province, responsible for the implementation of personnel management policies and regulations, as well as the organizational structure of the province/districts. Its prime role is to coordinate all personnel management functions in the province and districts. It is the de facto representative of PACSA in the province. Improvements to the HRM machinery at provincial and district level would not be possible without the involvement of this Committee.
- *Provincial and District Offices of Planning:* The provincial and district Planning Offices play a key role in the socio-economic development planning at local levels, and are to become key players in the monitoring of the NGPES and the support to the local Poverty Eradication Committees. While capacity building is considered important in all sectors, the NGPES prioritizes capacity building for decentralization and development planning. Focus of this development planning is now on strengthening a comprehensive poverty-focused planning process at the district level.
- *Provincial and District Offices of Finance:* The office is responsible for all budgetary matters, including tax and revenue collection, controlling of expenditures, management of land and state property, custom and some other supporting functions. The administrative capacity is thus key to the health of the entire local administration and indeed to the socio-economic health of the province.
- *Provincial and Districts Offices of Forestry and Agriculture:* This department is critical to ensure good coordination between the GPAR objectives and the focus on improved service delivery in agricultural extension. The provincial department requires restructuring (there is a plan to transfer the Agriculture Extension Unit to the districts) and addressing of staffing needs (numbers, redeployment, training).

UNDP will provide resources to Provincial Government of Xieng Khouang in accordance with the agreed project budget. The UNDP Country Office (CO) will provide the executing agency with support services as required. A standard request for support services should be sent to UNDP, together with specific Terms of Reference, specifications and/or other instructions. In providing these services, UNDP will directly access funds that are budgeted for CO support costs.

PART IV: MONITORING AND EVALUATION

Baseline assessment

A baseline assessment will be undertaken in order to establish specific success indicators for the project monitoring and evaluation system. This will also assist in identifying specific gaps that need to be addressed by technical assistance and project outputs. The baseline assessment could be supported by a wider sample household survey on delivery of, and access to, basic services, with emphasis on health and education, to enable sharper problem solving during the project. In addition, the assessment could:

- provide an assessment of current service delivery strategy and investment planning processes;
- assess (in detail existing) oversight, monitoring and reporting arrangements;
- provide an overview of provincial fiscal/ financial arrangements, focusing on current revenue and expenditure assignments (including pro-poor services), degree of budget stability and investment budgets;
- assess the local government's current communication policy and implementation in the province;
- provide information on other GPAR-related subjects (e.g. HRM, organizational issues, etc.).

(Detailed terms of reference for this baseline study are provided in Annex VI)

Project Monitoring

The project monitoring system will be designed in the inception period. The focus on implementing reforms will make it necessary for the project to:

- a. monitor completion of activities and achievement of outputs specified in the Work Plans, for the Project Support Team (PST) and provincial Departments
- b. facilitate internal Monitoring of workflow related to implementation of newly introduced procedures, as relevant to particular provincial departments

While the former will primarily relate to project management, the latter will strengthen LCPAR's understanding of benefits from the project and integrate into the oversight mechanism. These steps will be carried out against the work plan and a set of pre-determined output indicators (developed during project inception by the PST with technical assistance). The indicators will be based upon those defined in Section II (Results and Resources Framework) of this document.

UNDP will conduct a financial audit of the Programme every year. The audit will also look into the compliance of the Programme or sub-contract agreements as well as fulfillment of performance plans.

A mid-term evaluation of the project will be undertaken, in order to: assess overall project progress to date, with emphasis on progress towards achieving outputs; evaluate and fine-tune, if necessary project orientation and arrangements; and examine project management arrangements to ensure that they are adequate for, and consistent with, the attainment of project outcomes and the implementation of agreed project activities.

Evaluation reports will be circulated to the project stakeholders so that recommendations and lessons can be followed through in an appropriate manner. The project will prepare a detailed implementation matrix for any and all recommendations made by the Evaluation; this matrix will be submitted to LCPAR and at the next national review meeting for discussion and endorsement.

A final, independent, evaluation will take place approximately three months prior to the expected completion of the project. This final evaluation will pay particular attention to outcomes of the project, and make use of a sample survey with rural households and urban business to assess improvements in service delivery.

The project will present regular reports about progress against work plans and against output indicators at six-monthly review meetings in Xieng Khouang province or Vientiane. These six-monthly and annual reports will include a narrative element that examines the reform-linked processes that the project has been supporting, and the stage of completion against major long-term sub-outputs.

PART V: LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Lao PDR and the United Nations Development Programme, signed between the two parties on 10 October 1988. The host country-implementing agency shall, for the purposes of the Standard Basic Agreement, refer to the Government co-operating agency described in the Agreement.

The following types of revisions may be made to this project document under the signature of the UNDP Resident Representative only, provided assurance is given that the other signatories of the project document have no objection to the proposed changes:

- revisions in, or addition of, any of the annexes of the project document;
- revisions which do not involve significant changes in the outcomes, outputs or activities of the project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation; and
- mandatory annual revisions that rephrase the delivery of agreed project inputs or increased expert or other costs due to inflation or taken into account agency expenditure flexibility.

SECTION II

RESULTS FRAMEWORK FOR THE GPAR XIENG KHUOANG PROJECT

Strengthening Public Administration for Poverty Reduction and Equitable Growth (2005-2009)

<p>Intended Outcome as stated in the Country Results Framework:</p> <ol style="list-style-type: none"> 1. Effective legal and policy framework for decentralised policy and management 2. Improved efficiency, effectiveness, accountability, and transparency in the civil service and in the delivery of public services
<p>Outcome indicator as stated in the Country Programme Results and Resources Framework</p> <ul style="list-style-type: none"> • Public administration reform for efficient, effective, responsive and pro-poor public services promoted • Capacities and partnerships developed of local governance actors in urban/rural areas for policy formulation, service delivery and resource management
<p>MYFF Service Lines: Service Line 2.6 Decentralization, Local governance and urban/rural development Service line 2.7 Public administration Reform and anticorruption</p>
<p>Partnership strategy The Project will be implemented by Xieng Khouang Provincial Authorities (Office of the Governor as well as other key stakeholders such as Offices of the District Chiefs of Muong Peak, Muong Khoun and Muong Nong Het; Provincial and District Committee of Organization and Personnel, Planning, Finance, Forestry and Agriculture. At the centre, government participation will include PACSA, MAF, MoF and the CPI.</p> <p>The project will be jointly funded by UNDP and the Swiss Agency for Development and Cooperation (SDC), with technical assistance provided by the Netherlands Development Organisation (SNV), an international NGO working in Lao PDR. The GPAR Xieng Khouang project will ensure good linkages with related projects in the province, especially the SDC-funded SADU and LEAP projects. As part of the GPAR programme, it will maintain continuous links and communications with GPAR Central and other GPAR pilots, especially those in Luang Prabang and Saravane Province</p>
<p>Project title and ID: GPAR Xieng Khouang – Strengthening Public Administration for Poverty Reduction and Equitable Growth.</p>
<p>Project outcome: Improved capacities of the local administration</p> <ul style="list-style-type: none"> - to respond to citizens' demand and needs, through improved information sharing and inclusive participatory planning and priority setting, thereby ensuring equal access to public services and decision-making for both women and men and all ethnic groups - to implement decisions and reach provincial and district objectives in a coordinated and cost-effective manner - to plan for future improvements in the public administration, in line with key governance principles

Intended Outputs	Output Targets (yrs)	Indicative Activities	Inputs
Local administration's ability increased to respond to citizens' and entrepreneurs' demand and needs			
<p>1.1. Information provided to citizens and local business about administrative reforms and opportunities for most effective use of various services</p> <p>Indicators:</p> <ul style="list-style-type: none"> - <i>village population have better understanding of government policies and budgets</i> - <i>Village meetings used as a vehicle for information sharing</i> - <i>Reporting on revenues and expenditures are regularly distributed to all administrative units and villages</i> - <i>District offices have regular access to relevant and accurate data and info from the province</i> 	<ul style="list-style-type: none"> ▪ Baseline study (2005) ▪ Provincial communication strategy (2005) ▪ Provincial website (2008) ▪ Study tour to Vietnam on Rural telecenters (2007) ▪ Citizen's Information Centres operational in one district 	<p>1.1.1 Baseline study on communication policy and implementation in the province</p> <p>1.1.2 Develop provincial PAR and decentralization communication strategy</p> <p>1.1.3 Feasibility study of Citizens Information Centres and launch of a pilot in Muong Paek (with ADB UDAA project)</p> <p>1.1.4 Support Paek district in piloting "village meetings" on the planning and budgeting process (as per Law on Local Administration) in selected urban villages</p> <p>1.1.5 Study tour to Cambodia on One Window Offices.</p> <p>1.1.6 Study tour to Vietnam on Rural Telecenters</p> <p>1.1.7 Implement ICT's (e.g. provincial government webpage) to increase service delivery awareness</p>	<ul style="list-style-type: none"> ▪ Short-term consultant (base-line study) ▪ Workshops – village meetings ▪ Study tours ▪ Website development (national consultant)
<p>1.2. Improved capacities (skills, processes, procedures and operational support) for conducting inclusive participatory planning in selected districts</p> <p>Indicators:</p> <ul style="list-style-type: none"> - <i>Staff of the district planning and agriculture offices carry out extension work and participatory planning, budgeting</i> - <i>Manuals and guidelines in support of local training programs in participatory planning</i> - <i>Training manuals for village authorities</i> - <i>Annual Village Development Plan (VDP) available</i> - <i>Consolidated kum ban plans available in sample number of kum ban</i> - <i>Equitable participation in decision-making by all citizens, regardless of gender and ethnicity</i> - <i>Data collection is gender disaggregated and sensitive to ethnicity</i> 	<ul style="list-style-type: none"> ▪ Concepts of Participatory planning and monitoring introduced and tested at the pilot districts. (2005) ▪ Guidelines for participatory planning, co-ordination and monitoring developed and applied (2005) ▪ Training programs and training manual for participatory planning developed (2006) ▪ Staff from pilot DAFOs trained (2006) ▪ Village development plans developed on the basis of participatory planning, co-ordination and monitoring guidelines, by at least 30% of the villages in the District, on an annual basis (2006) ▪ Kum ban development plans (2007) 	<p>1.2.1 Village survey of challenges to participatory planning and perceptions of agricultural service delivery</p> <p>1.2.2 Visit to GPAR UNV project (LP) to study use of participatory planning methods.</p> <p>1.2.3 Train provincial and district officials in participatory planning.</p> <p>1.2.4 Provide training of extension officers and other DAFO staff (with LEAP).</p> <p>1.2.5 Field test participatory planning processes focusing on agriculture</p> <p>1.2.6 Assess roles and responsibilities of village headmen.</p> <p>1.2.7 Improve training curricula for village authorities in pilot districts</p> <p>1.2.8 Support extension services in 30-50% of villages in pilot districts</p> <p>1.2.9 Pilot consolidation of VDP in at least 2 kum ban in each pilot district</p> <p>1.2.10 Study the impact of resettlement on service delivery and explore</p>	<ul style="list-style-type: none"> ▪ Resident Project Coordinator ▪ Short-term agricultural planning monitoring and evaluation advisor ▪ LEAP team ▪ Logistic support (extension/planning) ▪ Field assessments ▪ Workshops ▪ Village training manuals (to be consolidated by GPAR central) ▪ Study tours <p><i>The project will build on existing guidelines and tools already developed in Lao – e.g. under the UNCDF EDI project, the UNDP National Rural Development Project, the Poverty Reduction Fund (WB), GPAR LP and the new GPAR Saravan project. Some lessons can be learned from the SEPDEV project in Sekong.</i></p>

Intended Outputs	Output Targets (yrs)	Indicative Activities	Inputs
1.3. Conducive institutional environment for economic development created in the province Indicators: - - <i>Pilot one-stop shop available in Paek district to promote economic investment</i> - <i>Mixed task-force (public-private) meets regularly to discuss trade and investment problems and recommendations</i> - <i>Increase in economic investment in the province (starting with Paek district)</i> - <i>Farmers and economic operators are better informed of market opportunities</i> - <i>Number of visitors to pilot one-stop shop in Paek district</i>	<ul style="list-style-type: none"> ▪ Assessments carried out (2005-2006) ▪ Provincial staff trained in investment management (2006) ▪ Task force composed of public servants and economic operators to look into trade and market barriers (2006) ▪ A plan for promoting SME available (2007) ▪ Recommendations to review existing regulations related to trade and investment (2008) ▪ Process of granting licenses is standardised ▪ One-stop shop in Paek district (2007) 	<p>mechanisms to provide better services to remote villages</p> <ul style="list-style-type: none"> 1.3.1 Review roles and responsibilities related to trade and investment in the province 1.3.2 Assess regulations and practices related to internal and cross border trade and investment (especially Paek) 1.3.3 Provide training for selected staff on investment management 1.3.4 Study rural-urban linkages and address barriers to markets (with SADU) 1.3.5 Assess needs and opportunities of various business sectors 1.3.6 Organise workshops with economic operators to discuss findings of initial surveys and recommendations 1.3.7 Create public-private task force for strategic promotion of investment in the province 1.3.8 Feasibility study of "One-stop shops" in Paek District to provide Information to the public 	<ul style="list-style-type: none"> ▪ Short-term consultant investment management ▪ Short-term agricultural monitoring and evaluation advisor ▪ Org. development advisor ▪ Workshops ▪ Reports from SADU project
Local administration enabled to implement decisions and reach provincial and district objectives in a transparent, coordinated and cost-effective manner			
2.1. Clarification of roles and functions of offices involved in coordinating and managing the implementation of provincial and district plans Indicators: - <i>Division of responsibilities for coordinating rural development and poverty eradication clarified</i> - <i>Responsibilities for land management/land allocation clarified</i> - <i>OoG operates as a model office with clear delegation towards managers of line offices</i> - <i>Improved communication between OoG and district offices</i>	<ul style="list-style-type: none"> ▪ Office of the Governor operates as a model office (2008) ▪ Network established between OoG, Finance and Planning (2007) ▪ Expanded Network at provincial level (2009) 	<ul style="list-style-type: none"> 2.1.1 Analyse current coordination mechanisms and constraints in the province 2.1.2 Provide management, coordination, negotiation and communication skills training to staff of OoG and Planning 2.1.3 Review position of provincial Planning Offices and links to OoG 2.1.4 Identify and streamline responsibilities related to land management, rural development and poverty reduction policies 	<ul style="list-style-type: none"> ▪ Resident Project Coordinator ▪ Resident Org. Development Advisor ▪ Logistical support ▪ Workshops ▪ Training
2.2 Capacity increased for effective strategic	<ul style="list-style-type: none"> ▪ Annual consolidated plans piloted in the 	2.2.1 Train key government officials and	<ul style="list-style-type: none"> ▪ Short-term consultant project

Intended Outputs	Output Targets (yrs)	Indicative Activities	Inputs
<p>planning and priority setting at provincial and district levels</p> <p>Indicators:</p> <ul style="list-style-type: none"> - <i>Socio-economic data profiles are established and updated regularly</i> - <i>Sectoral offices able to assess Village and Kum Ban development plans and prepare comprehensive annual plans to secure budget allocations</i> 	<ul style="list-style-type: none"> ▪ pilot DAFOs and PAFO (2006) Comprehensive annual plans for the pilot districts to secure budget allocations (2008) ▪ Robust tools for assessing sectoral plans and transparent decision-making (2007) 	<p>political decision-makers in strategic planning</p> <p>2.2.2 Strengthen transparency in decision-making and priority setting with project approvals and matching plans/budgets</p> <p>2.2.3 Prepare training manual on project formulation and project management for staff at provincial and district level</p> <p>2.2.4 Provide training on project management, project formulation and monitoring</p> <p>2.2.5 Support DPC and others with the formulation of selected pilot projects (in support of income generating activities)</p>	<ul style="list-style-type: none"> ▪ management and strategic planning ▪ Training ▪ Workshops ▪ Short-term consultants to assist with project development (varia)
<p>2.3. Improved and transparent HRM to support productivity of civil servants</p> <p>Indicators:</p> <ul style="list-style-type: none"> - <i>transparent payroll management and related statistics available</i> - <i>HRM officers in the province and districts able to perform their functions</i> - <i>Performance appraisals conducted on a regular basis</i> - <i>Personnel management records well maintained</i> - <i>HRM Gender disaggregated data are available</i> - <i>DPACS and MoF well-informed of staff and staff movements in the Province</i> 	<ul style="list-style-type: none"> ▪ HRM strategic plan for the province ▪ Core group of HRM officers trained (2007+) in HR and data base management ▪ ICT plan for implementing a computerised PIMS in personnel department (s) in Xieng Khouang and links to central data base and payroll ▪ PIMS (Personnel Information Management System) established on pilot basis in province (2007) 	<p>2.3.1 Baseline study on personnel management practices and procedures in the province (including assessment of gender policies)</p> <p>2.3.2 Develop provincial/district HRM strategic / capacity development plan</p> <p>2.3.3 Streamline personnel and payroll management, including use of ICTs.</p> <p>2.3.4 Develop new performance appraisal system in pilot organizations (OoG, Finance, Agriculture, Planning)</p> <p>2.3.5 Conduct related training</p> <p>2.3.6 Prepare a gender mainstreaming strategy for the province</p>	<ul style="list-style-type: none"> ▪ National HRM advisor ▪ Short term TA ▪ Travel ▪ Workshops ▪ Study tours ▪ Training ▪ Equipment <p><i>Personnel Management Training Manual to be developed by PACSA / GPAR central</i></p>
<p>2.4. Efficient and effective organizational environments and productive working methods instituted in pilot offices, including use of Information and Communications Technologies (ICT)</p> <p>Indicators:</p> <ul style="list-style-type: none"> - <i>mission statements of provincial and district offices reflect clear delineation of functions</i> - <i>improved support/front office staffing</i> 	<ul style="list-style-type: none"> ▪ Methodology for functional reviews available and applied (2005) ▪ Functional analysis reports available for the pilot organizations ▪ Job descriptions developed and reviewed (2005+) ▪ Capacity development plans for pilot administrations available (2006+) ▪ Training manual and training provided on records management (2006) ▪ Annual statistics available for province (2006+) 	<p>2.4.1 Conduct functional analysis of pilot provincial and district offices</p> <p>2.4.2 Prepare job descriptions and staffing plans for pilot offices for discussion</p> <p>2.4.3 Procure essential office equipment in pilot offices</p> <p>2.4.4 Undertake training needs assessment and prepare capacity development plans for pilot offices</p> <p>2.4.5 Support office management procedures and processes in pilot offices (including training for administrative staff)</p>	<ul style="list-style-type: none"> ▪ Short-term consultant: records management ▪ Training and consultation workshops ▪ Office and Electronic Equipment (filing cabinets etc) ▪ Publications (statistics) ▪ Short-term consultancy (ICT strategy) ▪ Study tours

Intended Outputs	Output Targets (yrs)	Indicative Activities	Inputs
<ul style="list-style-type: none"> - ratios - district offices appropriately restructured - provincial and district budgets reflect a balance between salaries and operational costs - Better information and records management systems within the civil service 	<ul style="list-style-type: none"> ▪ ICT strategy for internal information sharing developed (2007) 	<ul style="list-style-type: none"> 2.4.6 Conduct baseline study on information management 2.4.7 Train provincial/district staff in records management techniques 2.4.8 Prepare ICT strategy for improved information management within OoG and between OoG and other provincial, district offices 2.4.9 Enable collection and annual publication of statistics on provincial administration and service delivery 	
<p>2.5. Sound financial management procedures and tools to support financial accountability and transparency in the provincial and district administration</p> <p>Indicators:</p> <ul style="list-style-type: none"> - Timely financial reporting - Increased number of financial audits - Audit recommendations are followed-up by provincial authorities - Salaries of civil servants are paid on a regular basis - Reduced gap between tax revenue projections and tax effectively collected - Population well informed of revenue collection laws and regulations 	<ul style="list-style-type: none"> ▪ Baseline study (2005) ▪ Detailed implementation plan for financial reforms (2005) ▪ Computerised National Accounting System (NAS) operational at provincial level and in pilot districts (2006) ▪ Tax gap analysis (2006) ▪ Awareness raising campaigns on revenue collection policies (2005) ▪ Equipment provided (2005+) ▪ Staff trained (2006+) 	<ul style="list-style-type: none"> 2.5.1 Baseline study of financial management practices and procedures 2.5.2 Streamlining processes/procedures for financial management 2.5.3 Implementation plan for improving financial management, including capacity building 2.5.4 Implement ICT strategy to improve financial management 2.5.5 Strengthen internal audit unit (equipment procedures, training of staff) 2.5.6 Awareness-raising about government revenue collection policies 2.5.7 Further implementation of NAS 	<ul style="list-style-type: none"> ▪ Resident Org. development advisor + National expert ▪ Study tours ▪ Workshops ▪ Training sessions ▪ Equipment for financial management and audit offices <p><i>In close collaboration with the Tax project (SIDA) and the Customs project (UNDP)</i></p>
<p>2.6. Procedures in place for allocating and managing government District Development Funds (DDF) or Village Development Funds (VDF)</p> <p>Indicators:</p> <ul style="list-style-type: none"> - Government contribution to VDF/DDF - Establishment of DDF 	<ul style="list-style-type: none"> ▪ Robust tools for allocating and monitoring DDFs in the province established ▪ Government funds allocated to Paek, Khoun and Nong Hed districts 	<ul style="list-style-type: none"> 2.6.1 Analyse experiences to date with DDFs/VDFs in other provinces 2.6.2 Collaborate with central CPC and Finance to prepare guidelines procedures and tools for implementing the VDF in one pilot district 2.6.3 Support provincial and central government in monitoring the implementation of the VDFs in Xieng Khouang province 	<ul style="list-style-type: none"> ▪ Study tour ▪ Workshops ▪ Org. development advisor (+ national expert) ▪ Government funding (DDF) required
<p>2.7. Capacity development strategy applied on a pilot basis in the Agriculture sector</p>	<ul style="list-style-type: none"> ▪ Job descriptions for functions of staff in extension and administration units developed (admin. and technical staff) 	<ul style="list-style-type: none"> 2.7.1 Carry out assessment of Agriculture staff (by joint Province/MAF team) 2.7.2 Develop training strategy and conduct 	<ul style="list-style-type: none"> ▪ Short-term agricultural planning, monitoring and evaluation advisor ▪ Org. development advisor (+ national)

Intended Outputs	Output Targets (yrs)	Indicative Activities	Inputs
<p>Indicators:</p> <ul style="list-style-type: none"> - pilot DAFOs (with selected staff from other sectors) able to conduct extension activities on a regular basis - PAFO and DAFO organizational structures revised in line with MAF strategic plan - Lessons learned from DAFO extension and participatory planning used for improving planning and budgeting process in the province - Reform process in MAF field offices well documented and shared with other sectors 	<ul style="list-style-type: none"> ▪ Assessment made of status of implementation of job descriptions, and Training strategies and plans developed (with LEAP) (2005) ▪ All DAFO technical staff in pilot districts trained in new extension processes, with specific technical up-grades (2007) ▪ Staff implement annual workplan in selected kum ban and expand to the bulk of villages (Yr 3). ▪ Effective reporting on progress and expenditures made by DAFO staff that will feed into subsequent annual planning ▪ DAFO structure reviewed to establish separate extension and administration units (with respective units of MAF and Province involved). (2006+) 	<p>training workshops, mentor staff work in the field, and carry out workshops to review progress (with LEAP).</p> <p>2.7.3 Workshops for DAFO staff on new extension methods and management processes</p> <p>2.7.4 Workshop to review current practices of work and staff management</p> <p>2.7.5 Identify implications for re-structuring, training, administrative procedures etc.</p> <p>2.7.6 Implement restructuring process including new job descriptions</p> <p>2.7.7 Document reform process in MAF and share experience with other sectors in the province (workshop)</p>	<ul style="list-style-type: none"> ▪ expert) ▪ Study tours ▪ Workshops ▪ Equipment
<p>Local and central authorities have improved capacities to monitor progress in service delivery and poverty eradication and to plan for future governance improvements</p>			
<p>3.1. Internal management systems established to improve project monitoring and evaluation</p> <p>Indicators:</p> <ul style="list-style-type: none"> - Regular monitoring and evaluation reports available - TPR meetings conducted on a regular basis - Mid-term and final evaluation conducted - Workplans regularly adjusted to respond to monitoring findings and recommendations 	<ul style="list-style-type: none"> ▪ Baseline survey carried out (2005) ▪ Robust monitoring and evaluation system established (2005+) ▪ Publications available (2006+) ▪ TPR meetings conducted (2005 +) ▪ Evaluations conducted (2006+) 	<p>3.1.1 Conduct baseline assessment of local administration (Ref 1.1.1)</p> <p>3.1.2 Training of selected technical staff and decision-makers in monitoring and evaluation techniques</p> <p>3.1.3 Document and analyse performance of local administration in comparison with performance indicators</p> <p>3.1.4 Organise regular TPR meetings with relevant government organizations and donors</p> <p>3.1.5 Organise mid-term and final evaluations of the project</p>	<ul style="list-style-type: none"> ▪ Resident Project coordinator ▪ Short-term monitoring and evaluation advisor ▪ Workshops ▪ Training ▪ Study tours ▪ Regular monitoring and technical backstopping ▪ Evaluation missions
<p>3.2. Clear process established for organising and utilizing feedback from the public on service delivery</p> <p>Indicators:</p> <ul style="list-style-type: none"> - Directives and procedures in place for people to express their views on quality of government services - DPC and OoG receive regular feedback 	<ul style="list-style-type: none"> ▪ Baseline study on current mechanisms for popular feedback on government services (2006) ▪ Study tour to learn from other experiences related to people's audit mechanisms (2006) ▪ Pilot testing people's audit mechanisms in Paek district (2007-2008) 	<p>3.2.1 Organise workshop to discuss findings of baseline report and prepare recommendations (Ref. 1.1.1)</p> <p>3.2.2 Organise study tour to Thailand or Philippines to study People's Audit experiences</p> <p>3.2.3 Make proposals for streamlining of selected processes and procedures for obtaining feedback for discussion with</p>	<ul style="list-style-type: none"> ▪ Short-term monitoring and evaluation advisor ▪ Study tours ▪ Workshops

Intended Outputs	Output Targets (yrs)	Indicative Activities	Inputs
<p><i>on people's perceptions of government service</i></p> <ul style="list-style-type: none"> - <i>Pilot experience with people auditing of service delivery implemented in Paek district</i> 		<p>relevant authorities</p> <p>3.2.4 Pilot test mechanism of people's audit in Paek district</p>	
<p>3.3. Provincial plan and strategy for future improvements in public administration and service delivery</p> <p>Indicators:</p> <ul style="list-style-type: none"> - <i>provincial vision and strategic plan available for future governance reforms</i> 	<ul style="list-style-type: none"> ▪ Workshops on vision and future strategy (2007+) ▪ Draft provincial strategy and plan for future reforms (2008) ▪ Final provincial plan (2009) ▪ Provincial Round Table on GPAR plan and strategy (2009) 	<p>3.3.1. Support OoG and provincial Change Management Coordination team with the draft Provincial GPAR Plan</p> <p>3.3.2. Organise consultation process within the province and with central government on Provincial GPAR strategic plan</p>	<ul style="list-style-type: none"> ▪ Project team ▪ Workshops/joint reviews/retreats ▪ Publication/communications
<p>3.4. Learning strategy established to replicate lessons learnt in the province and provide feedback to central level government to refine national policies</p> <p>Indicators:</p> <ul style="list-style-type: none"> - <i>Xieng Khouang province part of the GPAR Change Management network</i> - <i>Provincial and district authorities have gained better understanding of reform challenges and opportunities</i> - <i>Number of provincial workshops on reform process</i> - <i>Reports on GPAR Xieng Khouang reform process available</i> 	<ul style="list-style-type: none"> ▪ Change management team established in the province (2005) ▪ Study tours organised to learn from other reform experiences in country and in the neighbouring countries (2005+) ▪ Regular provincial conventions on reform initiatives, including an annual forum on agriculture (2006+) ▪ GPAR Knowledge corner in OoG (2006) ▪ Close two-way linkages established with the Government Change Management Team at central level of Government (2006+) 	<p>3.4.1. Raise awareness about governance and public sector reform policies of the government</p> <p>3.4.2. Create team of change management coordinators in selected offices</p> <p>3.4.3. Enable sharing of lessons learned within the province and learning from experiences of with other pilot provinces and neighbouring countries</p> <p>3.4.4. Organise regular provincial conventions on the provincial PAR program implementation</p> <p>3.4.5. Establish GPAR knowledge and resource corner in the OoG</p>	<ul style="list-style-type: none"> ▪ Project staff ▪ Workshops ▪ Study tours ▪ Publications
Project Support			
<p>4. Project support</p>	<ul style="list-style-type: none"> ▪ Project support team recruited ▪ Equipment/vehicle(s) procured ▪ Operations & maintenance costs covered 	<p>4.1 Establish project support team</p> <p>4.2 Procure equipment/vehicle(s)</p> <p>4.3 Operations and maintenance</p> <p>4.4 Provide selective English training</p> <p>4.5 Provide selective Lao language training for international staff</p>	<ul style="list-style-type: none"> ▪ Salaries ▪ Travel ▪ Equipment ▪ Office costs recurrent expenditure

SECTION III- Annexes

ANNEX 1: NEEDS AND OPPORTUNITY ASSESSMENT XIENG KHOUANG PROVINCE

July 2004

BACKGROUND

The Government of Lao PDR has identified Xieng Khouang as one of its priority future provincial GPAR pilot projects. Mr. Khammoune Viphongxay, Director-General, Department of Public Administration and Civil Service (DPACS and also National Project Director, GPAR II Central project) and Mr. Bryan Holford (Resident Process Advisor, GPAR II Central) met with senior officials from Xieng Khouang province from 14 to 16 June to outline the key Government priority initiatives relating to Governance and Public Administration Reform and to identify initial needs and opportunities for a future provincial GPAR pilot project.

A technical mission was conducted by officials from DPACS together with advisors from GPAR II Central project. The main objectives of this mission were to: gather information on key development indicators in selected provincial offices and 3 targeted district offices; and document the needs and opportunities in these offices, as outlined by the local officials.

This report has combined information obtained from both missions.

EXECUTIVE SUMMARY

Both missions to Xieng Khouang enjoyed strong support from the Governor and senior officials in the preparation and availability of information together with the discussion of issues relating to the needs of the Province and opportunities for future support.

The *key findings (and opportunities)* from these missions are:

- The Governor would like support for the restructuring of the Office of the Governor (to be used as a model office). The main difficulties are that there is still uncertainty about roles and responsibilities of individual officials; and working methods and systems. Job Descriptions have not provided any clarity about these roles. The Governor considers that there is sufficient staff but that they do not work effectively. Officials are not sure what they should be doing or how to do it better.
- The Governor would like to start changes with the Governor's Office and then expand to other Departments. There is a need to improve the knowledge (information about laws, regulations, procedures) and skills (e.g. data analysis and report writing skills). He considers that many staff are inappropriately assigned to positions (e.g. not a good fit between qualifications/work experience and job assigned to). He is willing to take actions such as merging smaller sections/offices, and reallocating duties.
- The Governor outlined plans to encourage resettlement, and a desire to link this to the project in some way. He said that at the moment villages are scattered, and they need to be brought together to provide services.
- The Governor sees resettlement as linked to the decentralization process – better services need to be provided closer to the people. He identified the need to make the system of *kum phattana sethakit sangkhom* work more effectively in this regard.
- Other priority areas of reform for the Office of the Governor include:
 - capacity building for staff, particularly those who will work directly with the project team;
 - short/long term training for those who might otherwise be retrenched through the restructuring process;
 - computer training (based on the assumption this is an area that will continue to grow in importance);
 - archiving – have a major problem across the Office with document management
 - training for village officials to ensure understanding of roles and responsibilities relating to the decentralization policy

- The Provincial Director of the Finance Department believes that:
 - the land/housing management function/s should be rationalized and not spread across several organizations (eg DoF, A&F and OOG).
 - for revenue collection to be effective the public needs to better understand the benefits; a communications strategy needs to be developed
- The Provincial Director of the Committee for Planning & Cooperation identified the following areas of project support:
 - English language – to enable them to understand English publications and translate same into Lao
 - Skills training in planning, monitoring and evaluation; and investment
 - Leadership training for the heads of office
- There have been difficulties with the Village Development Fund. No money has been received by the province (including the 10% (\$5,000) mobilization cost). It was mentioned that this was supposed to come from the central government. This 10% is intended to be used by the provincial DPC in setting up and training the Village Development Committee in at least 5 cluster of villages (kum bans) in each of these two (poorest districts – Khoune and Nong Het).
- One problem in the bottom up planning approach is the inability of many villages to prepare development plans. Remote villages simply do not have the capacity to do the work and this is compounded as well by the very low level of capacity of district planning offices to provide assistance to them.
- The Provincial Committee for Organization and Personnel (PCOP) identified their main HRD needs as:
 - English language
 - Governance (no clearer explanation available)
 - Leadership skills
 - Office Management.
- The Provincial Department of Agriculture and Forestry identified low levels of Planning and Monitoring & Evaluation skills. This deficiency impacts on the ability of the Department to provide quality advice and delivery of appropriate services to the communities. Other areas identified were:
 - Technical knowledge of agricultural promotion
 - English language skills
 - General project management skills (no systematic approach to managing projects/tasks)
 - Planning & Monitoring/Evaluation skills
- Within DAF there are some **overlaps of activities/functions**. Extension Units have similar roles to the District level staff. These functions need to be clarified. The number of staff at District level is insufficient. The Agricultural Promotion and Extension Service Units should be reviewed to rationalize services and reduce overlapping service delivery.
- At the District level the use of kum ban (kum phattana sethakhit sangkhom) is variable with no clear purpose or support to facilitate better development planning and monitoring of activities.
- Key areas for improvement in Paek District:
 - Investment planning: Until recently the province put together the investment plan, but in the last 2 years this has been delegated to the district, but lack of capacity at district level has made this very difficult. There has not been enough training etc.
 - Integrated planning: some projects relate to many sectors, but how can this be effectively coordinated?
 - Village planning: difficult to make plans at this level – by the time village chiefs are trained to do it they are replaced.
 - Methodology of planning and analysis of information: need training in this. Provided the example of international businessmen coming in and proposing that they grow a particular crop for the international market; how should they analyse this opportunity?
- Key challenges for Khoune District are:
 - Villagers lack the understanding concerning their tax obligations

- Villages are widely dispersed and remote and hence access is difficult
- 39 of the 90 villages are poor; the office cannot collect taxes from these villages
- the office lack staff to be deployed in collecting taxes; at present the district finance office has only 6 staff including one contractual staff

The offices visited lacked suitable resources and facilities to effectively undertake their work. Those organizations who have / are being supported by projects have suitable equipment although some at various stages of disrepair.

Senior provincial officials are planning to visit Luang Prabang provincial officials to discuss their experiences with the GPAR Luang Prabang project and to identify key strategies that they can replicate/modify to effectively support a provincial project in Xieng Khouang. This visit will be funded by GPAR II Central as part of its support to provincial projects.

INTRODUCTION

The main objectives of the mission were: to gather information on key development indicators in selected provincial offices and 3 targeted district offices; and to document the needs and opportunities in these offices, as outlined by the local officials

Information gathered during the initial high level mission on 15 and 16 June 2004 has been incorporated with this report, consolidating relevant information into one document.

MEETINGS AT PROVINCIAL LEVEL

Meeting with Governor

In attendance: Governor Sivone Yayongyia and senior members of the Office of the Governor.

The discussion included the possible structure of the Project Steering Committee. It was agreed that there should be an initial visit of a small senior group of officials to Luang Prabang province to discuss issues of setting up the Steering Committee, project management structure, use of project coordinators, issues to address in setting up a project. GPAR II Central agreed to fund this visit, which will be undertaken after the technical mission (21 – 25 June) but before the project formulation mission (in late July).

Priority Areas of Project support

The **three Districts** which could be used as pilot office sites are:

- Paek (Capital City District – urban and rural village areas)
- Koun* (rural District about 30 kms from Phonesavanh)
- Nong Het* (remote rural District about 140 kms from Phonesavanh)

* *Koun and Nong Het are among the 47 poorest Districts (as defined by the NGPES)*

The Governor would like support for the restructuring of the Office of the Governor (to be used as a model office). The main difficulties are that there is still uncertainty about roles and responsibilities of individual officials; and working methods and systems. Job Descriptions have not provided any clarity about these roles. The Governor considers that there is sufficient staff but that they do not work effectively. Officials are not sure what they should be doing or how to do it better.

The Governor would like to start changes with the Governor's Office and then expand to other Departments. There is a need to improve the knowledge (information about laws, regulations, procedures) and skills (e.g. data analysis and report writing skills). He considers that many staff are inappropriately assigned to positions (e.g. not a good fit between qualifications/work experience and job assigned to). He is willing to take actions such as merging smaller sections/offices, and reallocating duties.

The Governor added that for the project it would be important to select national government counterparts who are appropriate (and active) to support the work of the project team members.

He mentioned plans to encourage resettlement, and a desire to link this to the project in some way. He said that at the moment villages are scattered, and they need to be brought together to provide services. He spoke of a particular problem in Nong Het, where there is not sufficient land suitable for rice cultivation to offer those being resettled – there is a need to find other options.

The Governor sees resettlement as linked to the decentralization process – better services need to be provided closer to the people. He spoke of wanting to make the system of *Kum Phattana Sethakit Sangkhom* work more effectively in this regard.

Meeting with other representatives from the Office of the Governor

In attendance: Chief and Deputy Chief of the Governor’s Office, and Deputy Head of Provincial Committee for Organization and Personnel.

The representatives confirmed that there is confusion about roles within the Office. Their focus is very much on restructuring of their office, ahead of any other possible activities. They presented their plan for reallocation of staff in 2005. This will be a very useful document for the pilot project when looking at restructuring of the Office, as already recommendations have been put forward regarding sections which require more or less staff, as well as providing descriptions of the function of each section. They are keen to go through this process in conjunction with the project, and happy to have their current plans altered as a result of project input.

There are currently 7 staff they have identified as not having sufficient qualifications/training to meet the requirements of their role in the Office from 2005 onwards. But there are no plans to retrain these workers, rather they would be looking to retrain them.

The Office is currently structured along the following lines:

Structure and Staffing Level of the Governor’s Office

The Governor’s Office (also called as Cabinet) is headed by a Chief of Cabinet. He is assisted by five (5) deputy chiefs. There are five sections of the office, each one is headed by a deputy chief. The five sections are the following: Administrative Affairs; Economics and Culture; Environment and Public Administration; Tourism; and Rural Development

The Administrative Affairs Section has 3 units, namely Finance; Archives, and Protocol. The Environment and Public Administration Section is divided into two units: Environment and Public Administration. The office spaces of these two units are physically separate—one is located at the ground floor and the other is located on the second floor. Their functions are totally unrelated. They only share the same head of office, the deputy chief for said section.

The mission team was not able to get all the functions of the OoG. Only the Public Administration Unit provided an account of their functions. These are as follows:

- Civil registry and other demographic statistics – collection/collation of statistics on the number of population, number of people who transfer from one village/district to another (in-migration), births, deaths, marriages involving foreign partners. These statistics are submitted by the districts.
- Training of village chiefs- organization of training for village chiefs at the provincial NOSP. This function is not carried out for the past two or more years because of financial constraints. For this fiscal year, the unit plans to organize training on budgeting for the village chiefs.
- District boundary conflict resolution- settling of boundary disputes between districts; if the conflict is too complicated, this function is referred to higher provincial authorities (e.g. Governor), and if the province fails to resolve this problem, DPACS is called in to participate in the mediation.
- Administrative support functions- daily office management including finance.

Concerning staffing levels, the OoG has 54 personnel:

▪ Chief of Cabinet		1
▪ Deputy Chiefs for each section	5	
▪ Administrative Affairs section		22
▪ Economics and Culture section	3	

▪ Environment and Public Administration section	12	
▪ Tourism section		5
▪ Rural Development section	3	
▪ Drug control* (directly under one Vice Governor)	4	

Observation: At the moment the Office has 5 deputies, but their plan for 2005 only has 3 deputy roles. There was some confusion when discussing sections which come officially under the Office of the Governor, and those which are just attached and which therefore don't appear in the 2005 chart (e.g. Sport, Tourism). At the moment they plan to confirm some sections as attached to the Office rather directly under the Office, and deal with the problem in this way. This is an issue the project will need to address directly, as it may just be avoiding a problem that would be better dealt with by restructuring.

There was also discussion regarding the Political Affairs Committee (in English could also be called the Grassroots Development Committee, and used to be the Rural Development Committee). It has 3 members, including one of the Vice-Governors. They are not sure what the future of the Committee will be under a restructured Office (Note: Interview with the Director of the Department of Agriculture and Forestry in the province claimed that the RDC has nothing to do with rural development functions; instead, it functions as a political arm of the province).

There was some discussion regarding ethnic groups. They were happy for Cooperation and Planning to provide us with the population figures, but were not comfortable discussing cultural characteristics. There was a comment that everyone needs to be treated equally, regardless of ethnic background.

The mission raised the example of using radio in local languages to promote the reform process to populations that don't have high literacy rates and have a tradition of aural/oral communication (along the lines of what has been happening in Luang Prabang). Currently there is a provincial radio station that does have programs in Khmu and H'mong, but it is not possible to receive in many parts of the province, and lack of electricity is also potentially a problem. Would be worth discussion effective communication with ethnic minorities while in Luang Prabang.

Other than the major restructuring outlined above, other priority areas of reform for the Office of the Governor (as outlined by the officials at the meeting) include:

- capacity building for staff, particularly those who will work directly with the project team;
- short/long term training for those who might otherwise be retrenched through the restructuring process;
- computer training (based on the assumption this is an area that will continue to grow in importance);
- archiving – have a major problem across the Office with document management.

They said that they have good training venues, but not training resources and delivery capacity.

We visited a number of the offices in the Governor's Office compound:

Office of the State Party Inspection (horizontal office): have one photocopier which rarely works, a functioning fax/phone, and a working typewriter, plus a safe.

PCOP: Have a 'newish' computer; they use it for Word and Excel. They collate statistics on issues such as the number of civil servants in the province; this information includes names and brief history (we didn't see evidence of the information). They only have one computer, and none of this information is backed up. Two staff in PCOP can use Word and Excel. They have no filing cabinets, and no apparent file management system (files piled in cupboards).

Civil Service Management/HRD Office: 3 staff with one trained in IT but no computer to use. They keep payroll sheets, but there was no apparent archiving/information management system.

Meeting with the Ad Hoc Committee for Project Preparation

In attendance: Mr. Vienghanome Phommachanh, Provincial Deputy Governor and other committee representatives.

This committee comprises 11 senior Xieng Khouang government officials. See Annex 3 for details of membership, officially enacted by the Governor. They see the forming of the committee as acknowledgement of the need to provide strong support for PAR in the province. It is from this committee that the representatives to go to Luang Prabang in July will be selected.

They repeated points that had been made by the Governor earlier:

- that the province has a significant problem in relation to the capacity of civil servants (and a shortage as well);
- staff lack the capacity to take on new roles if reorganization takes place, and this will need to be taken into account.

Should GPAR II/PACSA require further information to finalise this report, this committee is the contact point.

Meeting with Provincial Office of Public Administration

In attendance: Mr. Sithone, Head of the Office.

The office has since last October had 4 staff. Before that it wasn't staffed at all for some time. There are 4 units:

1. Citizen Management: Mainly statistics on issues such as number of villages, families, marriages involving a foreigner (provision of approval), births and deaths. Cooperate closely with District Planning and Cooperation offices, and Security. Actual evidence of births, deaths and marriages is held at the village level. (1 staff)
2. Village Education: each year look at which village chiefs need training in areas such as budget, make a plan and coordinate the activity. But since 2002 there has been no training, because of lack of both staff and budget. For example, only 10 million kip was allocated to train all the village chiefs in the province on budget management. (1 staff, currently the Director, Mr. Sithone)
3. District Boundaries: Settling district boundary disputes. (1 staff)
4. Administration Support: includes finance. (1 staff)

Mr. Sithone believes that they need 8 staff in total to function effectively. This would include:

- 1 deputy director
- 1 more staff member in Village Education, District Boundaries and Admin. Support respectively

There was brief discussion regarding the fact that any project will not make changes to the total number of civil servants in the province, and that the changes will have to be in how the existing numbers can be better organized and trained.

Mr. Sithone mentioned that training is required in the following areas in particular:

- English language
- Computer skills (although they currently have no computers)
- The technical skills and knowledge required to do their job well

The main difficulties they face include:

- All their tables, chairs etc. are borrowed from other offices; they even have to borrow a typewriter when they need to produce a letter or formal document
- They have virtually no budget
- There is confusion about functional responsibilities of provincial and district offices, and district offices are generally very understaffed.

Meeting with Provincial Department of Finance (In attendance: Head of Department Mr. Bounthonh Chanthanome, and eight of his team)

Staffing Level	
Province	Total Staff (Female)
Administration	5 (2)
Budget	4 (3)
Audit	4 (1)
Treasury	8 (4)
Customs	21 (1)
Tax	9 (1)
Land/housing	7 (2)
State Property	8 (1)
TOTAL	66 (15)
District	
Pek	15 (6)
Kham	7 (1)
Nong Het	6 (0)
Phoukout	4 (1)
Khoun	7 (1)
Phaxay	3 (0)
Mok Mai	2 (0)
TOTAL	44 (9)

There are also 2 Directors and 2 Deputy Directors and 50 contract staff (including 20 women). Their qualifications: 2 Graduates (Bachelor Degree); 4 with Higher Study; 139 Mid-Level; 15 Low Level; and 3 Common staff (No qualifications).

Budget: Xieng Khouang is a **deficit** Province. It does not have any significant Industry or services. In the most recent financial year, the gap between revenue and budget was 73%; this gap was made up by the central government. The main revenue sources are Import taxes (approx. 50%) and the Interior (Business) tax.

The following financial statistics were provided by the Finance Department:

Amount and Sources of Revenues for the Province, 2001-2004

Revenue Sources	2001-2002	2002-2003	2003-2004 (8 mos)
1. Tax (Business?)	817,532,000	800,000,000	533,316,000
2. Customs	728,424,000	790,447,000	590,178,000
3. Land/House tax	45,428,000	66,748,000	41,943,000
4. Properties (?)	108,793,000	120,904,000	49,601,000
5. Income for selling timber	872,000	265,367,000	18,255,000
Total	1,701,049,000	2,043,466,000	1,233,293,000

Expenditures, 2001-2004

Budget Item	2001-2002	2002-2003	2003-2004 (8 months)
1. Salaries	1,940,277,000	1,898,741,000	1,248,202,000
2. recurrent costs	624,800,000	391,429,000	243,662,000
3. projects/services	430,037,000	807,056,000	524,928,000
4. capital outlays	2,396,013,000	1,703,984,000	262,195,000
5. contingencies	46,000,000	41,000,000	4,223,000
Total	5,437,127,000	4,844,063,000	2,283,210,000

The **real needs** of the DoF reflect the priority needs of the GoL: Need to have better participation of people to enhance revenue collection; Strong compliance with the Rule of Law; and Sound financial management

The Director believes that the land/housing management function/s should be rationalized and not spread across several organizations (eg DoF, A&F and OOG).

When asked about the National Accounting System, they said that they are already implementing it. But it wasn't clear if this was referring to the most recently developed system. It was suggested that the mission visiting Luang Prabang next month should talk to LP about their experience with the new system.

When asked for possible solutions to the revenue generation problem, the Head mentioned the following: investment in export products; and incentives for companies to produce goods in XK e.g. tax relief.

He believes that livestock production, mining and tourism are all potentially strong areas of growth. It needs to be remembered that 24-hour electricity has only just started in the capital, and the phone and road system are also improving rapidly; the environment is becoming more suitable for business development.

At the moment there is no specific provincial policy regarding encouraging investment; they follow national guidelines. Generally revenue is increasing but the required budget is increasing even faster. However, revenue this year is not up to the target, as construction has fallen off due to a drop in centrally funded building.

There was brief discussion about how the Sida project in the Tax Department in the central Ministry of Finance might pilot some reforms in XK; this is something to consider for the future.

They are also interested in the issue of Land Titling, but this hasn't yet reached XK.

There was also brief discussion regarding the Salavan project model, specifically the block grant to district level. They are interested in the idea, but it would involve a significant commitment in training support and resources.

The Department currently has approx. 160 staff, but believes this is not enough; Mr. Bounthon (Director of department) said that they need 50 more staff to operate effectively, but there was no indication of how this number had been arrived at. After direct questioning on the matter he said that he does not want restructuring of the Department, rather more staff and capacity building of existing staff. It was pointed out that it will be necessary to look at functions, systems and processes first and consider resources later.

Detailed information was provided on the Customs Unit as well.

It was stated that none of the district finance offices have computers (although in Paek district the next day a functioning computer was seen) Mr. Bounthon made the point that for revenue collection to be effective the public needs to better understand the benefits; a communications strategy needs to be developed. On a walking tour around the Finance department building (an impressive, fairly new 2-story construction) the following observations were made:

- *Admin. and Personnel division:* 1 computer and 1 typewriter
- *Budget division:* as above, with no filing cabinets in which to store information
- A good-sized meeting room, able to take up to 80-100 people for training (only bench seating)
- *Treasury:* photocopier (being repaired) and 1 computer. Has a safe – they keep up to 10million kip before banking, and have one guard inside (with a bed next to the safe so he can sleep the night) and one outside
- *Customs:* 1 working computer. Having problems running the national system because of a problem with the password; someone from central ministry should be coming soon to fix the problem. They have a two way radio which they use to communicate with boarder posts regularly throughout the day.
- *Taxation:* 1 computer

All offices have clear signs in English and Lao. Generally gave the impression of being well organized.

Meeting with the Department of Planning and Cooperation

In attendance: Mr. Douangchit Xayvang, Director; Dr. Maily Khamphoukdouangkeo, Deputy Director and Mr. Wanxay, Deputy Director

On Organization and Staffing

The officials are satisfied with their existing organizational structure which is prescribed by their central office.

On staffing, they think that they need additional 19 staff at the provincial office and 4 or 5 more staff for each district office. They also mentioned that they have some problems on planning and monitoring functions as well as on coordinating with provincial offices because of staffing constraints.

Staffing at Province level: - 14 staff (including 2 Contract staff)

Qualifications: 1 Doctor; 6 Graduates (Bachelor Degree); 2 with Higher Study; 3 Mid-Level; 1 Vocational level

Organizational Structure: There are 5 Sections: Planning & Evaluation; Investment Management; Cooperation with all Investments; Statistics; and Administration & Organization (including Finance)

Possible Areas for Project Assistance

The officials mentioned that if the Project could help, they want assistance in the following areas:

- English language – to enable them to understand English publications and translate same into Lao
- Skills training in planning, monitoring and evaluation and investment
- Leadership training for the head of office

On the Village Development Fund

Two districts, Khoune and Nong Het, are in the 47 poorest districts of the country. In principle, a Village Development Fund amounting to \$50,000 has been established in each of these two districts. To date however, not a single cent has been received by the province. Even the 10% (\$5,000) mobilization cost has not arrived yet. It was mentioned that this was supposed to come from the central government. This 10% is intended to be used by the provincial DPC in setting up and training the Village Development Committee in at least 5 cluster of villages (kum bans) in each of these two districts. Each Committee is to be made up of 5-7 members. It will manage the Village Development Fund. Villagers who would like to avail of this fund will have to submit their project proposals to the Committee.

On Socio-Economic Development Planning

Existing Planning System

The provincial DPC follows the planning process set by the central government. This is supposed to be a combination of top-down and bottom up planning approach. The national government determines the priority development areas or thrusts for local administrations (villages, districts, provinces) to follow in preparing their respective development plans. Through the planning and cooperation offices at the local levels, village development plans are consolidated into district development plans and district plans into provincial development plans and finally into the national development plan.

One problem in the bottom up planning approach is the inability of many villages to prepare development plans. Remote villages simply do not have the capacity to do the work and this is compounded as well by the very low level of capacity of district planning offices to provide assistance to them. It was mentioned though that in the past, DPC used to train these villages in development plan preparation. Due to financial constraints, this training activity died a natural death.

On the Role of the Ministry of Agriculture and Forestry in Rural Development Planning

The Agriculture and Forestry Department collects information on poverty and then it prepares rural development plan for agriculture and forestry sector which includes land use allocation.

On the Prioritization of Planned Development Projects

The prioritization of planned development projects is based on the criteria or priorities set by the central government. These priority areas are the following: agriculture, industry and services. Priority projects are decided by the Governor, Vice-Governors, representative from the Party and the Director of DPC in a meeting.

On the Need to Improve the Current Investment Planning System

It was mentioned that the current investment planning system can be improved by encouraging people's participation in the process. On the periphery, it was suggested that more capable staff are needed as well as office tools like computers.

On the Need to Improve Monitoring of Investments in the Province

The officials believe that monitoring of investments needs improvement and that the solution to this is to improve the capacity of the staff in charge of monitoring. Further, there is a need for additional staff in the monitoring work.

Meeting with the Department of Agriculture and Forestry

In attendance: Mr. Beuasone Daravong, Director of DAFO, NCMI II Project Coordinator, FLSP Project Coordinator

Role and Functions

- Provide technical assistance for production at grassroots level;
- Consider local factors when providing technical assistance

Organizational Structure: There is a Director and 2 Deputy Directors. There are 5 main operational Sections: Planting/Cropping; Livestock Fisheries; Irrigation; Forestry; and Meteorology. There is also a Support Division, which includes Organization & Personnel Unit and the Agricultural Promotion Unit.

There are several stations: Animal production Unit (Large animals); Goat raising; Planting and Fisheries (Phoukout); and Agricultural Mission (La Sem – which contains 20 tractors)

External donor-funded projects support

- IFAD (largest project)
- NCMI II
- XLFP
- LEAF
- Consortium
- IRRI
- SADU
- PRONE
- CIAT

Staffing Level

There are 198 staff - 97 (or 47%) at Province level and 101 (or 53%) at District level. Ideally this ratio should be 30% at Province level and 70% at District level. Of these 198 staff, 25 are women. Additionally there are 37 contract staff.

District Offices	Total Staff
Pek	19
Kham	23
Nong Het	25
Phoukout	9
Khoun	12
Phaxay	6
Mok Mai	7
TOTAL	101

An analysis of the staffing profile shows that 87% of staff are under age 45 and 41% are under 30 years of age. – displaying a relatively young work force. 7 staff will retire in 2004.

Most Provincial-based staff do not want to move to the District offices because of the poor health, education facilities. The education level of District people is relatively low and not suitable for training as technical officers.

Qualifications: 1 Doctor; 1 Masters; 18 Graduates (Bachelor Degree); 77 with Higher Study; 96 Mid-Level; 20 Low Level; 5 Common staff (No qualifications)

On Organization and Staffing

One of the emerging needs of the provincial DAF is organizational restructuring. The director plans to transfer the Agriculture Extension Unit to the districts. He believes that agriculture extension services should be delivered by the district offices and not the provincial office. Staff skills – Director believes that the existing staff can provide adequate technical support to local communities although they have limited understanding of advanced technology.

Concerning staffing, he plans to redeploy some provincial staff from the provincial office to the district offices. He admits that generally, staff have low capacity to perform their work and thus they need to be further trained and developed.

The Director does not fully understand the objectives of the proposed project at this stage so cannot comment on how the project could support the DAF. He would like to set up a Agriculture Promotion Office at the local level where irrigation systems exist.

The Northern Community Managed Irrigation (NCMI) Project

This is one of the foreign-funded projects in which the provincial DAF is involved. Phase I of the Project covered the years 1997-2003. Phase II is from 2004-2010. Phase I was funded by a loan from ADB (\$12M for 5 provinces including Xieng Khouang); \$3M grant from OPEC, and \$2M counterpart from the GOL.

This project has 4 objectives/components:

1. Community development
2. Institutional strengthening of agricultural agencies from central to district levels
3. Participatory irrigation construction
4. Agriculture development

The project has 13 staff, 4 are provincial DAF staff and the rest are contractual staff. The project (Phase I) covered 4 districts namely, Paek, Kham, Khoun and Phaxay. Phase II will cover 2 districts only : Khoun and Kham.

Among the project activities in the covered districts are the construction of small-scale irrigation and access roads, agriculture promotion like piloting of new plant varieties, fish-raising in rice fields and multiple cropping.

On institutional strengthening, the activities were organization of training and study tours for the water user groups (these groups are the beneficiaries of the irrigation system). The training normally focuses on planting techniques and management of the irrigation system.

[While institutional strengthening is one logical area where the future GPAR Xieng Khouang pilot project could provide assistance, the focus should not be on the water user groups themselves but on the institutional strengthening of local administration instrumentalities like the DAFO which is responsible for the coordination of donor-funded development projects in its area.]

There is a problem on the sustainability of their infrastructure projects. The interviewer said that prior to the construction of infrastructures; they conduct dialogues with the villages. At the early phase the villages are active but later on, they do not cooperate anymore. Hence, operation and maintenance of infrastructures is not sustained.

Forage and Livestock Systems Project (FLSP)

FLSP has a total funding of \$1.2M from AusAID. This project is implemented through the International Center for Tropical Agriculture. Phase I of the project covers 2001-2005 while phase II will cover 2005-2007. Phase II will be funded by ADB. This project is implemented in two provinces, Xieng Khouang and Luang Prabang. In Xieng Khouang, 3 districts are covered by the project: Nong Het, Paek and Khoun.

There are 14 project staff, two of whom are sourced from the provincial DAF. The FLSP was formulated by International Center for Tropical Agriculture and the National Agriculture and Forestry Research Institute of the Ministry of Agriculture and Forestry. This project was conceived as a strategy to prevent the practice of shifting cultivation or slash and burn in the two provinces.

The objectives/components of FLSP are the following:

- Identification/cultivation of best types of animal feeds (forage)
- Capacity building for livestock staff of the DAFO in terms of agricultural production techniques
- Natural resource management- prevention of soil erosion (environmental protection)

Meeting with International Fund for Agricultural Development - IFAD

In attendance: Dr Bounphone – NPD

Phase I – 1992 – 1998

Phase II – 1999 – 2005

IFAD project has 3 main objectives:

1. Improve living conditions
2. Provide basic infrastructure
3. Opium eradication and improved farming practices

The main activities for the *IFAD* project are:

- Agricultural improvement (Livestock production)
- Rural road construction
- Gender
- Detoxification for Opium Addicts
- Rural Credit & Agricultural Promotion Bank

IFAD supports all 7 Districts although it does not work in all Villages in each District. It uses 7 criteria for selecting target villages. The main focus is on villages with more than 50% of households which are considered poor.

Funding - The funding for IFAD comes from 3 main donors

IFAD	\$6.3 million loan
UNODC	\$900,000 grant
Japan Government	\$490,000 grant (used for Women and Development activities)

The project also receives support from ICRAP – a Manila-based NGO specializing in Tropical Agriculture.

The Implementation Approaches set up by IFAD

- Provincial Project Management Unit (PPMU) set up at the DAF office at Province level.
- District Project Management Unit (DPMU) set up at the DAF Unit at District level. The DPMU consists of Deputy Chief of District (Chair), Agriculture & Forestry Unit head (Vice-Chair), Finance Unit head (Vice-Chair). There are 10 technical support staff (funded by IFAD) set up in each District Office (this includes one representative from the Lao Women's Union in the Support Team).

The project focuses on Capacity Building and production improvements training for staff. Work undertaken by the project includes baseline studies (poverty indicators), and impact assessment studies.

Coordination with other donor-funded projects in the Province. There is no formal coordination with other projects although they are each aware of the scope of each others' project activities (good informal network).

Areas for improvements: Capacity building for staff. There are low levels of Planning and Monitoring & Evaluation skills. It was noted that the Central level guidelines/Instructions are clear. The NPD advised that the sustainability of the project is not good. The key issues/development needs (for the senior staff) are:

- Technical knowledge of agricultural promotion
- English language skills
- General project management skills (no systematic approach to managing projects/tasks)
- Planning & Monitoring/Evaluation skills

Within DAF there are some **overlaps of activities/functions**. Extension Units have similar roles to the District level staff. These functions need to be clarified. The number of staff at District level is insufficient. The Agricultural Promotion and Extension Service Units should be reviewed to rationalize services and reduce overlapping service delivery.

Meeting with the Provincial Committee for Organization and Personnel.

In attendance: Mr. Khampian Sineuanthong, Director of PCOP

The main tasks of the Committee are:

1. Civil Service Management: in particular dealing with transfers, appointments and rotations of high-ranking officials, a time-consuming process;
2. Political affairs;
3. HRD for civil servants: something which they don't have much experience in, and where they are looking for advice, support.

They also have a responsibility to study the possibility of merging and reorganising departments and offices, in conjunction with DPACS and CCOP. They basically follow the guidelines provided by the central agencies. Examples include researching requests to set up a mass organization group at district level, looking at overlap of functions.

Regarding the possibility of taking on provincial responsibility for the national database, they currently have nobody with the capacity to do this.

As mentioned above, very keen to develop their HRD planning and delivery capacity. The following are what PCOP sees as the HRD priorities for the province:

- English language
- Governance (no clearer explanation available)
- Leadership skills
- Office Management.

Collaboration on this front between DPACS and all the GPAR projects was discussed, and seen as a very positive direction to take.

Meeting with Provincial Department of Education

In attendance: Mr. Wang Lia, Deputy Director of Department of Education, and other Department representatives

The main education-related problems facing the 3 selected districts are as follows:

Paek: doesn't have enough schools for the number of students.

Nong Het: very mountainous, there are 40 villages where there are schools but no teachers, as the teachers don't want to go there. The great distance between villages often means that children can't walk to another school if their school is closed.

Khoun: remote villages, and very crowded classes (up to 80 students).

Generally there are many unqualified teachers, as no graduating teachers are coming to XK, even those who have gone from XK to study in Vientiane. The only pool for recruitment is the Teacher Training Centre in Phonsavan, and this isn't sufficient.

In terms of provincial project activity, UNICEF is involved in a project to support cluster village schools – UNICEF provides the teacher training and the ADB is giving soft loans for the building of schools located in the centre of a group of villages. This project operates in Khoun and Paek, plus 2 other districts.

A number of other rural development projects have non-formal educational components, and these can lift literacy rates and get people back into formal education.

Mr. Singthavone mentioned a project focusing on increasing educational opportunities for girls from minority ethnic groups, supported by the ADB and taking place in Nong Het and Khoune. The department representatives didn't know much about it.

They don't see the education department as requiring restructuring, as it follows national structures. But something needs to be done to change the common practice of recruiting untrained people and placing them into positions with no training.

Another problem is that qualified staff are 'poached' by other departments.

This year they were provided with a quota from the centre to recruit 35 additional contract staff. In addition, the province recruited another 42 contractuales. But across the province there are still 55 schools closed because there are not sufficient teachers.

Meeting with the Provincial Department of Health

In attendance: Ms. Vininda, Chief of Statistics Section

Evidently there is an international project that is providing in-service training for doctors and nurses every 3 months.

There are 43 doctors and 343 nurses in the province

MEETINGS AT DISTRICT LEVEL

The Provincial Cabinet identified three Districts to participate in the discussions. These were:

- s

Meeting with Paek District Head

In attendance: The Head of District, Mr Thongsy Sai Tha La, and other District office officials.

District Profile:

113 Villages comprising: 21 Urban
 78 Rural
 14 Rural remote

Of these, 2 villages are inaccessible by road.

Poverty levels:

7 Villages are rated as poor. 3,760 people are considered poor. The population census is due to be carried out in September 2004 however based on the 2003 figures the population is 65,833 (including 32, 871 women). The ethnicity data is:

Ethnicity	Male	Female	TOTAL
Lao Loum	20,060	20,640	40,700
H'mong	11,919	11,316	23,235
Khmu	983	915	1898
TOTAL	32,962	32,871	65,833

The 3 main employment sectors are:

- *Service Industry* – linked to industry and handicraft. Province would like to develop as a Tourism destination (Plain of Jars). There is one light metal manufacturer, a drinking water manufacturer and one fruit juice concentrate producer/manufacturer.
- *Large animal raising* – 40 villages are involved in raising large animals (for beef production). This industry was established with support from Russia and Mongolia. A Cow Bank has been established by the IFAD project and 600 hectares have been allocated for the Cow Bank. A total of 6,000 hectares is used for large animal raising.
- *Fruit tree production* – 57 villages have fruit tree production including: Plum; Cherry and Passionfruit.

Feasibility studies are being conducted to assess the potential for grape growing (being undertaken by a French company). 40 hectares will be planted as part of a trial with a future plan to allocate 4,000 hectares for grape growing. The District is trying to identify improved varieties of crops (faster maturation, increased yields) to enable production yields to be increased.

Funding for Agricultural Diversity

Limited funds are available for farmers to buy/try new types of crops. Loans from Government Banks are limited to 3,000,000 kip with interest rates at 8% per annum. Funds available through IFAD are higher however these interest rates range from 20 – 24% per annum depending on the type of crop and associated risk.

Part of the Paek District Business Plan is to allocate 300 hectares for passionfruit production. The marketing of products is also difficult as there is no stable market price for goods.

Village Planning

It is proposed to have 1 kum ban = 1 product, however this has not yet taken place. The District is setting up a Committee to manage the clusters (kum ban). The Committee will consist of:

- Vice-Governor (District) as Chair
- Planning Head
- Finance Head
- Commerce
- Agricultural Units

Villagers currently contribute to a Village Development Fund (VDF). These Funds are limited to individual villages (not kum ban). In the future when the villages are strong enough (financially and organizationally) they can work together as a kum ban.

When asked what he would identify as priority reforms, Mr. Thongsy (Head of District) said that getting sufficient staff at the district level (as opposed to provincial and central) is a real problem. The functions of the district office are broad, but they can't perform all the functions.

He believes that the functions themselves need to be better defined. Confusion in this area has led to problems with the development of job descriptions.

Document management, particularly between district and provincial level, is disorganised. Perhaps a study tour to a province where this is managed well would be helpful.

Also have a planning problem at district level. The plans exist, but they don't correspond with what can be implemented. Lack of qualified staff is one problem, and poor coordination between district and villages is another. People see plans as just a piece of paper, rather than something that helps in the delivery of better services to the community.

Regarding the plans for poverty reduction, there is confusion as to which office should be responsible for it.

Technical staff struggle to bring about change. For example, when new and better seeds are available, people are often afraid to use them, but the technical staff don't know how to win them over to the new product. Mr. Thongsy mentioned Ha Sai Fong district in Vientiane province as having been very successful on this front.

He also mentioned the challenge of how to effectively use natural resources such as the forests and water. People are scared to borrow money because of the high interest rates. Lower interest rates would generate more economic activity.

There have been businessmen from Thailand and Europe coming to the district, encouraging people to grow products such as artichokes and black ginger, promising great returns but signing no contracts. The bottom has fallen out of these markets and people have lost money.

They are trying to effectively collect revenue in all 113 villages, but they don't have enough staff to do the job as well as they would like.

Capacity development is also important, but very little can happen at the moment, with only one staff member responsible for Personnel at the district level.

Meeting with Paek District Office Officials and Paek DCOP

In attendance: Ms Khamvone Sou Vanh Thong, Chief of DCOP and technical staff

The written response to the questionnaire had almost been completed, as would be available for collection before the end of the week.

Officials expressed the view that the structure of the district office needs to be improved.

The district office has 3 units, but it proved very difficult to confirm the number of staff, despite the fact we were only discussing a small number of people.

The first unit is Research and Analysis (covering political, economic and cultural issues) - 1 staff member

The second is the Admin. Support unit. This has 1 typist (contract), 2 finance staff, 2 secretaries and 1 driver (contract).

The third unit is Public Administration, which has no staff. The main duty of this unit is to deal with boundary disputes between villages, and senior district office staff are currently dealing with this.

Matters such as the Environment, Tourism and Red Cross have no representation at district level, but the district office must still deal with issues arising relating to these areas.

There is one Head of District office and 2 deputies. Also there are four staff placed in 4 of the 7 kum bans in the district (the 7 kum bans account for 106 of the 113 villages in the district).

In total we were told that the Office has 18 (or 16) staff, but it was not possible to work out how this figure(s) was arrived at, as there seemed to be some floating contract staff not accounted for in the above figures

Education levels of district office staff:

Bachelor degree: 2; Higher study: 2; Lower technical: 9; Vocational: 2; Finished high school: 3.

The kum bans seem to be well established, and in some cases very large; one contains 33 villages and 36,000 people! The role of the kum bans is to interpret party and government policy to the people, and report on the situation in the kum bans.

It seems that there is a head and deputy head of each kum ban, appointed by the Head of District, but this was not entirely clear. There don't seem to be any committees or elected representatives.

The point was made that even at the local level things work in a top down way – it is very difficult to decentralise when staff lack capacity.

Meeting with Paek District Planning and Cooperation Office

In attendance: Mr. Phonesy, Head of the Office.

He has 2 staff (a statistician, and computer operator/typist).

They follow provincial guidelines regarding planning. Every July a call is put out to all offices to attend a meeting. At this meeting they are instructed to make a plan. Each office then must submit its plan within 2 weeks. The DPC office then summarises these and submits a district plan to the Province by the 15th September.

After the provincial level approves the plan the districts then must implement. DPC must then report to the province against the plan after 6 months and 12 months. Some offices are unable to implement their plan (he mentioned that this can be caused by their attention being distracted by the demands of international projects!).

People just try to implement the plan; there doesn't seem to be any opportunity for plan modification/alteration. International project activity often exists as a separate, unrelated set of activities, although in some cases international projects are mentioned within district level plans. Sometimes ad hoc activities are arranged to coordinate planned district activity and project activity.

Mr. Phonesy mentioned that water supply and road building have often been solely project or solely government/community, and this has led to problems.

Key areas for improvement:

- Investment planning: Until recently the province put together the investment plan, but in the last 2 years this has been delegated to the district, but lack of capacity at district level has made this very difficult. There has not been enough training etc.
- Integrated planning: some projects relate to many sectors, but how can this be effectively coordinated?
- Village planning: difficult to make plans at this level – by the time village chiefs are trained to do it they are replaced.
- Methodology of planning and analysis of information: need training in this. Provided the example of international businessmen coming in and proposing that they grow a particular crop for the international market; how should they analyse this opportunity?

Budget: DPC has an administrative support budget of 3 million kip. They have no vehicle, but sometimes get petrol from the province office and use their own bikes to visit villages.

They have had some plans incorporating Kum Bans, normally when the activity has been supported by an international project e.g. IFAD.

Meeting with Paek District Department of Agriculture and Forestry

In attendance: Mr. Bounpany Phataiban, Head of the Office.

The Office is currently linked with 9 projects. The Office coordinates this activity, but doesn't know a lot of the details, such as total budgets.

There are 22 staff, including 9 contract staff. Of these, 16 are technical staff and 6 are admin. support. .

The main activity of the office is project coordination. This sometimes causes difficulties when people are unable to complete other necessary work.

Mr. Bounpany said that DAFO works closely with the Research and Analysis Unit in the District Cabinet, and with DPC. The fact that R&A Unit only has 1 staff member does limit their effectiveness. He sends a report to DPC every month.

He says that every international project involves a mass organization in the design and implementation phases.

Meeting with Paek District Department of Finance

In attendance: Head of the Office, Mr. Lophasy.

The province covers major procurement costs, and education and military salaries. The District must cover the remaining salaries, and recurrent costs.

Regarding improvement to revenue generation, the district has recently, in cooperation with province officials, set up an ad hoc committee and technical group to arrange visits to villages to overcome revenue collection problems. Letters are sent in advance to the villages, and then a group goes out to look at the land use and small business activities, and link this to

taxation. The group includes representatives from the Province Finance Dept, and district reps from Finance (the Head), Agriculture, Trade and Security, plus the Head of the District. This mix of participants enables them to deal with a range of issues as they arise.

The Department has 5 units:

1. Administration, which contains personnel, inspection and accounting (1 staff)
2. Budget (1 staff)
3. Treasury (3 staff)
4. Tax (3 staff)
5. Land and Property (3 staff)

With one deputy head, there is a total of 13 staff, with 2 additional contract staff (their role is not clear). He is open to discussion of restructuring, but in his mind this means creating more units not less.

Meeting with Khoun District Office and Khoun COP

In attendance: Mr. Khamphong Vilaysouk, Deputy Head of District, and other senior officials

The structure of the District office is the same as in Paek. There is a Head and 2 deputy heads, plus 3 units:

- Research and Analysis (2 staff)
- Administration Support - 3 typists (incl. 1 contract), 2 drivers (incl. 1 contract), 1 finance, 2 protocol (incl. 1 contract), and 1 secretary (9 staff)
- Public Administration (1 staff)

This makes a total of 15 staff. On their organizational chart, there is also a tourism unit attached to the Office, but currently it is not staffed. This unit was requested by the Ministry of Information and Culture, and they hope to fill it in the future.

They see their problems as follows:

- lack of staff
- lack of qualified staff
- poor facilities (e.g. only 3 typewriters, no computers)

There was discussion regarding the role of a project in relation to these issues, and the need to look for improvements to structures and systems as an alternative to additional recruitment.

Any previous restructuring has been done on guidelines for the centre – there was discussion about how restructuring at district level should be driven from district level.

In Khoun the district office budget is provided by the province, including all staffing and recurrent costs.

For the last 2 years they have had a budget of 80 million kip a year for administrative costs. This isn't enough, but they are scared of borrowing money, so they get by. Strategies include borrowing petrol from the local station and paying whenever they have the funds available.

DCOP in Khoun has the same structure as other DCOPs, but only one staff member, the Head himself!

He is new, but is trying to deal with staffing (transfers etc), retirement, confirmation of rank etc. He says there are not sufficient guidelines available to make clear the intent of the Civil Service Decree. Large vertical district departments (e.g. Health and Education) have their own Organization and Personnel staff.

Very little training taking place; only the mass organizations have received any in the last year in the district.

Meeting with the Khoun District Finance Office

Fiscal Administration-Related Problems in Khoun District

Some of the problems impinging on district finance administration are the following:

- Villagers lack the understanding concerning their tax obligations
- Villages are widely dispersed and remote and hence access is difficult
- 39 of the 90 villages are poor; the office cannot collect taxes from these villages
- the office lack staff to be deployed in collecting taxes; at present the district finance office has only 6 staff including one contractual staff

Amount and Sources of Revenues Budget for the Period 2001-2004

Fund Sources	2001-2002	2002-2003	2003-2004 (8 mos)
Business Taxes	73,683,200	75,006,500	55,523,000
Land tax	46,113,894	61,655,200	40,876,500
Property	10,213,500	25,736,500	52,929,000
Total	130,010,594	162,398,200	149,328,500

Meeting with the Khoun District Planning and Cooperation Office

There are only two staff of this office. The head of office is just about two months in his new position. He was formerly with the District Finance Office and hence, his background is accounting and finance. At present, he admits that he is not yet well versed with the functions of his new office. He indicated a need to get training on planning so he can perform his mandated work. The other staff has middle-level education. He collects statistics on population, number of households from the villages.

The office has one computer and one printing both of which are in working condition. There is also one wooden cupboard which serves as filing cabinet.

Meeting with the Khoun District Agriculture and Forestry OfficeEconomic Profile of the District

The district is primarily an agricultural economy. It produces rice, corn, cassava, soybeans and livestock such as cows, buffalos and pigs. Fish is also cultivated in rice fields.

Functions and Staffing of the Office

The major functions of the office are reflected in its organizational structure. These are in the areas of (1) forestry, (2) crops, (3) livestock and (4) irrigation.

The functions of the office are carried out by 18 staff (includes 4 contractual staff). In the areas of forestry, irrigation and livestock, the director thinks that 8 more staff are needed. He also thinks that the capacity of his staff needs improvement especially in the fields of planning, monitoring and evaluation and office management.

Donor-Funded Development Projects in Koun District

There are at least 3 foreign-funded development projects in Khoun. These are the following: IFAD, CMI and Consortium. IFAD is funded by a loan from IFAD and grants from UNODC and the Japanese Government. The CMI phase II is funded by ADB and the consortium (sericulture project) is funded by two international NGOs.

Meeting with Nong Het District Office

In attendance: Mr. Yia Yong Lo. Deputy Head of District, and other senior officials

The structure of the Office is standard, with a total of 18 staff in the Office, including 2 contract staff. There is the head, 2 deputies, 2 staff in Research and Analysis, and 2 staff in Public Administration.

The Administration Support Unit has 11 staff, with 4 of these being located in 4 kum bans. There are 10 kum bans in total, encompassing all 112 villages. The 4 kum bans were chosen to have district office staff because they are the most remote, with no road access. Three of the 4 staff will retire next year, and the other will be recalled to the district office, with no plans to replace them.

These 4 staff have been acting as heads of the kum bans, appointed by the Head of the District. Their main duties are to act as representatives of the district, and to communicate with the community about issues such as agricultural development and education. There are no committees in the kum bans; they simply operate through the village chiefs. It was not easy to clarify in the discussion how the kum bans act as cooperative groups at all.

As the capacity of the village chiefs is often very low, the district officials help to get things done.

The kum bans all used to be tassengs, with tasseng committees, with a representative head. Tassengs were abolished in the constitution, and the District Office plans to also abolish kum bans and strengthen the villages. The village chiefs are formally approved by the Governor,

where as kum ban heads are only appointed by the district, making them fairly powerless in any case. The kum bans will become purely economic groupings.

One current problem is that the chiefs are all familiar with the tasseng system, and don't report to the district properly.

DCOP: The structure is standard, and there are only two staff: the Head and the Deputy. The Deputy will retire soon and the Head will transfer, and new staff will need to be appointed in their place.

Standard activities are performed; retirements, statistics, recruitments and transfers in particular. The role relating to organizational reform is not performed.

DCOP used to be involved in the development of a district training plan with Propaganda Training, but they haven't been done recently as there is no money. Now usually only the vertical offices do training plans.

The District office salaries are covered in total by the province. Any major procurement also has to be cleared at provincial level. They must send an annual procurement plan to the province seeking approval. But for the last 3 years no money has been available. The only substantial procurements have come through the UNDP opium project.

For the last two years they are meant to have received 80 million kip each year for recurrent costs, but in 02/03 they received only 30 million, and they also haven't received their full allocation this year. When in desperate need for money for petrol, for example, they borrow from district treasury. Some vertical offices have motor bikes and cars, and they can borrow these sometimes.

They see improvement to their ability to perform their role coming in the following ways:

- Training, in particular leadership skills;
- clarifying the function of their offices;
- recruiting more, better qualified staff!

The ways in which a reform project could realistically support them in these areas was then discussed.

They said that they would prepare a training plan in readiness for the project.

Meeting with the Nong Het District Planning and Cooperation Office

Like in Khoun and other districts across the country, this office has only two staff. The head of office was a former primary school teacher. The other staff is a secondary school graduate.

Functions and Activities

Nong Het is composed of 112 villages, 75 of which are considered poor. There are 10 khets (groups of villages) in the district. Villages are widely scattered and many remain inaccessible. The District Planning and Cooperation Office cannot possibly cover all the 112 villages in the provision of assistance for village plan preparation and in the collection of statistics. Each year, only 8 villages are targeted for assistance in planning. The staff visit these target villages every 3 or 6 months and at the end of the year, the office evaluates the implementation of the village plans in these villages. Target villages are chosen by the Chief of District based on two criteria: the village must be poor but it must also be accessible.

As far as the collection of statistics on population is concerned, they use the khets. They go to the village which is the center of the khet and they leave the forms there for distribution to the villages in the khet. Sometimes, the chiefs of the villages turn over the old or previous year data on population. Hence, statistics on population is not updated.

For the current year, they have a plan to set up the Poverty Eradication Fund (Village Development Fund) in 5 villages but no money has been received yet from the central government.

Office Equipment/facilities

The office has one computer and one printer. Files are kept in the computer but they also have hard copy. It has also an old motorbike which they use in going to the accessible villages.

Areas for assistance

The director thinks that they need additional staff to enable them to perform their functions more efficiently. Training on planning, monitoring and evaluation, and computer applications is also articulated as a need.

Meeting with the Nong Het District Agriculture and Forestry Office

This office has 22 staff, 8 of which are contractual. They are distributed as follows:

- crops section - 6 staff
- livestock section- 7 staff
- irrigation - 1 staff
- forestry - 4 staff
- meteorology- (no permanent staff, one forestry staff performs the work)

Although the office has more staff compared to that of Khoun, the head of office mentioned that they need more staff in terms of quality and quantity. He said that 2 more staff are needed for forestry and two also for office administration (one typist and one finance/administration).

The office is involved in the implementation of donor-funded projects like the following:

- Forage and Livestock Systems Project (FLSP)- 5 staff are assigned here
- Danish Red Cross (support to crops and animal production) – 1 staff
- IFAD Project – 2 staff
- Consortium (sericulture project) – 2 staff
- PRONAE (promotion of short-term crops project)- 1 staff

In terms of equipment and facilities, the office has 1 computer and 1 printer. They also have some vehicles provided by different projects, as follows:

- 4 motorbikes - from FLSP
- 1 motorbike - from Danish Red Cross
- 2 motorbikes - from IFAD
- 1 motorbike - from the Consortium (two NGOs)
- 1 motorbike - from PRONAE

Capacity building in nursery management, water source management and forest conservation was mentioned as a need of the office.

Meeting with the Nong Het District Finance Office

The District Finance Office in Nong Het has 7 staff inclusive of 1 contract staff. Staff distribution is as follows:

- Customs section - 1
- Land/House tax section - 3
- State property management - 1
- Treasury - 1

The head of office expressed the need for more staff particularly accountants. Also, he wants training on computer applications and on accounting.

In terms of facilities, the office has neither computer nor typewriter. It has a telephone though.

In terms of financial resources, the table below shows the trend of revenue collection in the district.

Revenue collections from 2001-2004 are as follows:

Revenue Sources	2001-2002	2002-2003	2003-2004 (8 mos)
Customs tax	21,366,000	36,252,500	48,776,000
Land taxes/fees	70,292,990	52,945,000	64,519,400
Real property taxes	6,158,500	7,870,500	13,633,500
Total	97,817,490	97,068,000	126,926,900

Annex II Background Paper to the Project Document

1. SITUATION ANALYSIS AND PROJECT RATIONALE

Laos is one of the 13 LDCs in the Asia Pacific region. It is ranked 135 out of 177 countries in the Human Development Report (2004). The number of people that live below the poverty line has decreased substantively from 45% in 1992-1993 to 38.6% in 1997-1998. Preliminary data from the latest Lao Expenditure and Consumption Survey (LECS 2002-2003) indicate that the incidence of poverty has further decreased to about 31%.

Over the past years, the government has shown a strong commitment to the objective of poverty eradication in order to achieve its goal of overcoming the status of LDC by the year 2020. The National Growth and Poverty Eradication Strategy (NGPES) which was approved by the National Assembly in October 2003, focuses on four main sectors: agriculture/forestry, health, education and infrastructure. Governance, capacity development and institutional strengthening are considered cross-sector priorities, indispensable to reach the NGPES objectives.

The NGPES has identified 72 poor districts among which a core group of the poorest 47 districts has been selected for priority investments for the period 2003-2005.

The project concept presented in this report aims to facilitate implementation of the NGPES, through the strengthening of core public management functions, enhancing people's involvement and ownership in local development and supporting economic development through improved service delivery to farmers and small entrepreneurs.

2. Context

2.1. Governance

Developments over the past years under the Governance and Public Administration Reform Programme of the Lao Government (launched in 1997), resulted in a more comprehensive approach to public sector reforms, culminating in the adoption of a government policy paper on governance issues entitled "Public Service Reform, People's Participation, Rule of Law and Sound Financial Management." This policy paper, which was presented to the donor community in April 2003, indicates the government's commitment to prioritise governance reforms, "as a cornerstone of the nation's approach to eradicate poverty".

The momentum for more substantive governance reforms has now gained intensity and has resulted in the development of a strategic institutional and legal framework for public administration reform and local governance. The Constitution was amended, several laws and regulations related to public management have been adopted (e.g., Law on the Government, Law on Local Administration and a new Decree on the Civil Service Statute), and a series of other draft laws and decrees is currently being prepared and debated within the government.

2.2. Recent developments in Local Governance

The recent history of state management reforms in Lao PDR shows a sequencing of paradigm shifts, moving from centralised planning, towards far-reaching but ill-considered decentralization during the 1980s, then back towards re-centralisation in the 1990s; the aim now is for a model of improved deconcentration of state management and the piloting of municipal administrations. The history of central-local relationships has been sufficiently described in a series of papers and GPAR project documents⁶.

Despite negative experiences with far-reaching decentralization in the late 1980's, in 2000 the government started to reverse the re-centralisation trend of the 1990's. Prime Minister's Instruction 01 (11 March 2000) introduced a new planning and budgeting framework, identifying the province as the strategic planning unit, the district as the main planning and budgeting unit and the village as the implementation unit for the government policy. More recently (2003), the government adopted the Law on Local Administration consolidating the principles of a deconcentrated system and outlining the basic principles concerning the organization, working methods and functions of the local administration at provincial, city, district, municipal and village level. An implementation decree for the law is currently in the make. Once approved, this decree is to replace both Party Resolution 21 (1993) on the distribution of responsibilities between the vertical and the horizontal line, and Instruction 01 of the Prime Minister.

Today there is a general consensus, within government and within the donor community, that the decentralization policies of the recent years have lacked consistency, adding to the general confusion as to the rational and vision for decentralised governance in the Lao PDR. Instruction 01 was not sufficiently clear, its implications not well considered, and little guidance was provided on its application. An inadequate sensitization policy, hasty implementation without prior testing, weak local capacities and an over-emphasis on revenue collection and top-down direction of local planning, resulted in general failure of implementation and widespread misunderstanding of its scope and rationale.

The government's policy is now to move on with the implementation of the Law on Local Administration, adapt and revise Instruction 01 (based on initial lessons learned) and upgrade it to the level of a government decree. Implementation of certain sections of the Law will have serious implications at the local levels. *First*, the Law offers opportunities to incrementally establish municipalities - at least in the more "urban" areas. Drafting of a Municipal Law has just started. While approval of this new law will take much more time, these municipal developments are likely to introduce significant changes in local government in Lao PDR. *Second*, the articles of the law regulating the village introduced new criteria for village status (i.e., for local communities to be recognised as villages they need to be composed of at least (a) 1000 people for villages in the district centres, (b) 500 people for villages in the plains and (c) at least 200 people in the mountainous remote areas. Apart from population numbers, there are also firm conditions for economic development, indicating the willingness to consolidate smaller villages into larger local communities, as explained in the next section.

2.3. Local governance and resettlement

The abolition of the sub-district (*tasseng*) in 1991 caused a number of problems (related to coordination, political control, security and stability, border control, economic development, service delivery and building national unity) mainly due to the size of most of the districts and the large number of dwarf villages (often no more than 100 people). These problems have

⁶ Keuleers P. & Sibounheuang L., "Central-Local Relations in the Lao PDR: Historic Overview, Current Situation and Trends" in Mark Turner, ed. Central-Local Relations in Asia-Pacific: Convergence or Divergence? London: McMillan, 1999, p. 2004.

UNDP, National Human Development Report, Lao PDR 2001 (Chapter 7 on Local Governance)

Keuleers, P., The District in the Local Administration in the Lao PDR, Governance and Public Administration Reform Project, Vientiane, February 2001.

Policy Paper on Governance Issues of the Government of Lao PDR, Background Document, April 2003.

GPAR Program, Assessment of Current decentralization: Vision, Model and Strategic Plan for Future Decentralization in Lao PDR Government System, Vientiane, June 2002 (facilitated by Patrick Stoop)

Mike Winter (2002) Lao PDR – Fact Finding Mission report (UNCDF unpublished report).

influenced the way central and local authorities have been adjusting their policies related to territorial administration. The initial multiplication of districts - since 1991 the number of districts increased from 115 to 142 - has been halted, due to financial constraints. Yet, local authorities have always found pragmatic solutions to these problems, either by maintaining the *tasseng* in violation of Constitutional provisions, or by working through more political constructions, such as the *khet* (or zone), staffed by appointed district party officials.

A recent policy of the government aims to promote the establishment of Village Development Communities (*kum ban phattana sethakit sankghorn*⁷), clustering neighboring smaller villages with similar economic conditions, usually founded on the former *tasseng* or *khet*. While a decree is still under preparation, *kum ban* are already being established in all districts and in all provinces. The draft decree stipulates that the function of the *Kum ban* is twofold: (i) to enhance socio-economic development and facilitate investment planning of infrastructure and delivery of services that can cost-effectively benefit several villages and (ii) to maintain peace and order. Within this context, the *Kum ban* offer interesting opportunities for enhancing local governance and representation at the local level, particularly in the area of agriculture planning and development.

The decree aims to move the development in rural areas towards small towns and promote permanent settlement of populations in order to stop shifting cultivation and seasonal immigration. It would thus seem that the decree reflects the political will to speed up the process of consolidating small (neighbouring) villages into larger communities, as part of an incremental process to implement the articles of the Law on Local Administration. In this respect, it is considered by some as a new effort to relocate villages, with the main rationalisation for resettlement now couched in terms of poverty reduction and improved service delivery.

However there remains a lot of confusion and misunderstanding on the role and organization of the *kum ban*, as its existence has not been recognised in the Law on Local Administration. Lack of clear direction as to the institutional implications of the *kum ban*, a weak legal foundation and possible contradiction with the Law on Local Administration, add to the confusion at the local levels.

2.4. Recent reforms in the financial sector

Sound, accountable and transparent financial management practices are a prerequisite to a successful and poverty-focused implementation of decentralization policies. But overall, the inter-governmental fiscal policy framework in Laos is still problematic. Much of the confusion as to what are to be considered nationally collected taxes vis-à-vis locally collected taxes results from the concept of “self-sufficiency” of provinces and districts. Based on this concept, provinces and districts are defined as either “surplus” or “deficit” units, depending on their ability to balance their expenditure with locally collected revenue. As a result, border districts, which are able to balance their income and expenditures mainly through customs revenue are considered “self-sufficient” budget units - and hence can enjoy a greater degree of budgetary autonomy – while a poor landlocked districts remain dependent on the provincial budget.

While Decree 192 (1999) on the implementation of the budget law attempts to clarify revenue collection responsibilities, the policy of self-sufficiency combined with provincial governors’ strong influence over the field offices of the Ministry of Finance continue to distort the legal framework. Instruction 01 has amplified confusion by delegating greater decision-making powers to the local levels. Weaknesses in control and enforcement add to the problem.

To remedy these deficiencies, the government has recognized the need to establish a National Tax Administration and a National Customs Administration, and reforms to this end are now getting under way. For example, preparations have begun for the establishment of a national customs administration is underway and seven main international border checkpoints have been brought under direct control of the Ministry of Finance. Starting next budget year, staff in these customs offices will be transferred from the provincial payroll to the payroll of the central ministry. Support to these reforms is provided by UNDP.

⁷ “A cluster of villages that form a community for economic development”

Similarly, with support from SIDA, the “Strengthen Fiscal Management” project will assist the government with the establishment of a National Tax Administration, charged with the mandate of administering all taxes, national as well as local, with clear lines of command throughout the organization. To achieve this, the Fiscal Policy Department in the Ministry of Finance is assessing Decree 192 to clarify what constitutes national, provincial and district taxes.

A new national accounting system has also been introduced, in order to improve transparency and accountability in financial management, recording and reporting. Budget transparency at the central level has also been improved by the inclusion of donor funding in the national budget and by the publication and translation of the detailed budget reports⁸.

The difficulty encountered by these “centralisation” reforms should not be underestimated. Historically, decentralization plays to the interests of powerful decision-makers at the local level. Implementation of these reforms would need to tackle the sensitive issue of restricting the powers of the governors over revenue management, including over the appointment, transfer and appraisal of staff appointed to the field offices of the tax, customs and treasury administrations.

2.5. The National Growth and Poverty Eradication Strategy (NGPES)

In October 2003, the National Assembly approved the National Growth and Poverty Eradication Strategy. The NGPES sets out an agenda for poverty eradication focusing on four key sectors that will be target beneficiaries for public efforts and public expenditures:

- Agriculture/forestry development
- Education,
- Health,
- Infrastructure development – especially for rural access.

Supporting sectors are also defined, comprising industrial development through energy and rural electrification, tourism, mining and construction materials industries. Cross-sectoral priorities encompass environment, gender, information and culture, population and social security, and last but not least *governance*, capacity development and institutional strengthening, which are considered the vital link between economic growth and poverty eradication. The NGPES report emphasises that a community-based approach should be adopted based around participatory planning processes.

In order to channel support to the 47 poorest districts, the NGPES promotes the idea of local or “District Development Funds” which will provide local communities with public resources. 40 billion KIP have been earmarked by the national government for these 47 poorest districts as part of the domestic contribution to the PIP for FY 2003-2004. Within this group, 18 districts (one per province) have been selected for priority targeting for the fiscal year 2004-2005. For each of these 18 districts, a District Development Fund of approximately 500 million kip (50,000 US\$) would be established.

2.6. Rural development context

Since the abolishment of the Rural Development Offices at provincial level (previously attached to the Office of the Governor) and the Rural Development Committees (under the guidance of the district chief), the responsibility for coordinating rural development is shared by three organizations (both at provincial and district levels): the Office of the Governor (and Offices of the District Chiefs, the provincial (district) Planning Departments and the provincial (and district) Agriculture and Forestry Departments. Given the importance of food security as a strategic element of economic growth, the potential for creating additional agriculture-based job opportunities and the generating of increased income from post-harvest and value-added processing activities, a key role in poverty eradication has been assigned to the Ministry of Agriculture and Forestry.

⁸ In 2002, the Budget Implementation of FY 2000-2001 and the Budget Plan for FY 2001-2002 were published in English language for the first time in their entirety. See also RT Newsletter No 18, July 22, 2002. The recently published budgets report contains two volumes: the national level, and by provinces (including Vientiane municipality and the special zone).

Agriculture is central to the Lao economy and social cohesion in Lao PDR. It accounts for 51% of GDP and provides employment to over 83% of the population, thereby providing livelihoods to most of the Lao population living in the rural areas. The country's food needs currently are adequately met from domestic production; however a stable supply of food remains a constant challenge because of the use of inappropriate farming techniques and the poor functioning of the marketing system.

Through the implementation of the poverty-focused agricultural development plan, the Ministry of Agriculture and Forestry will seek to create opportunities for community participation in agriculture and rural development. The "Governments Strategic Vision for the Agriculture Sector" (1999) for the first time clearly stated the lag in development of highland areas compared with the lowlands (and in particular the Mekong corridor). A number of themes and programmes were specified. Included in this was the need to restructure the DAFO, with the technical staff becoming 'generalist' extension workers who would assist farmers in developing plans and use a process of trials to identify improved technologies. The growing role of the private sector was recognised and to be supported, including reduction of taxes and fees for internal trade. Since then the National Agriculture and Forestry Extension Service (NAFES) was created to develop a pluralist, decentralised and participatory extension network through out the country. These strategies were re-affirmed in the NGPES.

3. Recent donor activities in governance / provincial development

The formulation mission team reviewed a number of donor projects that either relate to the wider governance policy framework, or are directly relevant to the project implementation/coordination in Xieng Khouang province. These projects are briefly summarised below:

UNDP-SDC GPAR Central (Phase II) - Public Administration and Civil Service Agency (PACSA)

The first phase of the UNDP project started in 1997. The second phase of the project (2003) is now co-funded by the Swiss Agency for Development and Cooperation (SDC). Support provided by the GPAR project is mainly in the area of (1) GPAR programme management and coordination, (2) capacity development of PACSA⁹, (3) implementation of priority civil service reforms, (5) government restructuring both at central and local levels, (5) implementation of the decentralization policy and (6) GPAR related training and development. The GPAR central project also assists PACSA with the coordination and technical backstopping of the provincial pilot GPAR projects, facilitating exchange of information between projects and ensuring wider dissemination of lessons learned from the various reform pilots. The GPAR programme is an integral component of the government's strategy for public administration reform.

UNDP/SIDA Governance and Public Administration Reform Project in Luang Prabang.

The GPAR Luang Prabang pilot project began implementation in 2002 with SIDA support. The second phase is to start in April 2005. Support provided by the project is mainly in the area of (1) financial management (2) human resource management and local government restructuring, (3) planning and coordination, assessment of service delivery capacities and office management. The project was recently evaluated and the recommendations made by the evaluation team have been taken into account by the Xieng Khouang mission team.

UNDP/UNV Support to Decentralised Governance and Poverty Alleviation

The project, which is still in its inception phase, complements the decentralization pilots in that it expands the GPAR activities to the district and village levels. The project aims (1) to strengthen local capacities and people's participation for poverty assessment and poverty alleviation, (2) to strengthen the management, coordination and communication capabilities in

⁹ Formerly known as the Department of Public Administration and Civil Service (DPACS), PACSA has recently been upgraded to the status of a "Tabuang" organization or sub-ministry within the Prime Minister's Office. The Head of a Tabuang organization participates in the meetings of the government.

the public administration at the local levels to ensure better interaction with the local population, (3) to improve capacities for participatory planning and monitoring at village, district and provincial levels as well as (4) support to civil service reforms (one UNV-specialist is assigned to the GPAR-central project).

UNDP Sekong Ethnic People's Development Project (SEPDEV)

The second phase of this project will focus on development and institutionalisation of a community development approach in order to improve the living conditions of ethnic minorities in Dakchung and Kalum districts. To this end the project aims (1) to build a sustainable development programme with appropriate planning and management mechanisms and trained development workers, (2) strengthen technical and socio-economic development skills and capacities of district and province personnel to reach under-served and remote communities and (3) improve the quality of life of multi-ethnic villages of Dakchung and Kalum according to village plans and capacity.

UNDP/UNCDF "Governance, Public Administration Reform and Decentralized Service Delivery Project" project (Saravan province)

The project, which is in the process of being approved, aims to improve the delivery of public goods and services in Saravane Province. The project will focus its support on: (1) Procedures for inclusive and pro-poor planning and budgeting of local public service delivery, (2) transparent and effective procedures for sustainable production/delivery of public services, (3) improvement of financial management of local public service provision (the piloting of an innovative District Development Fund (DDF) facility), (4) functional reviews of local administrations and organizations (at provincial, district and sub-district levels), with the aim of rationally structuring them so as to deliver public services more efficiently, (5) HRM procedures and practices that will contribute towards improved service delivery by making it more efficient and more client-oriented, (6) supporting the development of national policies on decentralization, public administration reform and poverty reduction.

World Bank Poverty Reduction Fund

The World Bank has provided a \$20 million loan for the establishment of a Poverty Reduction Fund in Lao PDR. This is operating initially in 10 districts of three provinces (Savannakhet, Champassak, Huaphan) and will in the medium term operate in five provinces. This fund has some similarity with the Saravan project, in that a shared objective is to promote participatory planning for the implementation of basic local Infrastructure and Service Delivery (ISD). The project has developed some useful participatory planning methodologies that could also inform possible interventions in this area in Xieng Khouang.

UNDP Customs Project

Building on the previous UNDP supported "Tax and Customs" project, this project aims to support further development of a National Customs Administration; it is expected to result in improved valuation control in order to ensure increased revenue collections. The project also aims to improve checks and balances over the work of customs officers. The Customs Department will become a member of the World Customs Organization (WCO) and adhere to its conventions on Harmonized System and Mutual Administrative Assistance; it will also allow customs staff to participate in regional training courses and seminars.

SIDA "Strengthening Fiscal management" project

Building upon a previous UNDP support to the Tax Department, SIDA is providing support for a three year National Tax project (2003-2006). The project will focus on (1) taxation policies and administration, (2) human resource development, (3) organizational development and (4) ICT. The project aims to rationalise the current perverse system of tax assignments and collection procedures, through the strengthening of national tax administration, charged with the mandate of administering all taxes, national as well as local, with clear line of command throughout the organization.

In the Agricultural sector in particular, the following projects have a direct relationship with Xieng Khouang province or certain districts in the province.

Australian Council for International Agriculture Research, “Low Chill Temperate Fruit Tree Project”

In partnership with NAFRI, the project conducted research on temperate fruit trees (peaches, nectarines, and sweet plums) in Nong Het. Through matching the specific varieties to production environments, applying low technology irrigation and pest control practices, the pilot plots have borne well, with the fruit being sold at premium prices in local markets, which are generally undiscerning. This project was completed in early 2004, but gives indications of a promising option which could be expanded in areas of the pilot Districts with similar environments, for domestic markets. Challenges for expansion will be in marketing, and some degree of technical back up will be needed as expansion occurs.

CONSORTIUM: Lao Economic Acceleration Project for the Silk Sector (USAID).

The project supports production of raw silk for domestic markets, with potential for export as yet unexploited. This was on a pilot scale on in an earlier phase in Paek and is now being expanded, and will include Khoun and Nong Het. The project provides training and micro-finance for mulberry production and extraction of raw silk from cocoons, working through production groups composed mainly of women.

CIAT: Forages and Livestock Systems Project (AusAid):

This AUSAID funded project introduced new feed sources for cattle, buffalo, goats, pigs and fish (little for chicken). The project has already demonstrated significant impacts in productivity (increases in numbers of animals raised, reduced time to sale, improved prices gained) across 48 villages in 2 of the pilot districts (Paek and Nong Het). These impacts have enabled farmers to intensify their livestock production, which is leading to a reduction of shifting cultivation. This is a major achievement both in terms of reducing poverty and shifting cultivation, both priority national objectives.

CIAT: Small-scale Agro-enterprise Development for the Uplands (SDC):

This is being implanted in one of the districts (Paek) suggested for inclusion in the new GPAR project as a pilot. The project aims to enable farmers to link to markets, through participatory assessment of supply chains and negotiation with actors (traders, merchants, processors etc) along the chain to identify ‘critical points’. The project has just begun fieldwork, and with its initial product (peanuts) has already resulted in a dramatic increase in production, negotiated contracts, and the emergence of a new service industry (construction of small farm machinery). The project is particularly relevant to the new GPAR project in that in the process of its analysis of supply chains, issues of taxes, fees, cross-border trading procedures, are emerging. These are areas that touch on transparency, and where the concept of one-stop shops could be applied. As this work proceeds, it will likely go beyond resolving critical points and move towards providing enabling environment to facilitate trade.

Christian Reform World Relief Committee (CRWRC): Community and Livelihoods Development Project

The project is a rural development project with a focus on livelihood security, but working with all sectors. In a previous phase it was effective in its work in Paek district and in this phase will work in Khoun (and Kham) district.

Danish Red Cross: Primary Health Care and Development Support Programme (Danida)

The programme supports the Lao Red Cross and as part of its strategy to improve health services with at risk communities, also implements integrated development activities in pilot districts, of which Nong Het is one. Activities to a large degree focus on facilities, such as schools, clean water, etc. The agriculture-linked activities include micro-finance and technical advice for cash crops and livestock.

IFAD: Xieng Khouang Agriculture Development Project

This project has provided infrastructure development (feeder roads, small-scale irrigation systems, sanitation facilities, etc.) along with the promotion of improved agriculture production, including fruit trees, crops, and livestock. The project also provided credit facilities including a cattle bank. The project worked in all districts except Mok Mai, and will end in late 2004.

CIRAD: Agro-ecological Project – PRONAE (France)

PRONAE is a research project to identify sound conservation farming practices for upland areas, three districts including Paek and Nong Het. The interventions that the project focuses on are; minimum tillage practices, forage production, and intercropping with fruit trees. The project had a short inception phase and has been extended until 2006

The following projects are in the pipeline for Xieng Khouang and are relevant to the activities of the GPAR pilot within the agriculture sector.

ADB: Nam Ngum River Basin Development Sector Project

This loan project is in its inception phase and has two main components (a) watershed development and (b) management of the Nam Ngum dam water resources, both upstream and down stream. The project covers the whole of the Nam Ngum river basin and this extends into the northern part of Paek in its upper reaches. The project is still in its inception phase and will involve extension activities. However its methods of operation are still not clear.

CIAT: Capacity Building Project (ADB funded)

This is a grant project to link the CIAT-FLSP project, which is due to close in 2005, to a new ADB loan “Participatory Livestock Development Project” (expected to begin in 2006). The CBP (due to begin late 2004) will continue to support the extension activities for livestock in Paek and Nong Het so that these can be used as training grounds for extension staff from other districts and provinces, which will be included in the loan project. Thus it will provide support to the DAFO for livestock extension activities in Paek and Nong Het.

LEAP (Lao Extension for Agriculture Project) – funded by SDC

The LEAP project aims to support the development of a centralised, participatory, pluralistic and sustainable agricultural extension system. The project is attached to the Central Extension Training and Development Unit (CEDTU) of NAFES (the National Agriculture and Forestry Extension Service of the Ministry of Agriculture and Forestry). The LEAP project document clearly identifies the need for strengthening capacity of the District Agricultural and Forestry Offices (DAFO) to work effectively as extension units, through consistent training and coaching. LEAP has developed a set of curriculum to train DAFO staff in extension processes. A second phase of the project will begin in 2006 and this will include one district in Xieng Khouang. The specific district has yet to be selected but it is hoped that through discussions with the DAFO in Xieng Khouang, Khoun district could be selected.

4. Xieng Khouang province

4.1 Outline of Xieng Khouang province

The province is bordered by Luang Prabang in the North, the Saysomboun Special Zone in the South, Vientiane in the West, Borikhamxay in the Southeast and Vietnam in the East. The province is largely an agricultural province. The province is characterized by high elevations (over 1000 m.s.l. in the pilot districts), with poor soils (low pH). The land is rugged with high mountains ranges interspersed with flat-bottomed valleys in the east and north, and an upland plateau with rolling hills in the west and south. An estimated 58% of the total area has slopes over 55%, making it unsuitable for agriculture production.

Very little land is cultivated as paddy or irrigated, and agriculture depends on shifting cultivation. Livestock has been an important source of income in the province although the traditional practice (free-range grazing) was not productive. The introduction of forages is now allowing livestock to become a significant income activity, in turn resulting in a reduction in shifting cultivation. The cool temperatures, forest areas, and new border check point to Vietnam offer special opportunities to farmers. There is good potential for temperate fruit production, collection of Non Timber Forest Products (NTFP), and for production of field crops (e.g. maize, peanuts, etc.)

The population is mainly composed of three ethnic groups: Lao Loum (56%), Lao Sung or Mong (35%) and Lao Teung or Kmou (8%). 93% of the population lives in the rural areas.

Table 1: Demographic data for Xieng Khouang province¹⁰

	Area (km ²)	Population	Density (persons / km ²)	Number of Villages
PROVINCE	16,811	232,711	13.8	535
Paek District	2,142	66,284	30.9	113
Khoun District	2,330	30,943	13.3	90
Nong Het District	2,370	36,161	15.3	112
Kham District	2,328	56,979	24.5	115
Mork District	3,490	9,590	2.7	29
Pokhood District	3,178	22,821	7.2	42
Phaxay District	972	9,993	12.3	33

According to the Foreign Aid Report 2001-2002, for that fiscal year Xieng Khouang received only 2.81% of total ODA disbursement: 5.85% of total multilateral ODA disbursements (mainly UNDCP and UNESCO) and only 0.02% of the total bilateral aid for that fiscal year – Vietnam and India).

Xieng Khouang Public Administration

Four of the seven districts (Khoun, Nong Het, Pek, Kham) are included in the NGPES list of 72 poor districts and two – Nong Het and Khoun – are among the 47 poorest districts. Nong Het is in the list of 18 priority districts identified in the NGPES.

The administration is headed and co-ordinated by the Governor and his office. Xieng Khouang province is a unique case. While in all other provinces, the governor is also the Secretary of the Provincial party, in Xieng Khouang province the (political) position of Secretary of the Provincial Party is distinct from the (executive) position of provincial governor (head of the provincial administration). This is a new arrangement that the government is testing out in Xieng Khouang and there may be interesting lessons to learn from this experience.

There are currently 3687 civil servants in the province. 3321 are working in the field offices of the line ministries while 366 are working in the horizontal organizations (Office of the governor and Offices of the Chiefs of districts and party committees and mass organizations at provincial and district level. 23 % of the workforce is located at provincial level while the remaining 77% are located in the districts¹¹. With a population of 227,662 people, the ratio for Xieng Khouang is 1 civil servant for 61 people, which is slightly less than the national average of 1 civil servant for 58 citizens.

Revenues and expenditures

Xieng Khouang is a “budget-deficit” province dependent on central government transfers. The following table provides an overview of provincial revenues and expenditures since 2001 (figures provided by the provincial authorities).

¹⁰ Source: Public Administration and Civil Service Agency (PACSA) – Prime Minister’s Office.

¹¹ The majority of these are teachers. In many other sectors there still is understaffing at the district level and an oversupply of staff at the provincial level. E.g. in the agriculture sector 47% of the staff are still employed at the provincial level.

Revenues 2001-2004

Revenue Sources	2001-2002	2002-2003	2003-2004
1. Tax (Business)	8,175,320,000	11,839,600,000	9,270,710,000
2. Customs	7,284,240,000	7,904,470,000	8,203,420,000
3. Land/House tax	454,280,000	667,480,000	715,820,000
4. Properties	1,087,930,000	1,209,040,000	1,149,030,000
5. Income for selling timber	872,730,000	2,653,670,000	3,053,830,000
TOTAL	17,874,500,000	24,742,600,000	22,392,810,000

Expenditures 2001-2004

Budget Item	2001-2002	2002-2003	2003-2004
1. Salaries	19,402,770,000	18,978,410,000	24,532,210,000
2. Recurrent costs	6,248,000,000	3,941,290,000	5,885,000,000
3. Projects/services	4,300,370,000	8,070,560,000	10,594,010,000
4. Capital outlays	2,396,013,000	1,703,984,000	2,621,950,000
5. Contingencies	460,000,000	410,530,000	422,300,000
TOTAL	32,807,153,000	33,104,774,000	44,055,400,000

Taxes from businesses constitute the main source of revenue, equivalent to 1,183,960 US\$ (2002-2004). Land and housing tax only amounts for 66,700 US\$. There are 1,355 taxpayers in the province, whereof 45 are medium sized, 1209 are small taxpayers and 101 are very small taxpayers.

Districts are collecting and retaining all revenues including those assigned as provincial and central revenues under Decree 192. Villages are permitted to retain a proportion of tax collection (between 10 and 25% depending upon the remoteness of the village).

4.2. Reasons for the selection of Xieng Khouang province

The medium-term and short-term action plan for the implementation of the decentralization policies, which is currently being developed by PACSA, specifies concrete actions to be undertaken in the coming years. The development of pilot projects at provincial and district level is part of this implementation strategy. In line with the government's decision to prioritise a number of selected pilot provinces for governance reforms, PCSA and UNDP have identified Xieng Khouang, Khammouane, Sekong and Oudomxay as candidates for the formulation of GPAR provincial pilots. The initial needs and opportunity assessment, undertaken confirms the need to support the local authorities' efforts to improve the local administration.

Poverty indicators	Province (535)	Paek (113)	Khoun (90)	Nong (112)	Het
% of poor villages	55	28	43	78	
% of poor households	29	31	40	55	
% of villages without health care facilities or traditional medical practitioners	27	28	31	30	
% of villages without schools	2	0	8	0	
% of villages without safe water supply	43	17	40	57	
% of villages without access to roads	22	8	22	41	

The incidence of poverty in Xieng Khouang (35% of the population are poor) is below the national average (38.6%). Since 1992-93 the poverty rate in the province declined by 9.9% - the third highest decline after Borikhamxay (17.8%) and Vientiane Municipality (-13.9%). Still, 55% of the villages in the province are considered poor. Poverty incidence varies between the different districts. In Paek 28% of the villages are considered poor, compared to 43% in Khoun and 78% in Nong Het.

Xieng Khouang offers an interesting example of a province that is facing serious constraints yet is making substantive progress in poverty eradication. While progress so far was mainly caused by improved infrastructure and facilities, improvements in service delivery with tangible impact on livelihoods of the more remote populations still needs to be seen. There is thus potential for further growth and poverty reduction to reach out to all segments of society, and in particular stimulate agricultural production as a vehicle for achieving sustainable livelihood security for the ethnic minorities living in the remote areas. These growth and poverty eradication strategies will have direct implications on the capacity of the administration to plan, deliver and monitor economic and social development in the province.

SDC, which is currently co-funding the GPAR central project, is already funding two projects in Xieng Khouang province (see project overview in section 3). SADU has already begun work in Paek district using an agro-enterprise approach to enable farmers to link to markets. The second phase of the SDC funded LEAP project (supporting the development of extension), will extend its activities into Xieng Khouang province, with Khoun district possibly being identified for pilot training initiatives.

From a "pilot" perspective, selecting Xieng Khouang province will provide interesting opportunities to link SDC's development work in the agricultural sector with GPAR's comprehensive portfolio of governance and public administration reform initiatives. Each of the other pilots has its particular driving mechanisms. The Xieng Khouang project will use agricultural extension work as the main driver for improving the relations between the public administration and the population, resulting in an increased demand for better governance.

Part of the function of being a pilot is to assist in scaling up the lessons learned to other provinces. Xieng Khouang is ideally placed to provide guidance to Houaphan, Phongsaly, and Luang Namtha, with similar conditions and administrative cultures. Progress made in Xieng Khouang province can serve as a model for these provinces.

Attracted by the potential of linking rural development, poverty and governance, UNDP and SDC have expressed a strong interest in accommodating the government's request for support to Xieng Khouang. SNV will strengthen the Xieng Khouang GPAR initiative by providing technical assistance to the project.

4. Good Governance at the grassroots

4.1. Conceptual framework

Governments have to deal with the needs, opportunities and threats to their society, and plan a range of interventions accordingly (laws, procedures, projects etc.) In many developing countries these responses rely heavily on government action, hence the importance of the public administration as a primary service provider at the local levels. This has been the case in Lao PDR where the public administration (and associated mass organizations, police and military) has attempted to directly affect all activities. This concept of service provision, coupled with centralized planning has been adequate only as long as the interventions were simple and not widely applied. Central planning has also resulted in public servants reacting passively to directions from higher levels. Thus the huge human potential within the public administration has lain dormant.

As the complexity of development processes and the need to reach all members of the population have increased, this centrally based planning has met its limitations. To mobilize development on a more general and widespread basis, it has been recognized that planning and implementation must be devolved to lower levels. This decentralization not only allows

more appropriate planning, but it also confers a degree of representation within the Public Administration. Yet this devolution is hampered due to poor skills of many of the staff and lack of the necessary sets of checks and balances, which are the precursors of further decentralization/deconcentration. If we are to expect that representation is to occur within the civil society, then this can only realistically emerge once the public administration has gained efficiency and has experienced further deconcentration/delegation/representation itself. Government efficiency can be enhanced by focusing on the management of core resources: information, human and financial resources, and processes, systems and procedures. But such improvements do not necessarily bring "good governance". For people at the grassroots good governance will present itself as better services in response to their needs, access to opportunities, accountability structures allowing them to provide feedback on the way services and advise are delivered and participation in the decision-making process for the allocation and implementation of budgets. Good governance is thus a quality, measured through a set of abstract indicators, commonly identified as "good governance principles": (i) responsiveness (with an implicit reference to "equality" and equity"), (ii) transparency, (iii) accountability, (iv) effectiveness, (v) predictability and (vi) participation.

Applying the concept at the grassroots in a rural society

Identifying Needs, Risks and Opportunities

Agriculture activities need to be based on the expressed needs and perceived opportunities of villagers, with new objectives and plans likely to be formulated each year. This then provides a direct and on-going opportunity for representation of villagers. Planning for agriculture will most likely occur within the context of a 'Village Development Plan', gradually to evolve into more area-based "*Kum ban*" plans, covering several small villages merged into "Village Development Communities". But before the *kum ban* become consolidated as planning units, villages will need to first have had experience in planning and implementation within their own community. Even when planning might be carried out at the *Kum ban* level, this will still need to be referred back to the village level for action there. There must be a realistic appreciation of the level to which villages can develop and implement VDPs, and an understanding that villagers' capacity to make plans will develop over a period of 2-3 years. Robust tools are also needed for district staff to use in engaging villagers in making the plans.

Planning and Priority Setting

Plans for agriculture activity will vary from village to village and also over time. DAFO staff will consolidate these plans and then formulate their responses. *Kum bans* will eventually provide a useful grouping as they are likely to have similar environments. In response to these plans the DAFO staff will need to set objectives, expected outputs, activities, schedules and budgets. DAFO will also need to set priorities within its own sector, involving difficult choices. Tools will need to be developed to assist them to set priorities, with criteria such as: the level of benefit, the number of beneficiaries, long or short-term benefits and the socio-economic status of the beneficiaries.

Implementation

In response to village plans, the DAFO staff will have to provide interventions in various forms as either technical knowledge, materials (e.g. seed for trials) or village organizations (e.g. water user groups). The staff will need capacity building both in terms of extension methods and processes and in areas of technical knowledge. To enable the DAFO to work with a large number of villages, a restructuring of the DAFO will need to be considered. This would examine the formation of two units (a) extension unit and (b) administrative and regulatory unit. The technical staff composing the extension unit would have to perform as generalists with responsibilities for all activities for the villages in their area or zone. This will permit the staff to provide continuity to their follow-up of any extension activity irrespective of the technical matter.

Monitoring and Evaluation

With implementation of activities in a large number of villages, and different levels of progress, new mechanisms of reporting, monitoring and evaluation (M&E) are required within the DAFO. Data that indicate changes in production and improvements in livelihoods (impact analysis) will justify the new plans and levels of funding that will be needed. The link between impact-evidence and planned funding/operational support will motivate staff to be more performance-orientated and active in data collection.

5.3. Challenges and opportunities encountered in Xieng Khouang province

a) Challenges

From the “Needs and Opportunity Assessment” mission and the current project formulation mission surfaced a number of challenges and constraints, which hamper the implementation of this conceptual framework. As is the case with most reform processes, there is resistance to change among the local civil servants, who feel uncertain about their jobs. Much of this uncertainty is fuelled by conflicting/changing policy decisions¹².

Needs, risks and opportunity analysis is currently hampered by (i) lack of accurate data and information, (ii) lack of awareness and understanding (on governance and government policies in general) and (iii) weak support for economic development.

- The local administrations are faced with an overwhelming demand for reporting and data collection, without such data being turned into meaningful information for strategic decision-making.
- Misunderstandings of laws and regulations are exacerbated by the lack of clarity of government policies, laws and regulations. The lack of awareness (also of the population) of essential laws, regulations and policies is particularly visible at the district level¹³.
- Information on markets and economic opportunities is yet to be provided. Market systems in Laos are quite undeveloped and difficulties reflect a combination of regulations that hamper trade and the lack of understanding and confidence of the villagers. Only recently, the SADU project has started to analyse these problems and has already identified ‘critical points’ to be addressed. Economic development remains however seriously constrained by widespread UXO.
- Lack of commitment and resources to facilitate local participation hamper responsive service delivery and reduce opportunities for making the administration more accountable to the citizens.
- Certain groups in society face difficulty in expressing their views, either because they are socially marginalised, live in remote areas, or are subject to deep-rooted cultural barriers that obstruct their emancipation. Poor women are particularly marginalised. Gender-specific approaches to project design and implementation remain difficult and gender consideration in development strategies remains insufficient.

Constraints persist in the process of planning and priority setting for rural development and poverty alleviation.

- *First*, there is the weak ability at village level (in particular the remote ones) to prepare development plans and weak ability of the district offices to provide assistance, due to a lack of technical skills and/or operational resources. *Second*, the accumulation of different (donor-driven) approaches has generated a complex and fragmented planning framework that exceeds the absorption capacity of local planners. *Third*, there are insufficient (transparent) procedures and skills for strategic planning, follow-up and analysis both at district and provincial level. These problems are aggravated by the uncertainties surrounding resource availability for the implementation of the plans.
- The initial experiences with implementing Instruction 01 indicated that the idea of individual family planning has been somewhat unrealistic. The process is overly ambitious in relation to existing capacity levels and resource constraints, thus requiring excessive labour intensive efforts at various levels of the administration.
- Access to land is a key to the livelihoods of rural people. Yet the majority of villagers in the pilot districts resides on and cultivates land without title. There is a need for these issues to be placed within a broader planning framework of a Provincial Macro Socio-Economic Plan, allowing an inventory of the broad resources of agriculture and forest land to be made.

¹² E.g. in October 2000, the government issued a policy to reduce the number of civil servants by 5% over a three-year period (2001-2003), in order to bring civil service figures back in line with the economic growth of the country and allowing higher salaries for remaining civil servants. The policy never materialized. This year, the decision has been taken to more than double the number of recruitments for the next fiscal year (2005-2006).

¹³ E.g. Recent regulations issued in June 2004 that aim to curb down red tape related to tax collection on movement of goods within the province, were largely ignored or misunderstood at the district level.

- Focus so far has been on task oriented planning (e.g. collect data, control village revenues). As the process of development (poverty eradication, market-oriented production etc.) becomes increasingly complex, data analysis, process-oriented planning, strategic decision-making and results-oriented management become imperative, requiring skill development at the local levels.
- Existing weaknesses also explain the difficulties encountered with the “district development funds”. Hasty implementation without sufficient planning and checks and balances seem to be the main reason for the initial failures. Given initial misallocation of funds in certain pilot provinces, the process is currently on hold and conditions to receive the funds are being tightened.

The capacity (in terms of human resources, systems and processes, organizational structures, information and financial resources) to implement plans and promote economic activity also needs improvement.

- Implementation of the new Civil Service Statute is hampered by lack of training of personnel officers at all levels. Sensitisation and information campaigns on the content and purpose of the new statute are required.
- Staff are unclear about their job responsibilities or how to implement their tasks effectively. Systems of performance evaluation are still orthodox and lack objectivity. Also, despite an initial effort to produce job descriptions, functional organizations with clear descriptions of assignments, empowerment and clear mandates are still lacking and organizational structures at district level continue to mirror central and provincial departments.
- The issue of appropriate staffing¹⁴, linked to organizational improvements as well as the streamlining of cumbersome procedures, work processes and working methods and ethics needs to be addressed¹⁵. Training has been inadequate as provincial training institutions are weak in resources.
- Funding of government offices is inadequate. Low salaries do not allow staff to work without additional sources of income. Operational funds are too low to provide effective services and too unpredictable to allow commitment to long-term activities¹⁶.
- Weak coordination among government offices at district and provincial level and unclear and overlapping responsibilities for the implementation of rural development and poverty reduction policies and plans also hamper cost-effective service delivery.
- There is also a lack of coordination across different donor funded projects in the province and most of all, a lack of institutional mechanisms that allow for mutual learning from successes and failures and for replicating positive experiences across the province.

The management of financial resources is not fully adequate and efficient. As a result, it cannot be sufficiently assured that resources have been used efficiently and effectively, or that the administrations function proficiently.

- The financial management procedures of the provincial and district finance offices, especially regarding target setting, planning and budgeting – appear ineffective. This result in a poor basis for informed decision-making and prioritisations, hinders more transparent and accountable governance, and increases administrative costs. Although the new National Accounting System (NAS) has been introduced in the province, the system is yet to be computerised.

¹⁴ There are instances where there is an apparent lack of resources and there remain organizations that are overstaffed, given current (or desirable) mandates. For example, maintaining the focus of revenue collection on the poor villages and tax payers may not be the desired strategy, as the majority of (lost) revenue comes from the large and medium tax payers which are the responsibility of the central and provincial tax administration. Taxes from the small taxpayers (paying the presumptive tax only) amount to less than 4% of total revenues.

¹⁵ The structure of the DAFO provides a further constraint to working effectively across a large number of villages. The DAFO structure follows that of the Ministry and PAFO with staff assigned according to their technical backgrounds of crop production, livestock, forestry etc. this presents two problems;

- (a) staff engaged in regulatory functions must on some occasions apply sanctions to villagers for illegal activities. This conflicts with their other role of acting supportively with extension activities
- (b) the few staff assigned in each specialization cannot cover a significant number, (much less all) village of the district. They end up conducting visits and are unable to provide consistent follow-up for any particular activity.

¹⁶ For example, funds from GoL sources to the DAFO have been negligible, in the order of \$ 50-100 per year.

- Strengthening revenue collection in the province is of major importance in achieving the overall poverty reduction goal. There is significant scope for improving the efficiency of the tax administrations (provincial, district and village level) and the customs administration (district level), which are currently affected by a general lack of capacity, incomplete implementation of central initiatives and weak procedural control, resulting in low levels of compliance.
- Instead of targeting sectors where tax evasion is most rampant (large and medium tax payers), there is an over-emphasis on increasing tax collection at the village level. These policies fuel demands to increase the number of district tax officers, and result in the maintenance of an unproductive tax administration (i.e. a large majority of staff is engaged in administering a very small portion of the total taxes –see also footnote 12)¹⁷.
- The current methodological foundations for audits and inspections appear to be weak and the existing guidelines (from the central government) are rather broad and require interpretation for practical use. Strengthening the audit and inspection function will increase the revenue intake of Xieng Khouang province and will help to achieve a higher level of transparency.
- Issues related to fiscal decentralization have been especially problematic, based as it has been on the implicit and unrealistic precept of fiscal “self-reliance” at sub-national levels. This has enabled provincial governors to increase their control over what would otherwise be considered national revenue. Modifying current fiscal arrangements (which are inefficient, inequitable and lack transparency) and proceeding with much needed reforms to establish a national tax and customs administration will be a major challenge, which needs to be tackled with strong central support and coordination.

b) Opportunities

Despite these many constraints - which are not specific to Xieng Khouang but rather pathologies of governance that are common to most former centrally-planned economies in transition - the province also offers opportunities from which to build on in the future.

- The NGPES calls for a focus on "comprehensive, community-driven, poor-district specific rural development programmes" and stresses the need for local groups to be empowered to affect this policy. This then provides a policy support framework to operate under, but requires capacity development at the local levels to enable local staff to affect these changes. 87% of the provincial staff are under 45 of age; 41% of the staff are under 30 years of age. The long-term benefits to be gained from well-designed staff development are thus considerable.
- The government is combining strategies aiming for the centralisation of key revenue collection functions with those that aim for an expanded delegation or devolution of planning and implementation responsibilities. A change process is already underway to establish a national tax administration and a national customs administration. The nation-wide implementation of the new National Accounting System will increase transparency and accountability in financial management, as it will enable the tracking of cash balances and give line ministries access to provincial data regarding their respective sectors. Provincial and district transparency is to improve once a workable finance and accounting systems is correctly managed at the district level. Laudable initiatives to improve financial management have already been taken by the provincial finance department.
- The provincial authorities have identified an urgent need to rationalise the public administration at provincial and district level. Over the past year, the provincial authorities have already taken strategic decisions to appoint technically competent staff to key positions, in particular in those sectors that are directly related to NGPES implementation. A limited number of women have been appointed as village chiefs and deputy village chiefs; these villages will receive priority selection as pilot villages.
- The province is piloting a new model of power sharing by introducing the separation of executive functions (provincial governor) and political functions (secretary general). This may be an interesting model for strengthening checks and balances (through mutual accountability) within the provincial administration.

¹⁷ The Vietnamese Parliament recently voted a law to cancel income collection from the poor village population, also with a view to halt the maintenance and development of an unproductive tax administration at the local levels. This policy measure has gained widespread support from the local levels for the government's reform process, and resulted in increased compliance by the local population with government laws and regulations.

- Over the past years, the province has witnessed tangible improvements in living conditions (improved road network, electricity, internet connectivity, telephone and mobile coverage etc). These improvements are likely to generate interest from economic entrepreneurs and a conducive institutional environment to stimulate such economic growth needs to be developed. The province also has a rich potential for tourism development.
- While there is a risk that the establishment of the *Kum ban* could be abused to impose resettlement¹⁸ of remote villages, or to establish closer, district-directed control over the grassroots, the concept of the *kum ban* also provides opportunities to improve local governance in both rural and urban areas. Creating clusters of villages with some degree of social/ethnic homogeneity and “perceived common area identity,” is a good basis for common (participatory) planning and collective action, including for the management of common communal infrastructures and poverty monitoring. These larger grassroots communities also facilitate people’s transition from traditional self-sufficiency towards market-based production and services. If implemented on the basis of a careful analysis of local realities, the *kum ban* could also be a vehicle for promoting social cohesion and solidarity among neighboring villages, and hence, facilitate the emancipation of ethnic minorities.
- Development of the agriculture sector so far had been quite static, but recently specific production opportunities have begun to be realized. These include: improved livestock production (cattle and buffalo), high value mushrooms for export Japan, and export of maize to Vietnam. Some projects have begun to demonstrate new opportunities that could be expanded to a larger number of villages in the Province¹⁹. There are thus opportunities to build further on the progress made by these projects, and to cement alliances with other projects in order to speed up local development.
- From the on-going projects it appears that many civil servants, farmers and traders have a wealth of practical knowledge, but lack of opportunities/incentives to take initiative hamper their personal development. Within two of the pilot district a core of the technical staff with good technical knowledge and extension skills already exist (Paek and Nong Het). This should allow results to be quickly achieved within these districts, thus demonstrating the enabling function of improved PAR for management of extensive activities within a sector.
- Xieng Khouang’s geographic position has resulted in a long association with Vietnam and many of the senior staff speak Vietnamese. This provides the opportunity for Xieng Khouang to link with developments in Vietnam. Finally, there will be opportunities for the province to learn from the established network of ongoing and future GPAR projects, at central and provincial level and in particular from the nearby Luang Prabang GPAR pilot. The text box below provides an overview of the key recommendations that resulted from the recent evaluation (July 2004) of the first phase of this initial GPAR pilot project in Luang Prabang.

6. Project approach

6.1. General strategy

GPAR has one pilot currently being implemented (Luang Prabang) with another two to become operational within the next 6 months (Saravan and Xieng Khouang). While there has been a deliberate effort to ensure that all the pilots have common elements, they also have particular challenges and entry points. This provides PACSA and GPAR the opportunity to examine not only implementation of centrally designed tools, but also the most effective entry points and processes to instill good governance. The qualities of good governance (see section 5.1.) while being appreciated, obviously provide challenges to entrenched attitudes,

¹⁸ As highlighted during the NAFRI workshop on "Poverty Reduction and Shifting Cultivation Stabilization in Lao PDR" that was held in Luang Prabang from 27 to 30 January 2004, rural migrations and village relocations (planned or spontaneous) from the highlands to the lowlands should be discouraged because of all the *land use and socio-economic problems* associated with them. Participatory Poverty Assessments have also confirmed that relocated villages are among the most vulnerable. Village consolidation therefore also needs to take into account socio-economic cultural and ethnic complexity.

¹⁹ Among the main opportunities are improved livestock production through the introduction of forages, production of mulberry for silk production and production of improved fruit varieties (premium prices) for domestic markets. Other products, particularly NTFPs can be expected to be developed through a strategy of analysis of supply chains so that farmers can be aware of and respond confidently to market requirements.

vested interests, etc. and inflict thus a natural hesitancy or resistance to change. Simply promoting these qualities is unlikely to effect change. It is necessary to identify entry points and processes that will lead to an (implicit and often incremental) commitment to the qualities of good governance.

The GPAR Xieng Khouang pilot will use a growing commitment to improved performance to develop a gradual demand for the qualities of good governance. Poverty eradication was previously a vague objective. Through specifically identifying poorer districts and villages, there is now a more compelling requirement for local authorities to give priority to this objective and to show results. Commitment to performance will also emerge in individual staff. There is a human tendency to perform, and be seen to perform effectively. Due to lack of skills, funds and centralized planning, staff have not had the opportunity to experience this. If these obstacles are removed, individual staff are likely to become more effective and to develop a commitment to their work (pending effective reward and incentive systems to make this sustainable).

6.2. Engaging cross-cutting and sectoral organizations

The challenges and constraints identified in the province require strengthened capacities within those agencies responsible for the core cross-cutting functions of the provincial and district administrations: coordination and information exchange, planning, personnel, systems and processes (including work methods) and the management of financial (and material) resources. To achieve this, the project will provide capacity development to selected organizations.

- *Office of the Governor*: The Office of the Governor is the prime organizational entity within the province and it is central to the management and implementation of government policy in the province. Its prime role is to coordinate all administrative activities of the government within the province.
- *Offices of the District Chiefs of Muong Peak, Muong Khoun and Muong Nong Het*²⁰: the offices of the district chiefs play a similar role to the one exercised by the office of the Governor at provincial level.
- *Provincial Committee of Organization and Personnel (and district offices)*: The Committee is the prime organizational entity within the province, responsible for the implementation of personnel management policies and regulations. Its prime role is to coordinate all personnel management functions in the province and districts. It is the de facto representative of PACSA in the province. Improvements to the HRM machinery at provincial and district level would not be possible without the involvement of this Committee.
- *Provincial (and district) Offices of Planning*: The provincial and district Planning Offices play a key role in the socio-economic development planning at local levels, and are to become key players in the monitoring of the NGPES and the support to the local Poverty Eradication Committees. While capacity building is considered important in all sectors, the NGPES prioritizes capacity building for decentralization and development planning. Focus of this development planning is now on strengthening a comprehensive poverty-focused planning process at the district level.
- *Provincial (and district) Offices of Finance*: The office is responsible for all budgetary matters, including tax and revenue collection, controlling of expenditures, management of land and state property, custom and some other supporting functions. The administrative capacity is thus key to the health of the entire local administration and indeed to the socio-economic health of the province. Links between personnel management and payroll management are also important.

These set the policy, approve plans and budget allocations thus setting the agenda and activities throughout the province and districts. They are key agencies where basic improvements in public administration should be achieved. Yet improved efficiency in these core functions not only takes time, they usually affect the population only indirectly, with little tangible translation into poverty reduction.

²⁰ Paek district is located in the center of the province and has thus the potential to become a small municipality in the future. Khoun district is one of the 47 poorest district targeted in the NGPES and Muong Nong Het is among the 18 districts selected for priority government support for the fiscal year 2004-2005.

To see effects of improved administration on livelihoods, it is necessary for these to be applied within one of the technical agencies that work directly at the village level: Health, Agriculture or Education. With the population of Xieng Khouang overwhelmingly basing its livelihoods on agriculture production, the agriculture sector is most relevant to poverty reduction. The sector provides an excellent opportunity to develop and demonstrate participatory working approaches from village level planning and participatory working approaches, to models for staff capacity building, and pragmatic improvements in organizational structure, hence to illustrate increased performance from improved public administration. As agencies and staff recognize their progress in performance and become committed to further improvement, aspects of good governance will become acceptable (e.g. increased participation to gain feedback, transparent criteria for budget allocation to ensure effective work is continued or expanded etc.)

Work with the agriculture sector will intersect with the crosscutting functional agencies at a number of points;

- (a) During village level planning, which also involves other sectors (e.g., health, education),
- (b) In securing operational funds, plans will be submitted to the ‘cross cutting’ agencies of Planning and Finance. On the one hand this will require the agriculture sector (district and province) to submit coherent and convincing plans (thus in turn demanding that they have effective M+E process to indicate past effectiveness). On the other hand, it will demand that Planning and Finance acquire robust tools to allow impartial and transparent decision making, and then means of assessing the effectiveness of using these funds.
- (c) When reviewing the structure of the PAFO and DAFO (with the main focus on the DAFO), along with the development of new job descriptions (requiring also the direct involvement of the central level – MAF and PACSA).

Sufficient volume of work is needed for administrative procedures to be critical to performance. In the past, the volume of work within the agriculture sector has been limited by vision, skills and funds. Administrative procedures have not been put to the test. When substantial activities have been performed in the context of projects, the administration processes; planning, reporting management of funds etc have been withheld by the projects. For administration procedures to be critical it is necessary that activities managed by the line agencies be at significant volume. Thus in the case of the agriculture sector, and with project support:

- Village planning and agriculture extension activities should be carried out in 30-50% of all villages in the pilot districts (by the second year).
- All staff of the DAFO, technical and administrators should be involved in the field and administrative duties of this work.

Thus supporting the agriculture sector to conduct agriculture extension at a significant volume is a key strategy of the project, to create a demand for and demonstrate the impact of improved public administration on people’s livelihoods.

6.3. Incremental and flexible approaches

Given the low absorptive capacity of the provincial, district and village administration, the first two years of the project will focus mainly on awareness raising (also with the broader public), sensitization, capacity assessments and on agreeing on a common understanding of expected outputs, strategy and milestones. During this period, the project will “BUILD THE BASE” starting with the detailed assessment of capacities, processes, procedures and needs in selected entities after which focus will switch to the gradual development of sustainable management, technical and administrative capacities as well as systems and procedures in the essential cross-cutting sectors, as well as in the field offices of the Ministry of Agriculture (PAFO and DAFOs in pilot districts). A practical and pragmatic approach will be required, looking for incremental gains.

Learning from the Luang Prabang experience, flexibility in project management is crucial to allow the project to respond to likely changes in the policy and institutional context,

particularly as it relates to the content and approval of the decrees and instructions issued to ensure the implementation of the newly approved Law on Local Administration (including policy decisions related to the *Kum ban*) and the new Civil Service Statute as well as further development in strengthening a national tax and customs administration. After the initial two years, the project would have generated a better understanding, awareness and acceptance of the kind of reforms and capacity developments that are to be implemented at the provincial, district, *kum ban* and village levels. A mid-term evaluation will then be conducted, allowing for adjustments to the project design and institutional framework in response to changing context, policies and priorities.

Based on the initial capacity assessments training plans will be developed and targeted groups of civil servants will be suitably trained in various fields of public administration techniques and methods - such as office administration, human resource management, project management, strategic planning and budgeting, investment management, coordination, financial management and procurement, information management etc. – and participatory planning and extension methodologies.

6.4. Cross-cutting issues

While the project will intervene directly in the above-mentioned crosscutting agencies and the field offices of MAF – the project will also need to address a number of crosscutting issues, either explicitly, or implicitly. The following three crosscutting issues merit special attention:

Access to markets

Agriculture in Xieng Khouang is predominantly subsistence, with sale of excess. While improving service delivery is the main objective of the project, this cannot be the sole responsibility of the government. For villagers to move out of poverty, to buffer shocks, to access services (send children to schools, etc.) and to escape from shifting cultivation they need to be able to market their produce. Yet, market systems in Laos are quite undeveloped. The difficulties of marketing agriculture produce are a combination of regulations that hamper trade and the lack understanding and confidence of the villagers themselves in markets. This is a major area in itself and beyond the project to address directly.

The SDC-funded SADU project, which is already operating in Paek district and likely to expand to other districts (including Khoun) does deal with both these issues. Through participatory analysis of supply chains, issues that hamper traders are already being identified. These might be resolved through one-stop-shops. As the work of SADU progresses, it should also begin to indicate opportunities for positive action to provide an enabling environment for marketing. Yet, while SADU is bringing these to the fore, it does not have the institutional mechanisms to address them directly. The GPAR project will therefore link with the SADU project and also assist the local authorities in creating a conducive environment for a more dynamic involvement of the local entrepreneurs in local development.

Access to land

Access to land is key to the livelihoods of the rural population. Village level planning can take place on a micro level, but at some point it needs to be based within a framework of regulations and guidelines. Important initiatives related to this are the 'Land Use Planning and Land Allocation' (LUP/LA), and possibly the 'Kum ban' where this may involve resettlement. Thus there is the need for a broader planning framework, to include an inventory of the resources and land-use patterns. This would allow decisions to be made on concrete information and could also lead to revising models and application of LUP/LA and *Kum ban*. While this is needed, it is too complex to be included as a component of the present project. To address this important issue, it is worth considering fostering the development of a separate project to deal with the technical issues of how this might be done, and thus linked to the strategic planning of the Province. The GPAR project will also address the issue indirectly, through its support in streamlining the division of responsibilities between the different agencies currently involved in land management and land allocation.

Gender/ Ethnicity:

A key objective of UNDP's engagement with indigenous peoples²¹ is to foster an enabling environment that promotes indigenous peoples' participation in all decision making levels that affect their lives and develops the capacity of governments to build more inclusive policies and programmes. UNDP also has a mandate to promote partnerships to fight poverty and to ensure equity and justice, including gender justice, as a precondition for poverty reduction.

The role of women in Lao society is very much culturally influenced, and will change as education opportunity for girls improves over time. Laos has enough policies that guarantee gender equality but at the level of implementation, women do not yet enjoy their legal rights stipulated in the Constitution and the Law. The government has recently shown new efforts to enhance gender equality with the establishment (in 2002) of the national Committee for the Advancement of women (NCAW), responsible for mainstreaming gender issues in all sectors and at all levels. Gender training can be a powerful tool for change. The project will also address issues of ethnic representation. The involvement of the project at the village level with village planning offers the opportunity for the needs of women, ethnic minorities and the poor to be represented (gender and minority sensitive participatory planning). This will not be automatic and will depend on whether participatory processes are used and on the skills of local staff in their application. The project will also advocate for a reasonable gender balance in the task forces, coordinators working group and target groups for training and study tours.

7. Project objective, outcomes and outputs

Addressing the challenges and opportunities summarised in section 5.3 calls for a capacity development programme that aims primarily for the strengthening of the public administration to plan and set priorities (both strategic and operational) in response to perceived needs and opportunities, and to implement stated objectives, in terms of service delivery and promotion of economic growth. This also requires capacities to monitor and evaluate both organizational and individual performance and to establish checks and balances that prevent waste, misallocation and/or mismanagement of scarce resources.

1: Local administration has increased capabilities to respond to citizens' demands and needs through inclusive participatory planning and priority setting

- Information allows governments to better plan their interventions; it allows the public and economic entrepreneurs to better seize opportunities, but also to get a better understanding of the limitations and constraints that are imposed upon governments. Village meetings will be used to inform the local communities better on government policies, available budgets, plans etc. One-stop shops can also be a cost-effective means of getting information out to the public.
- At the outset, focus will be mainly on the internal reporting systems within the public administration, focusing on the urgent need to improve records management. A short-term consultancy mission is planned in this regard (to be coordinated by GPAR central as other pilots will also benefit from the outputs of this consultancy mission).
- Further ICT strategies can only come gradually, as the provincial staff gain a better understanding of the benefits that can be gained from these ICT developments, even in rural areas. Nonetheless, UNDP's PAR project in the Ministry of Agriculture and Rural

²¹ UNDP's first regional initiative focusing on indigenous people in Southeast Asia "the Highland Peoples Project (HPP - 1995 to 1998), included Vietnam, Cambodia, Laos, Myanmar and Thailand. The project promoted inter-country exchange and learning, and more upstream policy dialogue at national, sub-regional and regional levels through joint workshops, study trips and seminars. The follow-up "Regional Initiative on Strengthening Policy Dialogue on Indigenous, Highland and Tribal Peoples' Rights and Development (RIPP – funded by SIDA) project aims to enhance inter-country sharing of experiences on priority issues, particularly with regard to reducing the incidence of poverty among indigenous peoples. It further aims to build capacity among all stakeholders, strengthen information networks and knowledge management systems particularly among indigenous peoples, to support their full and effective participation in policy dialogue at all levels. *Laos is no longer signatory to this regional project.*

Development in Vietnam is already piloting the use of Rural Telecenters. A study tour to this pilot project in a neighboring Vietnamese province could be planned.

- The project will assist the pilot districts and selected village authorities and Village Development Communities (*Kum ban*) in developing their capacities to engage the local population in (inclusive) participatory development planning. In doing so, the project will also ensure ethnic minorities and women's full and equal participation in decision-making processes at all levels. The collection of gender-sensitive (and indigenous) data will be promoted. Much of the groundwork will be in the agricultural sector, yet lessons learned from these participatory planning sessions will be used to improve planning in the pilot districts, and procedures for linking planning with strategic decision making and budgeting. The project will collaborate closely with the LEAP project to ensure synergies and cost-effective approaches to training of extension officers.
- The function of the *Kum ban* is still not fully defined. Consolidating 'development plans' at this level with promote networking between villages. The agriculture sector will also sue this structure for exchange on production issues thus providing a model that is designed to be for the villagers' benefits rather than simply an instrument of administration.
- Given scarce resources, strategic decisions need to be taken in order to select among competing priorities (e.g. should the government invest in a school or in a new administrative building). These decisions not only require capacities for strategic decision-making and investment management, but also mechanisms allowing stakeholders to be informed on the final choices.
- Training of village authorities remains an important activity, yet for the project to fund all training activities for the entire province would not be a sustainable solution. A realistic assessment of the roles Village Headmen can play is needed. Accordingly, the project will support the development and improvement of training curricula. The project will however support village training in the three pilot districts. Trainees should not necessarily be the village headmen; training some of the new generation in leadership, administration and management may be a better solution for the long-term. Also, the experiences and interaction that will be involved in VDPs, particularly in the agriculture sector will be a vehicle through which leadership can be developed. The project will build further on the Training Manuals already developed by the Luang Prabang project, including the gender-training component.
- To promote economic development and remove the barriers that hamper access to markets, the GPAR project will link with the SADU project to cooperate in creating a conducive environment for more dynamic involvement of the local entrepreneurs in local development.
- As the project evolves, there will be opportunities for further support to economic and social development and to address the many challenges the province is facing. Many of these challenges are not within the scope of this project, but support can be provided to help the provincial authorities with the formulation of specific spin-off projects (e.g., in the area of eco-tourism or a project that would examine how GIS technology could be used to establish natural resource inventories and how this information could be applied within a planning context within the Province.

2: Local administration has increased capabilities to implement decisions and reach provincial and district objectives in a coordinated and cost-effective manner

To achieve this outcome, the project will look first at the cross-cutting functions of government: coordination, human resource management, organizational development (processes, procedures and work methods) and financial management which set the agenda and working environment of the province and then specific within the agriculture sector.

- Coordination lies essentially with the Office of the Governor, yet other offices are also playing key roles, resulting sometimes in overlapping responsibilities and confusing directives as to who is responsible for certain decisions, especially in the area of poverty reduction, rural development and land management/allocation. Coordination at the level of the Office of the Governor will be improved by streamlining the business processes of the unit, training senior staff in communication and coordination skills, improved connections with key cross-cutting agencies (Planning and Finance) and E-governance development 9in collaboration with PACSA and STEA – supported by South Korea).

- In addition to improving coordination, improving the functioning and management of the public administration largely depends on the levels of competence, commitment and motivation of its managers and staff. Civil servants need to be prepared to operate efficiently in a rapidly changing environment. Human Resource Management therefore remains a crucial part of the pilot project's activities, with a primary aim to improve transparency and accountability in personnel management at the provincial level. GPAR central is in the process of finalising a draft Human Resource Management (HRM) strategic plan which outlines the key HRM initiatives over the coming years, describes the main elements of HRM and outlines the progressive steps to be taken to improve implementation of personnel management related regulations. A key element in this HRM strategy is the piloting of the new performance evaluation system, designed by PACSA, and related training of middle and senior managers.
- PACSA and GPAR central are also working on capacity enhancement in the area of data base training for HRM managers and data base administrators; this training will be replicated in Xieng Khouang province, as part of the accompanying measures to establish a provincial PIMS.
- To measure progress, a baseline survey on personnel policies will be organized during the inception period. The baseline survey among a selected group of civil servants will allow to measure progress in the way civil servants perceive their employment, career opportunities, level of motivation, and what they see as necessary to increase their productivity. This survey requires careful design and methodology.
- For the public administration to become an instrument of development, management systems, processes, procedures and organizational structures need to be improved. The way the provincial and district administration engages with the population and the private sector within established rules and regulations needs to be based on clear missions, efficient, transparent, effective and sound systems and procedures, all reflected in organization structures and relationships.
- By undertaking reviews of the organizations and work processes at and the local level, the project will be able to map where the services are being delivered, where the gaps are, weaknesses or overlaps and determine how to improve the way the services are delivered (the administrative support services – back office - as well as the technical services or front office). Capacity development plans will accompany the organizational analysis. This is a work-intensive undertaking that is directly related to the implementation of the deconcentration policies, aiming to bring service delivery as close as possible to the population. The organizational reviews will also be coordinate with personnel management reforms. Initially, the project will focus on the pilot agencies (those in charge of cross-cutting government functions – planning, coordination, finance -, the offices of the district chiefs, the field services of the Ministry of Agriculture). As the local authorities gain more experience with administrative improvements, these activities will also be expanded to other sectors.
- Nonetheless, since there are now a number of functional review experiences in the pipeline, it is time for GPAR to take stock of the initial experiences, analyse the outcome of the work and evaluate whether the main purpose of streamlining organizational structures, clarifying missions, providing the needed data and analysis to support rationalisation of the distribution of responsibilities between different levels is being achieved. It is therefore proposed that a short-term consultancy mission by a functional review specialist be undertaken, in coordination with GPAR central to define a common strategy and methodology for functional reviews in Lao PDR.
- Yet changing structures and providing job descriptions alone will not improve organizational performance. Changing attitudes and instilling in people a sense of mission remain priorities. Therefore, besides the streamlining of processes, procedures and systems, training and skill development, in various disciplines, needs to be conducted. Changing mindsets needs to be accompanied by a new style and system of performance management. Yet, establishing a critical mass of capacity at the local levels is unlikely to be achieved through traditional capacity building approaches. Therefore, conventional training approaches will need to be complemented with the application of technology (e.g. rural radios, use of internet) to increase coverage and speed. Cost and benefit analysis is needed, but there are lessons to be learned from the Luang Prabang project.
- The position of public finance in Lao PDR remains fragile, with low domestic savings, deficient revenue collection and a mismatch between planned and prioritized activities

and expenditures. Sound financial management at provincial and district level will be achieved through a mixture of training programs, improved planning and budgeting, accountability and transparency, strengthened auditing systems, improved mobilisation of resources, investment management, procurement management and improved records management and financial reporting systems. Computerisation of the National Accounting System is part of the strategy. An initial tax gap analysis of potential versus actual tax revenues will give an estimate of the additional yield that can be expected from an improved administration. An overall analysis of the current system and processes for tax administration at the different levels will provide directions and specific recommendations on areas for and processes of improvement. Focus will be on improving voluntary compliance and encouraging a positive tax culture. The current work and functioning of the audit section and its strengths and weaknesses will be assessed and a work plan will be developed to outline the concrete initiatives to be undertaken. This will include new procedures to be implemented, guidelines to be prepared and training to be conducted.

- Related to the improvement of financial management is the issue of fiscal transfers. Two options need to be explored (this question has to be discussed during the provincial workshop on the project concept paper). The first option is for the project to support the implementation of the government's subsidised "District Development Fund" foreseen in the NGPES (establishing procedures and checks and balances for the sound management of these funds, starting in Nong Het (probably in the third year) and later in Koun. The second option is to wait for the initial experiences generated from the UNCDF supported component of the Saravan GPAR project. Starting in the third or fourth year, learning from Saravan, the Xieng Khouang project could also start experimenting with local development funds in the three pilot districts or villages, with funding from provincial budgets. In both cases, a prerequisite for piloting these development funds is to have improved information management (data collection, filing and reporting systems) and improved procedures and practices for local planning and budgeting, implementation, management and monitoring in place.

3: Improved capacities of the local administration to monitor progress in service delivery and poverty eradication and to plan for future governance improvements

To be able to constantly improve its interventions, the local government needs to monitor and evaluate its activities, assess organizational and individual performance, outputs and outcomes. This highlights the critical need for both internal and external learning opportunities, as well as checks and balances needed to avoid waste and misallocation of scarce resources. Valid and effective solutions to complex problems can only be found if relevant stakeholders are involved in the process from problem identification to problem solving.

- The project team will help the provincial authorities with establishing a robust monitoring and evaluation system within the province, building on the existing mechanisms available in the OoG, MoF (Audit Unit), PCPC (Monitoring and Evaluation Unit). Baseline studies will need to be conducted during the inception period to lay the foundation for measuring future results and outcomes (a draft TOR for these baseline studies is attached).
- Internal monitoring systems are essential, yet they need to be accompanied by mechanisms that allow feedback and suggestions from the main clients: the population and entrepreneurs. The challenge will be to set up non-threatening systems by which the decisions and actions of the local government will be subject to feedback from the recipients. As the project gains in maturity, study tours could be organized to Thailand, Pakistan, Philippines or Indonesia to learn from the experiences of these countries with "social audits". Gradually, the project will assist the local authorities with developing standards for measuring the quality of services.
- Apart from internal and external monitoring systems, the project will also stimulate the development of a "learning environment" building essentially on the existing GPAR network (including also the concerned ministries), but also facilitating the development of a provincial change management network and learning environment. To ensure full involvement of the local staff, working groups and task forces will be established from the outset and coordinators will be selected from each of the pilot offices, districts and from relevant sectors. Continuous interaction with the coordinators and working groups will

allow the project team to measure the level of buy-in and understanding of the local staff. Collaboration and exchange of experiences with other projects in the province will be highly promoted, in particular with the other SDC funded projects (LEAP, SADU). In addition, research, findings and proposals will be discussed and disseminated through local workshops. These lessons learned and feedback will then in again be shared with national agencies/projects and other provinces/pilot projects.

- Within the agriculture sector, there is a specific opportunity for on-going learning. The different projects that operate in the province typically operate in limited areas. The lessons and opportunities they demonstrate should be assessed on a regular basis, and worthwhile opportunities disseminated for other areas in the province. Mechanisms for assessing their experiences could include an annual forum combined with study trips to selected sites. This is an activity that could reasonably be seen to continue as a normal part of the operation of the PAFO.
- The process of improving the public administration, let alone good governance, will experience occasions of difficulty and tensions. It is important that these not be seen as, failures, or reason for abandoning an initiative, but as opportunism for learning. The project can facilitate this through attempting to predict where areas of difficulty are likely to occur so that attention can be focused on them.
- To broaden people's understanding of how reforms are implemented in practice, study tours to neighbouring countries will be highly valued, as an essential contributor to changing people's mindsets. These study tours will be organised in close collaboration with GPAR central and the other pilots. The project will also seek close collaboration with UNDP and SDC funded projects in Vietnam (many staff in Xieng Khouang speak Vietnamese).

By the end of the initial two years, a comprehensive capacity development plan should be available. But it would only be in the fourth or fifth year of the project that the provincial authorities would have gained sufficient understanding of all the constraints and opportunities available, to conceive its own vision and strategic plan for further governance improvements, beyond the extension of nationally conceived reform initiatives. It is unlikely that these capacities will have been developed during the initial two-years of the project. Developing this strategic plan will be a longer-term endeavor. In this regard, it is expected that the project will support a series of provincial (internal) round tables on future governance reforms. As the province gains consensus on the future governance reform plans, other stakeholders (such as other donor projects operating in the province) could be associated in the process.

Interventions in the Ministry of Agriculture and Forestry

All the above interventions will be applied with a special focus on the agriculture sector. Capacity building for technical staff will include extension methods as well a broad technical base. LEAP will provide the basic curriculum for this in one pilot district²² and in the two pilot districts with a core of experienced staff; they will be used to mentor other staff. Networking between all three pilot districts will be used to develop a peer group support. Training for administrative staff will be provided to enable them to guide and manage extension activities on a broad scale. Implementing at this scale will require a far higher disbursement of operating funds than in the past, and so more efficient systems for management and acquittal of this will be needed. Once achievements are being accrued, to further enable this sector to respond on a broad scale, the structure and job descriptions of the staff will be reviewed. This task will involve personnel sections from both provincial and central levels.

Training

Most of the interventions of the project will require a substantive amount of training. Capacity development is a long and costly process. It must be founded on very carefully elaborated long-term strategy identifying priorities and logical sequence of the process based on the assessment of existing human resource potential and training needs. The implementation of this strategy necessitates an effective coordination of training initiatives, follow up and impact assessment.

²² Expected to be Khoun district

As mentioned above, the provincial antenna of NOSPA is weak in resources. To ensure sustainability of training efforts, it is suggested that all pilots and GPAR central consult with PACSA and NOSPA (central) to define a common strategy for the training of civil servants in the provinces. To the extent possible, based on screening of their training capacities and facilities, private sector training centers should be associated in the process.

The table below is only indicative. It provides an overview of the main training needs that resulted from the Needs and Opportunity Assessment and Project Formulation mission in Xieng Khouang province.

Topic of training	Provincial staff	District staff	Village authorities
Planning techniques	X	X	X
Strategic management	X		
Expenditure management	X	X	
Investment management	X		
Procurement management	X	X	
Bidding and competitive contracting	X	X	
Small and medium enterprise promotion	X	X	
Micro-finance	X	X	X
Cross-sectoral management and coordination	X	X	
Project proposal preparation	X	X	X
Project formulation	X	X	
Project monitoring	X	X	
Project evaluation	X		
Cost analysis	X	X	X
Report writing	X	X	
Data collection and analysis	X	X	X
Agricultural extension methodologies	X	X	
Human Resource Planning	X	X	
Computer skills	X	X	
Archiving/records management	X	X	X
Gender awareness	X	X	X
English training*	X	X	

English training will be addressed strategically. Not all staff are to be proficient in English. Only those who have direct interaction with project staff as well as those who are likely to interact with English speaking audiences (e.g. Tourism sector, governor's office) will participate in these training activities.

8. Justification of the Project – Governance and MDGs

The GOL's effort to streamline and decentralize the framework for providing government services, is central to achievement of the poverty reduction goals. The implementation of the Socio-economic Development Plan and NGPES requires the promotion of pro-poor governance, ensuring a more responsive, service-oriented, transparent and cost-effective public service delivery system.

The sheer number of people involved in the agricultural sector means that there is a strong potential to impact on people's lives, in particular the poor. Important in this perspective is how public service delivery will be improved and how improved standards can be sustained. The key is making public service delivery agents more responsive to people's needs and to enable local communities in the pilot districts to play a more active role in the development process.

Supporting capacity development in core horizontal agencies and in the Ministry of Agriculture to help the province overcome its challenging endeavour to fight poverty and improve the livelihoods of its people, is consistent with the universal Millennium Development Goals, adopted in September 2000, and which UNDP and SDC aim to support by promoting

participation, accountability and effectiveness in governance at all levels. In addition to improved capacities to plan, make strategic choices and coordinate implementation of pro-poor local development, the project's targeted capacity development interventions has a direct impact on several of the MDGs:

- Eradicate poverty and hunger (MDG 1): by improving the services that farmers can access, improving their work practices and enabling them to access the best technical advice possible (better farming practices, technical advice and business advice – produce at a lower cost and sell better quality for a better price)
- Achieve universal primary education (MDG 2): improving farming practices will ultimately result in children being able to spend less time on farming activities and more time in school.
- Promote gender equality and empowerment of women (MDG 3): the project will ensure women's full and equal participation in decision-making processes at all levels, and promote awareness of their contribution to the economy and their role in managing natural resources.
- Reduce child mortality (MDG 4): better farming techniques and better access to markets will allow to improve nutrition levels in rural areas and raise income levels thus reducing child mortality.
- Ensure environmental sustainability (MDG 7): improved planning and priority setting will result in better management of environmental resources and improve people's access to safe drinking water.
- Develop partnerships for development (MDG 8): the project brings together several development agencies and thus promotes more generous ODA for a landlocked country like Laos. The project will make the necessary efforts to promote private sector development in the province as a main contributor to poverty eradication and economic growth.

9. Next steps

Prior to the approval of the project and shortly thereafter, there are a number of immediate steps that need and can be taken to ensure an effective start-up of the Xieng Khouang pilot project. These immediate steps are the following:

- a) Visit to Luang Prabang pilot project by a delegation of officials from Xieng Khouang province, including also the chiefs of the pilot districts.
- b) Sharing of a series of documents and promotion materials already developed under the GPAR central and GPAR Luang Prabang projects.
- c) Selection of coordinators from each of the pilot organizations and of the members of the working groups, prior to the arrival of the advisors.
- d) Selection of trainees for induction course at DPACS, CPC and Ministry of Finance. Ideally, this group should contain a mixture of senior officials who will be engaged in the project, as well as young professionals who will be appointed as project staff or coordinators.
- e) Selection of provincial staff (including the administrative assistant) involved in the management of the project to receive training on the new UNDP ATLAS regulations. A similar training will be provided to the Resident Project Coordinator.
- f) Selection of a core group of officials who will collaborate closely with the project for English training courses (*) and computer courses, as required.
- g) Collection by DPACS, CPC and MoF of all training materials used in various projects for training of government officials and village authorities.
- h) Baseline studies

LOGFRAME FOR THE GPAR XIENG KHUOANG PROJECT

Project Goal	Strengthening the operational capacities of selected government institutions at provincial and district levels with emphasis on the agricultural sector to contribute to poverty reduction and equitable growth in Xieng Khouang
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Objective 1 To increase ability of local administration to respond to citizens' and entrepreneurs' demand and needs

Objective	Narrative Summary	Measurable Indicators
1.1 Information provided to citizens and local business about administrative reforms and opportunities for most effective use of various services.	<p>These outputs will enable the provincial and district government in Xieng Khouang on bringing governance closer to the people by improving the ability of local administration to respond to citizens and entrepreneurs' demand and needs.</p> <p>This will be done through: forums to improve</p>	<ul style="list-style-type: none"> • Village population and entrepreneurs have better understanding of government policies and budgets • Village meetings used as a vehicle for information sharing • Reporting on revenues and expenditures are regularly distributed to all administrative units and villages • District offices have regular access to relevant and accurate data and information from the province

Objective	Narrative Summary	Measurable Indicators
<p>1.2. Improved capacities (skills, processes, procedures and operational support) for conducting inclusive participatory planning in selected districts</p>		<ul style="list-style-type: none"> • Staff of district planning and agriculture offices carry out effective extension work and participatory planning, budgeting • Manuals and guidelines prepared in support of local training programs in participatory planning • Training manuals for village authorities • Annual Village Development Plan (VDP) available • Consolidated kum ban plans available in sample number of kum ban • Equitable participation in decision-making by all citizens, regardless of gender and ethnicity • Gender and ethnicity disaggregated data available
<p>1.3. Conducive institutional environment for economic development created in the province</p>		<ul style="list-style-type: none"> • Pilot one-stop shop set up in Paek district to promote economic investment • Mixed task-force (public-private) meets regularly to discuss trade and investment problems and recommendations • Increase in economic investment in the province (starting with Paek district) • Farmers and economic operators are better informed of market opportunities • Number of visitors to pilot one-stop shop in Paek district

Objective 2 To enable local administration to implement decisions and reach provincial and district objectives in a transparent, coordinated and cost-effective manner

Objective	Narrative Summary	Measurable Indicators
2.1. Clarification of roles and functions of offices involved in coordinating and managing the implementation of provincial and district plans	The project will implement a series of public administration reforms in selected offices (three pilot districts: Khoun, Nong Het and Paek), including office restructuring, improved human resource management systems, and sound financial management procedures and tools to support financial accountability and transparency for service delivery in the provincial and district administration.	<ul style="list-style-type: none"> • Division of responsibilities for coordinating rural development and poverty eradication clarified • Responsibilities for land management/land allocation clarified • OoG operates as a model office with clear delegation towards managers of line offices • Improved communication between OoG and district offices
2.2 Capacity increased for effective strategic planning and priority setting at provincial and district levels	These reforms will be especially focused on the agriculture (together with the SADU, LEAP and other pilot projects in Xieng Khouang), which provides an excellent opportunity to develop and demonstrate participatory working approaches from village level planning and participatory working approaches, to models for staff capacity building, and pragmatic improvements in organizational structure, hence to illustrate increased performance from improved public administration. Extension work will be the main entry point and driver for	<ul style="list-style-type: none"> • Socio-economic data profiles are established and updated regularly • Sectoral offices able to assess Village and Kum Ban development plans and prepare comprehensive annual plans to secure budget allocations
2.3 Improved and transparent HRM to support productivity of civil servants		<ul style="list-style-type: none"> • Transparent payroll management and related statistics available • HRM officers in the province and districts able to perform their functions • Performance appraisals conducted on a regular basis • The Personnel Information Management System is up-to-date and is used for Personnel management issues (staff planning, training, leave management, redeployment) • HRM Gender disaggregated data are available •

Objective	Narrative Summary	Measurable Indicators
2.4 Efficient and effective organizational environments and productive working methods instituted in pilot offices, including use of Information and Communications Technologies (ICT)		<ul style="list-style-type: none"> • Mission statements of provincial and district offices reflect clear delineation of functions • Improved support/front office staffing ratios • District offices appropriately restructured • Provincial and district budgets reflect a balance between salaries and operational costs • Better information and records management systems within the civil service
2.5 Sound financial management procedures and tools to support financial accountability and transparency in the provincial and district administration		<ul style="list-style-type: none"> • Timely financial reporting • Increased number of financial audits • Audit recommendations are followed-up by provincial authorities • Salaries of civil servants are paid on a regular basis • Reduced gap between tax revenue projections and tax effectively collected • Population well informed of revenue collection laws and regulations
2.6 Procedures in place for allocating and managing government District Development Funds (DDF) or Village Development Funds (VDF)		<ul style="list-style-type: none"> • Government contribution to VDF/DDF • Establishment of DDF/VDF

Objective	Narrative Summary	Measurable Indicators
2.7 Capacity development strategy applied on a pilot basis in the Agriculture sector		<ul style="list-style-type: none"> • Pilot DAFOs (with selected staff from other sectors) able to conduct extension activities on a regular basis • PAFO and DAFO organizational structures revised in line with MAF strategic plan • Lessons learned from DAFO extension and participatory planning used for improving planning and budgeting process in the province • Reform process in MAF field offices well documented and shared with other sectors

Objective 3 To improve capacities of local authorities to monitor progress in service delivery and poverty eradication and to plan for future governance improvements

Objective	Narrative Summary	Measurable Indicators
3.1. Internal management systems established to improve project monitoring and evaluation	The project will emphasise improved management and monitoring systems relating to service delivery and poverty eradication. Processes and procedures for obtaining and acting on feedback received regarding service delivery will be clarified, and will inform future improvements in public administration and service delivery.	<ul style="list-style-type: none"> • Regular monitoring and evaluation reports available • TPR meetings conducted on a regular basis • Mid-term and final evaluation conducted • Workplans regularly adjusted to respond to monitoring findings and recommendations
3.2 Clear process established for organising and utilizing feedback from the public on service delivery	There will be close attention paid to ensure that internal project management is also strong, with regular monitoring and reporting by the	<ul style="list-style-type: none"> • Directives and procedures in place for people to express their views on quality of government services • DPC and OoG receive regular feedback on people's perceptions of government service • Pilot experience with people auditing of service delivery implemented in Paek district

Objective	Narrative Summary	Measurable Indicators
3.3 . Learning strategy established to replicate and upscale lessons learned and inform central policy making		<ul style="list-style-type: none"> • Xieng Khouang province part of the GPAR Change Management network • Provincial and district authorities have gained better understanding of reform challenges and opportunities • Number of provincial workshops on reform process • Reports on GPAR Xieng Khouang reform process available
3.4 Provincial plan and strategy for future improvements in public administration and service delivery		<ul style="list-style-type: none"> • Provincial vision and strategic plan available for future governance reforms

Objective	Narrative Summary	Measurable Indicators
4. Project support	This relates to the administrative arrangements for the operation of the project.	<ul style="list-style-type: none"> • Project functioning effectively, with regular implementation of work-plans and delivery of budget.

Annex III

TERMS OF REFERENCE

LEADING COMMITTEE FOR PUBLIC ADMINISTRATION REFORM (LCPAR) XIENG KHOUANG PROVINCE

The LCPAR of the GPAR Xieng Khouang project will be established by appointment of the Governor of the Province. The primary responsibilities of the LCPAR are to:

- endorse the overall orientations of the project;
- oversee the implementation of the project;
- guide and supervise the departments, agencies and local administrations at various levels (provincial, district, sub-district) concerned with regard to the activities and implementation of the project;
- receive and analyse the various reports of the project; and
- analyse and resolve any issues that may arise during the course of project implementation.

The LCPAR will be composed of representatives from a range of provincial level departments and agencies, including:

- the Vice Governor.
- the chief of the Cabinet of the Office of the Governor.
- the Provincial Finance Department.
- the Provincial Planning Department.
- the Provincial Organization Department.

Other departments and agencies will be represented in accordance with decisions made by the Governor. However, for the purpose of avoiding any conflict of interest arising out of the use of project capital budget allocations to districts, no district chiefs will be members of the LPC.

Annex IV

TERMS OF REFERENCE NATIONAL PROJECT DIRECTOR

The National Project Director (NPD) is the focal point for responsibility and accountability in a nationally executed project. The NPD will be a senior official of the Office of the Governor of Xieng Khouang Province, as well as a member of the Leading Committee. The primary function of the NPD is to supervise and to guide the full-time National Project Manager (NPM).

In accordance with this primary responsibility, the NPD will:

- act as the focal point and responsible party for the project on behalf of the SLGP Leading Committee.
- ensure that all government inputs committed to the project are made available as and when needed.
- appoint the National Project Manager (NPM) and ensure that s/he exercises sufficient authority for the purposes of project management.
- supervise the activities and performance of the NPM.
- assist the NPM in the implementation of the project, in accordance with the Project Document and annual and multi-annual work plans.
- endorse and approve project-related appointments (Project Support Team members, counterparts and consultants).
- ensure close coordination between the project and other local authorities and central levels of government.
- approve disbursement of project funds in accordance with the procedures stipulated in the official NEX Manual and as specified in Part V of the project document.
- appoint an acting NPD for the purposes of disbursement approval as and when necessary.
- represent the project at meetings of the parties to the project document.
- provide assistance to the project in the implementation of activities that involve other agencies of the government.

Selection Criteria

- technical knowledge and experience related to programme management, public administration reform and related areas.
- Authority, credibility and seniority in executing agency that is appropriate to the project.
- English reading, writing and speaking skills (desirable)
- Leadership and supervisory experience.
- Time available according to the needs of the project.

Annex V

TERMS OF REFERENCE NATIONAL PROJECT MANAGER

The National Project Manager (NPM) has responsibility for and authority over the day-to-day operational management of the project. This is a full-time position. In accordance with this overall mandate, the NPM will:

- operationally manage the project so as to achieve the project outcome and outputs as specified in the project document and in accordance with the procedures described in the NEX Manual.
- prepare and update project annual workplans.
- submit project annual workplans to the LCPAR;
- assign and allocate resources in accordance with annual workplans.
- report on project progress against annual workplans on a regular basis.
- select, recruit and supervise project administrative support staff.
- ensure, in collaboration with the UNDP country office, that all government letters of agreement are prepared and negotiated with appropriate parties as needed.
- mobilise all project inputs not covered by government letters of agreement in accordance with NEX Manual procedures and authorisation of such expenditures (with, depending on circumstances, joint UNDP approval).
- organise and manage project activities in accordance with agreed annual workplans and with a view towards attaining project outputs and outcomes.
- ensure coordination of project implementation with other local authorities and government agencies.
- prepare timely and regular project progress reports and/or oversee the preparation of such reports by members of the Project Support Team.
- report to the NPD on a regular basis.

Selection criteria

- technical knowledge and experience related to program management
- authority in implementing agency that is appropriate to the project.
- English reading, writing and speaking skills.
- Public administration, project and management skills and experience.
- Leadership, communications and supervisory experience.
- Full-time involvement in the project.

Annex VI

DRAFT TERMS OF REFERENCE BASELINE STUDY

Introduction

Soon after to the operational start-up of project, a baseline assessment and survey will be carried out. The baseline assessment will focus in on institutional issues in Xieng Khouang province. It will

- provide baseline data on the current institutional set-up in the province that will be of use to later evaluations and reviews;
- inform decision-making during the inception phase (at project start-up) – concerning issues such as pilot districts, eligibility conditions for funding, community contributions, planning and budgeting arrangements etc.

Thematic areas

The survey/assessment will provide information on the following areas:

(1) Organizational and HRM issues:

- current staffing (number, qualifications, gender, etc.) and functional (job descriptions, departmental functions and responsibilities, organigrammes, etc.) arrangements at provincial and district levels;
- existing training and HRM arrangements in the province;
- ICT availability at provincial and district levels;
- existing “cross-cutting” committees and/or working groups (functions, composition, functionality);
- Communication structures and practices within the province

(2) Planning

- current planning practice at provincial and district levels (methods used, community participation, sector involvement, etc.);
- existing screening and prioritisation methods for provincial and district investments;
- current design and costing methods for infrastructure investment preparation.

(3) Budgeting and financial management

- current budgeting arrangements (levels of budget preparation, use of norms, approval systems, linkages between recurrent and capital budgets, etc.)
- current accounting and financial reporting arrangements (periodicity, timeliness, content, etc.), especially at district level, with regard to both expenditure authorisation units and treasury departments;
- current internal auditing mechanisms (periodicity, responsibility, reporting, etc.);
- current treasury arrangements (cash operations, bank accounts, transfer mechanisms), especially at district level.

(4) Local business and small entrepreneurs

- number, range, and growth of local business
- existing market opportunities and access to markets
- existing facilities and challenges for small business development in the province

(5) Agricultural development and extension services

- current staffing arrangements and capacities of extension offices at provincial and district levels;
- existing training arrangements in the province;
- availability of funding and expansion opportunities;

(6) Sub-district arrangements

- interactions between districts and sub-district units (ban and kum patana);
- kum patana structuring and functioning in each district;
- community contributions to infrastructure and service delivery (informal/extra-budgetary contributions for education, health, road construction/maintenance, etc.)

(7) Communication

- existing Provincial communication policy and implementation
- current access to information for citizens and local entrepreneurs with regard to laws, business regulations, and budgeting

Organizational and other issues

The baseline survey/assessment will be conducted over a period of one month in Xieng Khouang province. It will be undertaken by:

- a short term international consultant (team leader), with expertise in institutional assessments of this kind, and expertise in the area of economic and business development; and
- a short term national consultant, with a sound knowledge of agricultural extension in Lao PDR.

The team will provide a full report (in English and Lao). Finalisation of these terms of reference will take place in consultation with national and local project stakeholders.

Annex VII

TERMS OF REFERENCE

Resident Project Coordinator/Senior Technical Advisor (international)

The Resident Project Coordinator/Senior Technical Advisor has two principal responsibilities:

- to provide assistance to the NPM in general areas related to quality of technical assistance and project management;
- to provide substantive inputs for the project, largely (but not entirely) related to organizational and institutional reform in public administration, clearly linked to change management in provincial departments

In order to meet these two key responsibilities, the Coordinator/Senior Technical Advisor will have a number of specific tasks:

- to provide managerial assistance to the NPM in terms of annual work-planning, day-to-day coordination of project activities, facilitating appropriate technical assistance, project financial matters, and liaising with UNDP/SDC/SNV.
- to assist in the management and technical coordination of the Project Support Team and its inputs into the project.
- to facilitate the establishment of linkages with central level institutions (DPACS, GPAR, CPC, etc.) and other GPAR pilot projects (e.g. GPAR-Luang Prabang, GPAR Saravane, GPAR Khammouane) and thus to assist in ensuring that the project achieves its policy impact objectives.
- to liaise and coordinate with other pilot initiatives in the Xieng Khouang province in the field of agricultural extension and rural development (e.g. the Small-scale Agro-enterprise Development for the Uplands project).
- to provide substantive technical input for the activities scheduled for creating a conducive institutional environment for economic development.
- to provide substantive technical input for all activities linked to output 2.7 (Capacity development strategy applied on a pilot basis in the Agriculture sector).
- to support the development and carry out the implementation of a communications plan in order to expand awareness and understanding of the reform programme among the government at central and local levels, the international community and in particular in the local population.
- to assist in the development of an overall M&E framework for the project (in collaboration with the short term Agriculture planning and monitoring advisor).
- to ensure that the information necessary for regular M&E of project activities is collected and analysed, and in accordance with donor needs.
- assist provincial and local authorities in tracking their performance and public service delivery activities.
- to contribute to regular reporting on project progress.
- to provide other such advice and support as may be required by the UNDP and the government as is to be expected in a dynamic process of PAR.

The project coordinator/Senior Technical Advisor will therefore have the following qualifications:

- a Masters or higher degree in public administration, management, economics, or development studies .
- a multidisciplinary development sector experience across agriculture and rural development, social development and governance.
- solid experience in program and project management, monitoring and evaluation.
- developing country experience of at least 15 years, including relevant some relevant substantive experience at sub-national level in the region.

a fluent command of English (obligatory), and willingness to acquire working knowledge of Lao, and

- good (and proven) team coordination/leadership skills.

Annex VIII TERMS OF REFERENCE

SNV Specialist Resident Organizational Development Advisor (international)

The Resident Organizational Development Advisor has five principal responsibilities:

- to assist GPAR Xieng Khouang provincial pilot project by undertaking baseline studies and capacity assessments, analysis of job descriptions, indicators and monitoring and evaluation systems, office management;
- to assess existing organization structures and systems and provide advice on proposed changes (Institutional Development);
- to advise and train government counterparts on issues of Organizational Development (Capacity building);
- to advise and assist the project team with the service delivery related activities, e.g. prioritisation of services, piloting one stop shop model and District or Village Development Funds;
- Establish and maintain a strong relationship with national and local government counterparts.

In order to meet these key responsibilities, the Resident Organizational Development Advisor will have a number of specific tasks:

- to conduct an organization assessment, put forward recommendations and identify an implementation strategy;
- to devise and support implementation of a capacity development plan;
- to support the mapping and prioritising of services;
- to support the preparation and delivery of process mapping training modules;
- to contribute to regular reporting on project progress;
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- to provide substantive technical inputs to establish the Office of the Governor as a model office and to clarify functions and roles of the offices involved in developing and implementing provincial and district plans
- to assist in the development and implementation of procedures for allocating and managing government District or Village Development Funds
- to contribute to the development of domestic knowledge networks and to facilitate accumulation and distribution of lessons learned with the local and central level of government;
- to assist the project coordinator in advising the government on the preparation of terms of reference and design for recruitment of international and other consultants and experts;

The Resident Organizational Development Advisor will therefore have the following qualifications:

- a Masters or higher degree in public administration, management, economics, development studies or other relevant social sciences;
- a sound background and experience in organizational development and financial management
- a multidisciplinary development sector experience across agriculture and rural development, social development and governance, including relevant experience at sub-national level
- experience in decentralization and public administration reform within the region is highly desirable
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a fluent command of English (obligatory), and willingness to acquire working knowledge of Lao.

In addition to these tasks, the SNV Organizational Development Specialist will also regularly render backstopping services in his field of expertise to the other GPAR pilot projects and thus actively contribute to the transfer of knowledge and experience in public administration reform between local and central levels of government.

In all his tasks the SNV Organizational Development Specialist is reporting to the NPD.

Annex IX

TERMS OF REFERENCE

SNV Specialist Resident Organizational Development / Human Resources Specialist (national)

The Resident Organizational Development / Human Resources Specialist (national) has three principal responsibilities:

- to assist the GPAR Xieng Khouang Project Team with the research, analysis, development, implementation and documentation of organizational structures and work practices;
- to advise and train counterpart staff on research and analysis of work practices and service delivery (Capacity Building);
- to support and advise Local Governance programs in other areas based on results achieved in the program, and contribute to teamwork and knowledge management;

In order to meet these key responsibilities, the Organizational Development / Human Resources Specialist will have a number of specific tasks:

- to develop, test and apply process mapping methodology in DAFO and other horizontal offices at district or provincial level;
- to design and deliver training modules on process-mapping and HRM;
- to provide substantive technical inputs for the activities specified under related outputs;
- to contribute to regular reporting on project progress;
- to develop and maintain good relationship and networks with government counterparts;

The Human Resources Specialist will therefore have the following qualifications:

- Minimum of Bachelor's degree in the field of business/public administration or relevant social science;
- Experience with the analysis, design and implementation of organizational development and/or HRM reforms in the Lao PDR;
- Excellent knowledge of the Lao language and a fluent command of English both in speech and writing;
- Proficiency in Windows related software applications
- Good communication skills
- Experience in training design and delivery is desirable

In addition to these tasks, the SNV Organizational Development / Human Resource Specialist will also regularly render backstopping services in his field of expertise to the other GPAR pilot projects and thus actively contribute to the transfer of knowledge and experience in public administration reform between local and central levels of government.

In all his tasks the SNV Organizational Development / Human Resource Specialist is reporting to the NPD.

Annex X

TERMS OF REFERENCE

Agriculture Development Specialist (short-term)

Recent development projects in Xieng Khouang have provided promising examples of improved agricultural production, and they have been successful in building up the capacity of technical staff in extension processes and skills. However, projects have rarely addressed administrative procedures and capacities of the agricultural offices at the provincial and district levels, which play a key role in the sustainable and widespread application of improved agriculture.

The Agriculture Planning and Monitoring Specialist has four principal responsibilities:

- to assist local offices in the agriculture sector (i.e. PAFO and DAFO) in defining a clear vision of their roles, functions and objectives;
- to contribute to the capacity building of both technical staff (in extension methods and basic technical knowledge) and administrative staff (in procedures and leadership)
- to assist the local offices in the agriculture sector in improving procedures for planning, monitoring and evaluation, and fund management
- to facilitate the organizational and functional review of local offices in the agricultural sector (DAFO and to a lesser degree the PAFO)

While the main focus of work will be within the agriculture sector, the specialist will also ensure that there are effective linkages between the sector and relevant cross-cutting offices, such as Planning and Finance.

In order to meet these key responsibilities, the Agriculture Planning and Monitoring Specialist will have a number of specific tasks:

- Facilitate the assessment of evident opportunities for improved agriculture production and in the pilot districts, develop plans for firstly short-term and later more strategic objectives.
- Facilitate the assessment of current approaches used to carry out 'village development plans' and build on these to develop robust procedures, which could be generally applied.
- Examine the potential role of the 'Kum Ban' in relation to planning, and exchange of experiences between farmers within the 'Kum Ban'.
- Facilitate DAFO administration staff to review their planning, monitoring and evaluation procedures, and identify opportunities for improvement.
- Identify a capacity building program for the administrative heads in areas of project management and leadership.
- Identify a capacity building program for technical staff of the DAFO, utilizing and building on the work of LEAP and other projects that have worked in the province.

- Mentor the development of annual work plans by technical staff. The annual planning process should serve to assist staff assess the status of on-going work and setting of realistic objectives, and activities to achieve these.
- Facilitate a review of the structure of the DAFO (and to a lesser degree the PAFO) as it affects the provision of extension services on a widespread basis, along with the development of appropriate job descriptions, and training requirements. This review will involve Central, Provincial and District offices with both cross-cutting functions (e.g. personal) and sectoral functions.
- Assist in the development of 'tools' for the Provincial and District Planning and Financial offices to prioritize competing demands for services and funds, and for monitoring of their implementation.

These activities will be carried out in close consultation and collaboration with the relevant local and central authorities.

The short-term Agriculture Planning and Monitoring Specialist will therefore have the following qualifications:

- an academic background in agriculture, rural development, sociology, economics, planning or development studies ;
- a solid background in development work in the agricultural sector in developing countries (at least 10 years of experience), including some relevant experience at the sub-national level in the region.
- a fluent working knowledge of Lao (highly desirable) and a fluent command of English (obligatory)
- good (and proven) facilitation skills.

Annex XII

TERMS OF REFERENCE

Financial Management Advisor (short-term)

Duties and Responsibilities

The Financial Management Advisor's responsibilities will include:

1. Facilitating functional analysis in the Department of Finance and Department of Planning and Investment in areas and sections relevant to expenditure management, budget preparation and investment planning.
2. Providing advice measures and options to improve expenditure assignment and management in Xieng Khouang, and steps to move towards block grants for districts to take up small scale infrastructure creation.
3. Assist Department of Finance and Department of Planning and Investment to engage with central ministries to identify feasible improvements
4. Preparing departmental policy papers for pursuing reforms in expenditure management, and guiding the relevant Departments to prepare departmental reform strategies and action plans
5. Detailed reviewing of departmental reform strategy papers and action plans to ensure feasibility, clarity and relevance.
6. Designing and delivering training on tools and methods to be applied for implementing these reforms.

Selection Criteria

- Ten years experience in public sector financial management, including experience related to fiscal decentralization
- Substantive experience in working with multi disciplinary teams of professionals
- Masters degree in public administration, management or economics
- Experience in governance and public finance both regionally and internationally (with local experience being desirable)
- Strong oral and written English communications skills, results oriented, team player
- Sound judgement, flexibility and adaptability, cultural sensitivity.