

Project Administration Manual

Project Number: 47137-003
Loan Number: {LXXXX; TXXXX}
August 2015

Lao People's Democratic Republic: Proposed
Programmatic Approach, Policy-Based Loan, and
Technical Assistance Loan for Subprogram 1: Health
Sector Governance Program

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Health (MOH) as the executing agency (EA) and as the implementing agencies (IAs) including the following departments under the MOH: (i) the Department of Finance (DOF), including the Health Insurance Bureau, (ii) the Department of Organization and Personnel (DOP), (iii) the Department of Training and Research (DTR), and (iv) the 18 provincial health departments, are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by the EA and IAs of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan Agreements. Such agreements shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

Abbreviations

ADB	=	Asian Development Bank
CAPE	=	country assistance program evaluation
COA	=	chart of accounts
COBP	=	county operations business plan
CPS	=	country program strategy
DFO	=	district finance office
DH	=	district hospital
DHO	=	district health office
DLI	=	disbursement linked indicator
DPIC	=	Department of Planning and International Cooperation
DoF	=	Department of Finance
DRF	=	drug revolving fund
EA	=	executing agency
EU	=	European Union
FMA	=	financial management assessment
GoL	=	Government of Lao PDR
HC	=	health clinic
HEF	=	health equity fund
HRD	=	human resource development
HRH	=	human resources for health
HSD	=	health services delivery
HSDP	=	Health Sector Development Program
HSDP	=	Health Sector Development Plan
HSGP	=	Health Sector Governance Program
HSRF	=	Health Sector Reform Framework
IA	=	implementing agency
IAS	=	International Accounting Standards
ICB	=	international competitive bidding
Lao PDR	=	Lao People's Democratic Republic
LS	=	local shopping
Lux Development	=	Luxembourg Development
MDG	=	Millennium Development Goal
MoHA	=	Ministry of Home Affairs
MMR	=	maternal mortality ratio
MNHCH	=	maternal, neonatal, and child health
MoF	=	Ministry of Finance
MoH	=	Ministry of Health
MOU	=	Memorandum of Understanding
MPI	=	Ministry of Planning and Investment
NCB	=	national competitive bidding
NGO	=	non-government organization
NT2	=	Nam Theun 2 Hydro-electrical Dam
PCU	=	project coordination unit
PFO	=	provincial finance office
PHC	=	primary health care
PHD	=	provincial health department
PH	=	provincial hospital
PPTA	=	project preparatory technical assistance
QCBS	=	quality and cost based selection
SAO	=	State Audit Office
VAT	=	value added tax
WB	=	World Bank
WHO	=	World Health Organization

I. PROJECT DESCRIPTION

A. Rationale

1. **Health sector performance.** Lao PDR has made notable achievements in health outcomes since the 1990s. However, significant challenges remain to meet key Millennium Development Goal (MDG) targets. Maternal mortality ratio decreased from 405 maternal deaths per 100,000 live births in 1995 to 357 per 100,000 live births in 2012, while the MDG target is 260 maternal deaths per 100,000 live births. The infant mortality rate has fallen to 68 infant deaths per 1,000 live births in 2012 compared to the MDG target of 45 per 1,000 live births. The Child Mortality Rate (under 5 years) was recorded at 79 deaths per 1,000 live births in 2012 while the MDG target is 70. Only 37% of pregnant mothers have adequate anti-natal care (4 visits to a health practitioner prior to birth). Further, only 41.5% of mothers have a skilled birth attendant at birth and 37.5% have an institution-based delivery.¹

2. **Access to health services.** Utilization of health services in Lao PDR is relatively low – ambulatory care visits per capita per year have been below 1 in most areas of the country. Poor utilization of health services is partly due to poor quality of health facilities, lack of staff, and low operational budget for outreach services. High user fees, including for pharmaceuticals, constitute another major barrier to access health services, particularly for the poor and mothers and children. Fiscal year (FY) 2012 national health accounts report that out-of-pocket expenses constitute 44.5% of total health expenditures, which amount to \$35.5 per capita.²

3. **Key health governance challenges.** The National Commission for Health Sector Reform, chaired by the Deputy Prime Minister, guides the implementation of the reform process. However, the plan for the roll out and the monitoring of the reforms need to be strengthened. While the number of health workers has increased significantly in 2013–2014, primary health care facilities often lack health staff. In 2013, 33% of the health centers had a community midwife (against a target of 100%), and 90% of health centers had less than four health workers (against a target of at least five). The provincial health offices lack information on staff's skills, health workforce development and deployment plans. There is no functioning regulatory system for licensing and registration of health professionals. While the planning and budgeting capacity of the Ministry of Health (MOH) has improved, the linkage between health services performance and budget allocation remains weak. The financial management systems do not capture the revenues generated by the sale of medicines and the fees for services, which constitute about 50% of total revenues in the health facilities. The development budget, including all budgets from aid-financed projects, is not disaggregated, and there is no institutionalized system of national health accounts.³

4. **Government's sector strategy.** The government has introduced policies and strategies since 2000 to guide health sector reforms aimed at achieving the Millennium Development Goals, improving health financing and systems, setting standards, and strengthening coordination within the sector. The government's Seventh National Socio-Economic Development Plan, 2011–2015 reflects its commitment to improve human development outcomes. To address key health sector constraints, the government has developed the Health Sector Reform Strategy (HSRS), which includes five priority areas: (i) health human resources

¹ Lao Statistic Bureau. 2012. *Lao Social Indicator Survey (LSIS) 2011*. Vientiane

² Ministry of Health. Forthcoming. *National Health Accounts for Fiscal Year 2011–2012*. Vientiane.

³ National health accounts describe the sources, uses, and channels for both public and private funds utilized in the health sector and are a basic requirement for optimal management of the allocation and mobilization of health sector resources.

development; (ii) health financing; (iii) organization and management; (iv) services delivery, with emphasis on maternal and child care; and (v) information, monitoring, and evaluation.

5. The Health Sector Governance Program, subprogram 1 (here after called the Project) will support the roll out of the health sector reform and will build capacities at national and subnational levels of the Ministry of Health. The proposed project amount would be approximately \$6.250 million equivalent. Implementation period would be three years commencing from October 2015 to September 2018. The proposed project would be provided under the first subprogram of the health Sector Governance Program and complement the program loan which focuses on improving the health services delivery through support to governance reforms.

B. Impact and Outcome

6. The impact of the proposed project will be universal health coverage achieved by 2025. The outcome will be improved health services delivery, particularly for the poor, mothers, and children.

C. Outputs

7. The outputs will be (i) health sector reform process improved, (ii) implementation of the health equity fund (HEF) and free maternal, neonatal, and child health care (MNCH) schemes improved, (iii) health human resources management capacity strengthened, and (iv) health sector financial management system strengthened. These outputs will be key policy pillars under the program.

Output 1: Health sector reform process improved.

8. Under this output, the proposed project will assist the department of cabinet in managing the implementation of the health sector reform (HSR) program with support from development partners with an emphasis on the following activities:

- (i) To assist the cabinet in developing the strategy and phasing of the HSR process as well as establishing a system of monitoring the progress and effectiveness of the health sector reform program. The project will provide scholarships for Master Degree in Public Health, budget for national forum on “road map” for health reforms, and administrative support.
- (ii) Co-jointly between MOH departments and development partners, to develop a plan that sets out the selection of provinces and districts to pilot the rollout of the HSR, and determine the resources available.

Output 2: Implementation of the HEF and free MNCH schemes improved.

9. The project will support MOH to develop demand side interventions aiming at reducing the financial barriers to health program access in the form of HEF for the poor and free MNCH as an initial step towards universal coverage. The intervention will include (i) harmonizing the existing schemes under the leadership of the MOH; (ii) strengthening MOH capacity to support the provinces and monitor the implementation of the schemes; and (iii) strengthening the capacity of the provinces to implement and monitor the schemes; and (iv) conducting an assessment of the schemes.

10. The focus of support to the Health Insurance bureau (HIB), under MOH Department of Finances, will be on the four key implementation functions of the HEF/free MNCH namely membership management, provider management, benefits and provider payment design and management and information management. The project will provide (i) one national HEF manager/coordinator, and (ii) a national IT database specialist in support to the HIB.

11. The project will support MOH and NIB to design and implement the evaluation of the HEF and free MNCH schemes. The evaluation will include the impact of the schemes on the utilization of health services (disaggregated by gender and ethnic groups), the quality of the services, and the satisfaction of the users.

Output 3: Human resources management capacity strengthened.

12. The project is to assist MOH Department of Personnel and Department of Training and Research to strengthen health human resources (HRH) governance and management systems to improve staff capacity in planning and managing HRH at all levels of the health system with an emphasis on:

- (i) At the sub-national level support the development of HRH workforce plans in each province to identify province by province specific local HR needs and priorities, and to aggregate these at a central level to determine national level priorities.
- (ii) Enhancing and rolling out the electronic health personnel management information system.
- (iii) Strengthening supervision and support for staff by establishing a system for incentives and recognition to improve staff morale and productivity, linking performance assessment to the reward system and opportunities for career progression.
- (iv) Supporting MOH Department of Training and Research in the further development of the health staff licensing system.

13. The project will provide computer hardware for the provinces and districts, study tour, and scholarships.

Output 4: Health sector financial management system strengthened.

14. This output will assist the MOH and the MOH Department of Finance (DOF) to develop improved financial systems as part of the financial structural reform program consisting of:

- (i) Enhancements to the provincial planning and annual budget process and the introduction of a rolling three year planning framework. These plans and budgets would form the basis of agreements on provincial financing including program support.
- (ii) The development of a computerized system to document the sources and application of funds collected and used at the health facility level including out-of-pocket (OOP) expenses and government and development partner financed activities as a basis for improved health facility management and to document the collection and use of OOP expenses. It would also provide information not currently available for analysis of health facility units costs and how they vary across the country.
- (iii) Development of a new and revised budget and expenditure reporting process (format) at both the central and provincial level of MOH which meets the technical needs of both the Ministry of Finance (MOF) and Ministry of Planning

and Investment (MPI) and which documents both budgets and expenditures in a standard format for all domestically and development partner financed projects (Chapter 17).

15. The project will support the DOF in rolling out the health financial management reforms in the provinces by providing:

- (i) Consulting services (national consultants), in support to the roll out of the reforms.
- (ii) Training for national trainers, consultation meetings with provinces and training of provincial accounting staff
- (iii) National and international scholarships
- (iv) Provision of IT hardware and accounting software for national and subnational levels.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	Months						Responsible Agency
	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	
Advance contracting actions		X	X				MOH
Establish project implementation arrangements		X					MOH
ADB Board approval		X					ADB
Loan signing			X				MOF, MOH, ADB
Government legal opinion provided			X				MoJ
Government budget inclusion					X		MOH/MOF
Loan effectiveness					X		NPCO, ADB

ADB = Asian Development Bank, MOF = Ministry of Finance, MOH = Ministry of Health, MOJ = Ministry of Justice, NPCO = National Program Coordination Office.

B. Overall Project Implementation Plan

Major Activity/ Tasks	Project Year commences on 1 Oct 2015	2015/16				2016/17				2017/18				2018/19				2019/20			
		1 Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1	2	3	4	1	2	3	4
		Subprogram 1												Subprogram 2							
Output 1: Strengthen health sector reform process.																					
NPCO introduce dept. Cabinet to the project management procedures		■																			
NPCO & Cabinet to establish annual workplan with budgets	S	■																			
DOC request funding and liquidate funds spent quarterly	T	■		■		■		■		■		■		■		■		■		■	
1.1 Support to Cabinet for Health Sector Reform Program	A																				
National Commission meet 6th monthly and report to HSWG (Policy)	R				■	■			■	■			■	■							
Study tour to ASEAN country for Minister, & senior MOF, MPI officials	T		■	■																	
National forum on HSR and Minister endorses HSR Road Map	U					■	■														
1.2 Review of conflicting legislation relating to Health Sector Reform	P																				
DOC and MOH Depts. review legislation & make recommend to Minister					■	■															
DOC establish guidelines and select provinces for decentralization pilot									■	■											
Output 2. Increased social protection of the poor through HEF, and improved service delivery, particularly mother and child health care.																					

Major Activity/ Tasks	Project Year commences on 1 Oct 2015	2015/16				2016/17				2017/18				2018/19				2019/20			
		1 Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1	2	3	4	1	2	3	4
		Subprogram 1												Subprogram 2							
<p>NPCO recruit technical consultants for the DOF for the HSR Program.</p> <p>4.1 Revision of Provincial Planning and Budget process National consultants and DOF plan new process and pilot in 8 Provinces</p> <p>4.2 Establish Accounting System for Chapter 17 Expenditure National consultants, DOF & MOF agree Chart of Accounts & plan</p> <p>4.3 Establish Health Facility Revenue and Expenditure System National consultants and DOF plan new process and pilot in 8 Provinces</p> <p>4.4 Public Financial Management: Health Budget and Expenditure Monitoring National consultants review Central level & 8 provinces Budget and Expend, systems</p> <p>4.5 Institutionalization of the MOH Annual National Health Accounts National consultants assist DOF to establish National Accounts Process.</p>																					
Project Management and M&E																					

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
<p>Executing Agency: MOH through its DPIC that will establish a NPCO</p>	<p>As EA, the MOH will be responsible for the following:</p> <ul style="list-style-type: none"> (i) Coordinate and disburse resources under the programmatic approach; and overall execution of the investment activities. (ii) Identify staff to support project implementation. (iii) Approve annual operation plans for the 18 provinces and 3 key MOH departments. (iv) Consolidate accounts and submit for withdrawal applications. (v) Management of the imprest accounts. (vi) Facilitate the recruitments of International and National consultants in accordance ADB and Government procedures. (vii) Provide the key MOH department who are IA's training in project, budgeting and financial management as part of a capacity building support for the 5 MOH IA's. (viii) Submit all audited project accounts and financial statements to ADB within 9 months after the end of a fiscal year. (ix) Ensure compliance of covenants and safeguards. (x) Undertake M&E of project activities on a regular basis. (xi) Update procurement plan and monitor procurement processes.
<p>MOH Steering Committee: A steering committee chaired by the Minister of Health</p>	<p>The MOH – SC will be responsible for the following:</p> <ul style="list-style-type: none"> (i) Coordinate SC members comprising vice ministers and representatives of MOH departments including Cabinet. (ii) Oversight of Health Sector Reform implementation. (iii) Provide overall guidance on the Program implementation. (iv) Meet six-monthly to review the project implementation progress, resolve constraints in the project implementation. (v) Provide guidance to ensure that the project is implemented efficiently. (vi) Invite MOF, MPI, MHA, and other ministries to participate in the steering committee meetings, as required.
<p>MOH Department of Cabinet (DOC) The MOH–DOC – Health Sector Reform</p>	<p>MOH- DOC will be responsible for the following:</p> <ul style="list-style-type: none"> (i) Assist the Cabinet in developing the strategy and phasing of the HSRF and establishing an M&E system. (ii) Co-jointly between MOH departments and development partners, to plan the selection of provinces and districts to pilot the rollout of the HSR, and determine the resources available. (iii) Assist senior officials and management gain experience in health sector reform programs from other countries. (iv) Conduct national forums for key staff from provinces and districts to share their knowledge with national and provincial level colleagues and development partners, to support the roll out of health sector reforms and the HSR road map.

Project Implementation Organizations	Management Roles and Responsibilities
<p>Implementing Agency – Output 2:</p> <p>The MOH- DOF, including the Health Insurance Bureau</p> <p>DOF, and the provincial IAs are the IAs for Output 2 - Increased social protection of the poor through HEF, and improved health services delivery, particularly mother and child health care.</p>	<p>The IA will be responsible for the following outcomes:</p> <ul style="list-style-type: none"> (i) Demand side interventions to reduce the financial barriers to health program access in the form of HEF for the poor and free MNCH for the priority areas of the country as an initial step towards universal coverage. (ii) Support to the Health Insurance Bureau (HIB), under MOH DOF, for the four key implementation functions of the HEF/free MNCH: membership management, provider management, benefits and provider payment design and management and information management. (iii) Provide an information system to support membership, provider and benefits management. (iv) Provide coordination and supervision to HEF and free MNCH.
<p>Implementing Agencies – Output 3: (i) DOP, (ii) DTR, and (iii) the 18 provincial health departments, will implement the Output 3: human resources management capacity strengthened</p>	<p>The IAs will be responsible for the following:</p> <ul style="list-style-type: none"> (i) At the sub-national level, support the development of provincial health human workforce plans in each province to identify local human resource needs and priorities, and aggregated to central level to determine national level priorities. (ii) Strengthened staff supervision and support for staff through incentives and performance recognition improving productivity. (iii) Strengthen health human resources governance and organization management systems, and compliance with Health Law.
<p>Implementing Agencies – Output 4:</p> <p>DOF and DPIC are the IAs for Output 4 – Strengthened Health Sector Financial Management, and is responsible for the following outcomes:</p>	<p>The IAs will be responsible for the following:</p> <ul style="list-style-type: none"> (i) Enhance provincial planning and annual budget process and introduce a rolling three-year planning framework. (ii) Develop a computerized system to document the sources and application of funds collected and used at the health facility level including out-of- pocket (OOP) expenses and government and DPs activities for improved health facility management. (iii) improve budget and expenditure reporting process at central and provincial level of MOH which meets the technical needs of both the MOF and MPI to report budgets and expenditures in a standard format for all domestically and DPs' financed projects.
<p>Implementing agencies: Provincial health offices</p>	<p>The provincial health offices (PHO) will be responsible for:</p> <ul style="list-style-type: none"> (i) Producing annual operation plans which include project activities. (ii) Implementing reforms supported by the program in the area of financial management and human resources management. (iii) Rolling out HEF and free MNCH schemes. (iv) Applying environmental and resettlement checklists on the activities under the project. (v) The organization of the project in the PHOs will follow their organizational chart. The Provincial Director will be project director. The PHOs departments will conduct the project activities.
<p>ADB</p>	<ul style="list-style-type: none"> (i) Responsible for overseeing all aspect of project administration, give no-objections to procurement requests from the EA, monitor contract awards and disbursements, review of work plans and progress

Project Implementation Organizations	Management Roles and Responsibilities
	reports. (ii) Undertake six-monthly and midterm reviews of the project. (iii) Monitor the selection of consultants, including in the preparation of terms of reference, advertisement, and selection, and provides assistance during contract negotiations.

DOF = Department of Finance, DOC = Department of Cabinet, DOP = Department of Organization and Personnel, DPIC = Department of Planning and International Cooperation, DTR = Department of Training and Research, EA = executing agency, IA = implementing agency, MOF = Ministry of Finance, MOH-SC = Ministry of Health's Steering Committee, MPI = Ministry of Planning and Investment, MHA = Ministry of Home Affairs, NPCO = National Program Coordination Office.

Source: Asian Development Bank.

B. Key Persons Involved in Implementation

Executing Agency & Implementing Agency

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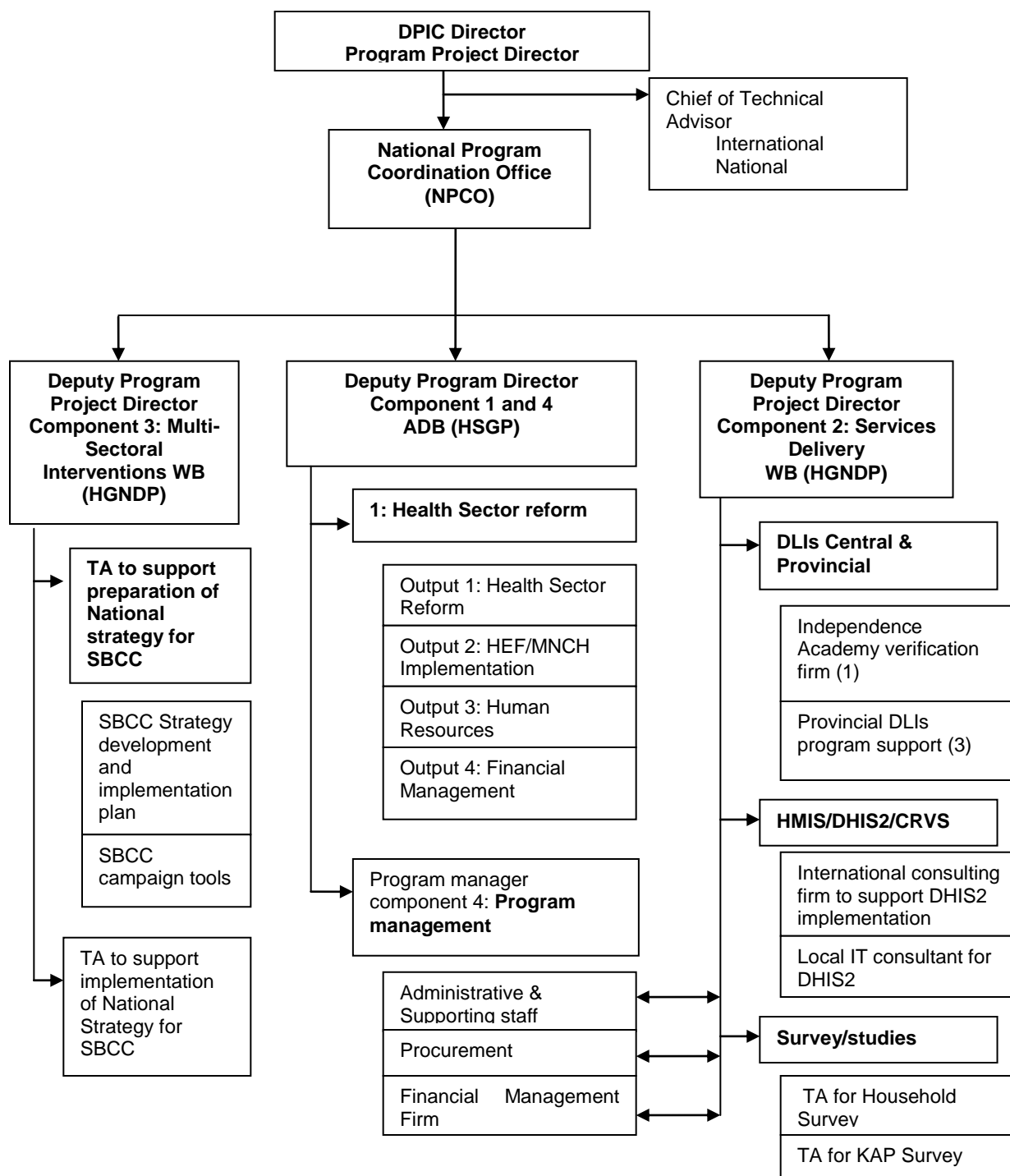
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C. Project Organization Structure

Figure 1: HSGP Organization Structure



ADB = Asian Development Bank, DHIS2 = district health information system 2, DLIs = disbursement linked indicators, DPIC = Department of Planning and International Cooperation, HGNDP = Health Governance and Nutrition Development Project, HSGP = Health Sector Governance Program, HMIS = health management information system, IT = information technology, KAP = , NPCO = National Program Coordination Office, SBCC = , TA = technical assistance, WB = World Bank.

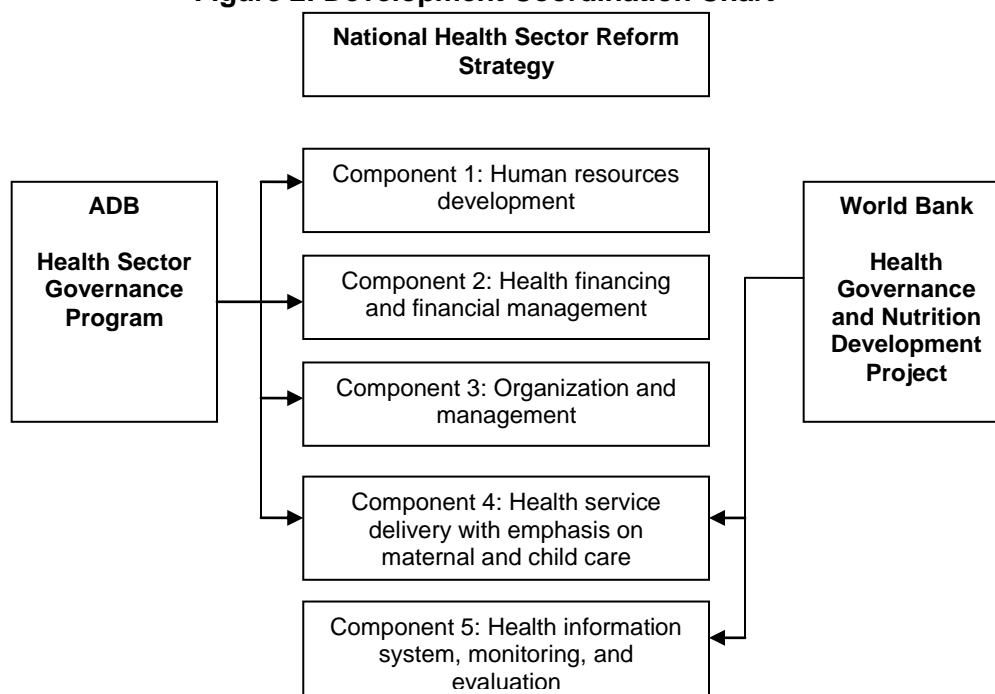
Source: Asian Development Bank and Ministry of Health.

16. The EA of the project will be the Department of Planning and International Cooperation (DPIC), MOH, while implementing agencies (IE) will be (i) the Department of Finance (including the Health Insurance Bureau), (ii) the Department of Organization and Personnel, (iii) the Department of Training and Research, and (iv) the 18 provincial health departments.

17. An MOH steering committee, chaired by the Minister of Health and comprising vice ministers and representatives of MOH departments including Cabinet which is responsible for oversight of Health Sector Reform implementation, will provide overall guidance on the Program implementation. The Ministry of Finance (MOF), Ministry of Planning and Investment (MPI), Ministry of Home Affairs and other ministries would be invited to the steering committee, as required.

18. ADB and World Bank will coordinate their support to the health sector reform strategy. World Bank engagement consists of the Lao Health Governance and Nutrition Development Program, a project investment (\$13.2 million grant and \$13.2 million credit). The focus of intervention of ADB and World Bank is summarized in Figure 2.

Figure 2: Development Coordination Chart



19. It is proposed that the project, together with World Bank Health, Governance, and Nutrition Development Program, is established under a National Program Coordination Office (NPCO). The Director General, DPIC will be the Project Director and be responsible for overall execution of the activities. The NPCO will be placed under the leadership of the Program Director, supported by three national Deputy Program Directors, and by national consultants and support staff to execute the project activities through the implementing agencies: MOH Technical Departments, and Provincial Health Offices (PHOs). Further, it is proposed that the Program Director will be supported by an international consultant Chief Technical Advisor (CTA) and a national deputy CTA. A combination of international and national consultants will support the implementing agencies, including MOH Departments, and the sequenced rollout of the reforms across individual provinces. One accounting firm will support MOH with the

accounting services required for the ADB project. The accounting firm will also participate to the strengthening of the financial capacity development measures provincial financial management systems planned as part of the overall reform program.

IV. COSTS AND FINANCING

20. The government has requested a TA loan equivalent to SDR 4,307,000 (equivalent to \$6 million) to be implemented over 3 years to support the initial design and implementation of the reforms identified under subprogram 2. The TA loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions as set forth in the draft TA loan agreement. The TA will have the same outputs as the Program. The TA is estimated to cost \$6.25 million, of which ADB will finance \$6 million equivalent from ADB's Special Funds resources (Asian Development Fund). Both the TA loan will finance applicable taxes, duties, and bank charges.⁴ The government will provide \$0.25 million equivalent through in-kind contributions (counterpart staff and various facilities). The TA financing plan and investment plan are summarized in Tables 1 and 2.

Table 1: Investment Plan
(US\$ million)

Item	Amount
A Base Costs	
1. Health sector reform process improved	155.4
2. Implementation of the HEF and free MNCH schemes improved	767.2
3. Human resources management capacity strengthened	831.7
4. Health sector financial management system strengthened	3,955.2
Subtotal (A)	5,709.5
B Contingencies	367.4
C Financial Charges	173.1
Total project (A+B+C)	6.250

^a Including taxes and duties of \$0.76 million to be financed by the Asian Development Bank.

^b In May 2015 prices.

^c Physical contingencies are computed at 3.0% of base costs. Price contingencies are computed at an average of 1.4% on foreign exchange costs and an average of 4.5% on local currency costs.

^d Interest during implementation for the ADB loan is computed at 1% per annum during the grace period and thereafter, to be capitalized in the loan amount.

Source: Asian Development Bank estimates.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	6.000	96.0
Government	0.250	4.0
Total	6.250	100.0

Source: Asian Development Bank estimates.

⁴ ADB will finance taxes and duties for this technical assistance as (i) the amount will be within the reasonable threshold identified during the CPS preparation process, (ii) the amount will not represent an excessive share of the investment plan, (iii) the taxes and duties apply only to ADB-financed expenditures, and (iv) the financing of the taxes and duties is material and relevant to the success of the project.

21. **Assurances.** The government and the Ministry of Health have assured ADB that implementation of the program shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and the loan agreements.

A. Detailed Cost Estimates by Expenditure Category

	ADB			Government			Total Costs				
	Foreign	Local	Total	% of Total Base Costs	Local	% of Total Base Costs	Foreign	Local	Total	% of Total Base Costs	
A. Base Costs											
1	Equipment and Vehicles	0.089	0.691	0.780	13.7%	0.0	0.0%	0.089	0.691	0.780	13.7%
2	Staff training and development	0.345	2.315	2.660	46.6%	0.0	0.0%	0.345	2.315	2.660	46.6%
3	Workshops, studies and system development.	0.020	0.248	0.268	4.7%	0.0	0.0%	0.020	0.248	0.268	4.7%
4	Consulting services	0.864	0.218	1.082	19.0%	0.0	0.0%	0.864	0.218	1.082	19.0%
	Subtotal (A)	1.318	3.471	4.789	83.9%	0.0	0.0%	1.318	3.471	4.789	83.9%
B. Recurrent costs											
1	Project management	0.000	0.680	0.680	11.9%	0.241	4.2%	0.000	0.921	0.921	16.1%
	Subtotal (B)	0.000	0.680	0.680	11.9%	0.241	4.2%	0.000	0.921	0.921	16.1%
C. Contingencies											
1.	Physical Contingencies	0.039	0.123	0.162	2.8%	0.004	0.1%	0.039	0.126	0.165	2.9%
2.	Price Contingencies	0.016	0.181	0.196	3.4%	0.006	0.1%	0.016	0.186	0.202	3.5%
	Subtotal (C)	0.055	0.303	0.358	6.3%	0.009	0.2%	0.055	0.313	0.367	6.4%
D. Financing charges during implementation											
	Total Project Cost (A+B+C+D)	1.546	4.454	6.000		0.250		1.546	4.704	6.250	

Source: Asian Development Bank staff estimates.

B. Allocation and Withdrawal of Loan Proceeds**TA Loan**

Item	ADB Financing	Percentage and Basis for Withdrawal from the Loan Account
1 Equipment and Vehicles	780,000	100% of total expenditure claimed
2 Staff Training and Development	2,660,000	100% of total expenditure claimed
3 Workshops, Studies and System Development	268,000	100% of total expenditure claimed
4 Consulting Services	1,082,000	100% of total expenditure claimed
5 Project Management Incremental Cost	680,000	100% of total expenditure claimed
6 Interest Charges	173,000	100% of amount due
7 Unallocated	357,000	
Total Loan	6,000,000	

C. Detailed Cost Estimates by Financier (\$ million)

Expenditure Items	ADB Loan	%	Government	%	Total Cost
A. Investment Costs					
1 Equipment and Vehicles	0.780	100	0.000	0	0.780
2 Staff Training and Development	2.660	100	0.000	0	2.660
3 Workshops, Studies and System Development	0.268	100	0.000	0	0.268
4 Consulting Services	1.082	100	0.000	0	1.082
Subtotal (A)	4.789	100	0.000	0	4.789
B. Recurrent Costs					
1 Project Management	0.680	74	0.241	26	0.920
Subtotal (B)	0.680	74	0.241	26	0.920
Total Base Cost	5.469	96	0.241	4	5.719
C. Contingencies					
1 Physical	0.162	98	0.004	2	0.165
2 Price	0.196	97	0.006	3	0.202
Subtotal (C)	0.357	97	0.009	3	0.367
D. Financing Charges During Implementation					
1 Interest During Implementation	0.173	100	0.000	0	0.173
Subtotal (D)	0.173	100	0.000	0	0.173
Total Project Cost (A+B+C+D)	6.000	96	0.250	4	6.250

Source: Asian Development Bank estimates.

D. Detailed Cost Estimates by Outputs/Components (\$ million)

Item	Total Cost*	Output 1		Output 2		Output 3		Output 4		
		Amount*	% of cost category	Amount*	% of Cost category	Amount*	% of Cost category	Amount*	% of cost category	
A. Base Costs										
1	Equipment and Vehicles	0.780	0.023	3%	0.019	2%	0.344	44%	0.394	51%
2	Staff Training and Development	2.660	0.108	4%	0	0%	0.334	13%	2.219	83%
3	Workshops, Studies and System Development	0.268	0	0%	0.236	88%	0.020	7%	0.012	4%
4	Consulting Services	1.082		0%	0.389	36%	0	0%	0.693	64%
	Subtotal (A)	4.789	0.130	3%	0.644	13%	0.698	15%	3.318	69%
B. Recurrent costs										
1	Project management	0.920	0.025	3%	0.124	13%	0.134	15%	0.638	69%
	Subtotal (B)	0.920	0.025	15%	0.124	15%	0.134	15%	0.638	0%
C. Contingencies										
	1. Physical Contingencies	0.165	0.005	3%	0.022	13%	0.024	15%	0.115	69%
	2. Price Contingencies	0.202	0.006	3%	0.027	13%	0.029	15%	0.140	69%
	Subtotal (C)	0.367	0.010	3%	0.049	13%	0.054	6%	0.255	6%
	D. Financing Charges During Implementation	0.173	0.005	3%	0.023	13%	0.025	15%	0.120	69%
	Total Project Cost (A+B+C+D)	6.250	0.170	3%	0.840	13%	0.910	15%	4.330	69%

* Total may not sum up due to rounding.

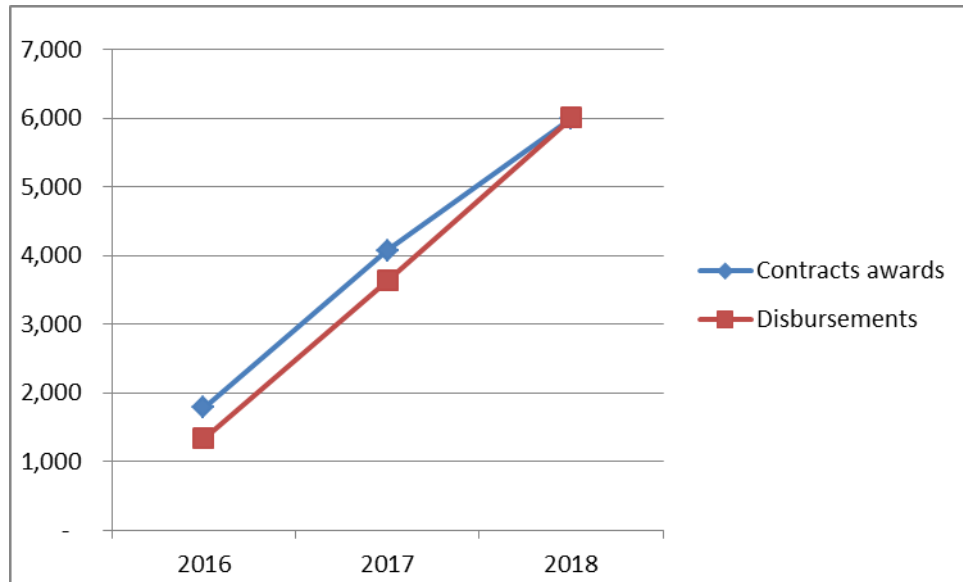
Source: Asian Development Bank estimates.

E. Detailed Cost Estimates by Year (\$ million)

Expenditure Items	Total Cost	2016	2017	2018
A. Investment Costs				
1 Equipment and Vehicles	0.780	0.294	0.248	0.238
2 Staff training and development	2.660	0.845	1.061	0.754
3 Workshops, studies and system development.	0.268	0.044	0.212	0.012
4 Consulting services	1.082	0.354	0.364	0.364
Subtotal (A)	4.789	1.536	1.885	1.368
B. Recurrent Costs				
1 Project management	0.920	0.315	0.290	0.315
Subtotal (B)	0.920	0.315	0.290	0.315
Total Base Cost	5.709	1.851	2.175	1.683
C. Contingencies				
1 Physical	0.162	0.000	0.063	0.099
2 Price	0.206	0.000	0.079	0.127
Subtotal (C)	0.368	0.000	0.142	0.226
D. Financing Charges During Implementation				
1 Interest During Implementation	0.173	0.018	0.057	0.098
Subtotal (D)	0.173	0.018	0.057	0.098
Total Project Cost (A+B+C+D)	6.250	1.868	2.374	2.007
% Total Project Cost	100.0	30	38	32

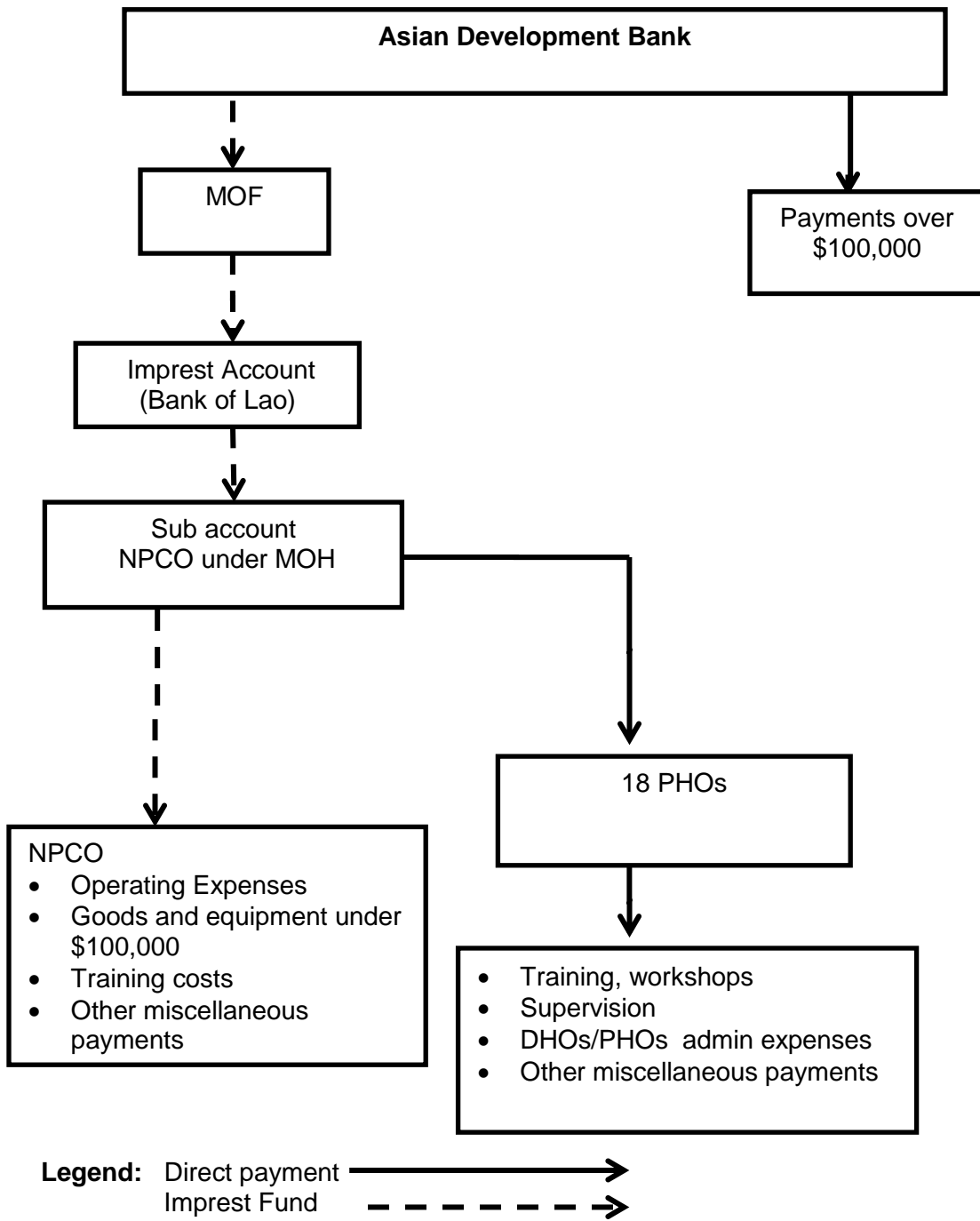
Source: Asian Development Bank estimates.

F. Contract and Disbursement S-curve



	2016	2017	2018
Contract Awards	1.785	4.076	6.000
Disbursements	1.339	3.629	6.000

G. Fund Flow Arrangement



MOF = Ministry of Finance, MOH = Ministry of Health, NPCO = National Program Coordination Office, PHO = provincial health office, DHO = district health office.
 Source: Asian Development Bank.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

22. The purpose of this financial management assessment (FMA) was to determine the robustness of the accounting, financial controls and internal audit arrangements, and the capability of the EA and IA to meet all the fiduciary requirements which are set out in the loan agreement, and other project documents. Within this context, the PAM presents results of a FMA of the EA and IAs including agreed project financial arrangements financial responsibilities of each of the EA and IAs, and associated entities and perceived financial risks and risk management. This FMA also provides guidance to the EA, IAs and other stakeholders to prepare proper mitigation measures to ensure the effective project performance, following country laws and regulations as well as ADB's requirements.

23. The FMA was prepared in accordance with ADB's Guidelines for the *Financial Management and Analysis of Projects* (the Guidelines) and the publication *Financial Due Diligence: A Methodology Note* and Financial Management Technical Guidance Note. This FMA incorporates the Financial Management Internal Control and Risk Management Assessment required by the Guidelines. The FMA Report (Annex 9) was drafted during the Project preparation in May 2015. It may need to be amended further to reflect subsequent developments and agreements during the Project implementation. The FMA preparatory activities include reviewing documents, interviewing staff of government agencies, consultants, beneficiaries and other stakeholders, and completed with inputs from other references through desk studies.

24. The assessment reveals that both the EA and IA have experience to deal with projects funded by the development partners (DPs) including ADB. Their experiences include program loans, policy loans and various technical assistance projects. They have adequate internal control systems and financial reporting arrangements, not only for their regular budget and expenditure management, but also for DPs' funded projects. Additional capacity development support particularly on financial management, and procurement to properly implement the Project to comply with ADB procedures will further improve their capacity in these areas. The summary FMICRA is reproduced below. (For further details please also refer to detailed FMA-risk and internal control section).

Table 3: Inherent Risk

Risk	Risk Assessment	Risk Mitigation Measures
<p>Country Specific:</p> <p>(i) <u>Legislative and policy framework</u>: key provisions of the Budget Law are not implemented and insufficient control over revenue collected and expenditure undertaken by provincial governments.</p> <p>(ii) <u>Institutional arrangement and capacity</u>: limited implementation of the PFMSP and PFM framework by sector ministries;</p> <p>(iii) <u>Budget comprehensiveness and transparency</u>: deficient accounting</p>	High	<p>(i) the Government has set out new budget law, implementing degree, framework and timetable for improving budget management;</p> <p>(ii) DPs have been supporting reforms and capacity building in public expenditure management including in budget planning, formulation and execution;</p> <p>(iii) Treasury reform, improved chart of accounts; implemented electronic financial information system have improved gradually budget execution, accounting and reporting;</p> <p>(iv) the SAO has been receiving various</p>

Risk	Risk Assessment	Risk Mitigation Measures
<p>and reporting arrangements</p> <p>(iv) <u>External scrutiny and audit</u>: inadequate resources and capacity of State Audit organization (SAO) undermines the independence and effective of oversight institutions;</p> <p>(v) <u>Procurement</u>: weak procurement framework; and lack of regulations for implementation;</p> <p>(vi) <u>Corruption</u>: the UN Convention against corruptions has not been significantly deterrent;</p> <p>(vii) <u>Integrity Institutions and Capacity</u>: the Inspection Authority has not been effective;</p> <p>(viii) <u>Public perceptions</u>: the media and civil society are unable to hold the government accountability;</p> <p>(ix) <u>Administrative quality</u>: civil service is highly politicized; underperforms and complex business processes.</p>		<p>(v) capacity building to improve its capacity; the Government has committed and taken necessary actions for procurement reforms that provides greater assurance of effective competition in public procurement;</p> <p>(vi) the Anti-corruption Law has been enacted that has been strengthening PFM practices, ensure compliance with laws and minimize discretionary exercise of power.</p> <p>(vii) Anti-corruption and Governance Strategy 2020 have been approved. In the long-run Party Control Committee, SIA, SAO, Inspection Departments and prosecutors will address corruption better.</p> <p>(viii) More supports have been providing by DPs to develop legal framework and enabling environment for media and civil society to monitor government activities;</p> <p>(ix) Human resource development has been strengthening to provide better services in various sectors including health.</p>
<p><u>Entity Specific:</u></p> <p>(i) Funding resource allocation to the health sector in not consistent in matching with varying needs between provinces, particularly the level of support provided to disadvantaged and poor communities in isolated areas.</p> <p>(ii) Transparency and accountability risks with limited disaggregated reporting and monitoring on the source and application of funds for all funding sources to the health sector.</p>	Substantial	<p>(i) The program will improve the system of planning and budgeting and strengthen the establishment of annual action plans as an incentive to implement fundamental reforms to equitable resource allocation and accountability of funding to the health sector and the rollout of improved health services.</p> <p>(ii) Good governance developed through a comprehensive TA support to the reform program and development of financial accounting reporting and verification of the source and application of funds.</p>
<p><u>Program/Project Specific:</u></p> <p>(i) The relatively complex structure and nation-wide coverage of the Project with the implementation of wide-ranging reforms, involving several development partners.</p> <p>(ii) Management and skill capacity issues in financial management and weak administrative capacity to implement reform.</p>	Moderate	<p>(i) Support for the introduction and development of results-based planning, budgeting, financial management systems, reporting and verification as part of sector wide reform.</p> <p>(ii) Targeted capacity building and training will be provided to the IA and provincial health providers especially at the district level to address low levels of skills and competency in financial management. These include specific planning, budgeting and expenditure monitoring reforms undertaken by MOH; and support to “bottom up” provincial planning and budgeting processes; and (iii) appropriate training and mentoring measures to accompany the roll out of the reforms.</p>
Overall Inherent Risk	Substantial	

Table 4: Control Risk (specific for the Project)

Risk	Risk Assessment	Risk Mitigation Measures
<u>Executing Implementing Agencies:</u> Further improvement in capacity of the EA and or IAs in FM, planning, budgeting and reporting, specifically for the Project (TA Loan)	Low	The Project has been designed to strengthen the sector governance and management through technical assistance that has simple FM, planning, budgeting and reporting. Most investment activities are for consultants, training, workshops.
<u>Funds Flow:</u> Potential delays in the release of funds from the central level to the provinces; and delays in financial reporting submission from provinces to central level	Moderate	The funds flow process will be clearly defined and training and support to be provided to the IA and project staff to develop appropriate withdrawal application and disbursement procedures where needed.
<u>Staffing:</u> (i) Provincial financial management staffs have a low level of competency and skills, especially at district level, with limited opportunity for in-service training and merit-based advancement. (ii) Lack of clarity on the roles and responsibilities and segregation of duties for provincial staff.	Substantial	(i) A comprehensive package of support will be provided by the Project to provincial staff, especially those at district level, through reform to financial management, development of computerized accounting systems and training and human resource capacity; (ii) Human resource development will support clearly defined duties and responsibilities in job descriptions.
<u>Accounting Policies and Procedures:</u> The accounting systems and charts of accounts used in the health sector at the provincial level are not conducive to the efficient and effective management of the sector, especially with respect to budgeting, accountability for the source and application of all funds including off-budget transactions including assistance from parallel	Moderate	Reform of the budgeting, financial management and reporting systems will be addressed by the project and computerized accounting systems expanded to the district level, supported by ongoing training and follow up support.
<u>Internal Audit:</u> The internal audit function at MOH central and provincial mainly deals with financial compliance with documentation and is too broad to provide to critical appraisal and control.	Moderate	Necessary reform of the internal auditing process will be addressed by the Project to enable it to fulfill its management and governance function.
<u>External Audit:</u> The PHOs and project activities are subject to annual audit by the SAO as part of government's governance process, and audit report. The SAO lacks human resources.	Substantial	Annual project financial statements will be audited by SAO, as an independent auditor as appropriate at the ADB's request. Issues raised in the audit report to be addressed and rectified promptly by project management.
<u>Reporting and Monitoring</u> (i) Expenditure reports only report at the aggregate level, supporting documentation is not included and not properly verified for	Moderate	(i) The Project will support the development of financial accounting and monitoring systems to a standard format to address these issues and support the sector wide adoption of the revised processes with

Risk	Risk Assessment	Risk Mitigation Measures
<p>completeness and accuracy by management.</p> <p>(ii) Safeguard of assets. Records of fixed assets on a current and regular basis are not maintained and the existing records do not have sufficient detailed information for the monitoring and management of fixed assets</p>		<p>associated training and capacity building.</p> <p>(ii) Reform of the assets registration and management will be implemented in accordance with government and ADB requirements. Training and capacity building will be provided as required</p>
<p><u>Information Systems:</u> PHOs and DHOs do not have a fully computerized financial management system or accounting software that allow the automatic production of a comprehensive set of financial statements. Staff are not competent to manage the accounting program (Manila) and the frequent transfer and turnover of staff disrupts the capacity to apply upgraded systems, causes them to resort to use excel and manual systems paper-based systems. The storage of records are not robust.</p>	Moderate	<p>The FM reforms will introduce a computerized accounting and Financial Information System at all levels with comprehensive support to develop the capacity of accounting staff to use upgraded computerized accounting systems, standardized across the health sector. Financial records will be coupled with physical records for management and preparation of annual performance assessments of the delivery of health services for planning and management. Support will be provided to facilitate the secure storage and retrieval system for records.</p>
Overall Control Risk	Substantial	

25. The FMA concludes that staffs of the EA and the IAs of the project have adequate education background and experience in managing fund flow and other aspects of the financial management of the government regular budget, as well as DP funded projects. Significant capacity building on good governance under the project will further improve the skills and capacity for the EA and IA to deal with fund flow management, financial analysis, accounting, reporting and auditing of the project. They will understand better ADB financial management policies and implementation procedures. Risk management actions include measures to support procurement oversight and strengthen financial management skills have been prepared to avoid potential problems. These include (i) the application of standard ADB bidding procedures; (ii) capacity building and training assistance for financial management and procurement; (iii) establishment of suitable accounting systems; and (iv) embedding of long-term consultants in the EA to provide on the job training for project staff and counterparts.

26. The project will also monitor prompt reporting to stakeholders including the quarterly and annual (including physical and financial) progress reports; compliance with covenants; and backups of all accounting systems and appropriate security measures over backed-up data to be put in place. The implementation of the risk management measures identified above will ensure that financial management arrangements are adequate.

27. It is acknowledged that the government is embarking on plans to improve PFM through the Public Financial Management Strengthening Program (PFMSP) to address the various problems, with the support of the WB and other development partners. These include the introduction of value added taxes (VAT), widening the tax base, output budgeting and other

PFM functions. Support has been provided to building capacity in the health sector PFM through additional technical assistance, such as the ADB-funded CDTA 7446.⁵

28. As details in FMA report, risk management actions include measures to support fund flow arrangement including procurement oversight and strengthen financial management skills have been prepared to avoid potential problems. These include (i) strengthen sector governance and FM through comprehensive reforms to develop sector-wide national programs and support for FM and accountability - based bottom up planning and good governance at all levels; (ii) will develop accounting and monitoring systems to a standard format; Reform of the assets registration and management; and (iii) will introduce a computerized accounting at all levels. Financial records will be coupled with physical records for management and preparation of annual performance assessments of the delivery of health services. Support will be provided to facilitate the secure storage and retrieval system for records. The implementation of the risk management measures identified above will ensure that FM arrangements are adequate for the overall program, especially for the investments funded by the TA loan. The EA will hire accounting firm to implement the reforms mentioned above. The IA MOH Department of Finances will supervise and monitor the implementation of the FM reforms in the provinces and districts. The schedule of the activities will be defined during the first quarter of the project implementation, with the help of the national provincial planning and budgeting system design consultant. Reforms will be rolled out by phases across the 18 provinces over the 3 year project period.

Table 5: Key Issues and Management Action Plan

Key Issues of the financial management	Mitigation Measures/Management Actions
<p>Planning and Budgeting Processes: (i) Disconnect in the planning process between province and central level: (ii) Uncoordinated annual budgeting with lack of guidance from central level: (iii) Disconnect between capital and recurrent budgets and national and development assistance</p>	<p>The Project has been designed to strengthen the sector governance and management through technical assistance that has simple FM, planning, budgeting and reporting. Most investment activities are for consultants, training, workshop</p>
<p>Funds Flow Mechanisms and Disbursement Process: (i) Anomalies and differences in FM differs between provinces: (ii) Delay in quarterly budget applications from DHOs to PHOs; (iii) Delays in the release of funds; (iv) Constraints on the availability of cash in the provincial treasury.</p> <p>Personnel: (i) staff lack skills and capacity in budgeting and accounting; (ii) lack of job description and segregation of duties; and (iii) Skills and capacity gap to handle increases financial management resulting from the project</p>	<p>The funds flow process will be clearly defined and training and support to be provided to the IA and project staff to develop appropriate withdrawal application and disbursement procedures where needed.</p> <p>A comprehensive package of support will be provided by the project to provincial staff, especially those at district level, through reform to financial management, development of computerized accounting systems and training and human resource capacity; human resource development will support clearly defined duties and responsibilities in job descriptions.</p>
<p>Accounting Policies and Procedures: (i) Lack of detail in recording expenditure following the state accounting system and verification; (ii) Lack of monitoring and internal control and performance measures; (iii) Limited ability to integrate financial and physical information in financial reporting; (iv) Lack of reporting on funds received from other donors and integration into provincial health plans;</p>	<p>Reform of the budgeting, financial management and reporting systems will be addressed by the project and computerized accounting systems expanded to the district level, supported by ongoing training and follow up support.</p>

⁵ ADB. 2009. *Technical Assistance to the Lao People's Democratic Republic for Building Capacity for the Health Sector Program Approach*. Manila.

and (v) Assets register are not adequately maintained and updated.

29. The conclusion is based on the initial assessment conducted by the consultants and the additional assessment prepared during the pre-fact finding mission, conducted in April 2015. Preparation activities included reviewing documents, interviewing counterparts and consultants, and discussing issues with stakeholders. Mitigating actions were identified together with counterparts.

30. Table 6 contains the action plan for supporting financial management for the project.

Table 6: Action Plan to Support Financial Management

Item	Action	Responsibility	Timeline and targets indicators
1	Agree on the management and reporting structure of the project activities	MOH, ADB, project consultants	At the start of project implementation Target indicator: Project financial management manual available by inception mission.
2	Develop the chart of account to be used for budgeting and accounting in the project, including economic (income, expenditures, assets and liabilities) activities and outputs, funding sources and physical achievements.	MOH, Project Consultants	Soon after the fielding of consultants (particularly financial specialists). Target indicator: Project Chart of account compatible with national chart of accounts prepared by inception mission.
3	Develop workplan with detailed activities for PHO and Project personnel	MOH, ADB	During the ADB Inception Mission for the Project. Target indicator: Workplan available by inception mission
4	Provide regular training on ADB's procurement and disbursement processes.	MOH, ADB	Soon after the effectivity of the loan agreement but before start of project. Target indicator: All project financial management and procurement staff has been trained at least once during the project lifespan.
5	Assessment of the need for additional support to be provided to the auditor	ADB and Finance Specialist consultant	First assessment at the end of the first quarter of project implementation, thereafter once or twice annually. Target indicator: Assessment report available.

B. Disbursement

31. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time),⁶ and detailed arrangements agreed upon between the Government and ADB. Online training for project staff on disbursement policies and procedures is available at http://wpqr4.adb.org/disbursement_elearning. Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

32. Immediately after loan effectiveness, the MOF will establish and operate one separate imprest account in the Bank of Lao PDR to receive ADF Loan for the TA project (the Project). One sub-account will be established at the NPCO. NPCO will be responsible to consolidate and submit withdrawal applications from the sub-account to MOF which will then submit these to ADB, including for the imprest account. The imprest account is to be used exclusively for project eligible expenditures. The MOF is accountable and responsible for proper use of advances to the imprest account, including advances to the sub-account.

33. The currency of the account will be in US dollars. The subaccount at NPCO may be established in local currency. The accounts will be replenished in accordance with standard procedures outlined in the ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

34. The Imprest Account at MOF will receive the advance amounting to an estimated six (6) months of project expenditure. Funds in the Imprest Account will be used to establish advances in the sub-account. The outstanding advance of the sub-account should not exceed, at any event, six months estimated expenditures to be funded from the sub-account. The sub-account is intended to provide cash resources for the operations of the NPCO, and PHOs for incremental operating expenses. The sub-account will be replenished upon presentation of documented liquidation of expenditures as outlined in ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

35. The request for initial advance to the imprest account should be accompanied by an Estimate of Expenditure Sheet⁷ setting out the estimated expenditures for the first six (6) months of project implementation. For every liquidation and replenishment request of the imprest account, the NPCO will furnish to ADB: (i) Statement of Account (Bank Statement) where the imprest account is maintained; (ii) Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the EA records;⁸ and other necessary supporting documents. The ADB's statement of expenditures (SOE) procedures will be used for reimbursement and liquidation and replenishment of the imprest account in accordance with the ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) and detailed arrangements agreed upon between the Borrower and ADB.⁹ Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

⁶ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

⁷ Appendix 10B of the *Loan Disbursement Handbook* (available at <http://www.adb.org/sites/default/files/institutional-document/33606/adb-loan-disbursement-handbook.pdf>)

⁸ Follow the format provided in Appendix 10C of the *Loan Disbursement Handbook*.

⁹ The narrative procedures for imprest fund procedures are available at: <http://www.adb.org/sites/default/files/institutional-document/33606/adb-loan-disbursement-handbook.pdf>.

Reimbursement and liquidation of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

36. Before the submission of the first withdrawal application, the NPCO shall submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000 equivalent. Individual payments below this amount should be paid from the imprest account or by the executing agency and subsequently claimed to ADB through reimbursement unless otherwise accepted by ADB.

37. As required, loan proceeds may be disbursed directly by ADB to contractors such as for goods and consulting services in accordance with the approved contracts between the executing agency and the contractors, using direct payment procedures.

38. **Disbursement and liquidation procedures for counterpart funds.** Government counterpart funds shall be used to finance salaries of staff seconded to the Project through the regular payroll mechanism for Government employees.

C. Accounting

39. The MOH through its NPCO will maintain or cause to be maintained separate books and records by funding source for all expenditures incurred on the project following cash-based accounting system following the Government's financial regulations. The MOH, as the executing agency, will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

D. Auditing and Public Disclosure

40. The MOH through its NPCO will cause the detailed consolidated project financial statements to be audited in accordance with International Standards for Supreme Audit Institutions (ISSAI) on Auditing and with the Government's audit regulations, by the SAO, as an independent auditor acceptable to the government and ADB. The audited project financial statements together with auditor's opinion will be submitted in the English language to ADB within six (6) months of the end of the fiscal year by the EA. Adequate budget will be allocated for SAO to recruit additional resources to ensure on time submission of the audited annual project financial statements.

41. The project annual financial statements will be audited annually by the SAO, as an independent auditor acceptable to the Government and ADB. Adequate budget will be allocated for SAO to recruit additional resources, if necessary to ensure on time submission of the audited annual project financial statements. The budget for SAO will be allocated from the government counterpart funds.

42. The annual audit report for the project accounts will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; (iv) use of the imprest fund procedure; and (v) the use of the

statement of expenditure procedure certifying to the eligibility of those expenditures claimed under SOE procedures, and proper use of the SOE and imprest procedures in accordance with ADB's Loan Disbursement Handbook and the project documents.

43. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

44. The Government, MOH and IAs (i.e., MOH-DOC, DOF, DOP, DTR, and DPIC and provincial health offices) have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.¹⁰ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

45. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).¹¹ After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The audit management letter will not be disclosed.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

46. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (April 2015, as amended from time to time)¹² and ADB's *Guidelines on the Use of Consultants* (March 2013, as amended from time to time).¹³ The EA, with the support of the NPCO, will prepare the request for proposals and seek approval from ADB before issuing the documents after loan negotiation and ready for contract signing after the project is declared effective. The issuance of invitations to bid under advance contracting will be subject to ADB approval. The borrower, the EA and the IAs have been advised that approval of advance contracting does not commit ADB to finance the project.

¹⁰ ADB approach and procedures regarding delayed submission of audited project financial statements:

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

¹¹ Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

¹² Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

¹³ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

B. Procurement of Goods, Works and Consulting Services

47. The overall risk rating concluded from the results of the general procurement risk assessment is Average to High. The Procurement Unit (PU) within project coordination unit of MOH DPIC has now had 12 years' experience of managing procurement of ADB-funded projects in the health sector and its staff has a long and varied experience of procurement under ADB's procedures. The PU is well equipped and has sufficient resources to carry out its functions. A similar PU within MOH is also experienced in procurement for WB-funded projects. The Procurement Risk Assessment Report is in Annex 8.

48. Procurement will be undertaken in conformity with ADB's *Procurement Guidelines* (April 2015, as amended from time to time) and the engagement of all consultants will be undertaken in conformity with ADB's *Guidelines on the Use of Consultants* (March 2013, as amended from time to time). In addition, procurement for equipment will use and follow the Government's Standard Operating Procedures (SOP) for Externally Financed Projects. Should there be any discrepancy between the SOP and the ADB's Guidelines, then ADB's Guidelines shall prevail.

49. Shopping procedures will be used for contracts for procurement of works and equipment worth up to \$100,000 and National Competitive Bidding for packages above \$100,000. Before the start of any procurement, ADB and the Government will review the public procurement laws of the central and state governments to ensure consistency with ADB's *Procurement Guidelines* (April 2015, as amended from time to time).

50. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Annex 8.

51. The consulting services are required to (i) facilitate project management and implementation, and (ii) strengthen the institutional and operational capacity of the executing agency. One accounting firm will provide financial management and accounting services for the TA loan and support the financial management and accounting reforms at sub national level. One consulting firm will support the impact assessment of the HEF and free MNCH schemes. Both firms will be hired using consultant quality selection as (i) highly specialized expertise is required for the assignment and recruitment of "boutique" consulting firms that provide depth of expertise in specific areas is contemplated; and (ii) few consultants are qualified to carry out the assignment.

52. A total of 3 international consultants and 7 national consultants will be employed under the project, comprising 42 person-months of international consultants and 183 person-months of national consultants. All the consultant assignments are very specific and cover different fields of competence. The timing of the consultants' recruitment and outputs will have to be adjusted to the roll out of the health sector reforms. To ensure high quality of consultants, flexibility, and to ensure strong EA's ownership of consultant's outputs, individual consultants will be recruited by EA using individual consultant selection. The EA has demonstrated its ability to recruit individual consultants. From 2010 to 2014, EA hired 8 international and 18 national consultants using individual consultant selection under the 3 different ADB projects. The terms of reference for all consulting services are detailed in Annex 1.

C. Procurement Plan

Basic Data

Project Name: Health Sector Governance Program	
Project Number:	Approval Number: tbd
Country: Lao People's Democratic Republic	Executing Agency: Ministry of Health
Project Procurement Classification: B	Implementing Agency: Ministry of Health
Procurement Risk: Low	
Project Financing Amount: \$ 6.250 million ADB Financing: \$ 6.000 million Non-ADB Financing (the Government): \$0.250 million	Project Closing Date: 31 March 2019
Date of First Procurement Plan: tbd {loan approval date):	Date of this Procurement Plan: 08/06/2015

A. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

53. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
National Competitive bidding for Goods (NCB)	\$100,001 to \$500,000	
Shopping for Works	Up to \$100,000	
Shopping for Goods	Up to \$100,000	

Consulting Services	
Method	Comments
Consultants' Qualifications Selection ³	
Individual consultant	

2. Goods and Works Contracts Estimated to Cost \$1 Million or More

54. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number ⁵	General Description	Estimated Value	Procurement Method	Review [Prior / Post/Post (Sample)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
0	NA						

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

55. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value (\$)	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
C1	Accounting firm	575,000	Consultants'	Prior	4 th Q/2015	Simplified	TA Loan

Package Number	General Description	Estimated Value (\$)	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
			Qualifications Selection				
C2	Evaluation HEF	200,000	Consultant Qualifications Selection	Prior	4 th Q/2015	Simplified	TA Loan
C3	Chief Technical Advisor (CTA) Program Coordinator	828,000	individual	Prior	4 th Q/2015	ICS	TA Loan
C4	Program Manager (National)	108,000	individual	Prior	4 th Q/2015	ICS	TA Loan
C5	Deputy CTA(National)	108,000	individual	Prior	4 th Q/2015	ICS	TA Loan

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

56. The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value (\$)	Number of Contracts	Procurement Method	Review [Prior / Post/Post (Sample)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
P1	2 vehicles	100,000	1	NCB	Prior		4 th Q/2015	TA Loan
P2	Equipment and furniture for NPCO	60,000	1	shopping	Post		4 th Q/2015	TA Loan
P3	Equipment and furniture for MOH departments	90,000	1	shopping	Post		4 th Q/2015	TA Loan
P4	IT equipment provinces 1	250,000	1	NCB	Prior		1 st Q/2016	TA Loan
P5	IT equipment provinces 2	150,000	1	NCB	Post		2 nd Q/2016	TA Loan
P6	IT equipment provinces 3	150,000	1	NCB	Post		4 th Q/2016	TA Loan

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
C6	Gender Specialist (regional)	18,000	1	individual	Prior	4 th Q/2015	Simplified	TA Loan
C7	Safeguards Specialist (regional)	18,000	1	individual	Prior	4 th Q/2015	Simplified	TA Loan
C8	HEF Manager/Coordinator	72,000	1	individual	Prior	4 th Q/2015	Simplified	TA Loan
C9	Database Programmer	6,000	1	individual	Prior	4 th Q/2015	Simplified	TA Loan

			Value		(quarter/year)	Contract Award	
NA							

2. Completed Contracts

Goods and Works								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
NA								

Consulting Services								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
NA								

D. Non-ADB Financing

59. The following table lists goods, works and consulting services contracts over the life of the project, financed by non-ADB sources.

Goods and Works				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments
NA				

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Comments
NA				

E. National Competitive Bidding

1. General

60. The procedures to be followed for National Competitive Bidding (NCB) shall be those set forth for "Public Bidding" in Prime Minister's Decree No. 03/PM of the Lao People's Democratic Republic, effective 09 January 2004, and Implementing Rules and Regulations effective 12 March 2004, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

2. Application

61. Contract packages subject to NCB procedures will be those identified as such in the project Procurement Plan. Any changes to the mode of procurement from those provided in the Procurement Plan shall be made through updating of the Procurement Plan, and only with prior approval of ADB.

3. Eligibility

62. Bidders shall not be declared ineligible or prohibited from bidding on the basis of barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

4. Advertising

63. Bidding of NCB contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.

5. Procurement Documents

64. The standard procurement documents provided with Ministry of Finance, Procurement Monitoring Office shall be used to the extent possible. The first draft English language version of the procurement documents shall be submitted for ADB review and approval, regardless of the estimated contract amount, in accordance with agreed review procedures (post and prior review). The ADB-approved procurement documents will then be used as a model for all procurement financed by ADB for the project, and need not be subjected to further review unless specified in the procurement plan.

6. Preferences

- (i) No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.
- (ii) Suppliers and contractors shall not be required to purchase local goods or supplies or materials.

7. Rejection of all Bids and Rebidding

65. Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

8. National Sanctions List

National sanctions lists may be applied only with prior approval of ADB.

9. Corruption Policy

66. A bidder declared ineligible by ADB, based on a determination by ADB that the bidder has engaged in corrupt, fraudulent, collusive, or coercive practices in competing for or in executing an ADB-financed contract shall be ineligible to be awarded ADB-financed contract during the period of time determined by ADB

10. Disclosure of Decisions on Contract Awards

67. At the same time that notification on award of contract is given to the successful bidder, the results of the bid evaluation shall be published in a local newspaper or well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each Bidder who submitted a Bid, (ii) bid prices as read out at bid opening, (iii) name of bidders whose bids were rejected and the reasons for their rejection, (iv) name of the winning Bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. The executing agency/implementing agency shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

11. Member Country Restrictions

68. Bidders must be nationals of member countries of ADB, and offered goods, works and services must be produced in and supplied from member countries of ADB.

D. Consultant's Terms of Reference

69. The terms of reference for all consulting services are detailed in Annex 1.

VII. SAFEGUARDS

70. **Indigenous people.** The project includes positive impacts on ethnic groups and is therefore classified category B for Indigenous peoples. An Indigenous Peoples Planning Framework (IPPF) (Appendix 3) ensures that (i) ethnic peoples' needs will be analyzed, and (ii) they will fully participate in the project and have equal access to its benefits. The EA will be responsible of the implementation of the IPPF, with the support of one national and one international consultant.

71. **Resettlement and environment.** There will be no newly constructed health facilities under the project and the intervention focuses on capacity building and service delivery improvement. The program will not include new land acquisition and is expected to have no environmental impact. Therefore, the project and program are classified category C for Involuntary Resettlement Safeguards and Environment. A resettlement framework has been prepared to screen out program activities that would cause involuntary resettlement impacts, including temporary land acquisition and/or economic displacement of people. Similarly, A environmental assessment and review framework has been developed for use by district and provincial health offices to screen out any project health facility renovation, refurbishment or procurement activity that may trigger Safeguard Requirement 1 for environmental impact mitigation. Each investment activity under the program counterpart funds will be categorized following for each safeguard aspect using the screening checklists in Appendix 4 and 5. The screening checklists will be used in the selection of health facilities to be refurbished, which will reject any proposed site which would incur negative impacts to environment or from the permanent or temporary loss of land, loss of access, loss of income, or any other losses and resulting calls for compensation. Categorization will be undertaken by the EA and IAs supported by project consultants.

72. **Ineligible Expenditures per Safeguard Policy.** Pursuant to ADB's Safeguard Policy Statement (SPS; 2009),¹⁴ ADB funds may not be applied to the activities described on the ADB

¹⁴ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

Prohibited Investment Activities List set forth at Appendix 5 of the SPS.

VIII. GENDER AND SOCIAL DIMENSIONS

73. **Implementation Arrangements.** The overall responsibility for the implementation of the gender action plan (GAP) rests with the Project Director. He will be supported by the Chief Technical Advisor (CTA, international consultant) and Deputy CTA (national consultant) – both of whose employment terms of reference will include responsibility for GAP implementation, conducting gender briefings, and integrating gender indicators into the project monitoring and evaluation (M&E) system. In addition, an international gender specialist will be hired on an intermittent basis for 3 months, to undertake gender assessments, develop briefing and workshop materials, support the development of a gender strategy in collaboration with the Sub-committee for the Advancement of Women (Sub-CAW), and provide guidance to the CTA and M&E officer. At the provincial and district levels, GAP implementation and gender briefings will be undertaken by the provincial and/or district project team supported by the project provincial coordinators. A short term national gender specialist will be hired as a resource person based on the needs. Gender training will be provided to all management, provincial and district level project staff. All GAP targets will be integrated in the project M&E framework and reported quarterly to ADB. The GAP is presented in the table below.

HSGP Gender Action Plan 2016–2018

Policy Outputs	Actions
Output 1: Strengthened health sector reform process	<ul style="list-style-type: none"> - Support the finalization of the Ministry of Health draft gender strategy, in collaboration with the Sub-committee for the Advancement of Women (Sub-CAW) (2 person-months; international consultant). - Ensure that the every meeting of national commission on health sector reform is provided with briefing on gender and ethnic issues related to health sector reform (international consultant to provide template for briefings).
Output 2: Increased social protection of the poor through health equity fund (HEF), and improved health services delivery, particularly maternal, neonatal, and child health care (MNCH)	<ul style="list-style-type: none"> - Undertake an assessment of impact and gaps in access to existing HEF schemes, in particular evaluate the eligibility criteria, range of health conditions covered, health service user reimbursable expenditures (e.g., transport, mother starter kit, food), and recommend actions to meet needs of the poor. - By June 2018, 131 districts apply free MNCH policy guidelines. - Review the standard criteria for eligibility to HEF and recommend the inclusion of criteria to ensure that eligible female have access to HEF. - Ensure HEF roll out is prioritized to areas of greatest need including areas with high maternal mortality ratio and ethnic populations and poverty incidence. - Develop a communication strategy and appropriate guidelines to create awareness on the range of services and benefits packages provided under HEF and free MNCH schemes. - Ensure that Provincial Health Departments allocate sufficient budget for appropriate outreach activities. - Provincial operational instructions to health facilities include arrangements to ensure that outreach activities and information, education, and communication meetings are conducted at time and place convenient for women. - Disaggregate by gender the indicators pertaining to access to and utilization of health services, in all studies performed under the joint ADB and World Bank intervention.
Output 3: Strengthened	<ul style="list-style-type: none"> - Ensure the formulation of provincial workforce development plans include incentives (monetary and social), and appropriate conditions (safety, security)

Policy Outputs	Actions
human resources management capacity	<p>for attracting and sustaining deployment of female and ethnic staff in remote and disadvantaged rural areas.</p> <ul style="list-style-type: none"> - Undertake gender audit of provincial workforce development plans to ensure gender responsive human resource development policies and actions related to supporting women’s employment, retention and promotion and capacity development in the health sector (1 person-month; international consultant) - Overall, 50% of participants (of all trainings, fellowships, study tours, English language training) are women (baseline: women are 62.8% of the health sector workforce). - By June 2018, 75% of health centers will have at least one midwife, and 80% by June 2019 (2013 baseline: 33%). All provincial annual workforce development plans will include the indicator “proportion of women among health facilities heads. Briefing on project gender requirements are conducted for executing and implementing agencies (to be prepared by International Gender Consultant and CTA). - Personnel management information system collects and reports all data disaggregated by gender and ethnicity.
Output 4: Improved health system financial management	<ul style="list-style-type: none"> - Propose budget allocation to provincial health departments based on population, morbidity and poverty incidence. - Ensure all women staff in financial management and budgeting provincial departments are trained.
Technical Assistance (TA) Management	<ul style="list-style-type: none"> - Develop and integrate gender targets in the overall TA project monitoring and evaluation system

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

74. The DMF will follow the DMF in the RRP for the policy-based loan with additional outputs included for the project.

B. Monitoring

75. **Project performance monitoring.** The EA will monitor the project implementation to achieve target indicators in the DMF and will report to ADB quarterly. The ADB will carry out joint program and project review missions at least twice annually. The EA and ADB will continue to engage in actively policy dialogues throughout the Program and Project implementation period. The EA will monitor closely the overall program and project implementation.

76. **Compliance monitoring.** The EA will monitor and ensure the compliance of loan assurances- policy, legal, financial, safeguards, and others. All non-compliance issues, if any, will be updated in quarterly progress reports, together with remedial actions. Each review mission by ADB will monitor the status of compliance with loan assurances and recommend measures to tackle non-compliance issues.

77. **Safeguards monitoring.** The implementing agencies, with support from project consultants will provide semi-annual progress/monitoring reports to the executing agency and ADB identifying results of any investment activities with reference to adherence to the agreed procedures of each investment activity, B categorization for indigenous people and C

categorization for all environment and resettlement. The EA will take action to ensure that a monitoring and evaluation system is formulated and implemented. As mentioned earlier, the ethnic groups development plan (EGDP) contains suggested activities with indicators and targets which must be included in the monitoring and evaluation (M&E) system. The CTA and Safeguards Specialist will assist the CPMU M&E officer to ensure that all EGDP indicators are properly identified and defined and included in the project M&E system. The NPCO M&E officer will receive updated reports from the provincial coordination unit and safeguard focal point, and prepare quarterly reports for the EA at central level using the design monitoring framework which is prepared and submitted to ADB on a quarterly basis.

78. **Gender and social dimensions monitoring.**¹⁵ The NPCO as the executing agency will have the overall responsibility for ensuring the implementation of the gender action plan (GAP). Each gender action is aligned to a specific Sub-Program and project activities. The implementing agencies responsible for each Sub Program and project investments will be responsible for gender mainstreaming actions within their programs and project activities. The Policy Advisors appointed to support each Sub-Program at the national and provincial levels will support gender mainstreaming and implementation. Gender experts assigned to the NPCO will assist the PPCOs and other IAs to coordinate with the various stakeholders to guide and monitor implementation.

C. Evaluation

79. An inception mission will be fielded soon after the Program is declared effective. At least 2 project review missions will be carried out annually. These will include: (i) performance of the EAs, IAs, consultants and contractors; and (ii) physical progress of subprojects which include effectiveness of safeguards and compliances. The NPCO will closely monitor the Program and the Project to ensure quality and compliance with the terms of the contractual agreements. Within 6 months of physical completion of the Project, NPCO will submit a project completion report to ADB.¹⁶

D. Reporting

80. For the Project, the MOH through NPCO will provide ADB with (i) an inception report; (ii) quarterly progress reports in a format consistent with ADB's project performance reporting system; (iii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iv) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the EA APFSs, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

81. During the preparation phase, the project has conducted extensive consultation with relevant stakeholders. The project will support the provincial health offices to inform the beneficiaries of the HEF and the free MNCH schemes about the benefits of the schemes. The

¹⁵ ADB's *Handbook on Social Analysis: A Working Document*, is available at: <http://www.adb.org/Documents/Handbooks/social-analysis/default.asp>, *Staff Guide to Consultation and Participation*: <http://www.adb.org/participation/toolkit-staff-guide.asp>, and, *CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations*: <http://www.adb.org/Documents/Books/CSO-Staff-Guide/default.asp>

¹⁶ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

project will have regular meetings with the health staff in the provinces to inform them about the progress of the health reforms. The project will also support the National Commission for Health Reform strategy to inform stakeholders at national level (including development partners and civil society organizations) on the health reforms progress.

X. ANTICORRUPTION POLICY

82. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.¹⁷ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.¹⁸

83. To support these efforts, relevant provisions are included in the loan agreement/regulations in the bidding documents for the project. In particular, all contracts financed by ADB under the program and the project will include provisions specifying the rights of ADB to audit and examine the records and accounts of the EA, IAs, and all contractors, suppliers, consultants, and other service providers as they relate to the program. ADB has disseminated ADB's anticorruption policy to the EA and the IAs.

84. The Anti-Corruption Unit, operating under the Anti-Corruption Law (2010), has the power to investigate and irregularities in the project and program. This includes financial irregularities and corruption by government officials.

85. Project specific measures to promote governance and prevent corruption, designed with the stages of project implementation and the disbursements chain in mind, include (i) the requirements for the EA and IAs to follow the Government's SOPs for all expenses and revenue items including cash and financial management records; (ii) implementing the risk assessment and risk management in the RRP linked document xx.

XI. ACCOUNTABILITY MECHANISM

86. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.¹⁹

XII. RECORD OF PAM CHANGES

87. The first draft of the PAM (dated June 2015) has been prepared and agreed upon at the loan negotiation on 27 July 2015. All revisions/updates during the course of implementation

¹⁷ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

¹⁸ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

¹⁹ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

DRAFT TERMS OF REFERENCE FOR CONSULTING SERVICES

1. All consultants (individuals or firms) and other institutions to be financed by the ADB loan will be recruited according to ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time).¹ Total quantifiable consulting services proposed are estimated at 42 person-months of international expertise and 183 person months of national expertise for a total of 225 person-months. The consultants will be recruited by the EA (National Program Coordination Office). It is noted that the consultants will provide services for the health sector reform program, funded by ADB and World Bank. The NPCO will assist the central departments to recruit the required technical assistance (international and local) which will be located within the relevant central department and will be accountable and reports to the Director or his/her nominee in that department.
2. The following are the consulting packages that will be recruited under the project:
 - (i) **Individual consultants.** Key consultants required to assist with start-up activities at the beginning of the project implementation period including an international chief technical advisor, a national deputy chief technical advisor, international monitoring and evaluation (M&E) specialist, and national procurement specialist. Other individual consultants for health human resources (HRH), financial strengthening, etc. will be recruited as needed during implementation.
 - (ii) **Health equity fund (HEF) and free maternal, neonatal, and child health care (MNCH).** A firm will be contracted to conduct the assessment and impact evaluation of the free MNCH and HEF schemes.
 - (iii) **Financial management support.** An accounting firm will be contracted to provide financial management, accounting support and training to provincial health offices (PHOs). The State Audit Organization (SAO) will conduct the annual audits.

Part 1: Terms of Reference for International Consultants

Positions and Minimum Required Qualification	Outline of Terms of Reference
Chief Technical Adviser (CTA); 36 person-months	
The consultant will have preferably 10 years' experience in public health and project management with a Master Degree in Public Health or Management. Proven experience in project management, planning and budgeting and experience in monitoring and evaluation and Results Based Management (RBM) performance. Preferable in	<p>The CTA will assist the Program Director and Program Manager in the implementation of the NPCO program and activities, including the recruitment and management of international and national technical consultant's inputs and outputs, coordinating the tasks relating to the baseline and mid- term review surveys. In particular, undertake the following tasks:</p> <ol style="list-style-type: none"> 1. Plan the day-to-day management of the NPCO activities. 2. Together with the NPCO team prepare a detailed plan, timetable, and annual budget for NPCO. 3. Establish operating procedures for all project activities including disbursement, reporting, and financial monitoring. 4. Support and monitor activities of TA consultants. 5. Prepare communication materials and facilitate the dialogue to promote technical forums, seminars, and workshops relating to the project/program.

¹ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

Positions and Minimum Required Qualification	Outline of Terms of Reference
<p>the implementation of ADB/WB funded projects. Technical skills in health service management. Competency in English language skills (both spoken and written). Strong interpersonal skills and experience in capacity building of counterpart staff at different levels. Ability to work independently.</p>	<ol style="list-style-type: none"> 6. Regularly liaison with the relevant technical department of MOH who will have technical inputs to support national and provincial program activities. 7. Facilitate and arrange annual review workshops, meetings, and seminars. 8. Ensure that senior management receive timely and quality progress reports from the provinces, MOH technical departments, and financial reports from the Financial Services contractor. 9. Ensure that the project and provincial staff comply with the GAP and Program Safeguards 10. Ensure that the project is implemented in accordance with the cooperative agreement, donor requirement, and internationally recognized best practice; 11. Participate in the review of the annual operational plans from the provinces, and MOH technical departments engaged in the project/program, to ensure that the work-plans have clear objectives and achievable benchmarks, and meet the short term and long-term objectives and priorities of the programs and the budgets are within the financial projections; 12. Plan, monitor and evaluate activities in accordance with the M&E Framework and DMF Indicators. 13. Coordinate with ADB/WB to ensure that adequate and timely technical, logistical and administrative support is provided to the project. 14. Ensure appropriate quality control systems are in place and implemented across programs (includes the development of indicators, monitoring and evaluation systems). 15. Support project staff by creating and maintaining a work environment that promotes teamwork, trust, mutual respect, and empowers staff to take responsibility and show initiative. 16. Undertake consultation meetings with partners (multilateral and bilateral organizations, International and national NGOs) and other stakeholders as part of the policy development process and ensure that adequate technical inputs are provided: <ol style="list-style-type: none"> (i) Representing NPCO in consultation meetings with partners and stakeholders to ensure good collaboration and to avoid any duplication of program activities. (ii) Attend regular meetings with all partners to ensure that all partners understand the framework defined for the ADB/WB Project approach to the MOH Health Sector Reform agenda and technical and development policies. 17. Meet regularly with the PD and PM to update them on project activities. 18. Facilitate regular month meetings with the PD, PM and NPCO team. <p>Key Consultant Outputs:</p> <ol style="list-style-type: none"> 1. Functional NPCO team with strong capacity building and M&E skills. 2. Reporting to Donors on time and quality reports. 3. The Project achieves 80% of all performance targets.
Output 4: Strengthen Health Sector Financial Systems	
Gender Specialist; 3 person-months	
<p>The consultant will have a master's degree in sociology or public health, preferably with 8 years' experience in the field of health and gender and development, or an equivalent social science degree with at least 10 years' demonstrable experience in the health</p>	<p>The International (Regional) gender Specialist will be hired for 3 months to work with the national gender consultant to establish the gender elements in the HSGP. The project design includes a gender action plan (GAP). The international gender specialist will provide technical support in the implementation of GAP activities, and undertake the following specific tasks:</p> <ol style="list-style-type: none"> 1. Provide technical support to the CTA and DCTA on gender and gender/health related issues and activities; 2. Develop a more detailed GAP based on the detailed time table of the TA 3. Oversee implementation of the GAP, identify challenges in implementation, and make recommendations.

Positions and Minimum Required Qualification	Outline of Terms of Reference
<p>sector and gender and development, formulating and guiding implementation of Gender Action Plans, gender mainstreaming strategies and community health programs, providing capacity building to government staff at all levels in Laos. Previous experience and familiarity with ADB project reporting requirements is essential.</p>	<p>4. Undertake assessments:</p> <ul style="list-style-type: none"> (i) Impact and gaps in access to existing HEF schemes (ii) Gender audit of provincial workforce development plans to ensure gender responsive HRD policies and actions related to supporting women's employment, retention and promotion and capacity development in the health sector. (iii) undertake an assessment of constraints of midwives and other health workers in providing services in more remote and ethnic areas. Identify and assess capacity building needs of health staff and develop training materials. (iv) Facilitate the integration of gender indicators into the project M&E system. (v) Support the development of gender strategy in collaboration with Ministry of Health (MOH) Sub-CAW. <p>5. Provide guidance to the national gender consultant.</p> <p>Key Consultant Outputs:</p> <ul style="list-style-type: none"> 1. Detailed GAP with timeline and 2. Final report at completion of services with summary of activities, and recommendations on improving GAP implementation, activities, indicators and targets; 3. NPCO staff have been trained in gender and are active in transferring that training and advice to Provincial counterparts.
Safeguards Specialist (Regional Consultant); 3 person-months	
<p>The consultant will have: (i) an undergraduate degree or higher in social science, gender, environment or related field; (ii) preferably with 5 years of experience in safeguard management, monitoring, and/or impact assessment; (iii) familiarity with ADB Project management requirements and national social management procedures; (iv) ability to communicate and work effectively with local communities, contractors, and government agencies; (v) ability to analyze data and prepare technical reports; (vi) willingness and health to regularly visit the sub-project sites; and (vii) proficiency in spoken and written English.</p>	<p>All HSGP activities will be screened to ensure there is no Environment or Involuntary Resettlement Safeguards triggered; and that positive project benefits are equally shared by Ethnic Minorities across Laos. While the CTA will have responsibility for safeguard oversight, the safeguard consultant will provide initial capacity building and oversight at the beginning of the project to ensure Provincial and District Staff and National Project Officers have the understanding and capability to ensure safeguards are monitored throughout the project. While emphasis is on social safeguards; a good working knowledge of environmental safeguards is required in order to screen out any activities with negative impacts. The Safeguards consultant will work closely with the NPCO Safeguards Officers, and safeguard officers from Provincial and District and other relevant personnel and agencies, the consultant will assist in all capacity building and the initial safeguard audits of the project. The consultant task should include but not be limited to;</p> <ul style="list-style-type: none"> 1. Ensure that key personnel are fully aware and understand the relevant project safeguards; and the requirements of the safeguards assessments. 2. Deliver training in (i) procedures for screening, categorizing and assessing safeguard impacts; (ii) the monitoring of social and environmental safeguards in loan conditions; and (iii) record-keeping and reporting. 3. Assist the PMU to establish and publicize the grievance redress mechanism (GRM) for sub-projects, ensuring that the GRM publicity is appropriate to the scale and complexity of the sub-project and includes, as a minimum, the disclosure of all contact persons for lodging complaints. 4. Review the operation of the Screening and GRM processes for a range of sub-projects and locations and make revisions to GRM procedures as required. 5. Conduct a series of field audits as directed by the CTA to checks on safeguard compliance by relevant Districts and incorporate lessons learned; and field notes; into the training program and safeguard reports. 6. Tailor any of the safeguard procedures, if necessary, to suit the operational practices and business systems of the project. 7. Provide input to the first semi-annual project monitoring progress reports for submission to ADB. 8. Assist the PPMO and CTA to prepare their safeguard reporting requirements. <p>Key Consultant Outputs:</p>

Positions and Minimum Required Qualification	Outline of Terms of Reference
	1. NPCO staff trained in Social Safeguards and are active in transferring the training and advice to provincial and district counterparts.

ADB = Asian Development Bank, CTA = Chief Technical Adviser, DCTA= Deputy Chief Technical Adviser, DMF= design and monitoring framework, DOC = Department of Cabinet, DOF = Department of Finance, DPIC = Department of Planning and International Cooperation, DOP = Department of Organisation and Personnel, DOT&R = Department of Training and Research, EA = executing agency, EMDP = ethnic minority development plan, GAP = gender action plan, HEF = health equity fund, HRD = human resource development, HSGP = Health Sector Governance Program, IA = implementing agency, M&E = monitoring and evaluation, MOH = Ministry of Health, NGO = non-government organization, NPCO = National Program Coordination Office, PAM = project administration manual, PCU = provincial coordination unit, PD = project director, PHO = provincial health office, PM = program manager, TA = technical assistance, TOR = terms of reference, WB = World Bank.

Source: Asian Development Bank.

Part 2: Terms of Reference for National Consultants

Positions and Minimum Required Qualification	Outline of Terms of Reference
Output 2: Health Equity Fund (HEF) and/or Free Maternal, Neonatal, and Child Health Care (MNCH) Implementation	
HEF Manager/Coordinator; 36 person-months	
<p>The consultant will be a Lao National and have a preferably 5 years experience in the health sector which should include service delivery at the provincial and district levels, as well as at the national level. He/she should have at relevant Bachelor Degree in social science or Public Health or a similar development qualification</p> <p>He/she should have experience in project management, planning and budgeting, with strong monitoring and evaluation experience.</p> <p>Competency in both spoken and written English language.</p>	<p>The Consultant will be responsible for supporting the rollout of the HEF program as part of the first steps in universal health care in Lao PDR. As part of that responsibility he/she must ensure that the MOH policies and guidelines regarding HEF are understood and complied with by all the provinces involved in the HEF program.</p> <p>In his/her role as HEF Manager/coordinator he/she will be responsible for the following tasks;</p> <ol style="list-style-type: none"> 1. Ensure that all provinces involved in the New HEF understand the MOH policies and guidelines relating to eligibility of the poor. 2. Planning for the rollout of the HEF program in the 8 northern provinces and the new 7 provinces will be phased based on the experience of the HSDP. 3. Based on the current HSDP HEF data base assist the IT database consultant in the assessment of the existing system taking into account the increased coverage anticipated. 4. Engage with the provinces during the budgeting and planning process to ensure that HEF is adequately funded and supported. 5. Support the provinces to design and implement a system of grievance redressal mechanism as part of the HEF. 6. Develop a targeted communications and outreach strategy for HEF taking into account the different needs, expectations and challenges of different social groups. 7. Ensure that a systematic system is developed and adopted by all the provinces to enable that spot financial and service delivery checks can be randomly undertaken as required. (Verification system is yet to be developed) 8. Coordinate and share experiences with other donors supporting the HEF program. 9. Report quarterly and annually to the PD and PM on HEF performance. 10. Undertake other tasks as determined by the PD from time to time.
Database Manager; 3 person-months	
<p>The consultant will have Computer qualifications and skills as a database computer programmer and manager with demonstrated</p>	<p>The computer database manager will review the current HEF excel database to determine its suitability for the current and expanded needs relating to the proposed expansion to included data from all provinces active in the HEF national program. The task for the data base manger should include but not be limited to;</p> <ol style="list-style-type: none"> 1. Together with IT Specialist.

Positions and Minimum Required Qualification	Outline of Terms of Reference
<p>expertise and experience in database management; preferably with 5 years experience.</p>	<p>(i) Determine if the current database system is suitable for the expanded national HEF program;</p> <p>(ii) Identify priority requirements to expand the database, improve reliability and timely access to HEF information at all levels.</p> <p>2. Support the IT specialist in the assessment of the District Health Management Information System 2 (DHIS2) as the possible platform to have a separate module for HEF being incorporated into the mainstream DHIS2.</p> <p>3. Produce routine and special reports to support management and inform policy and quarterly and annual reporting.</p> <p>4. Undertake other tasks as determined by the PD from time to time.</p>
<p>Output 4: Strengthen Health Sector Financial Systems</p>	
<p>Public Financial Management Specialist - National (Budget Expenditure and Disbursement Monitoring) (DOF); 15 person-months</p>	
<p>The consultant will have preferably 5 years of experience in public expenditure budgeting and expenditure monitoring within Laos preferably with exposure to either the health sector or other social sectors. A Master's degree in economics, accounting and/or public health or equivalent is desirable. The candidate should be certified public accountant. A demonstrated ability to work in English and use standard word processing and spreadsheet programs essential.</p>	<p>The national Public Financial Management Specialist, working with the international consultant and the Department of Finance (DOF) of the MOH, to</p> <ol style="list-style-type: none"> 1. Assist with the review of the current processes within the MOH (37 central budget units) and at the provincial level (18 provinces and associated districts) to monitor budget expenditures against budget allocations (all budget chapters) and to assist with building agreement, with DOF an enhanced system to monitor expenditures of and disbursements to finance the expenditures (on a timely basis) to budget units and provinces (by MOH, MOF and provincial treasuries as appropriate) on a quarterly and annual basis. <p>The revised system of budget expenditure monitoring and reporting will enable MOH management to track overall expenditures by province and central budget unit on a timely basis and identify strategic constraints in program implementation requiring management action. This will entail the following detailed tasks:</p> <ol style="list-style-type: none"> 2. Assist with a review of existing processes within MOH to monitor expenditures and disbursements and assist with the documentation of their shortcomings and capacity constraints within DOF/MOH; 3. Assist with the review the revised Budget Law and participate in discussions with the Ministry of Finance on any mandated (or to be mandated) requirements in this area of budget and expenditure monitoring as they would apply to the MOH; 4. Assist with the preparation and documentation of proposals to strengthen financial reporting within DOF, MOH more generally, and Provinces/Districts to establish timely quarterly and annual budget and expenditure reporting processes at each level of the health system covering total public expenditures; 5. Assist with the preparation and documentation of a proposed system within MOD FD and throughout the health sector to document for each province/district and for central MOH departments, the required disbursement of funds from MOF and Provincial Treasuries, and the actual release of funds, linked to agreed implementation plans, at the start of the fiscal year and at the start of each subsequent quarter to ensure uninterrupted financing of agreed programs; 6. Assist with the preparation of an implementation plan to roll out the proposed system to monitor annual and quarterly health expenditures and disbursements to finance planned expenditures across the country; 7. In the context of the implementation plan, assist with the identification of any capacity constraints, staffing requirements and training requirements to implement and sustain this reform; and 8. After working with the International Consultant on the initial rollout of the proposed new system nationally become responsible for supporting the DOF roll

Positions and Minimum Required Qualification	Outline of Terms of Reference
	out of the proposed new system of expenditure and disbursement reporting across the country.
National Provincial Planning and Budgeting Consultant (DPIC); 30 person-months	
<p>The consultant should have preferably 5 years of experience in public expenditure planning preferably with experience working at both the national and provincial/district level. Preference will be given to experience in the health sector or other social sectors. A Master's degree in economics, accounting and/or public health or equivalent is desirable. A demonstrated ability to work in English and use standard word processing and spreadsheet programs essential.</p>	<p>Public Expenditure Planner/Health Economist to assist the International Consultant working in the Department of Planning and International Cooperation (DPIC) of MOH on provincial planning and budgeting with the review and update of the currently MOH mandated provincial planning process with view to capturing total provincial health expenditures in plans and budgets by level of service and by the eight national program including detailed provincial plans and budgets covering the Health Sector Governance Program. He/she will provide critical implementation support at the provincial level for the roll out of the reforms</p> <p>This will entail the following detailed tasks:</p> <ol style="list-style-type: none"> 1. Assist the International Consultant and staff of DPIC with the review of the experience of provincial planning and budgeting as currently mandated and also to assist with the documentation of how provincial priorities are expressed in annual operational plans and the links between provincial plans, annual operational plans, budgets and aid funded projects and programs including program funding under the ADB funded HSDP in the eight northern provinces; 2. Assist the International Consultant and staff of DPIC to review past experience and consistent with asking provinces and districts to plan within a realistic resource envelop assist with proposals for revisions to the current MOH mandated planning and annual operational planning process including: (i) formats to reflect the current 8 health programs; (ii) to provide for the revised development budget (Chapter 17) chart of accounts at the provincial level as this is developed and implemented at the national level; (iii) to be results focused; (iv) to be developed from the bottom-up within centrally determined budget constraints and policy direction; and (v) incorporate a multi-year focus in consultation with all stakeholders so that MOH is ready for multi-year budgeting as required by the Budget Law when it is mandated; 3. Assist with the development, for operational units of central MOH, an integrated process and formats for the preparation, review and monitoring of rolling annual operational plans and budgets, with a multi-year focus, within the program structure of the National Plan and which: (i) sets out their key work program and resources required to achieve their objectives; and (ii) outline their inputs to the Health Sector Reform program at the national level and support to thee reforms at the provincial level; 4. Assist with the preparation a road map for the implementation and the phased national roll out of the planning and budget reforms proposed; and 5. After working with the international consultant and DPIC staff on the initial implementation of the new provincial planning systems becomes the lead consultant supporting DOF to roll out and manage the processes at provincial level.
Project Management	
Deputy CTA /Program Coordinator (NPCO); 36 person-months	
<p>The Deputy CTA will be the Program Coordinator and will be a Lao National and have preferably 8 years experience in the health sector which should include service delivery at the Provincial and district levels, as well as relevant national</p>	<p>The Deputy CTA (DCTA) will assist the Program Director, Program Manager and CTA in the implementation NPCO program. He/she will also have the role of Program Coordinator with the principal responsibility of coordinating all the provincial level activities including the tasks relating to the baseline and mid- term review surveys The DCTA tasks for this position will be carried out in conjunction with the International Chief Technical Adviser (CTA). To assist in the implementation of HSGP activities. The DCTA will work under the direct supervision of the CTA and undertake the following tasks:</p> <ol style="list-style-type: none"> 1. Assist the CTA in planning weekly and monthly plans with a specific focus on the

Positions and Minimum Required Qualification	Outline of Terms of Reference
<p>level experience in senior policy development and project management for major donors.</p> <p>He/she should have at least a Bachelor Degree in Economics, Medicine, Public Health or a similar development qualification as well as having knowledge in one or more areas of the Health Sector Reform Program.</p> <p>He/she should have strong leadership capability and demonstrated record of successful leadership of managing multi-disciplinary team, as well as good diplomatic skills and ease of working in an international environment.</p> <p>At least 5 years proven experience in project management, planning and budgeting. Strong monitoring and evaluation experience in the implementation of ADB/ WB funded projects.</p> <p>Strong interpersonal skills and experience in capacity building of counterpart staff at different levels.</p> <p>Competency in both spoken and written English language, and the ability to work independently at national, provincial and district levels.</p>	<p>provincial level activities to be undertaken from the national level.</p> <ol style="list-style-type: none"> 2. Together with the CTA and the NPCO team prepare a detailed plan, timetable, and annual budget for NPCO. 3. Contribute to the establishment of the Project Administration Manual (PAM) procedures for all project activities including disbursement, and ensure that all NPCO staff are familiar with the PAM procedures. 4. Assist the CTA in the management of the activities and events (trainings, workshops, meetings, and international consultant inputs and outputs). 5. Together with the M&E Specialist, ensure that project baseline data has been collected and processed. Play an active role in the formulation of the key performance indicators as well as the development of the project monitoring and evaluation framework. 6. Work with NPCO and PPCUs staff to ensure that the key staff are trained in M&E and understand key indicators and sources of data. Assist in the quarterly and annual review of project performance measured against the baseline. 7. Together with DOT&R Consultant, assist with project management Training Needs Analysis. In selective provinces, participate in the project management training for provincial and district health managers. 8. Follow up on specific project-issues and programmatic matters. These may include regularly liaising with Provincial Health Office (PHO), as well as with the relevant MOH department to obtain data and information. 9. Update on a regular basis the project database. 10. Assist in the logistical arrangement of the project/program. For this purpose the DCTA will be required to travel regularly to the provinces. 11. Assist the NPCO in the preparation of reports and in translating and interpreting (English to Lao and Lao to English) including during official meetings and field visits. 12. Collaborate closely with the PMU Accountant/Project Controller to follow project/program finances, and notify promptly the CTA of any bottlenecks/difficulties encountered. 13. Assist in the daily management of the NPCO in the absence of the project CTA and program manager. 14. Other duties as directed by the Project Director.
Gender and Safeguards Consultant (NPCO) (Part Time; 6 person-months)	
<p>A degree in health or social science with at least 8 years' demonstrable experience in the health sector and gender and development, and preferably with 5 years experience in formulating and guiding implementation of community health programs, Gender Action Plans (GAP), gender mainstreaming strategies, working with and providing capacity building to government staff at all levels in the Lao PDR.</p>	<p>The national gender consultant will be hired on an intermittent basis for 6 months and will be based within the National Program Coordination Office in the DPIC in MOH, Vientiane. The consultant will undertake the following tasks:</p> <ol style="list-style-type: none"> 1. Provide technical support to the CTA and DCTA on gender and gender/health related issues and activities; 2. Assist, facilitate and monitor implementation of the GAP at the national, provincial and district levels, identify issues and challenges in implementation, and make recommendations; 3. Assist the international consultant to undertake gender assessments, identify and assess capacity building needs and develop training materials; 4. Develop standard criteria for eligibility to HEF, guidelines and IEC materials for outreach activities, and other guidelines and criteria as indicated in the GAP; 5. Provide GAP and gender issue briefings and trainings as agreed with the CTA; 6. Assist and monitor the integration of gender indicators into the project M&E

Positions and Minimum Required Qualification	Outline of Terms of Reference
<p>Previous experience in ADB funded projects an advantage</p> <p>Competency in written and spoken English.</p>	<p>system;</p> <p>7. Assist the project M&E to compile quarterly DMF and GAP progress reports and ensure collection of sex-disaggregated data;</p> <p>8. Support and facilitate the development of gender strategy in collaboration with Ministry of Health (MOH) Sub-CAW.</p> <p>The National Gender and Safeguards consultant will be responsible for the following outputs:</p> <ol style="list-style-type: none"> 1. Provide a progress, achievements and recommendations report at the end of each month's input completed, and, 2. Prepare a final report at completion of services with summary of activities, and recommendations on improving GAP implementation, indicators and targets.

ADB = Asian Development Bank, BCC = behavioural change communication, CTA = Chief Technical Adviser, DCTA= Deputy Chief Technical Adviser, DMF= design and monitoring framework, DOC = Department of Cabinet, DOF = Department of Finance, DPIC = Department of Planning and International Cooperation, DOP = Department of Organisation and Personnel, DOT&R = Department of Training and Research, EA = executing agency, EMDP = ethnic minority development plan, GAP = gender action plan, HEF = health equity fund, IA = implementing agency, MOH = Ministry of Health, NPCO = National Program Coordination Office, PAM = project administration manual, PCU = provincial coordination unit, PD = project director; PHO = provincial health office, PM = program manager, TA = technical assistance, TOR = terms of reference, WB = World Bank.

Part 3: Terms of Reference for Free MNCH and Health Equity Funds Evaluation (Firm)

A. The Program

3. The Ministry of Health (MOH), Government of Lao PDR, has received a loan from the Asian Development Bank (ADB) for the Health Sector Governance Program (HSGP) and it intends to apply part of the ADB loan to finance accounting consulting services for providing financial management and accounting services to the Program. The HSGP consists of a policy-based loan and a TA loan to support capacity building and the rollout of Health Sector Reform Framework (HSRF) to fund technical assistance. The project will be implemented over three years from October 2015. An accompanying program loan will fund the rollout of reform to all the provinces with the first subprogram implemented over three years 2015–2018, with a follow-on second subprogram loan scheduled after 2018, but dependent on the achievement of performance criteria for the first subprogram.

4. The terms and conditions of the contract and payments by the Asian Development Bank will be subject to the terms and conditions of the loan agreement, including the Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers (March 2013, as amended from time to time). Except as ADB may specifically otherwise agree, no party other than the Government of Lao PDR shall derive any rights from the loan agreement or have any claim to the proceeds of the loan.

B. Objectives of Technical Assistance

5. The objective of the consulting services is to conduct the impact assessment of the health equity funds and free maternal, neonatal and child care schemes.

C. Research Questions

6. The survey will evaluate the following parameters:

- (i) The utilization rates of the schemes by their beneficiaries, disaggregated by sex and ethnicity;
- (ii) The impact of the scheme on the quality of services
- (iii) The costs of the scheme, including administrative costs;
- (iv) The targeting mechanisms of the beneficiaries
- (v) The provider payment mechanisms
- (vi) The role of the provincial health offices and the national health insurance bureau
- (vii) The stakeholder perception of the scheme

The survey will (i) undertake assessment of impact and gaps in access to existing HEF/MNCH schemes from a social equity perspective; (ii) evaluate the integration of poverty and social inclusion indicators into the M&E system; (iii) evaluate the communications and outreach strategy for HEF/free MNCH; (iv) assess the HEF grievance redressal system.

7. The study will be nationwide. However, the MOH will choose a limited amount of districts to perform the study. This selection criteria will include (i) the prevalence of poor and ethnic group; (ii) the size of the population; and (iii) the experience of the districts in implanting free MNCH and HEF.

D. Staffing and Deliverables

8. The study team will include one full time senior researcher/team leader and two deputy team leaders for the conduct, supervision of the data collection and data entry, and the production of the final report with recommendation. A social development specialist will be part of the team. The team will also include enumerators, data entry staff and support staff. The deliverables include a final report with recommendations, presented to and approved by MOH.

E. Implementation

9. The consulting company will be national or regional. The study will be implemented from July 2017 until December 2017. The recruitment method will be consultant quality selection.

Part 4: Terms of Reference for Accounting Services (Firm)

A. The Program

10. The Ministry of Health (MOH), Government of Lao PDR, has received a loan from the Asian Development Bank (ADB) for the Health Sector Governance Program (HSGP) and it intends to apply part of the ADB loan to finance accounting consulting services for providing financial management and accounting services to the Program. The HSGP consists of a policy-based loan and a TA loan to support capacity building and the rollout of Health Sector Reform Framework (HSRF) to fund technical assistance. The project will be implemented over three years from October 2015. An accompanying program loan will fund the rollout of reform to all the provinces with the first subprogram implemented over three years 2015–2018, with a follow-on second subprogram loan scheduled after 2018, but dependent on the achievement of performance criteria for the first subprogram.

11. The terms and conditions of the contract and payments by the Asian Development Bank will be subject to the terms and conditions of the loan agreement, including the Guidelines on

the Use of Consultants by Asian Development Bank and Its Borrowers (March 2013, as amended from time to time). Except as ADB may specifically otherwise agree, no party other than the Government of Lao PDR shall derive any rights from the loan agreement or have any claim to the proceeds of the loan.

B. Objectives of Technical Assistance

12. The main objective is to provide financial management and accounting services for the TA Loan and support the financial management and accounting reforms at sub national level.

C. Scope of Consulting Services

13. The team provided by the consultant consists of:
- (i) A Senior Accountant supervisor (Part-time)
 - (ii) A Chief Accountant (Full-time)
 - (iii) Three Accountants for the Project (Full-time)
 - (iv) Four Financial Controllers for the Program (Full-time)

14. The scope of work includes:

A. For the project

- (i) Develop a project Financial Management Procedure Manual,
- (ii) Develop a project computerized accounting system,
- (iii) Establish internal control procedures,
- (iv) Train project accountants at central and provincial levels,
- (v) Monitor and record all financial transactions,
- (vi) Prepare disbursement, replenishment applications and reports,
- (vii) Carry out internal audit at central and provincial levels,
- (viii) Prepare documentation for project external audit.

Performance Based Deliverables for Project Activities

- (i) The Consultant agrees to provide the following deliverables to the project on a monthly basis:
 - a. A monthly report on the status of the ADB project loan fund
 - b. A minimum of two withdrawal applications to replenish the Imprest Account each month
 - c. A minimum of two replenishments of the imprest account each month
 - d. A weekly Finance Report submitted to the Project Director by close of business every Monday
 - e. A rolling quarterly cash flow forecast for the imprest accounts submitted to the Project Director by the 7th day of each month
 - f. Replenish provincial advance accounts within two weeks of receiving financial reports if all documents are in order
 - g. Will not allow the amount of funds in the imprest account to fall below an amount agreed upon and revised from time to time according to the ceiling of the imprest account
 - h. Will not allow the amount of funds in the First Generation Imprest Account to fall below an amount agreed upon and revised from time to time according to the ceiling of imprest account
- (ii) The format for the report and a Performance Monitoring sheet to measure performance during the contract period are to be agreed with NPCO

B. For the program

- (i) Develop a Program Financial Management Procedure Manual based upon ADB's Statement of Expenditure (SOE) procedure for liquidation of provincial program tranches and including all required guidelines and forms; details of program funds flow mechanisms; financial reporting and liquidation of tranches; mechanisms for release of tranches
- (ii) Develop a program computerized accounting system for central and provincial levels
- (iii) Establish internal control procedures at central and provincial levels
- (iv) Train program accountants at provincial level
- (v) Verify that all expenditures incurred are for eligible items under the program
- (vi) Control that expenditures incurred are in accordance with program scope, provincial program plans and budgets approved
- (vii) Control and validate financial reports, SOE for liquidation of tranches, and requests for next tranche payments submitted by provinces
- (viii) Prepare MOH requests to MOF to release tranche payments
- (ix) Carry out during the first year of the program at least one time every two months supervisory visits to provincial accounting units in the 18 provinces to ensure that financial management at the provincial level meets requirements for SOE liquidation procedure and that SOE records at provincial level are readily available for examination
- (x) Carry out quarterly supervisory visits to each province after the first year
- (xi) Conduct at provincial level random checks of expenditures covered by SOE
- (xii) Support provincial finance units to prepare documentation for provincial program external audit
- (xiii) Carry out internal audit at central and provincial levels

D. Scope of Work Individual Consultants**1. POSITION: Senior Accounting Supervisor - Part Time (to be proposed by the firm)**

Job Description

Office: Vientiane
 Report to: Project Director, NPCO
 Responsibility: To supervise the accounting staff in the HSGP

Tasks:

- (i) Develop Project and Program Financial Management Procedure Manuals
- (ii) Assure that all staff fulfil their responsibilities in accordance with their scopes of work
- (iii) Guarantee accuracy and timeliness of finance and accounting data and timely submission of monthly financial reports to the Project Director
- (iv) Monitor contract awards and disbursements in accordance with the budget in the loan agreement
- (v) Assure that all audit recommendations are incorporated into the accounting system and implemented

Qualifications:

- (i) Requires a degree in accounting and at least 10 years senior-level accounting experience
- (ii) Certified public accountant level.

- (iii) Requires knowledge of generally accepted accounting principles and practical knowledge of financial systems, internal financial controls and procedures
- (iv) Must be a good problem- solver, analytical, creative and innovative
- (v) English language ability is a requirement

2. POSITION: Chief Accountant – Full time

Job Description

Office:	Vientiane
Report to:	Project Director
Subordinates:	All the staff in Finance
Responsibility:	Manage the financial accounts of the HSGP for both program and project funds

Project related tasks:

- (i) Monitor and record all financial transactions made by:
 - a. ADB via Direct payment
 - b. MOF via program and project Imprest Accounts
 - c. Project Management Executing Agency via EA program and project imprest accounts
 - d. Province via Provincial program and project advances
- (ii) Supervise accountants that manage provincial advances for 18 provinces
- (iii) Provide training and supervision for accountants in 18 provinces
- (iv) Prepare documentation required to replenish the EA sub-accounts
- (v) Prepare withdrawal applications required to replenish the project imprest account
- (vi) Prepare withdrawal applications required for payment of program tranches to the program imprest account
- (vii) Prepare requests for signature for payment by appropriate signatories
- (viii) Prepare consolidated financial statements report on a monthly basis
- (ix) Prepare weekly financial reports required by the project
- (x) Prepare documentation for project external audit
- (xi) Attend and participate in the staff meetings and other corporate functions

Program related tasks

- (i) Supervise program financial controllers who monitor provincial program advances for 18 provinces
- (ii) Check and validate financial reports, SOE for liquidation of tranches, and requests for next tranche payments submitted by provinces and controlled by program financial controllers
- (iii) Check and validate MOH requests to MOF to release tranche payments prepared by program financial controllers
- (iv) Request provincial level check of expenditures covered by SOE
- (v) Prepare documentation for program external audit

Qualifications

- (i) Certified public accountant
- (ii) 7 years of experience as an accountant
- (iii) Previous experience working with foreign assistance projects preferred
- (iv) Good problem-solver, analytical, creative and innovative
- (v) Good ability to organize, delegate, and monitor completion of work
- (vi) Ability to speak, write and read English

- (vii) Good knowledge of computer, accounting software, spreadsheets, word processing program
- (viii) Ability to travel to provinces for accounting training of project accountants

3. POSITION: Project Accountant – Full Time

Job Description

Office: Vientiane
 Report to: Chief Accountant
 Responsibility: Provide analysis, processing, and recording of financial transactions; generate the required financial reports, manage the financial accounts of provincial advances; assist the Chief Accountant for TA loan.

Tasks:

- (i) Monitor and record all financial transactions in the provincial advances
- (ii) Monitor and support Provincial accountants to make monthly financial reports
- (iii) Examine and verify financial statements for the provincial advances submitted by the accountants
- (iv) Encode and enter data from provincial advances into computerized software
- (v) Prepare documentation required to replenish the provincial advances
- (vi) Assist Chief accountant in accordance with requirements of the project
- (vii) Attend and participate in the staff meetings and other corporate functions

Qualifications:

- (i) A credential in accounting that demonstrates strong foundation in accounting
- (ii) Have at least 3 years work experience
- (iii) Good knowledge of computer, accounting software, spreadsheets, Word processing program
- (iv) Ability to read, write and speak English preferred
- (v) Willingness to assist Chief Accountant
- (vi) Ability to travel to provinces for accounting training of project accountants

4. POSITION: Program Financial Controllers – Full Time

Job Description

Office: Vientiane
 Report to: Chief Accountant
 Responsibility: Provide verification, control, analysis, processing, and recording of program financial transactions; generate the required financial reports; monitor and control the program financial accounts; assist the Chief Accountant for program loan.

Tasks:

- (i) Train, monitor, and support program accountants at provincial level,
- (ii) Monitor and support provincial accountants to prepare financial reports, liquidate tranches using SOE procedure, and request tranches release,
- (iii) Verify that all expenditures incurred are for eligible items under the program,
- (iv) Control that expenditures incurred are in accordance with program scope, provincial program plans and budgets approved,

- (v) Control financial reports, financial statements of program accounts, SOE for liquidation of tranches, and requests for tranche payments to provincial program accounts submitted by the provincial program accountants and provincial health offices,
- (vi) Prepare MOH requests to MOF with required documentation to release tranche payments to provincial program accounts,
- (vii) Carry out at least one time every two months supervisory visits to provincial accounting units in the participating provinces during the first year of the program to ensure that financial management at the provincial level meets requirements for SOE liquidation procedure and that SOE records at provincial level are readily available for examination,
- (viii) Conduct at the request of the Chief Accountant provincial level random check of expenditures covered by SOE,
- (ix) Support provincial finance units to prepare documentation for provincial program external audit,
- (x) Assist Chief accountant in accordance with requirements of the project,
- (xi) Attend and participate in the staff meetings and other corporate functions.

Qualifications:

- (i) A credential in accounting that demonstrates strong foundation in accounting
- (ii) At least 3 years work experience
- (iii) Good knowledge of computer, accounting software, spreadsheets, Word processing program
- (iv) Ability to read, write and speak English preferred
- (v) Willingness to assist Chief Accountant
- (vi) Ability to travel to provinces for accounting training of program accountants

E. Qualifications and Experience of the Firm

15. A national accounting firm (registered and operating in Lao PDR) is required to provide the package of expertise in financial management and accounting services as described above. The firm will be experienced in working in the public sector at the central and provincial level and in the use of computerized accounting systems currently used for public finances in the country. Experience in providing training and capacity building to accounting staff is desirable and involvement with projects funded by development partners. Senior staff should have English language skill (reading, written and spoken) with strong interpersonal skills and experience in capacity building of counterpart staff at different levels.

16. Schedule and Place of Assignment

City and Country	Vientiane, Lao PDR, with frequent visits to all provinces.
Project Office Location	National Program Coordination Office Department of Planning and International Cooperation, MOH, Vientiane.
Dates of the Consultancy	
Estimated start date	1 November 2015
Duration	36 months continuous
Contact Value	Services are to be contracted on a lumpsum basis. The budget provision is \$160,000 per year.

17. **ADB contract arrangements.** The consultant will be hired under National Competitive Bidding using the consultant qualification selection with the Firms shall be required to submit technical and financial proposals in separate sealed envelopes at the same time.

18. **Application process.** The opportunity will be advertised on the ADB's website and in appropriate national newspapers and publications with suitably qualified firms invited to express interest. Applicants must first provide a written Expression of Interest (EOI) that addresses the key selection criteria in the terms of reference and outlines their experience (maximum 3 pages). A short list of suitably qualified companies will be made from those companies responding and invited to submit a proposal for the services based on the RFP. A pre-bid meeting will be held for the short-listed firms on a date, time and place to be advised. Consultant evaluation and selection will use a CQS 80:20.

19. **Closing date for applications.** Applications can be submitted electronically, or by mail and applications addressed to the Program Manager (see below) must be received at the NPCO by: (insert date)

National Program Coordination Office (NPCO)
Dr Founkham Rattanaovong
Deputy Director,
Dept Planning and International Cooperation,
Ministry of Health
Post Office Box
Vientiane
Lao PDR
Contacts:-
Mobile: 020-5550 9676
Tel: (021) 252 753
Fax: (021) 223 146
Email: rfounkham@yahoo.com

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Lao People's Democratic Republic	Project Title:	Health Sector Governance Program
Lending/Financing Modality:	Policy-Based Loan	Department/Division:	Southeast Asia Regional Department/Human and Social Development Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: General intervention – improved health services for the rural poor

A. Links to the National Poverty Reduction and Inclusive Growth Strategy, and Country Partnership Strategy

Poverty reduction, graduation from the least-developed country status by 2020, and achievement of the Millennium Development Goals (MDGs) are government priorities in the Lao People's Democratic Republic (Lao PDR). The Seventh National Socio-Economic Development Plan (NSED7), 2011–2015 aims to achieve annual economic growth of at least 8%; decrease poverty to less than 19% by 2015; and achieve other significant social improvements such as better primary school enrollment, less infant and child mortality, less maternal mortality, and better access to clean water.

B. Results from the Poverty and Social Analysis during Project Preparation or Due Diligence

1. Key poverty and social issues. Key poverty issues are (i) high maternal mortality ratio; (ii) limited access to reproductive health and birth delivery services; (iii) poor and inadequate health service delivery; (iv) gender disparity at all levels of education; and (v) limited access to training, employment, finance, and opportunities for economic advancement. Areas bordering Viet Nam still have the highest poverty rates (38.4%). The poverty incidence is highest among the Mon-Khmer (42.3%), and Hmong-lu Mien (39.8%) ethnic groups.

2. Beneficiaries. Primary beneficiaries will be women and children. The program will focus on poorer districts and provinces, where the poorest include a higher proportion of ethnic households and more households are headed by single women. The poor lack land, labor resources, and money for investment. Food security is a major issue and is most pronounced in isolated upland rural areas—food deficits can reach 9 months.

3. Impact channels. The policies supported by subprograms 1 and 2 ensure (i) resources for scaling up the provision of free maternal, neonatal, and child health (MNCH) services for the poor; (ii) capacity development and deployment of health staff in rural and remote areas to support quality service delivery in areas with the greatest need; and (iii) gender and equity actions to promote recruitment and retention of health workers from ethnic populations and disadvantaged locations, to support greater utilization of MNCH services by ethnic populations.

4. Other social and poverty issues. The program focuses on better quality and delivery of health care services; it does not address income disparities or income generation. Government programs such as the Poverty Reduction Fund and bilateral and nongovernment organization projects are dedicated to poverty reduction and alleviation, particularly in the areas of agriculture and natural resource management, which are key to rural livelihoods. Complementary programs in the education sector are tackling illiteracy nationwide.

5. Design features. The program has two subprograms to be implemented from (i) August 2015 to July 2018 and (ii) from October 2018 to July 2020. The outcome of the program is to increase access, quality, and use of essential health services by boosting MNCH and by developing women-to-women health care.

C. Poverty Impact Analysis for Policy-Based Lending

1. Impact channels of the policy reforms. The program marks the beginning of a long-term initiative to reform and improve the national health service, with a focus on rural areas. The main impact channels will be through financial and management reforms that improve transparency as well as budget allocation and planning processes. Improvements to in-service human development and training, and better provincial, district, and health center facilities will enable better institutional service delivery. Better outreach services and village-based training of birth attendants and health workers will improve basic services in isolated areas and allow early detection of problems. Ethnic groups must be targeted specifically, and measures to boost participation should target ethnic minority women. Financial reform is needed to ensure transparency, particularly in the provision of services and benefits under HEF and free MNCH. Transparency will require the dissemination of comprehensive information on participation rights, benefits, and entitlements; information and materials on behavioral change must be adapted for use in illiterate communities. The program's funding package needs to include funding arrangements for scholarships to enable ethnic minority men and women to study health sciences.

2. Impacts of policy reforms on vulnerable groups. Policy reforms will have only positive impacts, which include better quality and access to health services, design and delivery of services sensitive to gender and ethnic groups, more health sector employment opportunities for women and ethnic groups, empowerment of communities and women to participate in grassroots planning and decision making. Program implementation will be inclusive.

3. Systemic changes expected from policy reforms. Policy reforms should result in:

- i) better access to basic health care by rural populations;
- ii) improved financial transparency of the health sector at all levels;
- iii) stronger financial planning and budgetary processes;
- iv) health care that is more responsive to needs; and
- v) improvements in human resource development, professional standards, and overall service quality.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. The program focuses on service delivery to poor rural communities. Beneficiaries will include many ethnic groups, and measures have been formulated to ensure that women, and especially ethnic women, can participate in and will be consulted during activity planning. Separate men's and women's discussion, planning, and training groups will ensure that women are given the means to participate. Meetings and training will be held in locations and at times suitable for women and people with disabilities. The gender action plan (GAP) and ethnic group development plan (EGDP) as well as monitoring and evaluation (M&E) will report on participation disaggregated by sex and ethnicity. The HEF grievance redress mechanism will be designed in consultation with HEF beneficiaries. A special effort will be made in preparing and disseminating program information; health service availability and benefits; information, education, and communication; and behavioral change communication health messages to ensure understanding and comprehension by all, including illiterate households.

2. Civil society organizations. The program is a national initiative that aims to improve the overall quality and delivery of, and access to, health services. Civil society and nongovernment organizations are working in complementary areas and follow Ministry of Health (MOH) guidelines and policies on primary health care.

3. Forms of participation by civil society organizations. The following participation is envisaged during project implementation, rated high (H), medium (M), low (L), or not applicable (NA):

Information gathering and sharing Consultation Collaboration Partnership

4. Participation plan. Yes No. No plan will be prepared. The program's GAP and EGDP recommend measures to ensure effective community-based participation by women, ethnic groups, and also people with disabilities. Separate women's and men's planning and discussion groups will provide a safe forum for women. Meetings will be convened at times and in locations convenient to women and those with mobility issues. Institutional initiatives are channeled through MOH.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Gender equity (GEN)

A. Key issues. Significant inequalities and disparities persist along rural–urban lines, geographic areas (north, center, and south), and among ethnic groups. Health service quality and access vary widely, particularly between rural and urban areas—service quality is inversely proportional to the degree of isolation. Access is difficult for women in remote rural areas and particularly for ethnic minority women, because of topographical and social or cultural reasons and the reliance on traditional healers, with the result that most women do not get antenatal care and still give birth at home without trained assistance. Ethnic minority women, in particular, need their husband's approval to get external care. Poor households lack the funds to travel to a health center. Rural women need easier physical and financial access, better and safer maternity care, more women-to-women service providers, and comprehensive, reliable outreach services. Health center specialists are predominantly male, and only 47% of facility heads and deputy heads are women.

B. Key actions. The GAP will make sure that (i) the impact of and gaps in access to HEF and free MNCH is assessed and recommendations are made to meet the needs of the poor; (ii) the rollout of HEF and free MNCH is prioritized to areas of greatest need, e.g., those with high rates of maternal mortality, ethnic populations, and poverty; (iii) provincial workforce development plans include monetary and social incentives, and safe conditions for attracting and sustaining deployment of female and ethnic staff in remote and disadvantaged rural areas; (iv) budget allocation to provincial health departments are based on maternal and infant needs, and prioritize rural and remote areas; (v) women account for 50% of trainees in capacity development activities; and (vi) the health sector's personnel management information system (PMIS) collects and reports data disaggregated by sex and ethnicity. Gender training will be provided to all provincial and district project management staff.

Gender action plan Other actions or measures No action

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: A B C FI

1. Key impacts. No resettlement or land acquisition issues are expected.

2. Strategy to manage the impacts. A resettlement framework provides for a process to screen out subprojects (e.g., health facilities) that would cause involuntary resettlement impacts, such as temporary land acquisition and/or economic displacement of people. It includes procedures and grievance redress mechanisms in the unlikely event of land acquisition being needed. The framework accords with Asian Development Bank and government policies.

3. Plan or other actions.

- | | |
|---|--|
| <input type="checkbox"/> Resettlement plan | <input type="checkbox"/> Combined resettlement and indigenous peoples plan |
| <input checked="" type="checkbox"/> Resettlement framework | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input type="checkbox"/> Environmental & social management system arrangement | <input type="checkbox"/> Social impact matrix |
| <input type="checkbox"/> No action | |

B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI											
<p>1. Key impacts. Program interventions aim to provide better health services to rural and ethnic minority communities. The latter will benefit from improved outreach services, better-skilled health staff at health centers and hospitals, more and better-trained village health workers, and more trained birth attendants. The poor, who mostly belong to ethnic groups, will benefit from free MNCH and other services under the expanded HEF. Village meetings with separate men's and women's groups confirmed the urgency for better health care at all levels. Poor health has a major impact on household economics in terms of lost labor, time, and money. Ethnic groups want better access to better services.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>There will be (i) no commercial exploitation of the cultural resources and knowledge of indigenous peoples; (ii) no physical displacement from traditional or customary lands; and (iii) no commercial development of the natural resources within customary lands.</p> <p>2. Strategy to manage the impacts. The impacts are positive and no mitigation is required. An EGDP was prepared to guarantee effective participation, both strategic and practical. In areas with significant ethnic minority populations, the EGDP provides targets for their representation among project staff at all levels—e.g., health center (30%), management (10%), human resource development and training (30%). Also, 30% of village health workers and 50% of outreach staff in provinces with large minority populations will be from ethnic groups. Service evaluations will be conducted with ethnic minority focal groups. Scholarships for ethnic group members to study health sciences will be made available. All health centers in provinces with over 50% of ethnic groups will have at least one ethnic minority staff trained in delivery.</p> <p>3. Plan or other actions.</p> <table border="0"> <tr> <td><input type="checkbox"/> Indigenous peoples plan (ethnic group development plan)</td> <td><input type="checkbox"/> Combined resettlement plan and indigenous peoples plan</td> </tr> <tr> <td><input checked="" type="checkbox"/> Indigenous peoples planning framework</td> <td><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</td> </tr> <tr> <td><input type="checkbox"/> Environmental and social management system arrangement</td> <td><input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary</td> </tr> <tr> <td><input type="checkbox"/> Social impact matrix</td> <td></td> </tr> <tr> <td><input type="checkbox"/> No action</td> <td></td> </tr> </table>		<input type="checkbox"/> Indigenous peoples plan (ethnic group development plan)	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan	<input checked="" type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework	<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary	<input type="checkbox"/> Social impact matrix		<input type="checkbox"/> No action	
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<input type="checkbox"/> Social impact matrix											
<input type="checkbox"/> No action											
V. ADDRESSING OTHER SOCIAL RISKS											
<p>A. Risks in the Labor Market</p> <p>1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).</p> <p><input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards</p> <p>2. Labor market impact. Positive impacts only. The EGDP includes recommendations for hiring ethnic minority assistants in health centers and also as casual translators to facilitate meetings. Program staffing targets also include more ethnic staff.</p>											
<p>B. Affordability</p> <p>The program will expand the provision of free health services under the MNCH and HEF schemes. Free MNCH includes antenatal care, birth assistance, postnatal care, and neonatal, infant, and child care. HEF covers not only medical expenses but also transport costs and other non-medical expenses.</p>											
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):</p> <p><input type="checkbox"/> Communicable diseases <input type="checkbox"/> Human trafficking</p> <p><input type="checkbox"/> Others (please specify) _____</p> <p>2. Risks to people in project area. – No risks identified.</p>											
VI. MONITORING AND EVALUATION											
<p>1. Targets and indicators. All data is disaggregated by sex and ethnicity. The GAP and EGDP set indicators and targets; key indicators cover attendance and participation data for all training and human resource development; ratio of women and ethnic groups given scholarships and fellowships, ratio and number of women and ethnic groups in management positions and among service delivery staff. M&E will keep track of needs-based budget allocations and the disaggregation of data under the PMIS, as well as changes in MOH's chart of accounts to provide specific health program tracking.</p> <p>2. Required human resources. Social safeguard specialist, experienced in gender, national (24 person-months intermittent) and international (6 person-months intermittent). Each provincial and district-based implementing agency will identify a gender and social safeguard focal point.</p> <p>3. Monitoring tools. Monitoring will comprise quarterly design and monitoring framework reports, including updates of the GAP and EGDP.</p>											

^a Lao Statistic Bureau. 2012. *Lao Social Indicator Survey (LSIS) 2011*. Vientiane

ETHNIC GROUP DEVELOPMENT PLAN

Design Output	Ethnic Group Activities to be Mainstreamed
1. Increased financial protection of the poor and improved health services delivery, particularly mother and child healthcare.	<p>Facility attendance and treatment data to be disaggregated by ethnicity and gender.</p> <p>Training, meeting attendance and participation data is disaggregated by ethnicity and gender.</p> <p>materials prepared for non-Lao reading audiences to disseminate information on health equity fund (HEF) and free maternal, neonatal, and child health care (MNCH) and utilization</p> <p>Ethnic groups (EGs) receive timely information on how to access the HEF and the benefits provided.</p> <p>EG men and women's group meetings to disseminate information about HEF, MNCH, and under 5 basic package and the benefits provided.</p> <p>MNCH services are included in comprehensive outreach programs.</p> <p>Promotion of EG women to EG women services particularly in MNCH.</p> <p>EG community level men's and women's group meetings for evaluation of health services, inclusion and ways to improve.</p> <p>EG women's group meetings convened at village level to identify the optimal times and locations for holding meetings with health staff as well as timing health delivery services by outreach teams.</p> <p>Outreach teams provide EGs with advance notice of planned visits and services offered.</p> <p>Village Health Committees (VHC) established in EG villages include 30% women as committee members.</p>
2. Strengthened human resources management capacity	<p>Health service personnel data is to be disaggregated by ethnicity and gender.</p> <p>Increased numbers of EG staff at all levels of service management</p> <p>EGs to be given equality of opportunity in receiving training to upgrade awareness, knowledge and technical skills and account for 30% of total project staff training participants.</p> <p>Project management units receive EG sensitivity and EGDP training</p> <p>EG awareness and EGDP training is provided to staff at all levels of health facilities.</p> <p>EG women to EG women healthcare service provision to be given priority and reflected in recruitment and training.</p> <p>Priority given to recruitment of EG and particularly EG women in order to provide ethnic and gender balanced teams at health facilities at all levels and particularly at district hospital and health centers.</p> <p>Health training institutions to include EG awareness, sensitivity and mainstreaming in all curriculum areas.</p> <p>EG scholarship programs to support 7 EGs to study health.</p> <p>EG provided equal opportunity in registration as licensed health practitioners</p> <p>Participatory impact evaluations to be convened with separate EG men's and women's discussion groups to assess community satisfaction with health service.</p>
3. Improved health system financial management	<p>Planning and budgetary process to include funding for EG sensitivity and awareness training and other activities identified in the ethnic group development plan.</p>

ENVIRONMENTAL ASSESSMENT AND REVIEW FRAMEWORK

A. Scope of Works

1. Civil works under the program will be limited and restricted to minor renovations and refurbishment within the existing health center, and provincial and district hospital building footprints already established on government land. Minor renovations would include works such as tiling of floors and walls, electrical re-wiring and lighting, plumbing and repair to toilets and septic systems, fixing ceilings and roofing, new furniture, lighting, fixtures, and fittings. There will be some procurement of medical equipment but these will be smaller items and no “end life” issues are envisaged in relation to disposal. The screening checklist will detect and reject procurement of any equipment that would result in environmental impact.

B. Health Facility Renovation Screening Process

2. A checklist has been developed for use by district and provincial health offices to screen out any project health facility renovation, refurbishment or procurement activity that may trigger Safeguard Requirement 1 for environmental impact mitigation. The checklist will be completed by representatives of the responsible district and provincial health office requesting the facility renovation, and signed off by the District (in the case of district level facilities and health centers), the Provincial Health Office Director, and the National Project Director at the project management office (PMO). An affirmative response to any one of the issues in the checklist could result in automatic rejection of the site. No refurbishment activity may be started until the screening checklist has been certified by all parties as required. The checklist will be reviewed together by the National Project Director, the Chief Technical Advisor (CTA) and the international safeguards specialist to determine whether any items answered in the affirmative are significant, or if immediate audit is needed prior to a decision. In any case, completed checklists will be subject to audit.

3. During semi-annual monitoring, a sample of facilities selected by the program for renovation/refurbishment will be subject to audits to confirm that they did not trigger any of the safeguard requirements. It is recommended that at least 5% of facilities selected for refurbishment are visited to confirm the completed and certified screening checklists. The audit should be conducted by the international safeguard specialist and a representative from the project management unit at central level and can be done in conjunction with a similar audit required for resettlement.

C. Screening for Environmental Impact

4. The following checklist will be used to screen out the selection of health facilities at which refurbishment or improvements proposed under the program would result in any environmental impact requiring re-categorization. An affirmative response to any item in the screening checklist will prompt an immediate site audit by the PMO and may result in the rejection of that facility under the HSGP.

Table 1: Facility Refurbishment Screening Checklist

Screening Questions	Yes	No	Remarks
A. Project Siting			
Is the health facility...			
▪ In a densely populated area?			
▪ Adjacent to or within any environmentally sensitive areas?			

Screening Questions	Yes	No	Remarks
• Cultural heritage site			
• Protected Area			
• Wetland			
• Mangrove			
• Estuarine			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
B. Potential Environmental Impacts			
Will the Project involve or cause...			
▪ the construction of new buildings?			
▪ pollution of raw water supply from upstream wastewater discharge from communities, industries, agriculture, and soil erosion runoff?			
▪ impairment of historical/cultural monuments/areas and loss/damage to these sites?			
▪ aggravation of solid waste problems in the area?			
▪ hazard of land subsidence caused by excessive ground water pumping?			
▪ social conflicts arising from displacement of communities ?			
▪ conflicts in abstraction of raw water for water supply with other beneficial water uses for surface and ground waters?			
▪ unsatisfactory raw water supply (e.g. excessive pathogens or mineral constituents)?			
▪ delivery of unsafe water to distribution system?			
▪ inadequate protection of intake works or wells, leading to pollution of water supply?			
▪ over pumping of ground water, leading to salinization and ground subsidence?			
▪ excessive algal growth in storage reservoir?			
▪ increase in production of sewage beyond capabilities of community facilities?			
▪ inadequate disposal of sludge from water treatment plants?			
▪ inadequate buffer zone around pumping and treatment plants to alleviate noise and other possible nuisances and protect facilities?			
▪ impairments associated with transmission lines and access roads?			
▪ health hazards arising from inadequate design of facilities for receiving, storing, and handling of chlorine and other hazardous chemicals.			
▪ health and safety hazards to workers from handling and management of chlorine used for disinfection, other contaminants, and biological and physical hazards during project construction and operation?			
▪ the use of, or dismantling of structures that contain, asbestos?			
▪ dislocation or involuntary resettlement of people?			
▪ disproportionate impacts on the poor, women and children, ethnic minorities or other vulnerable groups?			
▪ noise and dust from construction activities?			
▪ significant increased road traffic due to interference of construction activities?			
▪ continuing soil erosion/silt runoff from construction operations?			

Screening Questions	Yes	No	Remarks
▪ delivery of unsafe water due to poor O&M treatment processes (especially mud accumulations in filters) and inadequate chlorination due to lack of adequate monitoring of chlorine residuals in distribution systems?			
▪ delivery of water to distribution system, which is corrosive due to inadequate attention to feeding of corrective chemicals?			
▪ accidental leakage of chlorine gas?			
▪ excessive abstraction of water affecting downstream water users?			
▪ competing uses of water?			
▪ increased sewage flow due to increased water supply?			
▪ increased volume of sullage (wastewater from cooking and washing) and sludge from wastewater treatment plant?			
▪ large population influx during project construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
▪ social conflicts if workers from other regions or countries are hired?			
▪ risks to community health and safety due to the transport, storage, and use and/or disposal of materials such as explosives, fuel and other chemicals during operation and construction?			
▪ community safety risks due to both accidental and natural hazards, especially where the structural elements or components of the project are accessible to members of the affected community or where their failure could result in injury to the community throughout project construction, operation and decommissioning?			
C. Procurement of Health Facility Equipment			
▪ Will there be any procurement of X-ray machines or any other equipment containing radioactive isotopes?			
▪ Is it planned to use ADB funds to procure and install incinerators at the facility?			

D. The Environmental Code of Practices

5. Where the screening checklist supports facility refurbishment, the following Environmental Code of Practices (ECOP) will be applied to any renovation works undertaken. The ECOP has been formulated by the World Bank and ensures compliance with national laws and World Bank Operational Policy 4.01 safeguard policy. It provides guidance as to mitigation measures to be followed by the contractor during the civil works activities. It has been developed for minor impact and small-scale civil works interventions, such as the health facility renovation or refurbishment which may be financed by the ADB, or the World Bank.

6. The ECOP must be included as a separate annex in all bidding and contract documents. The contractor will be made aware of these requirements and of the need to include costs for implementation of the proposed measures in the total construction cost.

Table 2: Environmental Code of Practices

Issue	Environmental Prevention/Mitigation Measure
Noise during construction	<ul style="list-style-type: none"> (i) Plan activities in consultation with communities so that noisiest activities are undertaken during periods that will result in least disturbance (ii) Noise levels should be maintained within the national permissible limits/standards and limited to restricted times agreed to in the permit (iii) Use noise-control methods such as fences, barriers or deflectors (such as muffling devices for combustion engines) (iv) Minimize transportation of construction materials through community areas during regular working time (v) Maintain a buffer zone (such as open spaces, row of trees or vegetated areas) between the project site and residential areas to lessen the impact of noise to the living quarters
Soil Erosion	<ul style="list-style-type: none"> (i) Implement suitable design (e.g., establish appropriate erosion and sediment control measures) (ii) Use mulch, grasses or compacted soil to stabilize exposed areas (iii) Cover with topsoil and re-vegetate (plant grass, fast-growing plants/bushes/trees) construction areas once work is completed
Air Quality	<ul style="list-style-type: none"> (i) Minimize dust from exposed work sites by applying water on the ground regularly (ii) Do not burn site clearance debris (trees, undergrowth) or construction waste materials (iii) Keep stockpile of aggregate materials covered to avoid suspension or dispersal of fine soil particles during windy days or disturbance from stray animals
Water quality	<ul style="list-style-type: none"> (i) Activities should not affect the availability of water for drinking and hygienic purposes (ii) No construction materials, solid wastes, toxic or hazardous materials should be poured or thrown into water bodies for dilution or disposal (iii) The flow of natural waters should not be obstructed or diverted to another direction, which may lead to drying up of river beds or flooding of settlements
Solid and hazardous waste	<ul style="list-style-type: none"> (i) Collect and transport construction waste to appropriately designated/hazardous waste controlled dump sites (ii) Maintain waste (including soil for foundations) at least 300 meters from rivers, streams, lakes and wetlands (iii) Use secured area for re-fueling and transfer of other toxic fluids distant from settlement area and ideally on a hard/non-porous surface (iv) Train workers on correct transfer and handling of fuels and other substances and require the use of gloves, boots, aprons, eyewear and other protective equipment for protection in handling highly hazardous materials (v) Collect and properly dispose of small maintenance materials such as oily rags, oil filters, used oil, etc.
Workers Health and safety	<ul style="list-style-type: none"> (i) Provide personal protective gear for workers as necessary (gloves, dust masks, hard hats, boots, goggles) (ii) Keep worksite clean and free of debris on daily basis (iii) Keep corrosive fluids and other toxic materials in properly sealed containers for collection and disposal in properly secured areas (iv) Ensure adequate toilet facilities for workers from outside of the community (v) Rope off construction area and secure materials stockpiles/ storage areas from the public and display warning signs. Do not allow children to play in construction areas (vi) Fill in all earth borrow-pits once construction is completed to avoid standing water, water-borne diseases and possible drowning (vii) Each construction sub-project to have a basic first-aid kit with bandages, antibiotic cream, etc.
Other	<ul style="list-style-type: none"> (i) No cutting of trees or destruction of vegetation other than on construction site (ii) No hunting, fishing, capture of wildlife or collection of plants (iii) No use of unapproved toxic materials including lead-based paints, asbestos, etc. (iv) No disturbance of cultural or historic sites
General	<ul style="list-style-type: none"> (i) Maximize natural light and ventilation systems; minimize artificial light needs; use large windows for bright and well lit rooms (ii) Provide adequate area for treatment, waiting area and patient's hall, etc.) rooms, all of which should be well ventilated (iii) Include facilities for proper disposal of health and biological wastes (syringes, blood, etc.)

E. Grievance Redress

7. Redress mechanisms are required under ADB Safeguard Policy Statement (2009) and Government of Lao PDR Decree on Environmental Impact Assessment 112/PM (2010), which assigns responsibility for environmental impact assessments to the Water Resources and Environment Administration (WREA). If any affected person (AP) does not agree with the renovations or any mitigation proposed, they will advise the village authorities who will then report to the project owner, the provincial or district level health office. Details of each complaint must be officially documented and signed by the authorities and APs as an accurate record. The issues raised will be reviewed and issues of concern will be incorporated in the mitigation and monitoring plans during project design and implementation. If the AP and project owner cannot resolve the dispute, the issue can be referred to the district or provincial WREA representatives for resolution and compromise. If the environmental management and monitoring agency and the local administration fail to resolve the dispute, the parties may take the matters to a People Court to adjudicate, in compliance with the relevant laws.

F. Institutional Arrangement and Responsibilities

8. The program is implemented through the Department of Planning and International Cooperation (DPIC) of the Ministry of Health (MoH), and project activities implemented by the participating provincial and district health offices. Management coordination and support units will be established at provincial and district levels. The MoH, and provincial and district managers have the responsibility to ensure that the environmental screening checklist is applied correctly and the Code of Conduct is adopted and adhered to by contractors. The head of the district and provincial health service must certify each screening report being submitted for health facility refurbishment, and the PMO National Project Director will also countersign approved screening reports as accurate and correct. If there is any doubt as to the accuracy, the case should be audited immediately.

9. The CTA and safeguard specialist will assist the PMO to prepare ECOP briefing material for dissemination to contractors to ensure compliance, as well as project managers at provincial and district levels for monitoring the application of the ECOP during renovation. Provincial and district managers must ensure that contractors are aware of and understand the ECOP requirements and must conduct monitoring visits to renovation sites to ensure the contractors' compliance with the ECOP.

G. Resources

10. Provincial and district level teams will assign one person at each level to act as the focal point for social safeguards work. Safeguard oversight will be provided through the PMO with guidance from the CTA who will provide 36 months of intermittent input to the project, and support from the international safeguard specialist who will provide some 3 months of intermittent input. The CTA and Safeguards Specialist will cover all three safeguard areas of resettlement, ethnic groups, and also environment. Technical assistance is required to ensure safeguard plans are implemented and monitored correctly and also to raise local capacity in regards to understanding the rationale and triggers for safeguard measures. The CTA and Safeguard Specialist will play a key role in ensuring that the environmental screening checklists are audited and the results reported to both PMO and ADB.

H. Budget

11. The costs associated with implementing this screening checklist are minimal as the cost of technical assistance is allocated across all three safeguard areas (resettlement, ethnic groups, and environment) in the case of the Safeguard Specialist and across the entire project for the CTA. Some additional costs will be required for the conducting of screening checklists and ad hoc audits and a lump sum of USD\$5,000 has been allocated for this activity under the resettlement framework. As there is one specialist covering all three safeguard areas, it is assumed that both resettlement and environmental screening checklist audits can be undertaken at the same time.

RESETTLEMENT FRAMEWORK

A. Scope of Work

1. Civil works under the program will be limited and restricted to minor renovations within the existing health center, and provincial and district hospital building footprints already established on government land. Minor renovations would include works such as tiling of floors and walls, electrical re-wiring and lighting, plumbing and repair to toilets and septic systems, fixing ceilings and roofing, new furniture, fixtures, and fittings. At this stage it is not known exactly how many facilities will receive some refurbishment as this will depend upon a comprehensive needs assessment survey.

B. Health Facility Screening Process

2. A checklist has been developed for use by district and provincial health offices to screen out any program activity that may trigger Safeguard Requirement 2 for involuntary resettlement. The checklist will be completed by representatives of the responsible district and provincial health office requesting the facility renovation, and signed off by the District (in the case of district level facilities and health centers), the Provincial Health Office Director and the National Project Director. Any affirmative response to any one of the issues in the checklist will result in automatic rejection of the site. No refurbishment activity may be started until the screening checklist has been certified by all parties as required.

3. The following checklist is to be used to screen out the selection of any health facilities at which refurbishment or improvements under the project would result in any permanent or temporary loss of land, structures, assets, access, occupation and or income or livelihood. An affirmative response to any item must result in the rejection of that facility under the HSGP.

Table 1: Screening Checklist

Involuntary Resettlement Effects	Yes	No	Remarks
Will the activity require permanent or temporary land acquisition?			
Has the facility been constructed recently on new land in anticipation of obtaining further assistance for the facility from this ADB project?			
When the facility was built, was the land acquired legally under Lao Government Law? (unknown = No)			
Are there any outstanding complaints about the land used or acquired for the existing facilities?			
Will the activity require permanent or temporary relocation or displacement of any people (titled or non-titled)?			
Are there any non-titled people (squatters) who live at the site or within the COI / Right of Way / public land?			
Will there be any loss of housing or accommodation?			
Will there be any loss of vegetable gardens or agricultural plots?			
Will there be any losses of crops, fruit trees, or private structures?			
Will any small or informal businesses have to be moved or closed temporarily or permanently?			
Will there be temporary or permanent loss of employment as a result of the renovation?			

C. Implementation Arrangements

4. The program is implemented through the Department of Planning and International Cooperation of the MoH, and project activities implemented by the participating provincial and district health offices. Management coordination and support units will be established at provincial and district level. This resettlement framework will form part of the project administration manual (PAM).

5. The MoH, provincial and district managers have responsibility to ensure that the resettlement framework and PAM is followed and particularly to ensure that the screening checklists are applied rigorously. The head of the district and provincial health service must certify each screening report being submitted for health facility refurbishment; and the PMO National Project Director will also countersign approved screening reports as accurate and correct. If there is any doubt as to the accuracy, the case should be audited immediately.

6. Provincial and district level teams should assign one person at each level to act as the focal point for social safeguards work. Safeguard oversight will be provided through the Project Management Unit (PMU) with guidance from the Chief Technical Advisor (CTA) who will provide 36 months of intermittent input to the project, and support from the international Safeguard Specialist who will provide some 3 months of intermittent input. The CTA and Safeguards Specialist will cover all three safeguard areas of resettlement, ethnic groups, and also environment. Technical assistance is required to ensure safeguard plans are implemented and monitored correctly and also to raise local capacity in regards to awareness and understanding the rationale and triggers for safeguard measures. The CTA and Safeguard Specialist will play a key role in ensuring that the Resettlement screening checklists are audited and the results reported to both PMO and ADB.

7. The costs associated with implementing this resettlement framework are minimal as the cost of technical assistance is allocated across all three safeguard areas in the case of the Safeguard Specialist and across the entire project for the CTA. Some additional costs will be required for the conducting of screening checklists and a lump sum of USD\$5000 should be allocated for this activity.

D. Grievance Redress Mechanism

8. Although there are no resettlement or land acquisition impacts envisaged, grievance and redress mechanisms are required under ADB's Safeguard Policy Statement (2009) and also under Articles 12 and 13 of Government of Lao PDR Prime Ministerial Decree No. 192/PM (2005). One of the important functions of the PMO is to ensure that any affected persons (APs) are aware of the procedures in filing complaints or grievances that may arise during project implementation so that unnecessary delays in civil works construction could be avoided.

9. Grievance Redress Committees (GRCs) at the provincial, district, and village levels will be mobilized if and when needed, and they will be composed of the members of existing provincial resettlement committees.

10. Grievances or complaints from any affected person will be solved in a timely and satisfactory manner. The APs can submit their grievances to the Village Committee (VC) either in verbal or written form, at no cost to them. The procedural steps for filing and resolution of grievance and complaints are described in Table 4 below.

Table 2: Grievance Procedure

Stages	Activities/Procedures
Stage 1	At the village level, AP files a complaint/grievance verbally or in writing to village committee at village level. If unwritten the VC will assist to put it in writing and provide a copy to the project at district level. The head of the district project unit and the VC will hear the complaint in public for transparency, and based on their traditional method of conciliation and mediation. Resolution is required within 5 days after the complaint/grievance was received.
Stage 2	If no solution or understanding is reached within 5 days, the AP can bring the complaint at the district level. The GRC at the district level will meet the AP, and aim to resolve within 10 days after receiving the complaint.
Stage 3	If the AP is still unsatisfied or has not received any decision from the GRC at the district level, he/she can seek redress at provincial GRC that should decide the issue within 10 days.
Stage 4	The AP may elevate the complaint for hearing at the PMO if still unsatisfied with the decision of GRC at the provincial level. The PMO will ensure to resolve each complaint within 10 days after receiving the appeal.
Stage 5	As a last resort, the AP may file the case to the local Court of Law, with assistance from PMO. The decision of the Court of Law is final and executory.

AP = affected person, GRC = Grievance Redress Committee, VC = Village Committee.

RECRUITMENT OF FIRM TO PROVIDE FINANCIAL MANAGEMENT AND ACCOUNTING SERVICES

Project	LAO: Health Sector Governance Program
Expertise	Financial Management and Accounting Services
Source	National Financial Management and Accounting Services company registered in Lao PDR

Background

The Government of Lao PDR has introduced policies and strategies since 2000 to guide health sector reforms aimed at achieving the MDGs, improving health financing and systems, setting standards, and strengthening coordination within the sector. The government's Seventh National Socio- Economic Development Plan, 2011–2015 reflects its commitment to improve human development outcomes. The National Health Sector Reform Framework, 2013–2025 aims to achieve the MDGs by 2015, increase access to basic services by 2020, and provide universal coverage by 2025. Its five priority areas are:

- (i) human resource development;
- (ii) health financing;
- (iii) organization, management and planning;
- (iv) service delivery, with emphasis on maternal and child care; and
- (v) information, monitoring, and evaluation.

To date, the reform policies implemented by the government have improved the health sector's regulatory framework and management but further assistance is needed to implement the health sector reform program. The Asian Development Bank in conjunction with the World Bank, the Japanese Fund for Poverty Relief and other development partners is providing assistance to the health sector the government's capacity to implement reforms and manage health services effectively at the national and subnational levels through a five-year development investment project and program called the Health Sector Governance Program (HSGP).

Scope and Outcomes

The Health Sector Governance Program will support the implementation of the Health Sector Reform Framework (HSRF). Its proposed impact will be improved access to health care. The outcome of the program will be strengthened national and subnational health sector public service management.

The program outputs are:

- (i) strengthened health sector reform process;
- (ii) increased social protection of the poor through HEF, and improved health services delivery, particularly of mother and child health care;
- (iii) strengthened human resources management capacity; and
- (iv) strengthened health sector financial management.

The executing agency of the HSGP is the Department of Planning and International

Cooperation (DPIC), of the Ministry of Health (MOH) working through the National Program Coordination Office (NPCO) in Vientiane.

Support to Financial Management and Accounting Services

A national accounting firm is required to provide financial management and accounting services to support the implementation of HSGP and will be contracted through a National Competitive Bidding process selected on the basis of their qualifications and appropriate experience for the assignment.

Firms interested in applying for the position are invited to read the Terms of Reference and Request for Proposal register their Expression of Interest.

RECRUITMENT OF AN INDIVIDUAL CONSULTANT

Project	LAO: Health Sector Governance Program
Expertise	Chief Technical Advisor
Source	International

Background

The Government of Lao PDR has introduced policies and strategies since 2000 to guide health sector reforms aimed at achieving the MDGs, improving health financing and systems, setting standards, and strengthening coordination within the sector. The government's Seventh National Socio-Economic Development Plan, 2011–2015 reflects its commitment to improve human development outcomes. The National Health Sector Reform Framework, 2013–2025 aims to achieve the MDGs by 2015, increase access to basic services by 2020, and provide universal coverage by 2025. Its five priority areas are:

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- (iii) strengthened human resources management capacity; and
- (iv) strengthened health sector financial management.

The executing agency of the HSGP is the Department of Planning and International Cooperation (DPIC), of the Ministry of Health (MOH) working through the National Program Coordination Office (NPCO) in Vientiane.

The consultant required for the implementation of this assignment will be hired as individuals selected on the basis of qualifications and appropriate experience for the assignment.

Persons interested in applying for the consultant position are invited to read the Terms of Reference attached and apply.

TERMS OF REFERENCE

Consultant Recruitment

The Government of Lao PDR has received a loan from the Special Funds resources of Asian Development Bank toward the cost of the Health Sector Governance Program, and intends to apply a portion of the proceeds of this loan to eligible payments under this Contract. The terms and conditions of the contract and payments by the Asian Development Bank will be subject to the terms and conditions of the loan agreement, including the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* (March 2013, as amended from time to time).

Scope of Work

The international **Chief Technical Advisor** (CTA) will be based in the NPCO and be responsible for the supervision and management of implementation at both the central MOH/national and provincial level.

Detailed Tasks and/or Expected Outputs

The CTA will assist the Program Manager in coordination of program implementation activities, including the recruitment and management of international and national technical consultants inputs and outputs, coordinating the tasks relating to the baseline survey. In particular, he/she will undertake the following tasks:

- (i) Plan the day-to-day management of the NPCO activities.
- (ii) Prepare a detailed plan, timetable, and annual budget for NPCO.
- (iii) Establish operating procedures for all project activities including disbursement, reporting, and financial monitoring.
- (iv) Supervise, and monitor activities of TA consultants.
- (v) Prepare communication materials and facilitate the dialogue to promote technical forums, seminars, and workshops
- (vi) Facilitate and arrange annual review workshops, meetings, and seminars.
- (vii) Ensure that senior management receive timely and quality progress reports from the Provinces, MOH Technical Departments, and financial reports from the Financial Services Contractor.
- (viii) Ensure that the project and provincial staff comply with the GAP and Program Safeguards
- (ix) Ensure that the project is implemented in accordance with the cooperative agreement, donor regulations, and internationally recognized quality standards;
- (x) Participate in the review of the annual operational plans from the provinces, MOH Technical Departments engaged in the project/program, to ensure that the work-plans have clear objectives and achievable benchmarks, and meet the short term and long-term objectives and priorities of the programs and the budgets are within their financial projections;
- (xi) Plan, monitor and evaluate activities in accordance with the M& E Frameworks and DMF Indicators.
- (xii) Facilitate the organizational development and capacity building of local partner organizations involved in the provision of health services.
- (xiii) Coordinate with ADB/WB to ensure that adequate and timely technical, logistical and administrative support is provided to the project.
- (xiv) Ensure appropriate quality control systems are in place and implemented across programs (includes the development of indicators, monitoring and evaluation systems).

- (xv) Support project staff by creating and maintaining a work environment that promotes teamwork, trust, mutual respect, and empowers staff to take responsibility and show initiative.
- (xvi) Undertake consultation meetings with partners (multilateral and bilateral organizations, International and national NGOs) and other stakeholders as part of the policy development process and ensure that adequate technical inputs are provided:
 - a. Representing NPCO in consultation meetings with partners and stakeholders to ensure good collaboration and to avoid any duplication of program activities.
 - b. Present the combined program to other organizations as needed.
 - c. Attend regular meetings with all partners to ensure that all partners understand the framework defined for the ADB/WB Project approach to the MOH Health Sector Reform agenda and technical and development policies.
 - d. Liaison with the technical agencies that technical inputs are provided to support the project activities.

Key Outputs:

- (i) Scheduled Program reports are submitted to MOH and ADB are of quality and on time.
- (ii) Regular transfer of funds to the IA's in the MOH Departments and Provinces on time.
- (iii) DMF Milestones achieved on time.
- (iv) Compliance with Gender and Social Safeguards

Qualification and Experience Requirements

At least 10 years experience in public health and project management with a Masters Degree in Public Health or Management. Proven experience in project management, planning and budgeting. Strong monitoring and evaluation and Results Based Management (RBM) performance. Preferable with experience in the implementation of ADB/WB funded projects. Technical skills in health service management. Strong English language skills (both spoken and written). Strong interpersonal skills and experience in capacity building of counterpart staff at different levels. Ability to work independently at national, provincial and district levels. Previous experience in Lao PDR is preferred.

Minimum General Experience	10 years
Minimum specific experience (relevant to the assignment)	7 years
Regional/Country Experience	Required
Language Skills:	
English – spoken and written	Essential
Lao	Spoken skills an advantage

Schedule and Place of Assignment

City and Country	Vientiane, Lao PDR
Project Office Location	National Program Coordination Office Department of Planning and International Cooperation, MOH.

Dates of the Consultancy:

Estimated start date	1 Oct 2015
Duration	60 months continuous

ADB contract arrangements: The consultant will be hired under individual consultant's contract.

It is anticipated that the Consultant would be mobilized between mid-October to end of November 2015.

Application process:

Applicants must:

1. Provided a written Expression of Interest (EOI) that addresses the Key selection criteria in the Terms of Reference (maximum 3 pages)
2. A curriculum vitae (no more than 8 pages)
3. Names and contact details (phone and email) of three (3) persons as referees who have worked with/and supervised the applicant in a work environment;
4. Designate his/her normal place of residence.

Closing date for applications:

Applications can be submitted electronically, or by mail and applications address to the Program Manager (see below) must be received at the NPCO by: (insert date)

National Planning Coordination Office (NPCO)

Dr. Founkham Rattanaovong

Deputy Director,

Department of Planning and International Cooperation

Ministry of Health

Post Office Box XXX

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Lao PDR

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PROCUREMENT RISK ASSESSMENT REPORT

EXECUTIVE SUMMARY

1. The procurement environment in Lao PDR is characterized a complex and unclearly defined process with poor application of sanctions and penalties for incorrect or fraudulent procurement processes. Generally the procurement capacity in the public service is weak, especially at the provincial level and the engagement of private sector suppliers is not fully developed and transparent.

2. The established procurement unit within the proposed implementing agency is experienced with procurement for ADB-funded projects and has the facilities and resources to provide this function for the project TA loan (the project) supporting the health sector governance program (HSGP), supplemented with additional support from consultants. Procurement training and capacity development will be provided to the staff of the NPCO to increase their knowledge and capacity to carry out procurement in accordance with government and ADB procedures. Procurement capacity at the provincial level is to be strengthened and supported as part of the reform of financial management for the health sector. In addition capacity support to procurement at the provincial level will be provided through the accounting firm contracted to provide financial management and accounting services to the project HSGP. Staff involved with procurement will also be encouraged to take advantage of procurement training provided by ADB and other development partners.

I. INTRODUCTION

3. This Project Procurement Risk Assessment (PPRA) has been prepared in accordance with ADB's latest *Guidelines for Assessing Country, Sector and Project Procurement Risks*.¹ The PPRA considered the Ministry of Health (MOH) as the Executing Agency (EA), and its Department of Planning and International Cooperation (DPIC) as the proposed project Implementing Agency (IA) for the proposed Lao PDR Health Sector Governance Program (HSGP).

4. This assessment was prepared by the consultants responsible for undertaking ADB PATA 8576 LAO: *Health Sector Governance Project* during the project preparation assignment in November 2014, and subsequent missions and may be amended to reflect subsequent developments and agreements. Preparatory activities included reviewing documents and ADB's ongoing procurement experience, conducting interviews with ADB's resident mission procurement officer, staff of the DPIC Procurement Unit, counterparts, senior management and other stakeholders. The instrument used for the assessment was ADB's procurement risk assessment questionnaire.

II. PROJECT PROCUREMENT RISK ASSESSMENT

A. Overview

5. Procurement legislation in Lao PDR, as detailed in *Decree of the Prime Minister on Government Procurement of Goods, Construction, Maintenance and Services, No. 03/PM dated 09 January 2004*, and Ministry of Finance *Guidelines of the Implementing Rules and Regulations No. 0063/MoF, dated 12 March 2004* are generally in accordance with best international standards, including publication of information about tenders and contract awards.

¹ ADB. 2014. *Guide on Assessing Procurement Risks and Determining Project Procurement Classification*, August 2014. Manila.

With the exception however, that the legislation excludes any provision for independent dispute resolution mechanisms to deal with complaints. This legislation is the only basic legal framework on the procurement system to improve transparency, efficiency and openness in public procurement in Lao PDR for application by line Ministries, agencies, provinces as well as SOEs.

6. In 2009 a Procurement Monitoring Office (PrMO) was established within the Ministry of Finance (MOF) to play a pivotal role in procurement reform, providing training, making harmonized standard bidding documents and developing procurement policy. A start has been made to train staff in the correct procurement procedures and capacity is improving. However, this training needs to be rolled out throughout the country, and action is needed to see that proper procurement procedures are consistently applied. A Procurement Manual was issued in 2009 by PrMO, but it is confusing and cumbersome to apply. (A TA supported by ADB to revise the document is planned but has not yet been implemented).

7. Government procurement policy falls into three categories:

1. Direct purchase: less than 3 million Kip (\$350), one supplier
2. Shopping: 3 – 500 million Kip (\$350 – \$60,000), three quotations needed
3. National Competitive Bidding: more than 500 million Kip (above \$60,000), three quotations and involves the evaluation and approval by Tender Board/Committee.

i. Organization and Staff Capacity

8. The Procurement Unit (PU) with the Project Coordination Unit (PCU) of DPIC of MOH was established in 2002 to manage procurement of ADB-funded projects in the health sector. (A similar PU was also established within DPIC to manage procurement for World Bank-funded projects). The PU has three staff, several of which have served since its establishment and they have a long and varied experience of procurement under ADB's procedures. The PU is well equipped and has sufficient resources to carry out its functions. It is proposed that the PU will support procurement under the proposed HSGP, and support the devolution of procurement functions to the provincial level.

9. It is recommended that the two PUs within DPIC that are currently dedicated to procurement for ADB and WB funded projects, as noted above, should be combined and consolidated into one PU that administers all procurement, as this appears to be an unnecessary duplication of resources and function. Thereby greater efficiency will be achieved.

ii. Information Management

10. The DPIC PU maintains and stores all relevant records relating to procurement (advertisement, bid evaluation and contracts) in accordance with ADB's requirements. Records have been kept for 10 years since the unit was established.

iii. Procurement Practices

11. **Goods and works.** The PU follows the ADB guidelines and is experienced in procurement of goods under NCB and LS and procurement of consulting services under QCBS and ICS. It is also familiar with procurement under the government procurement rules.

12. The supporting documents required by ADB and MOH are somewhat different, usually, MOH require more detailed supporting documents than ADB, which can lead to delays in the finalization of contracts and procurement. The time taken for the preparation bidding

documents and for getting approval of bidding documents by the various parties also adds to the delay, including the ADB's letter of no objection. In some case delays of up to one year have occurred.

13. In some cases, there has been a delay in the delivery of goods by suppliers after the award of a contract, usually without enforcement of penalty.

14. **Consulting services.** The PU is experienced in the procurement of consulting services under QCBS, CQS and ICS following ADB guidelines and has not caused any major issues for the PU, apart from delay in the recruitment of consultants on some occasions because of delays in approvals and confirming the terms of reference/scope of works.

iv. Effectiveness

15. The PU does not systematically monitor and report on contractual performance or payments obligations for procurement contracts that have been awarded. There are no formal complaints mechanism described in the government's procurement guideline and there is no formal non-judicial mechanism for dealing with complaints. Consequently there have been no complaints recorded. In addition there is no systematic oversight and monitoring of the PUs performance.

v. Accountability Measures

16. Procurement staff in the PU do not follow, or have not received any accountability reinforcement in the extra responsibilities of managing procurement, apart from a code of ethics that applies to all government staff. This situation also applies to provincial staff involved in procurement. The risk of conflict of interest is not closely monitored, and the fact that provincial staff involved with procurement may also perform work outside their regular work to support suppliers and contractors bidding for contracts is an added risk. There have been instances where procurement of equipment and supplies is broken into small packages to qualify as direct purchase under the 3 million Kip threshold so that it can be purchased without the need to provide three quotations that applies for packages greater than 3 million Kip.

17. All documentation during the procurement process requires the approval of staff not connected to the PU and receipt of no objection from ADB. A written auditable trail of procurement decisions attributable to individuals and committees is kept on record.

B. Strengths

18. The Procurement Unit within PCU of DPIC of MOH has now had 12 years experience of managing procurement of ADB-funded projects in the health sector and its staff has a long and varied experience of procurement under ADB's procedures. The PU is well equipped and has sufficient resources to carry out its functions. A similar PU within MOH is also experienced in procurement for WB-funded projects.

C. Weaknesses

19. Generally, institutional arrangements for dissemination and enforcement of the procurement legislation in Lao PDR have been inadequate, because of a lack of knowledge of the staff responsible for procurement of the government's and donor's procurement procedures, credit agreements and standard bid documents. There is a shortage of staff and resources,

especially at the provincial level, which is exacerbated by frequent rotation of project staff and their replacement with inexperienced procurement officers.

20. There appears to have been widespread use of procurement methods that fall short of open competition, and no mechanism yet has been established to deal with complaints effectively. Many national contractors also lack full understanding of the procedures, reflected in poor quality bids and delays during evaluation while bid deficiencies are resolved. These ambiguities and lack of transparency leave the system vulnerable to corrupt practices.

C. Overall Risk Assessment

21. The overall risk rating concluded from the results of the general procurement risk assessment is Average to High. A summary is provided below. The assessment questionnaire is included in the appendices.

Table 1: Overall Risk Rating

Criteria	Risk
A. Legal and Regulatory Framework	Average
B. Institutional Framework	High
C. Procurement Market and Operations	Low-Average
D. Integrity of the Procurement System	High
Overall Risk Rating	Average to High

D. Procurement Risk Assessment and Management Plan (P-RAMP)

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Legal and Regulatory Framework		
The national procurement regulations are not clear in some aspects and the procurement manual is cumbersome. The Procurement Decree is quite complex and does not clearly defined what type of procurement methods are to be used for different levels of expenditure. The Government's thresholds for procurement packages under direct purchase is limited to not more than 3 million kip (\$350), which means that the purchase of relatively small items requires more involvement in getting 3 quotes and approval is time-consuming.	Average	As part of the reform process and strengthened governance for the health sector training and capacity development will be provided to provincial staff involved in procurement to increase their knowledge and capacity to carry out procurement in accordance with regulations and to ensure the goods and services are competitively sourced. It is proposed that HSGP will select government staff in the provinces to be trained, supervised and monitored to build staff capacity in procurement in the province. The procurement specialist attached to the PCU, in collaboration with PrMO to deliver training to provincial staff and ensure appropriate training and materials and guidelines are available.
Institutional Framework		
The Procurement Monitoring Office (PrMO) in the MOF has a full oversight function for all public procurement in Lao PDR. However, it still has limited number of staff and the financial resources to fulfill its roles and responsibilities properly. They have the mandate to build	High	Support for building provincial procurement capacity through targeted training with ongoing follow-up support during project implementation to reinforce the capacity building. IA staff will participate in training and refresher programs provided through the ADB resident mission when available. Timely audits of procurement to monitor and make recommendations to correct anomalies and non-

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>capacity, but do not have enough resources to conduct a nationwide procurement training program. They provide some training in procurement for specific projects.</p>		<p>compliance with the regulations/ procedures. The IA, supported by the TA will provide support and advice to provincial procurement.</p>
Procurement Market and Operations		
<p>The existing PU in the proposed IA is experienced with procurement in relation to ADB-funded projects having been involved in this since 2002. Procurement capacity at the provincial level, which is planned to have a greater involvement in procurement as part of the reform of the health sector, does have capacity constraints; they are not knowledgeable about procurement regulation, leading to delays in procurements and increased risk of non-compliance. The Assets Register is not kept up to date to allow for the procurement of new assets and is not well managed.</p>	<p>Low to Average</p>	<p>Support to capacity building for procurement under the government's procedures is to be supported by the project as part of health sector reform and strengthening of governance and accountability. ADB, the PrMO, MoF and the MOH as the executing agency, and the NPCO as the implementing agency will address strengthening of procurement at the provincial level.</p> <p>The project will include consulting services to provide technical assistance and training in procurement to provincial PHO and DHO staff. The Procurement consultant proposed will be hired soon after project startup to provide fulltime support for the initial two years of project implementation.</p>
Integrity of the Procurement System		
<p>The State Audit Organization (SAO) conducts yearly audits as part of the general audit, but no specific procurement audits are conducted. Projects generally rely on procurement audits conducted at the request of the donor (ADB, WB etc.). National procurement regulations are cumbersome and do not have a clearly defined complaints and disputes resolution process. The lower threshold level for local shopping is only 3 million Kip (\$350) requiring three quotes, which adds to the administrative burden for the procurement of relatively small expenditure. This can lead to the manipulation of procurement to be broken into small packages that come under the threshold in direct purchase and collusion with suppliers which may not ensure the most competitive procurement of the goods. The auditing of procurement process and identification of irregular practices does not lead does not censure and the regulations for non-compliance are not enforced. Regulations for dealing with fraud</p>	<p>High</p>	<p>ADB will have the right to conduct special audits of the PU is necessary.</p>

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
and corruption although stated in the Decree are not enforced in practice and sanctions are rarely applied.		
Overall Risk Rating		Average to High

IV. PROCUREMENT PLANS

22. The proposed procurement plan for HSGP is attached as an appendix. It is proposed that advance contracting of key consultants for the NPCO will be carried out before project effectiveness so that they can be mobilized in October 2015.

V. CONCLUSION

23. Although the procurement unit in DPIC which will have responsibility for procurement for HSGP is experienced through its involvement in the earlier programs there are overriding institutional and governance issues with procurement that do add risk to the procurement process. This factor is recognized and HSGP plans to support procurement through specialist consulting services and as part of the support to strengthening financial management in the health sector, including procurement.

Appendices

1. General Procurement Environment Assessment Questionnaire
2. Project/Agency Procurement Risk Assessment Questionnaire
3. Procurement Plan

Procurement Risk Assessment Appendix 1
General Procurement Environment Assessment Questionnaire

Risk Ratings	Extremely High	High	Average	Low
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I. Specific Assessment and Ratings

Question	Yes/No	Narrative Explanation	Risk
A. LEGAL AND REGULATORY FRAMEWORK			
1. Is there a procurement law? <i>Is there a single law governing procurement that is consistent with internationally accepted principles and practices; or is procurement governed through various laws, decrees etc.?</i>	Yes	Decree of the Prime Minister on Government Procurement of Goods, Construction, Maintenance and Services, No. 03/PM dated 09 January 2004.	Average
2. Does the procurement law have implementing regulations? <i>Does the procurement law have implementing rules and regulations that support it by providing the details that are not normally found in a law? Are these clear, comprehensive and consolidated as a set of regulations that are available in a single and accessible place? Are these regularly updated?</i>	Yes	Implementing Rules and Regulations on the Decree of the Prime Minister on Government Procurement of Goods, Construction, Maintenance and Services, No. 0063/MOF Dated 12 March 2004.	Average
3. Are the procurement law and regulations clear and concise? <i>If there is a single law that is easy to follow, then the risk is "low". If the law is complex and difficult to follow, then the risk is "average". If there is no single law, then the risk is "extremely high" or "high".</i>	No	The procurement Decree is quite complex and does not clearly mention what type of procurement (NCB, ICB, etc.) is to be followed for different levels of expenditure.	Average
4. What does the procurement law/regulation cover? <i>If there is a single law, the risk will be "low" if it covers drafting and use of standard bidding documents, evaluation, contracting through to the management of contracts, including payment, warranty and defects liability periods. The less the procurement process is covered the higher the risk. If there is no single law, then the risk is "extremely high" or "high".</i>		There is only a single Decree of Prime Minister that covers the procurement process in Lao PDR, including standard bidding documents, evaluation, contracting and so on. It is amended from time to time.	Low
5. Does the procurement law/regulation cover the procurement of consulting services? <i>If there is a single procurement law that also covers consulting services, then the risk is "low". If consulting services are not covered, or there is no law, then the risk is "extremely high" or "high".</i>	Yes	The Procurement Decree covers all three types of procurement such as procurement of goods, works and services within the same decree.	Low
6. Does the procurement law/regulation differentiate between processes for goods, works and consulting services? <i>If there is a single law that deals separately with consulting services, then the risk is "low". If there is a single law that provides some differentiation, but the processes are similar, then the risk is "average". If there is no single law, or it</i>	No	It has the same process for all categories (unlike the ADB what has a different process for goods and for services).	Average

Question	Yes/No	Narrative Explanation	Risk
<i>applies the same processes to consulting services as for goods and works, then the risk is "extremely high" or "high".</i>			
7. Does the law/regulation require the advertisement of all procurement opportunities? <i>A "low" risk may be indicated if advertisement is required for all procurements above \$25,000. An "average" risk may be indicated if advertisement is required only for procurements above \$100,000. A "high" risk may be indicated if advertisement is required for all procurements above a threshold that is higher than \$100,000. An "extremely high" risk should be indicated if no advertisement is required.</i>	Yes	The regulations require that public bidding with the value of Kip300 million or equivalent to \$37,500 and above must be advertised in a Lao language newspaper and notices provided to each ministry, province or district depending on the value of the procurement. However the regulations are not enforced and the penalty for non-compliance is not stipulated.	Low-Average
8. Are contract awards advertised? <i>The same thresholds as stated at A7 should be applied.</i>	Yes	As for (7.) above, but the Decree does not clearly mention the penalty level in the case of non compliance for advertising.	
9. Are there restrictions on goods, works and services on the basis of origin? <i>If there is no limitation, restriction and/or preference scheme, then the risk is "low". If there are restrictions or a national preference scheme, then the risk is "average". If procurement is solely limited to those of national origin, then the risk is "extremely high" or "high".</i>	No	No restriction on the basis of origin of goods, works and services except for some materials procured for the Defense sector;	Low
10. Does the procurement law or relevant legislation and regulation provide acceptable provisions for the participation of state-owned enterprises (SOEs)? <i>If an exception is given to SOEs that are legally and financially autonomous and are not dependent agencies of the purchaser/employer, then the risk is "low". Otherwise, the risk is "extremely high" or "high".</i>	Yes	All SOEs can participate in bidding process provided that they have not been involved in the preparation of the project. The law is not clear on the eligibility of SOEs.	High
11. Are there restrictions on the nationality of bidders and consulting firms to be invited? <i>If there is no limitation, restriction and/or preference scheme, then the risk is "low". If there are nationality restrictions or a national preference scheme, then the risk is "average". If procurement is solely limited to national firms and individuals, then the risk is "extremely high" or "high".</i>	No	There are no restrictions on the nationality of bidders.	Low
12. Are foreign bidders and consultants forced to submit offers through or with local partners? <i>If this is never required, then the risk is "low". If this is required under certain circumstances, then the risk is "average". If this is always required, then the risk is "extremely high" or "high".</i>	No	The Decree does not require for offers to be submitted through local partners, although there is a preference to have a local partner.	Average
13. Is there a domestic preference scheme? <i>If there is no scheme, then the risk is "low". If it is applied in limited</i>	No		Low

Question	Yes/No	Narrative Explanation	Risk
<i>circumstances, then the risk is "average". If a domestic preference scheme is applied across the board, then the risk is "extremely high" or "high".</i>			
14. Is there a national standard mandated for the use for quality control purposes? <i>If there are no mandated national standards or if these have direct and accessible international equivalents, then the risk is "low". If there are mandated national standards that have no international equivalents, then the risk is "high".</i>	Yes	Quality control of bidding documents, etc. is undertaken by the local procurement committee in each level.	Average
15. Are any agencies or parts of public expenditure exempt from the procurement law/regulation? <i>If yes, such as defense equipment, then the risk may range from "average" to "extremely high, depending on the extent of the exemption. For example, if an exemption is outrightly granted to medicines, text books or other similar commodities, then the risk is "extremely high".</i>	Yes	Procurement by government for national security and defense equipment is exempt.	Average
16. Is the default method for procurement open competition? <i>If yes, then the risk is "low". If no, or if it is not clearly established, then the risk may be "extremely high" or "high".</i>	Yes	There is a threshold for public procurement but this is not always evoked.	High
17. Is open competition easily avoided? <i>If avoidance requires the approval of an oversight agency, then the risk is "low". If open competition can be avoided by senior management decision, then the risk is "average". If the procurement law/regulation allows the avoidance of open competition above a certain national threshold on the basis of circumstances that are not in response to natural disasters, i.e. simple urgency, then the risk is "extremely high" or "high".</i>	Yes	Although the Decree does not easily allow the avoidance of open competition, in practice the approving party may be the same as the user of the goods and services, and procurement may be split into small packages to avoid competitive quotes.	High
18. Does the procurement law/regulation require pre-qualification? <i>If it is only for complex or high value contracts, then the risk is "low". If no pre-qualification is allowed, then the risk is "average". If it applies to all contracts, then the risk is "high".</i>	No	The Decree says that prequalification may be applied to minimize the number of unqualified bidders for complex and high value contracts, but this is rarely applied.	Low
19. Does the procurement law/regulation require the pre-registration of bidders? <i>If no pre-registration is required, then the risk is "low". If it is only required for special types of goods, such as medicines, then the risk is "average". If yes, then the risk is "extremely high" or "high".</i>	No	The Decree does not clearly state if pre-registration is required.	Average
20. Does the procurement law/regulation mandate the use of standard documents? <i>If it does and there are documents for goods, works and consultants services, then the risk is "low". If it is required just</i>	Yes	The Ministry of Finance have a Decree from 2009 that stipulates the need to have standard bidding documents although these do not stipulate that they should be in	Average

Question	Yes/No	Narrative Explanation	Risk
<i>for only two of the three procurement types, then the risk is "average". If it is required for only one of the procurement types, or it is required but no documents have yet been issued, then the risk is "high". If standard documents are not required, then the risk is "extremely high".</i>		English as is required by ADB requirements.	
21. Have these standard documents been approved for use on ADB projects? <i>If yes, then the risk is "low". If some, but not all, then the risk is "average". If no, then the risk is "extremely high" or "high".</i>	Yes	Some ADB projects use the government's standard documents for local shopping but for NCB the ADB Bidding Documents must be used. The government, ADB and WB are in the process of harmonizing bidding documents.	Low-Average
22. Is there a national procurement manual or guide? <i>If an omnibus procurement manual or guide exists, then the risk is "low". If a manual exists, but it is out of date or is not widely used/distributed, then the risk is "average". If there is no manual, then the risk is "extremely high" or "high".</i>	Yes	A Procurement Manual was issued in May 5, 2009 by PrMO, but it is confusing. A TA to revise the document has produced a new draft but it is not yet finalized.	Low
B. INSTITUTIONAL FRAMEWORK			
23. Which body oversees public procurement? <i>If there is a regulatory body at an adequate level in government, and financing is secured by the legal/regulatory framework, then the risk is "low". If the body is at an adequate level, but financing is subject to administrative decisions and can be changed easily, then the risk is "average". If the level of the body is too low or financing is inadequate for proper discharge of its responsibilities, then the risk is "high". If there is no body, or the body is too low with no independence to perform its obligations, then the risk is "extremely high".</i>		Procurement Monitoring Office (PrMO), Ministry of Finance, Lao PDR.	Average
24. What powers does the oversight body have? <i>The rating may range from "low" to extremely high", depending on whether the body exercises all, some, a few or none of the following responsibilities: providing advice to contracting entities, drafting amendments to the legal/regulatory framework, monitoring public procurement, providing procurement information, managing statistical databases, reporting on procurement to other parts of government, developing/supporting the implementation of initiatives for improvements to the public procurement system, and providing implementation tools and documents to support capacity development.</i>		PrMO has a full oversight function for all public procurement in Lao PDR. However, it still has limited staff and the financial resources to fulfill its roles and responsibilities properly.	High
25. Is there a nationwide procurement training plan?	No	PrMO has the mandate to build capacity but does not have enough	High

Question	Yes/No	Narrative Explanation	Risk
<p><i>If procurement trainings are regularly implemented nationwide and needs are regularly assessed, then the risk is "low". If there is an existing program, but it is insufficient to meet national needs, then the risk is "high". If there is no formal training program, then the risk is "extremely high". Consider also the existence of a helpdesk.</i></p>		resources to conduct a nationwide procurement training program. They provide some training in procurement for specific projects.	
<p>26. Is there a procurement accreditation or professionalization program? <i>If there is an externally recognized program, then the risk is "low". If it is a government sponsored program, then the risk is "average". If there is no accreditation or professionalization program, then the risk is "high".</i></p>	No	No such program. Senior officers in PrMO are not accredited.	High
<p>27. Are major projects identified within agencies' appropriations or budgets? <i>If yes, then the risk is "low". If no, but a system is in place for the ring-fencing of project funds, then the risk is average. If neither condition exists, then the risk is "high".</i></p>			
<p>28. Is the procurement cycle tied to an annual budgeting cycle, i.e. can procurement activity only commence once a budget is approved? <i>If yes, and a medium-term expenditure framework is in place, then the risk is "low". If an activity may start up to, but excluding contract award, then the risk is "average". If the procurement cycle is not tied to an annual budget, then the risk is "extremely high" or "high".</i></p>	Yes/No	<p>The Decree says that procurement can only occur if the item is included in the annual budget and procurement plan.</p> <p>However, in practice there are many instances where off- budget items have been procured, especially at the provincial level.</p>	High
<p>29. Once an appropriation or budget is approved, will funds be placed with the agency or can the agency draw them down at will? <i>If yes, then the risk is "low". If not, such as when additional bureaucratic controls are imposed (such as a cash release system), then the risk is "extremely high" or "high".</i></p>	Yes/No	In principle, the approved funds will be available for the procuring agency from MOF according to the budget law. However, the request for fund withdrawal from national treasury often will take some time due to fiscal constraints.	Average
<p>30. Is there a nationwide system for collecting and disseminating procurement information, including tender invitations, requests for proposals, and contract award information? <i>If there is an integrated information system that provides up-to-date information and is easily accessible at no or minimum cost, then the risk is "low". If there is such an integrated information system that covers majority of contracts, but access is limited, then the risk is "average". If there is a system, but it only provides information on some of the contracts and is not easily accessible, then the risk is "high". If there is no procurement information system, except</i></p>	Yes/No	In principle, there is a system but in practice there is not an integrated information system that provides information nationwide and procurement information is not freely available for the public. It is only released in some advertisements in local newspapers and is not available through a website.	High

Question	Yes/No	Narrative Explanation	Risk
<i>for some individual agency systems, then the risk is "extremely high".</i>			
31. When an agency is implementing a project using funds from the national budget, are there general experiences/reports of funding delays that significantly hamper procurement? <i>If no, then the risk is low. If yes, then the risk is "extremely high" or "high".</i>	Yes	Because the implementing agencies use national funds there are often delays in the release of funds. There is a problem of limited experience and capacity of procurement staff, worsened by frequent of staff rotation.	High
32. Is consolidated historical procurement data available to the public? <i>If yes, then the risk is "low". If the data is too much or too little, then the risk is "average". If none, then the risk is "extremely high" or "high".</i>	No	Limited procurement data is available to the public.	Average
33. Does the law/regulation require the collection of nationwide statistics on procurement? <i>If yes and statistics are actually collected, then the risk is "low". If yes, but data is not collected or used, then the risk is "average". If there is no requirement, then the risk is "extremely high" or "high".</i>	No	There is no centralized system to collect and archive nationwide statistics on procurement. Projects generally keep documents for 10 years but they are not consolidated into a central registry.	High
C. PROCUREMENT MARKET AND OPERATIONS			
34. Do formal mechanisms exist to encourage dialogue and partnerships between the government and the private sector, and are these well established in the procurement law/regulation? <i>If such mechanisms exist, such as programs to build the capacity of private companies and small businesses to participate in public procurement, and these are effective, then the risk is "low". If such mechanisms exist, but there is no proof of its effectiveness, then the risk is "average". If no such mechanisms exist, then the risk is "extremely high" or "high".</i>	No	There is no mechanism or program to encourage private and small businesses to participate in public procurement.	High
35. Are private sector institutions well organized and able to facilitate access to the market? <i>If the private sector is competitive, well organized and able to participate in open competition, then the risk is "low". If there is a reasonably well functioning private sector, but competition for large contracts is concentrated in a relatively small number of firms, then the risk is "average". If the private sector is relatively weak and/or competition is limited owing to monopolistic or oligopolistic features in important segments of the market, then the risk is "high". If the private sector is not well organized and lacks capacity and access to information for participation in the public procurement market, then the risk is "extremely high".</i>	Yes	In theory, according to government policy, the private sector is able to participate in open competitive bidding. However, in practice for some procurement, especially state budget procurement in provinces, the bid invitations announcements are still limited and there is no official IT system (website) to advertise the bids widely, and so the private sector may be have barriers to access of information on public procurement.	Average
36. Is there an alternative disputes resolution process independent of the government and courts?	Yes	Provision is made for disputes resolution in the Decree, but the procedure is not clearly stipulated	Average

Question	Yes/No	Narrative Explanation	Risk
<i>If there is an arbitration law with an independent process, then the risk is "low". If there is no arbitration law, but the standard contracts use ICC or similar dispute resolution provisions, then the risk is "average". If alternative dispute resolution is not practiced, or if arbitration is through the courts or can be overturned by the courts, then the risk is "extremely high" or "high".</i>			
D. INTEGRITY OF THE PROCUREMENT SYSTEM			
37. Are there systematic procurement process audits? <i>If yes, then the risk is "low". If only financial audits are conducted, then the risk is "average". If no systematic audits are conducted, then the risk is "extremely high" or "high".</i>	Yes	The State Audit Organization (SAO) conducts two-yearly audits as part of the general audit, but no specific procurement audits have been conducted so far. Projects generally rely on procurement audits conducted at the request of the donor (ADB, WB, etc.).	High
38. Does the procurement law/regulation contain provisions for dealing with misconduct, such as fraud and corruption? A cross reference to an anti-corruption law will suffice. <i>If yes, then the risk is "low". If no, then the risk is "extremely high" or "high".</i>	Yes,	The regulations are stated in the Decree, but in practice there is no enforcement system in place and they are not applied.	High
39. Is fraud and corruption in procurement regarded as a criminal act, whereby the penalty includes imprisonment? <i>If yes, then the risk is "low". If no, then the risk is "extremely high" or "high".</i>	Yes		Low
40. Have there been prosecutions for fraud and corruption? <i>If there have been successful prosecutions for fraud and corruption, then the risk is "low". If prosecutions seem to focus solely on low grade/junior staff, then the risk is "average". If there is no evidence of any prosecution, then the risk is "extremely high" or "high".</i>	Yes/No	There have been very few prosecutions for fraud and corruption and the regulations are not being enforced.	High
41. Does the legal/regulatory framework allow for sovereign immunity to agencies for claims against them? <i>If plaintiffs can sue the government for contractual non-performance, then the risk is "low". If they cannot, then the risk is "extremely high" or "high".</i>	No	The Decree does not clearly state the regulations about this issue.	High
42. Do the regulations allow for the debarment of firms and individuals? <i>If there is a debarment process that is transparent and equitable, and undertaken by an independent oversight agency, then the risk is "low". If there is a process and it is administered by a single agency, such as the Ministry of Finance, then the risk is "average". If it is administered by the procuring agency, then the risk is "high". If there is no debarment mechanism, then the risk is "extremely high".</i>	Yes	The regulation allows for negligent firms to be barred after three warnings have been issued for a period of up to three years. This regulation is stipulated in the bidding documents.	Average

II. General Ratings

Criterion	Risk
A. Legal and Regulatory Framework	Average
B. Institutional Framework	High
C. Procurement Market and Operations	Low-Average
D. Integrity of the Procurement System	High
Overall Risk Rating	Average-High

Procurement Risk Assessment Appendix 2
Project/Agency Procurement Risk Assessment Questionnaire

QUESTION	RESPONSE	RISK ¹
A. ORGANIZATIONAL AND STAFF CAPACITY		
PROCUREMENT DEPARTMENT/UNIT		
A.1 Does the agency or Government have a Procurement Committee that is independent from the head of the agency?	Yes, there is a Technical Team within MOH under the supervision of a MOH Procurement Committee that is independent.	Low
A.2 Does the agency have a procurement department/unit, including a permanent office that performs the function of a Secretariat of the Procurement Committee?	The Procurement Unit was established in 2002 and sits within the Department of Planning and International Cooperation (DPIC) within MOH. It is responsible for procurement for ADB-funded projects in the health sector (currently supporting two projects H-SDP and CDC-II)	
A.3 If yes, what type of procurement does it undertake?	Equipment including vehicles and office equipment, and Consulting Services.	
A.4 How many years' experience does the head of the procurement department/unit have in a direct procurement role?	The head has 12 years experience, since the start of ADB PCU.	Low
A.5 How many staff in the procurement department/unit are: i. full time ii. part time iii. seconded	Three full time staff including the head of unit. One staff also has 12 years experience within the procurement unit and other has about 3 years experience.	Low
A.6 Do the procurement staff have a high level of English language proficiency (verbal and written)?	Yes	Low
A.7 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Yes, it is sufficient. All staff have a bachelors degree in business and administration from Lao National University.	Low *
A.8 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	Yes, it is well equipped with a full set of office equipment. However, some equipment, e.g. printers, may soon require replacement.	Average
A.9 Does the agency have, or have ready access to, a procurement training program?	Yes, they rely on training programs provided by ADB during previous years.	Low
A.10 At what level does the department/unit report (to the head of agency, deputy etc.)?	They report to a Technical Team within MOH under the supervision of a MOH Procurement Committee that is independent. Report to the Directors of DPIC, MOH.	Low
A.11 Do the procurement positions in the agency have job descriptions, which outline specific roles, minimum technical requirements and career routes?	Yes, there is a written document that defines the job description of each position	Low
A.12 Is there a procurement process manual for goods and works?	Yes, ADB procurement Guidelines and MOH's Procurement Manual.	Low
A.13 If there is a manual, is it up to date and does it cover foreign-assisted projects?	Yes, it is up to date, and it covers foreign-assisted projects.	Low
A.14 Is there a procurement process manual for consulting services?	Yes	Low
A.15 If there is a manual, is it up to date and	Yes	Low

¹ Questions indicated with * are associated with potentially 'High' or 'Substantial' risks due to the impact being 'High', therefore the strategy for managing those risks should be addressed in the Project Procurement Risk Analysis (Appendix 3).

QUESTION	RESPONSE	RISK ¹
does it cover foreign-assisted projects?		
PROJECT MANAGEMENT UNIT		
A.16 Is there a fully (or almost fully) staffed PMU for this project currently in place?	Yes	Low *
A.17 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Yes	Low *
A.18 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	Yes, but some are getting near the end of their useful life and require replacement.	Low
A.19 Are there standard documents in use, such as Standard Procurement Documents/Forms, and have they been approved for use on ADB funded projects?	Yes, they use ADB's Standard Bidding Documents.	Low *
A.20 Does the agency follow the national procurement law, procurement processes, guidelines?	Yes	Low *
A.21 Do ToRs for consulting services follow a standard format such as background, tasks, inputs, objectives and outputs?	Yes	Low
A.22 Who drafts the procurement specifications?	Staff of the Procurement Unit and the Technical Team, MOH	Low
A.23 Who approves the procurement specifications?	MOH	Low
A.24 Who in the PMU has experience in drafting bidding documents?	Staff of the Procurement Unit, DPIC, MOH	Low *
A.25 Are records of the sale of bidding documents immediately available?	Accounting and Finance Unit, DPIC, MOH Sales manage the sale of BDs for NCB, and the free distribution of bidding documents for local shopping. Records of sales are available	Low *
A.26 Who identifies the need for consulting services requirements?	As defined in the ADB PPTA reports and included in Loan Agreement;	Low
A.27 Who drafts the Terms of Reference (ToR)	Usually the ADB PPTA consultants during project preparation.	Low
A.28 Who prepares the request for proposals (RFPs)	For NCB it is prepared by the Procurement Unit, DPIC, MOH, and for ICB it is prepared by ADB.	Low
B. INFORMATION MANAGEMENT		
B.1 Is there a referencing system for procurement files?	Yes	Low
B.2 Are there adequate resources allocated to record keeping infrastructure, which includes the record keeping system, space, equipment and personnel to administer the procurement records management functions within the agency?	Yes, the records are stored in box files in the Procurement Unit.	Low *
B.3 Does the agency adhere to a document retention policy (i.e. for what period are records kept)?	Yes, 10 years	Low *
B.4 Are copies of bids or proposals retained with the evaluation?	Yes	Low
B.5 Are copies of the original advertisements retained with the pre-contract papers?	Yes, the original advertisements are attached to the pre-contract papers.	Low
B.6 Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	Yes, stored in box files for each contract.	Low

QUESTION	RESPONSE	RISK ¹
B.7 Are copies of invoices included with the contract papers?	Yes	Low
B.8 Is the agency's record keeping function supported by IT?	No (only hard copies were filed and kept)	
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Has the agency undertaken procurement of goods or works related to foreign assistance recently (last 12 months or last 36 months)? If yes, indicate the names of the development partner/s and project/s.	Yes, many ADB-funded projects during the last 12 years, such as Health Sector Development Program, and Communicable Diseases Control Project 1 and 2. Another PU within DPIC is responsible for procurement for World Bank-funded projects.	Average *
C.2 If the answer is yes, what were the major challenges faced by the agency?	In some cases there was a delay in delivery of goods by suppliers. The supporting documents required by ADB and MOH are different, usually, MOH required more detailed supporting documents, which leads to delays. The time taken for the approval of bidding documents also adds to the delay.	Average *
C.3 Is there a systematic process to identify procurement requirements (for a period of one year or more)?	Yes, there is an annual procurement plan for MOH.	Low *
C.4 Is there a minimum period for the preparation of bids and if yes, how long?	Yes, one month	Low *
C.5 Are all queries from bidders replied to in writing?	Yes, usually via email	Low *
C.6 Does the bidding document state the date and time of bid opening?	Yes	Low *
C.7 Are bids opened in public?	Yes, for NCB, but not for local shopping;	Average *
C.8 Can late bids be accepted?	No	Average *
C.9 Can bids (except late bids) be rejected at bid opening?	No. (Bids are recorded and any omissions in required documentation noted).	Average *
C.10 Are minutes of the bid opening taken?	Yes	Low *
C.11 Are bidders provided a copy of the minutes?	Yes	Low *
C.12 Are the minutes provided free of charge?	Yes	Low *
C.13 Who undertakes the evaluation of bids (individual(s), permanent committee, ad-hoc committee)?	The Procurement Committee, MOH	Low
C.14 What are the qualifications of the evaluators with respect to procurement and the goods and/or works under evaluation?	The Procurement Unit reviews and prepares a bid summary report for the Procurement Committee allowing 2-3 days time before a committee meeting for members to evaluate the bidding documents.	Low *
C.15 Is the decision of the evaluators final or is the evaluation subject to additional approvals?	The technical team reviews and evaluates the bidding documents and makes a recommendation to the Procurement Committee for their consideration and final decision.	Low *
C.16 Using the three 'worst-case' examples in the last year, how long from the issuance of the invitation for bids can the contract be awarded?	The worst case was 1 year (<i>lack of qualified suppliers submit bidding documents for specific and sophisticated equipment - it had to advertise 4 times in newspapers; The other two worst cases were about 6 months (delay in evaluation of committee) compared to normal case of 2-3 months.</i>	
C.17 Are there processes in place for the collection and clearance of cargo through ports of entry?	No, suppliers are responsible for Customs clearance and must deliver the goods to the project site.	Low
C.18 Are there established goods receiving procedures?	Yes, the MOH Technical Team will verify and sign the receipt of goods delivered to the project sites.	Low

QUESTION	RESPONSE	RISK ¹
C.19 Are all goods that are received recorded as assets or inventory in a register?	The goods are recorded as assets by project sites and also by the Procurement Unit.	Low
C.20 Is the agency/procurement department familiar with letters of credit?	Yes	Low
C.21 Does the procurement department register and track warranty and latent defects liability periods?	Yes	Low
Consulting Services		
C.22 Has the agency undertaken foreign-assisted procurement of consulting services recently (last 12 months, or last 36 months)? (If yes, please indicate the names of the development partner/s and the Project/s.)	Yes, under the ADB Health Sector Development Project.	Low *
C.23 If the above answer is yes, what were the major challenges?	No challenges	Low *
C.24 Are assignments and invitations for expressions of interest (EOIs) advertised?	Yes, advertisements placed in local English newspapers and the ADB website.	Low *
C.25 Is a consultants' selection committee formed with appropriate individuals, and what is its composition (if any)?	Committee members from various departments of MOH who select consultants and propose to ADB for approval and Letter of No Objection.	Low
C.26 What criteria is used to evaluate EOIs?	Qualifications, education and experience based on ADB procurement guidelines.	Low
C.27 Historically, what is the most common method used (QCBS, QBS, etc.) to select consultants?	QCBS	Low *
C.28 Do firms have to pay for the RFP document?	No, it is free of charge	Low *
C.29 Does the proposal evaluation criteria follow a pre-determined structure and is it detailed in the RFP?	Yes, its details are in the RFP.	Low *
C.30 Are pre-proposal visits and meetings arranged?	Not usually, but once was done a long time ago under Primary Health Care Expansion Project.	Low
C.31 Are minutes prepared and circulated after pre-proposal meetings?	Yes	Low *
C.32 To whom are the minutes distributed?	To ADB and MOH	Low *
C.33 Are all queries from consultants answered/addressed in writing?	Yes	Low *
C.34 Are the technical and financial proposals required to be in separate envelopes and remain sealed until the technical evaluation is completed?	Yes, two separate envelopes	Low *
C.35 Are proposal securities required?	Not for Consulting Services, but for goods only.	Low *
C.36 Are technical proposals opened in public?	Yes	Low *
C.37 Are minutes of the technical opening distributed?	No	Average *
C.39 Who determines the final technical ranking and how?	The Procurement Unit scores and ranks candidates according to ADB guidelines and recommends to MOH.	Low *
C.40 Are the technical scores sent to all firms?	Yes	Low *
C.41 Are the financial proposal opened in public?	Yes, according to ADB guidelines.	Low *
C.42 Are minutes of the financial opening distributed?	Yes	Low *
C.43 How is the financial evaluation completed?	Based on ADB guidelines	Low *
C.44 Are face to face contract negotiations held?	Yes, usually	Low *

QUESTION	RESPONSE	RISK ¹
C.45 How long after financial evaluation is negotiation held with the selected firm?	Normally one week but it depends on the time taken by ADB to approve.	Low
C.46 What is the usual basis for negotiation?	Budget and the Scope of Works	Low
C.47 Are minutes of negotiation taken and signed?	Yes	Low *
C.48 How long after negotiation is the contract signed, on average?	1-2 weeks	Average
C.49 Is there an evaluation system for measuring the outputs of consultants?	Yes, evaluation is made by the Procurement Unit.	Average
Payments		
C.50 Are advance payments made?	No	Low
C.51 What is the standard period for payment included in contracts?	1 month	Average
C.52 On average, how long is it between receiving a firm's invoice and making payment?	1 month	Average
C.53 When late payment is made, are the beneficiaries paid interest?	No	Average
D. EFFECTIVENESS		
D.1 Is contractual performance systematically monitored and reported?	No	High
D.2 Does the agency monitor and track its contractual payment obligations?	No	High
D.3 Is a complaints resolution mechanism described in national procurement documents?	No	High
D.4 Is there a formal non-judicial mechanism for dealing with complaints?	No	High
D.5 Are procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment?	No. (never had any contractual disputes).	High *
E. ACCOUNTABILITY MEASURES		
E.1 Is there a standard statement of ethics and are those involved in procurement required to formally commit to it?	None apart for the Code of Ethics for government employees.	High *
E.2 Are those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process?	Yes, but not closely monitored.	High *
E.3 Is the commencement of procurement dependent on external approvals (formal or de-facto) that are outside of the budgeting process?	Yes, ADB must give their approval before proceeding to procurement;	Low
E.4 Who approves procurement transactions, and do they have procurement experience and qualifications?	Yes, after ADB no-objection the summary of bid documents is submitted to MOH and MPI for approval.	Low *
E.5 Which of the following actions require approvals outside the procurement unit or the evaluation committee, as the case may be, and who grants the approval?		
a) Bidding document, invitation to pre-qualify or RFP	ADB	
b) Advertisement of an invitation for bids, pre-qualification or call for EOIs	ADB	
c) Evaluation reports	ADB	Low *
d) Notice of award	Procurement Unit and signed by DPIC;	Low *
e) Invitation to consultants to negotiate	MOH with a no-objection from ADB;	Low *

QUESTION	RESPONSE	RISK ¹
f) Contracts	MOH with a no-objection from ADB;	Low *
E.6 Is the same official responsible for: (i) authorizing procurement transactions, procurement invitations, documents, evaluations and contracts; (ii) authorizing payments; (iii) recording procurement transactions and events; and (iv) the custody of assets?	No	Low *
E.7 Is there a written auditable trail of procurement decisions attributable to individuals and committees?	Yes	Low *

Procurement Risk Assessment Appendix 3 Procurement Plan

Basic Data

Project Name: Health Sector Governance Program	
Project Number:	Approval Number: tbd
Country: Lao People's Democratic Republic	Executing Agency: Ministry of Health
Project Procurement Classification: B	Implementing Agency: Ministry of Health
Procurement Risk: Low	
Project Financing Amount: \$ 6.250 million ADB Financing: \$ 6.000 million Non-ADB Financing the Government): \$0.250 million	Project Closing Date: 31 March 2019
Date of First Procurement Plan: tbd {loan approval date):	Date of this Procurement Plan: 08/06/2015

A. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

88. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
National Competitive bidding for Goods (NCB)	\$100,001 to \$500,000	
Shopping for Works	Up to \$100,000	
Shopping for Goods	Up to \$100,000	

Consulting Services	
Method	Comments
Consultants' Qualifications Selection ³	
Individual consultant	

2. Goods and Works Contracts Estimated to Cost \$1 Million or More

89. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number ⁵	General Description	Estimated Value	Procurement Method	Review [Prior / Post/Post (Sample)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
0	NA						

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

90. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value (\$)	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
C1	Accounting firm	575,000	Consultants'	Prior	4 th Q/2015	simplified	TA Loan

Package Number	General Description	Estimated Value (\$)	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
			Qualifications Selection				
C2	Evaluation HEF	200,000	Consultant Qualifications Selection	Prior	4 th Q/2015	simplified	TA Loan
C3	Chief Technical Advisor (CTA) Program Coordinator	828,000	individual	Prior	4 th Q/2015	simplified	TA Loan
C4	Program Manager (National)	108,000	individual	Prior	4 th Q/2015	simplified	TA Loan
C5	Deputy CTA(National)	108,000	individual	Prior	4 th Q/2015	Simplified	TA Loan

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

91. The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value (\$)	Number of Contracts	Procurement Method	Review [Prior / Post/Post (Sample)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
P1	2 vehicles	100,000	1	NCB	Prior		4 th Q/2015	TA Loan
P2	Equipment and furniture for NPCO	60,000	1	shopping	Post		4 th Q/2015	TA Loan
P3	Equipment and furniture for MOH departments	90,000	1	shopping	Post		4 th Q/2015	TA Loan
P4	IT equipment provinces 1	250,000	1	NCB	Prior		1 st Q/2016	TA Loan
P5	IT equipment provinces 2	150,000	1	NCB	Post		2 nd Q/2016	TA Loan
P6	IT equipment provinces 3	150,000	1	NCB	Post		4 th Q/2016	TA Loan

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
C6	Gender Specialist (regional)	18,000	1	individual	Prior	4 th Q/2015	Simplified	TA Loan
C7	Safeguards Specialist (regional)	18,000	1	individual	Prior	4 th Q/2015	Simplified	TA Loan
C8	HEF Manager/Coordinator	72,000	1	individual	Prior	4 th Q/2015	Simplified	TA Loan
C9	Database Programmer	2,000	1	individual	Prior	4 th Q/2015	Simplified	TA Loan

			Value		(quarter/year)	Contract Award	
NA							

4. Completed Contracts

Goods and Works								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
NA								

Consulting Services								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments
NA								

D. Non-ADB Financing

94. The following table lists goods, works and consulting services contracts over the life of the project, financed by Non-ADB sources.

Goods and Works				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments
NA				

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Comments
NA				

E. National Competitive Bidding

1. General

95. The procedures to be followed for National Competitive Bidding (NCB) shall be those set forth for "Public Bidding" in Prime Minister's Decree No. 03/PM of the Lao People's Democratic Republic, effective 09 January 2004, and Implementing Rules and Regulations effective 12 March 2004, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

2. Application

96. Contract packages subject to NCB procedures will be those identified as such in the project Procurement Plan. Any changes to the mode of procurement from those provided in the

Procurement Plan shall be made through updating of the Procurement Plan, and only with prior approval of ADB.

3. Eligibility

97. Bidders shall not be declared ineligible or prohibited from bidding on the basis of barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

4. Advertising

98. Bidding of NCB contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.

5. Procurement Documents

99. The standard procurement documents provided with Ministry of Finance, Procurement Monitoring Office shall be used to the extent possible. The first draft English language version of the procurement documents shall be submitted for ADB review and approval, regardless of the estimated contract amount, in accordance with agreed review procedures (post and prior review). The ADB-approved procurement documents will then be used as a model for all procurement financed by ADB for the project, and need not be subjected to further review unless specified in the procurement plan.

6. Preferences

- (i) No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.
- (ii) Suppliers and contractors shall not be required to purchase local goods or supplies or materials.

7. Rejection of all Bids and Rebidding

100. Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

8. National Sanctions List

National sanctions lists may be applied only with prior approval of ADB.

9. Corruption Policy

101. A bidder declared ineligible by ADB, based on a determination by ADB that the bidder has engaged in corrupt, fraudulent, collusive, or coercive practices in competing for or in executing an ADB-financed contract shall be ineligible to be awarded ADB-financed contract during the period of time determined by ADB

10. Disclosure of Decisions on Contract Awards

102. At the same time that notification on award of contract is given to the successful bidder, the results of the bid evaluation shall be published in a local newspaper or well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each Bidder who submitted a Bid, (ii) bid prices as read out at bid opening, (iii) name of bidders whose bids were rejected and the reasons for their rejection, (iv) name of the winning Bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. The executing agency/implementing agency shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

11. Member Country Restrictions

103. Bidders must be nationals of member countries of ADB, and offered goods, works and services must be produced in and supplied from member countries of ADB.

F. Consultant's Terms of Reference

104. The terms of reference for all consulting services are detailed in Annex 6.

FINANCIAL MANAGEMENT ASSESSMENT

EXECUTIVE SUMMARY

1. The overall assessment of fiduciary risk, including for the health sector in Lao People's Democratic Republic (Lao PDR), has been assessed as moderate due mainly to the following: (i) insufficient control over revenue collected and expenditure undertaken by provincial governments; (ii) inadequate resources and capacity of State Audit organization (SAO) undermining the independence and effective of oversight institutions; (iii) weak procurement framework; and lack of regulations for implementation; (iv) the UN Convention against corruptions has not been significantly deterrent; and (v) the low capacity and lack of resources of the State Inspection Authority¹ (SIA).

2. To address these risks, the key mitigating measures at country and sector level include: (i) the government has set out law, implementing degree, framework and timetable for improving budget management; (ii) the SAO has been receiving capacity building support to improve its capacity; (iii) the government has taken necessary actions for procurement reforms that provides greater assurance of effective competition in public procurement; (iv) the Anti-corruption Law has been enacted that has been strengthening public finance management (PFM) practices, ensure compliance with laws and minimize discretionary exercise of power.

3. At project level, the fiduciary risk has been considered as low with the following weaknesses and risks identified: (i) further improvement in capacity of the EA in financial management planning, budgeting and reporting of the specific project; (ii) lack of financial management skills and lack of clarity on the roles and responsibilities and segregation of duties of provinces and districts staff; (iii) internal audit function at Ministry of Health (MOH) central and provincial mainly deals with financial compliance with documentation and is too broad to provide to critical appraisal and control; (iv) expenditure reports only report at the aggregate level, supporting documentation is not included and not properly verified for completeness and accuracy by management; (v) the existing records do not have sufficient detailed information for the monitoring and management of fixed assets; and (vi) provincial health offices (PHO) do not have a fully computerized financial management system or accounting software that allow the automatic production of a comprehensive set of financial statements.

4. The TA Loan project (the project) will focus on capacity building to address the above shortcomings. It will further improve good governance in health sector, specifically with the following mitigation measures: (i) planning, budgeting and expenditure monitoring reforms; (ii) appropriate withdrawal application and disbursement procedures; and (iii) appropriate training and mentoring measures to accompany the roll out of the reforms; (iv) development of computerized accounting and financial information systems; (v) support to the improvement of the internal auditing process; (vi) development of standard format for financial accounting and monitoring systems; and (vii) improvement of the assets registration and management.

¹ Established in 2001 to work on preventing and countering corruption within the country.

I. INTRODUCTION

1. The purpose of this FMA was to determine the robustness of the accounting, financial controls and internal audit arrangements, and the capability of the EA and IA to meet all the fiduciary requirements which are set out in the policy-based loan agreement, TA loan agreement, and other project documents. The FMA has assessed EA and IA and financial arrangements, financial responsibilities and perceived financial risks and risk management. This FMA also provides guidance to the EA, IAs for mitigation measures to ensure the effective program performance, following country laws and regulations as well as ADB's requirements.

2. The FMA Report was prepared in accordance with ADB's Guidelines for the *Financial Management and Analysis of Projects* (the Guidelines) and the publication *Financial Due Diligence: A Methodology Note* and Financial Management Technical Guidance Note. This FMA incorporates the Financial Management Internal Control and Risk Management Assessment required by the Guidelines. It may need to be amended further to reflect subsequent developments and agreements during the Project implementation. The FMA preparatory activities included reviewing documents, interviewing staff of government agencies, consultants, beneficiaries and other stakeholders, and completed with inputs from other references through desk studies.

3. The assessment reveals that both the EA and IA have experience to deal with projects funded by the development partners including ADB. Their experiences include program loans, investment loans and various technical assistance projects. They have adequate internal control systems and financial reporting arrangements, not only for their regular budget and expenditure management, but also for other development partners' funded projects. Additional capacity development support particularly on financial management, and procurement to properly implement comply with ADB procedures will further improve their capacity in these areas. The summary FMICRA is included below. (For further details please also refer to detailed FMA- risk and internal control section).

II. BRIEF PROGRAM DESCRIPTION

4. The Health Sector Governance Program (HSGP) will have a programmatic approach modality, composed of 2 subprograms. The subprogram 1 will comprise a \$17 million policy based loan with attached \$6 million TA loan. The proposed program will support the implementation on the 8th National Health Sector Development Plan within the context of the Health Sector Reform Strategy 2013-2015 with the principle objective of achieving universal health coverage by 2025. The Program will assist MOH to strengthen its capacity in planning budgeting, financing, human resource development and health service delivery. The HSGP will cover all 18 provinces. The implementation period for subprogram 1 is August 2013 to July 2015. The implementation period for subprogram 2 is August 2015 to July 2018.

5. The program's outcome will be improved health services delivery, particularly for the poor, mothers, and children. The Program's outputs will be (i) health sector reform process improved, (ii) implementation of the HEF and free MNCH schemes improved, (iii) health human resources management capacity strengthened, and (iv) health sector financial management system strengthened. The TA loan will be attached to the subprogram 1 and focus on providing capacity building the program outcome and outputs. The TA loan will be implemented from October 2015 to September 2018.

6. The program is estimated to cost \$23.250 million equivalent (Table 1 and 2). As indicated in the Table, \$6.250 million of the total cost will be used for the Project for capacity building.

**Table 1: Investment Plan
(US\$ million)**

Item	Amount
A Base Costs	
1. Health sector reform process improved	155.4
2. Implementation of the HEF and free MNCH schemes improved	767.2
3. Human resources management capacity strengthened	831.7
4. Health sector financial management system strengthened	3,955.2
Subtotal (A)	5,709.5
B Contingencies	367.4
C Financial Charges	173.1
Total project (A+B+C)	6.250

^a Including taxes and duties of \$0.X million to be financed by the Asian Development Bank.

^b In May 2015 prices.

^c Physical contingencies are computed at 3.0% of base costs. Price contingencies are computed at an average of 1.4% on foreign exchange costs and an average of 4.5% on local currency costs.

^d Interest during implementation for the ADB loan is computed at 1% per annum during the grace period and thereafter, to be capitalized in the loan amount.

Source: Asian Development Bank estimates.

Table 2: Financing Plan

Source	Amount (\$ million) ^a	Share of Total (%)
Asian Development Bank	6.000	96.0
Government	0.250	4.0
Total	6.250	100.0

Source: Asian Development Bank estimates.

Table 3: Detailed Cost Estimates by Financier (\$ million)

Expenditure Items		ADB Loan	%	Government	%	Total Cost
A. Investment Costs						
1	Equipment and Vehicles	0.780	100	0.000	0	0.780
2	Staff Training and Development Workshops, Studies and System Development	2.660	100	0.000	0	2.660
3	Development	0.268	100	0.000	0	0.268
4	Consulting Services	1.082	100	0.000	0	1.082
	Subtotal (A)	4.789	100	0.000	0	4.789
B. Recurrent Costs						
1	Project Management	0.680	74	0.241	26	0.920
	Subtotal (B)	0.680	74	0.241	26	0.920
	Total Base Cost	5.469	96	0.241	4	5.719
C. Contingencies						
1	Physical	0.162	98	0.004	2	0.165
2	Price	0.196	97	0.006	3	0.202
	Subtotal (C)	0.358	97	0.009	3	0.367
D. Financing Charges During Implementation						

Expenditure Items		ADB Loan	%	Government	%	Total Cost
1	Interest During Implementation	0.173	100	0.000	0	0.173
Subtotal (D)		0.173	100	0.000	0	0.173
Total Project Cost (A+B+C+D)		6.000	96	0.250	4	6.250

7. As in Table 3, most of the fund from TA loan will also be used for consulting services, staff training and development, workshops, studies and system development. Only less than 10% of the fund will be used for vehicle and equipment.

8. **Executing and implementing agencies.** The EA will be the MOH, Department of Planning and International Cooperation (DPIC), which will be responsible for the overall coordination and disbursement of resources under the programmatic approach. The MOH Departments of Finances, Training and Research, and Personnel, and the 18 Provincial Health Departments will be the implementing agencies. As the executing agency, the MOH will be responsible for the overall implementation of subprogram 1 including disbursements, maintenance of all program records, and communicating with ADB on behalf of the government. The MOH steering committee, chaired by the Minister of Health and comprising vice ministers and representatives of MOH departments including Cabinet which is responsible for oversight of Health Sector Reform implementation, will provide overall guidance on the Program implementation. The Ministry of Finance (MOF), Ministry of Planning and Investment (MPI), Ministry of Home Affairs and other ministries would be invited to the steering committee, as required.

III. COUNTRY AND SECTOR FINANCIAL MANAGEMENT ISSUES

9. **Public financial management (PFM) arrangements.** PFM arrangements in Lao PDR were last assessed by the World Bank (WB) using the Public Expenditure Financial Accountability (PEFA) PFM Performance Measurement Framework in 2010.¹ This was the first comprehensive diagnosis of PFM in Lao PDR that had been prepared with the objective of providing government with a concise, standardized and objective assessment of PFM, to highlight the issues, and which against future improvements in PFM can be gauged. Under the PEFA framework, performance is assessed in relation to seven dimensions of PFM using 28 indicators which are scored from A (best) to D (worse).² A summary of the 2010 PFM assessment is presented in the table below

Table 4: Lao PDR PFM Assessment Systems, Processes and Institutions

Summary Of Performance Measurement Framework		Score
A. PFM outturns: Credibility of the budget		
PI-1	Aggregate expenditure out-turn compared to original approved budget	B
PI-2	Composition of expenditure out-turn to original approved budget	NR
PI-3	Aggregate revenue out-turn compared to original approved budget	A

¹ The Lao PDR Public Expenditure and Financial Accountability (PEFA) Public Financial Management Assessment, World Bank, June 2010, with the support of the World Bank, Australian Government Aid Program, EU, Swiss Agency for Development and Cooperation, and SIDA.

² Credibility of the budget; comprehensiveness and transparency; degree to which the budget is prepared with due regard to: government policy; predictability and control in budget execution; accounting, recording and reporting; external scrutiny and audit operations; appropriateness of development partner practices in country; and intergovernmental fiscal relationships

Summary Of Performance Measurement Framework		Score
PI-4	Stock and monitoring of expenditure payment arrears	C+
B. Key cross-cutting issues: Comprehensiveness and transparency		
PI-5	Classification of the budget	C
PI-6	Comprehensiveness of information included in budget documentation	B
PI-7	Extent of unreported government operations	D+
PI-8	Transparency of intergovernmental fiscal relations	D
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D+
PI-10	Public access to key fiscal information	C
C. Budget execution		
C. (i) Policy-based budgeting		
PI-11	Orderliness and participation in the annual budget process	C+
PI-12	Multiyear perspective in fiscal planning, expenditure policy, and budgeting	D+
C. (ii) Predictability and control in budget execution		
PI-13	Transparency of taxpayer obligations and liabilities	D+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C
PI-15	Effectiveness in collection of tax payments	NR
PI-16	Predictability in the availability of funds for commitment of expenditures	B+
PI-17	Recording and management of cash balances, debt, and guarantees	D+
PI-18	Effectiveness of payroll controls	C+
PI-19	Competition, value for money, and procurement controls	D+
PI-20	Effectiveness of internal controls for non-salary expenditure	D+
PI-21	Effectiveness of internal audit	D
C. (iii) Accounting, recording, and reporting		
PI-22	Timeliness and regularity of accounts reconciliation	C
PI-23	Availability of information on resources received by service delivery units	D
PI-24	Quality and timeliness of in-year budget reports	C+
PI-25	Quality and timeliness of annual financial statements	D+
C. (iv) External scrutiny and audit		
PI-26	Scope, nature, and follow-up of external audit	D+
PI-27	Legislative scrutiny of the annual Budget Law	C+
PI-28	Legislative scrutiny of external audit reports	C+
D. Donor practices		
D-1	Predictability of Direct budget Support	D+
D-2	Donor information for budgeting and reporting on project/program aid	C+
D-3	Proportion of aid managed by national procedures	D

Source: Lao PEFA Report 2010

10. The PEFA highlighted the poor performance of PFM in the country with only one category receiving an “A” (revenue matches to the approved budget) and most scores are at the lower end of the range with mostly Ds and Cs. This highlights the challenges faced in PFM in Lao. The report concluded that:

- (i) In recent years the PFM system had been reasonably effective in maintaining macro fiscal discipline, allowing an improvement in the external debt position and the need for cash rationing (which may not have persisted in the tightening fiscal situation in 2013–14).
- (ii) Excessive decentralization of authority to the province is being corrected, but it was noted that significant expenditure is financed by users’ fees and charges in the provinces (especially in the health sector) that remain outside of the budget and that domestically financed investment projects are undertaken without any effective central control.

- (iii) The PFM system is not well adapted to secure the optimum allocation of resources to contribute to economic growth and improvement in public services, although it is acknowledged that the government is taking steps to remedy this issue.
- (iv) The separate planning of recurrent and capital expenditures, the absence of articulated programs for the development of most public services taking account of current and capital resources, and detailing of specific outputs to be achieved, shows the need for better strategies for the allocation of resources. The fact that SOEs do not publish audited accounts is also noted.
- (v) Service delivery is constrained by a lack of resources, weak policy based budgeting, uncompetitive procurement practices, and a lack of information and scrutiny of the results achieved.

11. However, it is acknowledged that the Government is embarking on plans to improve PFM through the PFM Strengthening Program (PFMSP) to address the various problems, with the support of the WB and other development partners. These include the introduction of VAT, widening the tax base, output budgeting and other PFM functions. Support has been provided to building capacity in the health sector PFM through additional technical assistance, such as the ADB-funded CDTA 7446.³

12. ADB- Country Partnership Strategy (CPS) – Risk Assessment: The CPS 2012-2016 assessed the major governance-related risks to be in PFM, procurement, corruption, and accountability. Issues include: weak public finance mechanisms; lack of congruence of subnational priorities with national objectives; weak capacity; inadequate financing of recurrent costs of investment projects; alleged irregularities in procurement; and reportedly rising corruption perception. It was noted that these could be mitigated and addressed by strengthening public finance management, instilling financial control (internal audit), enhancing external audit, curbing corruption (within the principles of the Second Governance and Anticorruption Action Plan) and reinforcing capacity.

13. Internal and external auditing of government accounts remains weak, and will be addressed under the CPS through the governance and capacity-building intervention. Government staff have inadequate knowledge of the procurement system stipulated by the government and development partners. This is due to lack of training and language difficulties, especially relating to commercial and legal terms, and frequent rotation of project staff and their replacement, often by inexperienced new staff. A number of these issues will be addressed under the CPS through training courses organized by ADB's Lao Resident Mission.

14. Government staff have inadequate knowledge of the procurement system stipulated by the government and development partners. This is due to lack of training and language difficulties, especially relating to commercial and legal terms, and frequent rotation of project staff and their replacement, often by inexperienced new staff. It was proposed that these issues would be addressed under the CPS through training courses organized by ADB's Lao Resident Mission.

15. The CPS also supports the priorities identified for Lao PDR of inclusive and sustainable growth and poverty reduction through four priority sectors – agriculture and natural resources, education, energy and water supply and sanitation, and through more effective public sector management as a cross-cutting concern. The current associated ADB Country Operations

³ CDTA 7446-LAO: Building Capacity for the Health Sector Program Approach, 2010–2011

Business Plan (COBP) 2014–2016 continues these priorities and details an indicative lending program of \$310 million and OCR of \$30 million, including regional projects. It also allows for \$55 million in cofinancing from external sources.

16. The COBP makes no comment on PFM, but the CPS notes that a 2011 analysis of the critical constraints to inclusive growth in Lao PDR's transforming economy included: (i) an increasing lack of educated and skilled human resources which is constraining private sector growth and economic diversification; (ii) an inefficient and underdeveloped financial sector, hampering domestic private sector growth; (iii) inadequate connectivity between rural and urban areas, limiting access of families and firms in the periphery to opportunities in business, economic, social, and cultural centres; (iv) poor nutrition and food insecurity, leading to low worker productivity; (v) weak governance institutions; and (vi) declining competitiveness in the non-resources sector.

17. At a country level the CPS also noted that the country assistance program evaluation (CAPE), 2000–2009 highlighted that ADB Lao PDR program was *less efficient* in delivering outputs and outcomes and recommended to strengthen governance and public financial management.

18. In summary, it can be said that Lao PDR is weak in PFM with constraints in staff capacity, lack of rigorous financial systems, processes and management. ADB's country strategy recognizes this and supports the government's governance and anticorruption strategies through long-term capacity-building efforts, especially in public financial management in selected sectors (health and transport) and at decentralized levels. ADB will continue to coordinate with development partners to focus support on public expenditure and fiscal management, public financial management, anticorruption, decentralization, and public administration. Continued training on public sector management and policy making is being provided for middle and senior officials under ADB regional programs.

IV. PROJECT FINANCIAL MANAGEMENT SYSTEM

A. Overview of the current financial management system

19. The FMA has focused on the EA's current financial management system of the EA and of the former Health Sector Development Program.⁴

B. Personnel, Accounting Policies and Procedures, Internal and External Audit

⁴ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Sector Development Program and Project— Asian Development Fund Grants to the Lao People's Democratic Republic for the Health Sector Development Program*. Manila.

20. The Accounting and Finance Unit (AFU) within each PHO has five to six staff and there are two to three staff in each DHO. Most of them have had quite a long experience in their current job but in some provinces there are problems associated with loss of capacity through staff transfer and promotion to other sections. The majority of accounting and finance staff in PHOs have graduated from Business and Administration College. However, most of accounting staff in the DHOs have an education background in nursing and only some of them have a diploma in accounting and finance from a local college, which highlights the need to capacity building. Furthermore, most of PHOs and DHOs' Budgeting and Finance sections do not have a detailed organizational structure and written job descriptions for each position.

21. The analysis of information gained from interviews and personal comments during the FMA indicated that most PHOs and DHOs accounting and finance functions are facing human resources constraints which include the limited availability of capable staff and their accounting knowledge. If PHOs and DHOs receive increased funds to manage a more comprehensive program in the future, they will face a significant challenge, especially DHO staff. It is believed that increasing the capacity of PHO and DHO financial management through training for performance improvement is necessary, starting with improving their accounting and financial management knowledge and skills, and perhaps increasing the number of staff.

22. The audit reports for the H-SDP prepared by SAO for the three financial years 2010-11, 2011-12, 2012-13 concluded that.. "in general the project was implemented in accordance within the laws, rules and regulation of Lao PDR and the donor", but there were some shortcomings related to internal control, financial control, etc. No major issues were raised but there were a range of other issues raised, most relatively minor, concerned with: the preparation of financial statements, delays in budget approval, clearing cash advances, and replenishment of imprest accounts; lack of supporting documentation for procurement, payments made over budget; and the management of the fixed asset register. The issues raised were addressed by management.

23. In addition, ADB requested three special audits of ADB-funded projects by their appointed auditor including an audit of procurement. Once again, no serious issues were raised and the issues noted were dealt with by providing advice to management.

C. Financial Reporting Systems, including Use of Information Technology

24. **Financial reporting systems.** Most of the PHOs and DHOs interviewed in the FMA produce quarterly and yearly financial reports of government budget expenditures in accordance with the government's COA, and submit them to the Directors and the PFO or DFO. However, the annual financial report is only used by management for the purpose of supporting the preparation the next year's budget.

25. It is recommended that the PHOs and DHOs also prepare a statement of sources and uses of funds received from external donors, which is important information for preparing strategic provincial health sector plans and management of the health sector. In relation to the monitoring of expenditure, this function has not been properly implemented, although it is considered that it can be done with the existing procedures, systems and staff. The quality and accuracy of information currently provided is not checked regularly. Supporting documentation kept at the AFU is not verified by the Chief of the Administration Unit and Directors.

26. **Use of information system.** Only the PHOs that receive assistance from ADB have a computerized financial management system or accounting software that allows the production

of a comprehensive set of financial statements, although these are not coupled with the production of physical indicators of performance and service delivery. At the DHOs currently, all transactions and statements are manually recorded in excel spreadsheet and paper-based records.

D. Strengths and Weaknesses of the current system

27. The main strength of existing financial management system of the ADB-funded Health Sector Development Program (H-SDP) that over a period of time since the involvement of ADB and other donors with the health sector the skills and capacity of the staff and institutions at central and provincial levels have been developed as a result of the training and capacity building and the experience gained from managing the projects. In addition, the out-sourcing of financial management and accounting services to the local accounting firm has ensured that FM is carried out in a timely and accountable process. The support to the introduction of a computerized accounting system to PHOs and the training and capacity building provided has contributed to the HR development of accounting personnel.

28. The major weaknesses are:

- (i) **Entity:** Lack of capacity and accountability and understanding of FM activities, particularly:
 - Staff turnover and loss of skills and insufficient accounting skills at the district level
 - Shortcomings in internal control, following due process and supporting documentation
 - Delays in disbursement of funds
 - Disconnect between capital (chapter 17) and recurrent budgets and national and development assistance
- (ii) **Reporting:** There is a lack of timely reporting with disaggregated data linked to physical indicators:
 - Source and application of funds do not include HSD expenditure including expenditure on other vertical programs.
 - Delays on funds acquittal and reconciliations
 - Register of assets not maintained
- (iii) **Accounting Process:** The accounting system is not fully computerized and fully integrated and is restrained by a:
 - Lack of monitoring and internal control and performance measures
 - The COA and classification limits the reporting on physical performance.

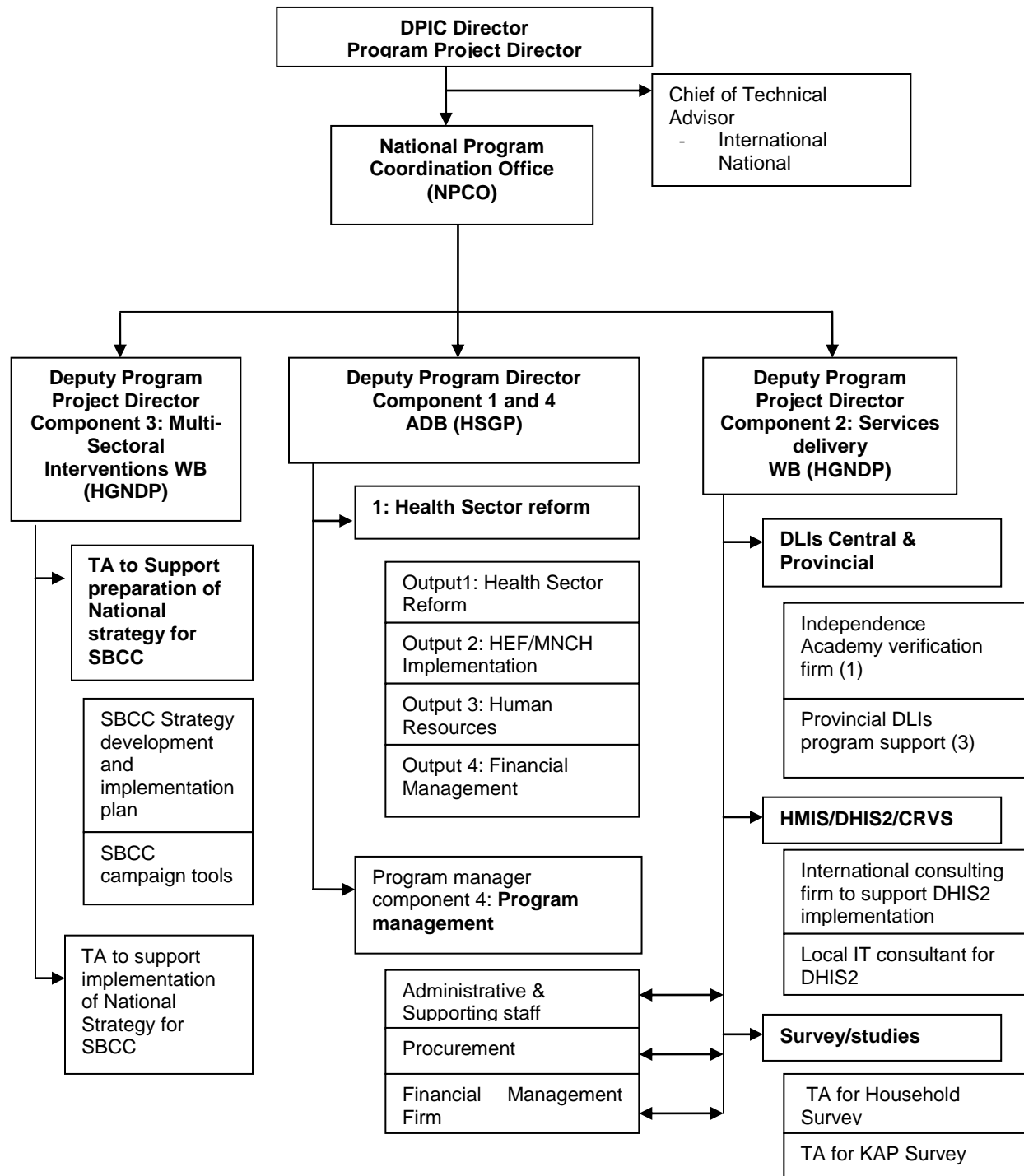
29. **Organization and staff capacity.** Figure 1 presents the proposed project organizational structure, and the following paras present staff capacity, especially on FM matters.

E. Arrangements under the proposed project

30. **Organization structure of the proposed project.** The MOH, through the Department of Planning and International Cooperation, (DPIC), the EA of the Project and Program, will be responsible for overall implementation and coordination. An MOH steering committee, chaired by the Minister of Health and comprising vice ministers and representatives of MOH departments including Cabinet which is responsible for oversight of Health Sector Reform implementation, will provide overall guidance on HSGP implementation. The Ministry of

Finance (MOF), Ministry of Planning and Investment (MPI), Ministry of Home Affairs (MHA) and other ministries would be invited to the steering committee, as required.

Figure 1: HSGP Proposed Organization Structure



ADB = Asian Development Bank, CRVs = , DHIS2 = district health information system 2, DLIs = disbursement linked indicators, DPIC = Department of Planning and International Cooperation, HGNDP = Health Governance and Nutrition Development Project, HSGP = Health Sector Governance Program, HMIS = health management information

system, IT = information technology, KAP = , NPCO = National Program Coordination Office, SBCC =, TA = technical assistance, WB = World Bank.

Source: Asian Development Bank and Ministry of Health.

31. The EA of the investment project will be the DPIC, MOH, while implementing agencies (IEs) will be: (i) the DOF (including the Health Insurance Bureau), (ii) the Department of Organization and Personnel (DOP), (iii) the Department of Training and Research (DTR), and (iv) the 18 provincial health offices.

32. It is proposed that ADB project and WB project support is established under a National Program Coordination Office (NPCO). The Director General, DPIC will be the Project Director and be responsible for overall execution of the activities. The NPCO will be placed under the leadership of the Program Director, supported by three national Deputy Program Directors, and by national consultants and support staff to execute the project activities through the implementing agencies: MOH Technical Departments, and Provincial Health Offices (PHOs). Furthermore, it is proposed that the Program Director will be supported by an international consultant Chief Technical Advisor (CTA) and a national deputy CTA. A combination of international and national consultants will support the implementing agencies, including MOH Departments, and the sequenced rollout of the reforms across individual provinces.

33. An accounting firm will provide out-sourced accounting support MOH with the accounting services required for both the ADB investment project and special accounts established at the provincial level under the ADB policy based loan program (similar to the arrangements for H-SDP). The accounting firm will also participate in the strengthening of the financial capacity development measures and provincial financial management systems planned as part of the overall reform program and with a progressive devolution of responsibility to the PHOs over the five years to build up local capacity.

34. **Personnel.** Financial management specialist consultants will support the NPCO. Those consultants will also and provide support to the provinces.

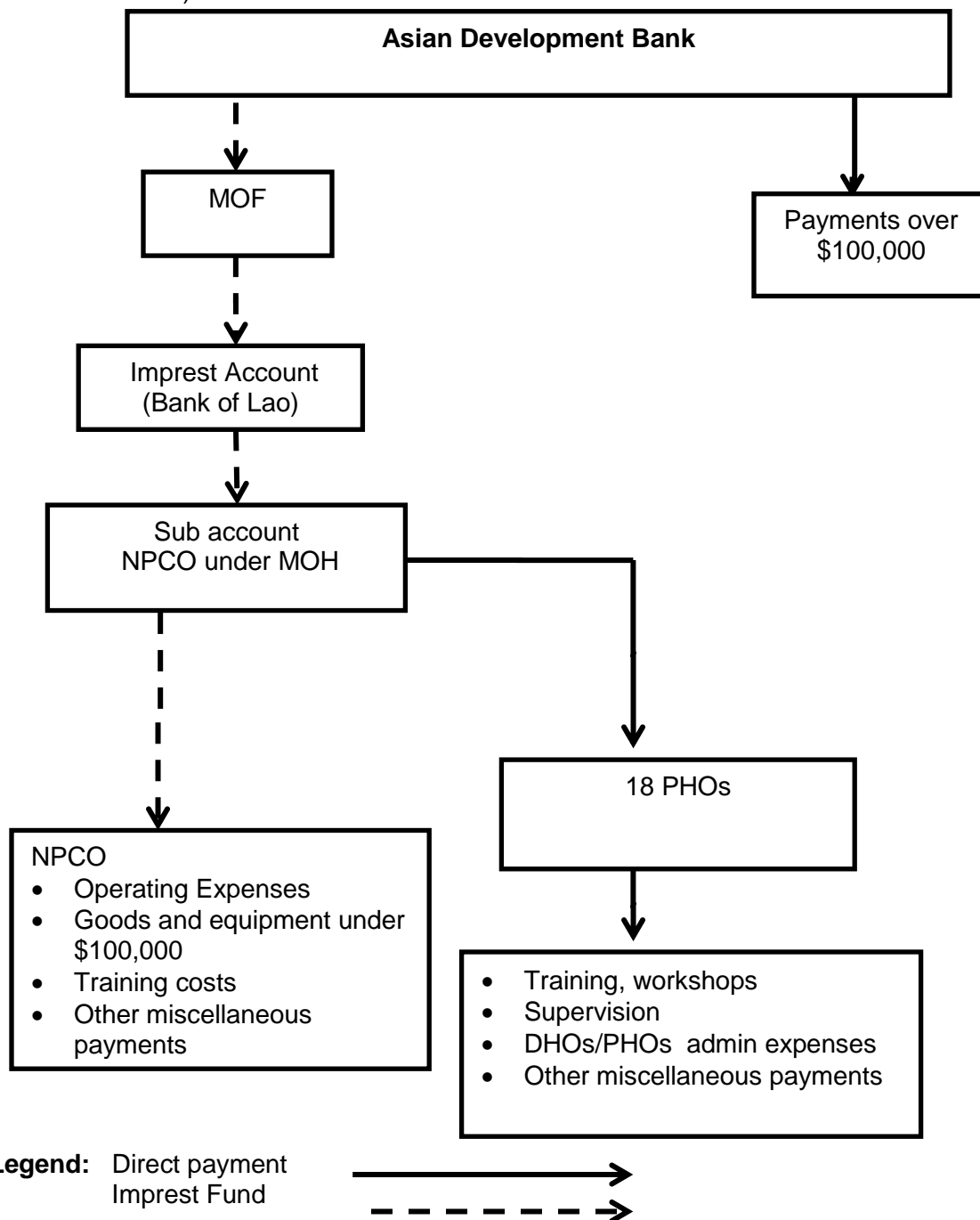
35. **Accounting policies and procedures.** Appropriate International Financial Reporting Standards (IFRS) will be applied for project reporting for ADB.

36. **Internal audit.** There is an Inspection Unit within each PHO responsible for verification and oversight of all financial transactions and operations. However, the inspection staff has limited knowledge and skills in accounting and finance and their main function is to monitor staff behavior and compliance. For financial auditing they usually employ staff of the provincial AFU for conducting internal inspection at the district health office (DHO) and health center level.

37. **External audit.** The project will be subjected to an annual external audit by SAO and the audit report will be provided to ADB. The NPCO will provide the auditors with the annual accounts in a timely manner within three months after the financial year-end to ensure that annual audits can be completed within the covenanted time period. The PHOs annual financial statement is audited by the State Audit Organization (SAO) as a part of the audit of Provincial Finances financial statement.

38. **Disbursement arrangements.** The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time). Direct payment procedures will generally be used for contracts for the supply of goods and equipment and for consulting services contracts.

39. **Fund flow mechanism.** The proposed Funds Flow arrangements for the project are indicated in Figure 2 below. The borrower will be responsible for implementing the project according to the loan agreement, and other agreements. On its part, ADB will monitor the project and review its progress to ensure that the loan proceeds are spent as agreed upon. When a loan becomes effective, a loan account will be opened in ADB's books in the name of the borrower and the loan amount is credited to that account. All disbursements under the loan will be carried out in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time).



MOF = Ministry of Finance, MOH = Ministry of Health, NPCO = National Program Coordination Office, PHO = provincial health office, DHO = district health office.

^a If necessary, payments less than \$100,000 may also be made by direct payment.

Source: Asian Development Bank.

V. RISK DESCRIPTION AND RATING

40. For inherent risks, the assessment focuses on risks posed by the overall environment in which the EA and/or IAs operates, before considering the impact of the EA's and IAs' financial management system and control such as country rules and regulations and the entity working environment (assuming the absence of any counter checks or internal controls). Table 5 presents the Inherent Risks:

Table 5: Inherent Risk

Risk	Risk Assessment	Risk Mitigation Measures
Country Specific:	Moderate	
(i) <u>Legislative and policy framework</u> : key provisions of the Budget Law are not implemented and insufficient control over revenue collected and expenditure undertaken by provincial governments.		(i) the Government has set out new budget law, implementing degree, framework and timetable for improving budget management;
(ii) <u>Institutional arrangement and capacity</u> : limited implementation of the PFMSP and PFM framework by sector ministries;		(ii) DPs have been supporting reforms and capacity building in public expenditure management including in budget planning, formulation and execution;
(iii) <u>Budget comprehensiveness and transparency</u> : deficient accounting and reporting arrangements		(iii) Treasury reform, improved chart of accounts; implemented electronic financial information system have improved gradually budget execution, accounting and reporting;
(iv) <u>External scrutiny and audit</u> : inadequate resources and capacity of State Audit organization (SAO) undermines the independence and effective of oversight institutions;		(iv) the SAO has been receiving various capacity building to improve its capacity;
(v) <u>Procurement</u> : weak procurement framework; and lack of regulations for implementation;		(v) the Government has committed and taken necessary actions for procurement reforms that provides greater assurance of effective competition in public procurement;
(vi) <u>Corruption</u> : the UN Convention against corruptions has not been significantly deterrent;		(vi) the Anti-corruption Law has been enacted that has been strengthening PFM practices, ensure compliance with laws and minimize discretionary exercise of power.
(vii) <u>Integrity Institutions and Capacity</u> : the Inspection Authority has not been effective;		(vii) Anti-corruption and Governance Strategy 2020 have been approved. In the long-run Party Control Committee, SIA, SAO, Inspection Departments and prosecutors will address corruption better.
(viii) <u>Public perceptions</u> : the media and civil society are unable to hold the government accountability;		(viii) More supports have been providing by DPs to develop legal framework and enabling environment for media and civil society to monitor government activities;
(ix) <u>Administrative quality</u> : civil service is highly politicized; underperforms and complex business processes.		(ix) Human resource development has been strengthening to provide better services in various sectors including health.

Risk	Risk Assessment	Risk Mitigation Measures
Entity Specific:	Moderate	
(i) Funding resource allocation to the health sector is not consistent in matching with varying needs between provinces, particularly the level of support provided to disadvantaged and poor communities in isolated areas.		(i) The program will introduce a system of Disbursement Linked Indicators (DLIs) as an incentive to implement fundamental reforms to equitable resource allocation and accountability of funding to the health sector and the rollout of improved health services on a sector-wide modality.
(ii) Transparency and accountability risks with limited disaggregated reporting and monitoring on the source and application of funds for all funding sources to the health sector.		(ii) Good governance developed through a comprehensive TA support to the reform program and development of financial accounting reporting and verification of the source and application of funds.
Program/Project Specific:	Moderate	
(i) The relatively complex structure and nation-wide coverage of the Project with the implementation of wide-ranging reforms, involving several development partners.		(i) Support for the introduction and development of results-based planning, budgeting, financial management systems, reporting and verification as part of sector wide reform.
(ii) Management and skill capacity issues in financial management and weak administrative capacity to implement reform.		(ii) Targeted capacity building and training will be provided to the IA and provincial health providers especially at the district level to address low levels of skills and competency in financial management. These include specific planning, budgeting and expenditure monitoring reforms undertaken by MOH; and support to “bottom up” provincial planning and budgeting processes; and (iii) appropriate training and mentoring measures to accompany the roll out of the reforms.
Overall Inherent Risk	Moderate	

41. For the control risk, the assessment focuses on risks arising from the failure of the specific project’s FM and internal control arrangement to ensure that the project funds will be used economically and efficiently and for the intended purpose. The following table presents the summary of the control and risk, specific for the project that will be funded by TA loan:

Table 6: Control Risk, Specific for the Project (TA loan)

Risk	Risk Assessment	Risk Mitigation Measures
Executing Implementing Agencies: Further improvement in capacity of the EA and or IAs in FM, planning, budgeting and reporting, specifically for the Project (TA Loa)	Low	The Project has been designed to strengthen the sector governance and management through technical assistance that has simple FM, planning, budgeting and reporting. Most investment activities are for consultants, training, workshop
Funds Flow: Potential delays in the release of funds from the central level to the provinces; and delays in financial reporting submission from provinces to central level	Low	The funds flow process will be clearly defined and training and support to be provided to the IA and project staff to develop appropriate withdrawal application and disbursement procedures where needed.

Risk	Risk Assessment	Risk Mitigation Measures
<p><u>Staffing:</u> (iii) Provincial financial management staffs have a low level of competency and skills, especially at district level, with limited opportunity for in-service training and merit-based advancement. (iv) Lack of clarity on the roles and responsibilities and segregation of duties for provincial staff.</p>	Low	(iii) A comprehensive package of support will be provided by the Project to provincial staff, especially those at district level, through reform to financial management, development of computerized accounting systems and training and human resource capacity; (iv) Human resource development will support clearly defined duties and responsibilities in job descriptions.
<p><u>Accounting Policies and Procedures:</u> The accounting systems and charts of accounts used in the health sector at the provincial level are not conducive to the efficient and effective management of the sector, especially with respect to budgeting, accountability for the source and application of all funds including off-budget transactions including assistance from parallel</p>	Moderate	Reform of the budgeting, financial management and reporting systems will be addressed by the project and computerized accounting systems expanded to the district level, supported by ongoing training and follow up support.
<p><u>Internal Audit:</u> The internal audit function at MOH central and provincial mainly deals with financial compliance with documentation and is too broad to provide to critical appraisal and control.</p>	Moderate	Necessary reform of the internal auditing process will be addressed by the Project to enable it to fulfil its management and governance function.
<p><u>External Audit:</u> The PHOs and project activities are subject to annual audit by the SAO as part of government's governance process, and audit report. The SAO lacks human resources.</p>	Low	annual project financial statements will be audited by SAO, as an independent auditor as appropriate at the ADB's request. Issues raised in the audit report to be addressed and rectified promptly by project management.
<p><u>Reporting and Monitoring</u> Expenditure reports only report at the aggregate level, supporting documentation is not included and not properly verified for completeness and accuracy by management.</p>	Low	The Project will support the development of financial accounting and monitoring systems to a standard format to address these issues and support the sector wide adoption of the revised processes with associated training and capacity building.
<p>Safeguard of assets. Records of fixed assets on a current and regular basis are not maintained and the existing records do not have sufficient detailed information for the monitoring and management of fixed assets</p>		Reform of the assets registration and management will be implemented in accordance with government and ADB requirements. Training and capacity building will be provided as required

Risk	Risk Assessment	Risk Mitigation Measures
Information Systems: PHOs and DHOs do not have a fully computerized financial management system or accounting software that allow the automatic production of a comprehensive set of financial statements. Staff are not competent to manage the accounting program (Manila) and the frequent transfer and turnover of staff disrupts the capacity to apply upgraded systems, causes them to resort to use excel and manual systems paper-based systems. The storage of records are not robust.	Low	The FM reforms will introduce a computerized accounting and Financial Information System at all levels with comprehensive support to develop the capacity of accounting staff to use upgraded computerized accounting systems, standardized across the health sector. Financial records will be coupled with physical records for management and preparation of annual performance assessments of the delivery of health services for planning and management. Support will be provided to facilitate the secure storage and retrieval system for records.
Overall Control Risk	Low	

42. As details in FMA report, risk management actions include measures to support fund flow arrangement including procurement oversight and strengthen financial management skills have been prepared to avoid potential problems. These include (i) strengthen sector governance and FM through comprehensive reforms to develop sector-wide national programs and support for FM and accountability - based bottom up planning and good governance at all levels; (ii) will develop accounting and monitoring systems to a standard format; Reform of the assets registration and management; and (iii) will introduce a computerized accounting at all levels; Financial records will be coupled with physical records for management and preparation of annual performance assessments of the delivery of health services. Support will be provided to facilitate the secure storage and retrieval system for records. The implementation of the risk management measures identified above will ensure that FM arrangements are adequate for the overall program, especially for the investments funded by the TA loan.

VI. ACTION PLAN

43. The following are proposed actions for supporting financial management in the health sector:

- (i) Agree on the management and reporting structure of the projects and activities within MOH.
- (ii) Develop the chart of accounts to be used for budgeting and accounting in the project, including economic items (income, expenditure, assets and liabilities), activities and outputs, funding sources and physical achievements.
- (iii) Develop work plans with detailed activities for all PHO and Project personnel.
- (iv) Provide regular training on ADB's procurement and disbursement processes.
- (v) Develop and implement procedures for reporting fraud, waste, misuse of assets.

44. The project will prepare the terms of reference and allocate adequate budget to provide appropriate training and capacity building to accounting department staff to establish robust financial management arrangements, including for record-keeping, internal controls, payables, receivables, budgeting, accounting, project management, and bank account management and the preparation of loan withdrawal applications and statement of expenditure. Independent out-sourced accounting support will be continued to ensure, among other things, timely and rigorous reconciliations, orderly record keeping, financial reporting and strict adherence to financial

management policies and internal controls, and to ensure an orderly and timely year-end process for the preparation and audit of annual project accounts.

VII. SUGGESTED COVENANTS

45. **Right to audit.** The Government will ensure that contracts financed from the project will include provisions specifying the right of ADB to audit and examine the records and accounts of the Project and all contractors, suppliers, consultants, and other service providers as they relate to the project.

46. **Governance and anticorruption.** The Government will ensure that (a) the Program is carried out in compliance with all applicable Lao PDR anticorruption regulations, and ADB’s Anticorruption Policy (1998, as amended to date); (b) all Project staff actively participate in the training in Lao PDR’s anticorruption regulations and ADB’s Anticorruption Policy; and (c) a website is maintained to disclose the audited annual project accounts, project progress, and procurement activities.

VIII. CONCLUSION

47. The results of the FMA prepared for the program are summarized below. This is based on an compilation of the responses and information obtained from the assessment at the EA and sampled IAs as details in the Appendix. Proper mitigation measures and other management actions have been prepared to address the identified key issues as summarized below:

Key Issues of the national financial management system	Mitigation Measures/Management Actions
<p><u>Planning and Budgeting Processes:</u> (i) Disconnect in the planning process between province and central level: (ii) Uncoordinated annual budgeting with lack of guidance from central level: (iii) Disconnect between capital and recurrent budgets and national and development assistance. Funds Flow Mechanisms and Disbursement Process: (i) Anomalies and differences in FM differ between provinces: (ii) Delay in quarterly budget applications from DHOs to PHOs; (iii) Delays in the release of funds; (iv) Constraints on the availability of cash in the provincial treasury. Personnel: (i) staff lack skills and capacity in budgeting and accounting; (ii) lack of job description and segregation of duties; and (iii) Skills and capacity gap to handle increases financial management resulting from the project</p>	<p>The Project has been designed to strengthen the sector governance and management through technical assistance that has simple FM, planning, budgeting and reporting. Most investment activities are for consultants, training, workshop</p> <p>The funds flow process will be clearly defined and training and support to be provided to the IA and project staff to develop appropriate withdrawal application and disbursement procedures where needed.</p> <p>A comprehensive package of support will be provided by the project to provincial staff, especially those at district level, through reform to financial management, development of computerized accounting systems and training and human resource capacity; human resource development will support clearly defined duties and responsibilities in job descriptions.</p> <p>Reform of the budgeting, financial management and reporting systems will be addressed by the project and computerized accounting systems expanded to the district level, supported by ongoing training and follow up support.</p>
<p><u>Accounting Policies and Procedures:</u> (i) Lack of detail in recording expenditure following the state accounting system and verification; (ii) Lack of monitoring and internal control and performance measures; (iii) Limited ability to integrate financial and physical information in financial reporting; (iv)</p>	

Key Issues of the national financial management system	Mitigation Measures/Management Actions
Lack of reporting on funds received from other donors and integration into provincial health plans; and (v) Assets register are not adequately maintained and updated.	

48. Overall, the project arrangements are considered satisfactory since appropriate mitigation measures/management actions have been prepared to address the key issues.

APPENDIX: Consolidated Financial Management Assessment Questionnaire for EA and IA Sampling)

Topic	MOF – EA	Bolikhamxay	Savannakhet	Attapue	Saravan	Xiengkhuang	Phongsaly
1. Executing and Implementing Agency							
1.1	What is the entity's legal status / registration?	one of the Government's ministries	Provincial Health Office (PHO) of Ministry of Health;	Provincial Health Office of Ministry of Health;	Provincial Health Office of Ministry of Health;	Provincial Health Office of Ministry of Health;	Provincial Health Office of Ministry of Health;
1.2	Has the entity implemented an externally-financed project in the past (if so, please provide details)?	Many including funded by UNICEF, Global Fund, ADB, WHO, World Bank, Lux, Korea, HPA, Human Right (SPAIN), Souphanimid NGO, IACA (KOREA).	UNICEP, Global Fund, ADB, WHO, Lao Lux, WHO, UNICEP, World Bank UNFPA, AFD, Korea (KAHP), COPE, MCNV, EU, JTEC, SFE, NABP and HIB.	UNICEP, Global Fund, ADB, WB, JICA, AWPB, IFAD, SESVE, HPA DIPECHO, SFE and Netherland	ADB, UNICEP, Global Fund, WHO, World Bank, UNFPA, JICA	ADB, Global Fund, GFA, HHA, AAR, KOFIH, OMF, WE	ADB, UNICEP, Global Fund, WHO, UNFPA, Red Cross and Path.
1.3	What are the statutory reporting requirements for the entity?	State budget expenditure implementation report, project/program implementation reports;	State budget expenditure implementation report, project/program implementation reports;	State budget expenditure implementation report, project/program implementation reports;	State budget expenditure implementation report, project/program implementation reports;	State budget expenditure implementation report, project/program implementation reports;	State budget expenditure implementation report, project/program implementation reports;
1.4	Is the governing body for the project independent?	No	No	No	No	No	No
1.5	Is the organizational structure appropriate for the needs of the project?	Yes	Yes	Yes	Yes	Yes	Yes

Topic	MOF – EA	Bolikhambay	Savannakhet	Attapue	Saravan	Xiengkhuang	Phongsaly
2. Funds Flow Arrangements							
2.1 Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	Upon annual budget approved by National Assembly, MOH revise or reallocate its annual budget plan for each PHOs ;	- - PHO and PH prepare their quarterly plan which include detail activities and budget plan and separately submit it to PFO for disbursement; - For the fiscal year 2013-2014, the percentage of quarterly budget allocated by provincial cabinet is 25%, 35%, 25% and 15% for Q1, Q2, Q3 and Q4 respectively;	-Upon annual budget approved by National Assembly, PHO revise or reallocate its annual budget plan for each PHO; - PHO and PH prepare their quarterly budget plan and separately submit it to PFO for disbursement;	-Upon annual budget approved by National Assembly, PHO revise or reallocate its annual budget plan for each PHO; - PHO has to consolidate quarterly budget plan for all 5 DHOs and submits it to PFO;	-Upon annual budget approved by National Assembly, PHO revise or reallocate its annual budget plan for each PHO; - To disburse from PFO, PHO has to consolidate quarterly budget plan for all DHOs and submits it to PFO; ;	-Upon annual budget approved by National Assembly, MOH announces budget allocation to provincial health office; - PHO revise or reallocate its annual budget plan according to the approved budget to PHO sections, PH and DHOs;	Upon annual budget approved by National Assembly, MOH announces budget allocation to provincial health office; - PHO revise or reallocate its annual budget plan according to the approved budget to PHO sections, PH and DHOs; -
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes, so far MOH has not find serious problem to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	No, Disbursement of state budget is not on time. First quarterly budget was received in March or April of the following year;	No, Disbursement of state budget is not on time. First quarterly budget was received in March or April of the following year;	Yes, no issue of cash availability at provincial treasury;	Yes, no issue of cash availability at provincial treasury;	No, disbursement of fund is usually delayed by one quarter;	No, delay in fund disbursement from Provincial Treasury for operational and investment fund except salary;

Topic	MOF – EA	Bolikhambay	Savannakhet	Attapue	Saravan	Xiengkhuang	Phongsaly
2.3 What have been the major problems in the past in receipt of funds by the entity?	Delay in preparation and consolidation of budget request document and financial report	The major issues in receipt of state budget are as follows: - Delay in preparation of quarterly budget proposal by different sections; - Unavailability of cash within provincial treasury; Approved annual budget was again cut due to fiscal crisis;	-There was a short of cash available at Provincial Treasury of PFO. - Subsequently reduction of the approved budget due to fiscal deficit. For example: a reduction on 14% of total budget for Q2 of 2013/2014, especially chapter 12 and 13 of budget;	The major issues in receipt of state budget are as follows: - Delay in preparation of quarterly budget proposal by different sections and DHOs; - Consolidated Financial statement of all DHOs submitted to PFO is not accurate which cause a delay in approving the following quarterly budget ;	Delay in preparation and consolidation of budget request document and financial report of previous quarterly budget implementation by DHOs and PHO;	-Delay in approving of budget request by PFO; - Lack of cash available within Provincial Treasury;	- cash shortage at the Provincial National Treasury (PFO); - delay in preparation of detail quarterly activities and budget plan and other supporting documents;
2.4 In which bank will the Imprest Account be opened?	State Owned Commercial banks acceptable to Government and Donor	State Owned Commercial banks acceptable to Government and Donor	State Owned Commercial banks acceptable to Government and Donor	State Owned Commercial banks acceptable to Government and Donor	State Owned Commercial banks acceptable to Government and Donor	State Owned Commercial banks acceptable to Government and Donor	State Owned Commercial banks acceptable to Government and Donor
2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes, MOH deals with both state budget and ODA funded projects;	Yes, both state budget and ODA funded projects;	Yes, especially state budget expenditure from PFO and also ODA funded project such as ADB, WB, WHO, etc;	Yes, both state budget and ODA funded projects;	Yes, both state budget and ODA funded projects;	Yes, both state budget and ODA funded projects;	Yes, both state budget and ODA funded projects;
2.7 Does the entity have/need a capacity to manage foreign exchange risks?	No	No	No	No	No	No	No

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2.8 How are the counterpart funds accessed?	In kind contribution	No counterpart funds	No counterpart funds	No counterpart funds	No counterpart funds	No counterpart funds	No counterpart funds
2.9 How are payments made from the counterpart funds?	Regular budget	No counterpart funds	No counterpart funds	No counterpart funds	No counterpart funds	No counterpart funds	No counterpart funds
2.10 If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	No	Accounting and Finance Unit of PHO have not followed up the statement of sources and uses of all external funded projects	Accounting and Finance Unit of PHO does not have a system to monitor sources and uses of external funded projects that are implemented by other sectors;	- There is no proper system to monitor all international funded projects; - The annual budget plan of some projects are not well prepared in advance; - Some projects are implemented by other sector as a sub-component of project and are not monitored by PHO;	- There is no proper system to monitor all international funded projects, especially the health projects implemented by other sectors;	- There is no proper system to monitor all international funded projects, especially the health projects implemented by other sectors;	- There is no proper system to monitor all international funded projects, especially the health projects implemented by other sectors; - PHO just assigned its staff to participate with other sectors but has not had detail information/report of the projects;
2.11 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	No	No	No	No	No	No	No

Topic	MOF – EA	Bolikhmxy	Savannakhet	Attapue	Saravan	Xiengkhuang	Phongsaly
3. Staffing							
3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	See in the main text	Planning and Finance Section comprises of 3 units: - There is totally 10 staff within this section: Planning unit (4 staff, including on staff on master study leave), Accounting-Finance unit (4 staff) and statistic unit (2 staff). - A copy of PHO's organization chart provided;	- Planning and Finance unit is in Admin Section responsible for accounting-finance, planning and statistics. - Total 20 staff. 5 responsible for accounting and finance.	Planning and Finance Section comprises of 2 units: - Planning unit (5 staff), - Accounting-Finance unit (4 staff)	Total accountant and finance staff is 15 persons, including 3 project contract staff responsible for ODA projects;	Planning and Finance Section comprises of 2 units: - Planning and Statistics unit (9 staff), - Accounting-Finance unit (6 staff). Apart from permanent staff, there are 5 contract staff responsible for ABD HSDP and CDC projects;	Planning and Finance Section comprises of 2 units: - Planning and Statistics unit (2 staff), - Accounting-Finance unit (Total 5 staff, 2 for state budget, 2 for projects and 1 cashier).
3.2 Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Detailed in main text	There are no CVs of accounting staff available at Planning and Finance Section. Each staff was asked to provide their education background and professional experience.	No CVs of accounting staff available at AFU. Each staff was asked to provide their education background and professional experience. A copy of job description provided.	- Most of staff graduate from accounting and finance college and one hold a bachelor degree in business and administration;	- Most of them hold bachelor degree in accounting, finance and economics; - Minimum experience of staff is about 3-4 years;	- Most of them hold bachelor degree in accounting, finance and economics;	- Finance staff: graduated BBA; - Cashier: Bachelor in Accounting and Finance; - Two contract staff responsible for projects; - No written job descriptions for each position;
3.3 Is the project finance and accounting function staffed adequately?	Yes, as detailed in main text	The current Planning and Finance section is staffed adequately, except one statistic position is still vacant.	Yes, five staff is sufficient for current work load.	- number of staff is not adequate; - one more staff is required for international project accounting and finance;	-Yes, sufficient number of accounting and finance staff;	Number of Finance staff is sufficient ; Planning and statistics still need 3-4 more staff;	Yes, currently there is adequate number of staff, one for each project. However, if there is new larger project in future, it would require an additional staff with a training program in project management.

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3.4 Is the finance and accounts staff adequately qualified and experienced?	Most of them graduated bachelor in business, banking and finance and have more than five year experience in planning and finance works.	Most of them graduated bachelor in business, banking and finance and have more than five year experience in planning and finance works.	- Yes, most of finance and account staff have long experience, 3 staff hold bachelor degree in accounting, 2 graduated from college and 1 diploma in nursery; - Training in English and computer is required;	- limited knowledge on statistics and planning and need training program on these topics; - Limited experience in IT, computer and internet; - Lack of knowledge on ODA funded project management; - Issue of replacement of positions;	Yes; However, they still need to upgrade their knowledge on project management, health insurance funds management, statistics and IT system;	-Civil servants have limited knowledge on ODA funded projects; - Planning staff lack knowledge and experience on statistics, project feasibility study and plan;	No, - Limited knowledge in comprehensive budget plan for provincial health sector; - Lack of knowledge and experience in ODA project financial management; - Training in project planning and management is required; - Training in IT and statistics is also required;
3.5 Is the project accounts and finance staff trained in ADB procedures?	Yes, they were trained under previous ADB funded projects such as CDC2, HSDP project and program;	Yes, they were trained under previous ADB funded projects such as CDC2, HSDP project and program;	Yes, they were trained under previous ADB funded projects such as CDC2, HSDP project and program;	Yes, they have been trained under previous ADB funded projects such as CDC2, HSDP project and program;	Yes, they were trained under previous ADB funded projects such as CDC2, HSDP project and program;	Yes, project contract staff has been trained under previous ADB funded projects such as CDC2, HSDP project and program;	Yes, they were trained under previous ADB funded projects such as CDC2, HSDP project and program;
3.6 What is the duration of the contract with the finance and accounts staff?	Most of them are permanent official staff that will be supported by national and international consultants	Most of them are permanent official staff. Only one project accountant contracted for five year term and is planned to be recruited as civil servant within PHO;	Most of them are permanent official staff	Most of them are permanent official staff.	Three staff contracted for 2-3 years for ODA project accounting and were planned to recruit as permanent civil servants in the near future;	Five project staff contracted for 2-3 years for ADB project accounting and were planned to recruit as permanent civil servants in the near future;	Two year term with possibility of renewal;

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3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	As listed in the consulting services	One vacant position of statistic currently under volunteer staff waiting for quota allocation from MOH.	No recruitment plan yet due to limited quota from Government	Project accounting and finance but no recruitment plan yet;	Projects accounting and finance positions are awaiting for Government's quota	Planning and statistics position but no recruitment schedule yet;	-one vacancy of project accountant; - one vacancy of planning position;
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Yes, there is job description for each position	Their job description was drafted but not yet approved by management. However, detail scope of responsibilities, supervision an authority for each position has not been clearly determined;	Yes, there is job description for each position. But their limits of authority are not clearly defined.	Yes, but there is no detail scope of responsibilities, supervision an authority for each position;	Yes, but there is no detail scope of responsibilities, supervision an authority for each position;	Yes, but there is no detail scope of responsibilities, supervision an authority for each position;	No, there is no written position descriptions and scope of responsibilities, supervision an authority for each position;
3.11 At what frequency are personnel transferred?	No issue on personnel transfer;	Some of them were transferred from finance and administration unit of other sections;	All of them have worked with AFU for long time	Issue of personnel transfer, especially in DHOs that cause work to be delayed;	No issue on personnel transfer;	There is a problem of personnel transferred to other section/units;	Issue of frequent replacement of accounting and finance staff;
3.12 What is training policy for the finance and accounting staff?	Will be designed by the project to support the program	No training policy has been developed;	No clear training policy	No training policy has been developed;	No clear training policy	There is a training program on statistics;	No training plan;

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4.5 Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes,	Yes,	Yes,	Yes,	Yes,	Yes,	Yes,
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes, all accounting record and supporting documents are retained within finance unit and ready for external audit;	Yes, all accounting record and supporting documents are retained within finance unit and ready for external audit;	Filling system need to be improved.	Yes, all accounting record and supporting documents are retained within finance unit and ready for external audit;	Yes, all accounting record and supporting documents are retained within finance unit and ready for external audit;	Yes, all accounting record and supporting documents are retained within finance unit and ready for external audit;	Filling system need to be improved.
Segregation of Duties							
4.7 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?		Yes. But there is no clear segregation of duties for each accounting staff. When some staff was not in the office, it was done by one person.	No clear segregation of duties for each accounting staff. Sometimes, transaction is done by only one person	There is no clear segregation of duties for each accounting staff.	Yes. But there is no clear segregation of duties for each accounting staff. When some staff was not in the office, it was done by one person.	Yes. But there is no clear segregation of duties for each accounting staff. When some staff was not in the office, it was done by one person.	No, there is no clear segregation of duties for each accounting staff. When some staff was not in the office, it was done by one person.

Topic	MOF – EA	Bolikhmxy	Savannakhet	Attapue	Saravan	Xiengkhuang	Phongsaly
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?		No separation of those functions for small value procurement such as office supplies, technical operating activities, etc. which are totally carried out by section concerned;	No clear segregation of duties in term of internal control procedure. The persons involved in the transaction are not well defined and segregated.	No separation of those functions for small value procurement such as office supplies, technical operating activities, etc. which are totally carried out by section concerned;	- No segregation of those functions for small value purchase; - There is a procurement committee responsible for high value of goods and services;	- No segregation of those functions for small value purchase; There is a procurement committee responsible for high value of goods and services;	Sometimes, the function of ordering, paying and receiving of goods is conducted by the same unit/person who requests for procurement.
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?		No, it is done by accountant.	Monthly reconciliation between bank record and bank statement, but is done by account staff.	No, it is done by accountant.	No, it is done by accountant.	No, it is done by accountant.	No, it is done by accountant.
A. <i>Budgeting System</i>							
4.10 Do budgets include physical and financial targets?		No, the budget does not match with targets;	No physical target set in their annual budget;	No;	Yes, the main millennium goals and health indicators were set in the annual plan;	Yes, the main millennium goals and health indicators were set in the annual plan;	No physical and financial target determined in the plan but detailed activities and budget needed;
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?		No detailed activities and time schedule contained in the annual budget plan. It is structured by budget line item according to state budget chart of account;	No detailed activities and time schedule contained in the annual budget plan	No detailed activities and time schedule contained in the annual budget plan. It is structured by budget line item according to state budget chart of account;	There are detailed activities plan contained in annual budget plan. However, there is no clear time schedule and monitoring system	There are detailed activities plan contained in annual budget plan. However, there is no clear time schedule and monitoring system	No, there is no detail activities plan for budget line items;

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4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Comparison of actual and budget in quarterly and yearly financial report	The PHO's AFU prepares quarterly and yearly financial report by comparing actual and budget.	Comparison of actual and budget in quarterly and yearly financial report. But no explanations for variations	The PHO's AFU prepares quarterly and yearly financial report by comparing actual and budget.	Comparison of actual and budget in quarterly and yearly financial report. But no explanations for variations	- Yes, on a quarterly basis. - No explanation on variations from budget plan;	Yes, quarterly and yearly financial report has a comparison between actual and budget expenditure. But no explanation for variations
4.13 Are approvals for variations from the budget required in advance or after the fact?	Before	Before	Before	Before	Before	Before	After Issue of off budget plan expenditure;
4.14 Who is responsible for preparation and approval of budgets?	MOF	PHO's sections, PH and DHO prepare their own annual activities and budget plan based on the previous year budget and actual requirement and then submit to PHO's planning and finance section for consolidation;	- Budget process starts at the beginning of October for each fiscal year by preparing operating and investment budget plan; and then submits to Provincial Planning and Investment Office by the end of December;	- Budgeting process starts about January of the year by informing each DHO to prepare their own annual budget plan for Chapter 10-16; Investment Office and present in annual provincial meeting with other sectors participation;	- Each section of PHO and DHO prepare their annual budget plan; - Annual meeting of DHO discusses on implementation of current budget and allocation of budget for the following year;	- Each section of PHO and DHO prepare their annual budget plan; - Annual meeting of DHO discusses on implementation of current budget and allocation of budget for the following year;	- Annual budget plan prepared by PHO through an annual budget meeting with DH and DHOs submit it to (i) PPI and MHO; -

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4.15 Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?		- PHO organize a workshop on formulation of annual budget plan with all 7 DHO by advising them to prepare their own budget plan based on 8 health sector development programs of MOH;	Each section is requested to prepare its owned budget plan for recurrent cost and submit to the Admin Unit	- PHO organize a workshop on formulation of annual budget plan with all 7 DHO by advising them to prepare their own budget plan based on 8 health sector development programs of MOH;	-Semiannual meeting is arranged at PHO to discuss on performance evaluation and budget plan preparation between PHO, PH and DHOs;	Yes, there is an annual meeting to discuss with various sections within PHO and DHO on preparation of annual budget plan;	-PHO section and DHOs draft their own activities and budget plan and attend the annual state budget plan consultation meeting to discuss and prepare annual state budget plan
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?		There is no detailed activities plan in the annual budget plan. It is summarized and classified in different chapter of state budget chart of account.	-No detailed information about the physical objectives; -No link between operational and investment plan;	There is no detailed activities plan in the annual budget plan. It is summarized and classified in different chapter of state budget chart of account.	Yes, but lack of implementation arrangement and time frame;	-Yes, but lack of implementation arrangement and time frame; -No link between operational and investment plan;	-No, it is based on previous year budget received and make an increase of about 10-15 %; -Health strategy is not incorporated in budget plan;

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4.26 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?		No written policies and procedures are available	No written policies and procedures are available	No written policies and procedures are available	No written policies and procedures are available	No written policies and procedures are available	No written policies and procedures are available
4.27 Are manuals distributed to appropriate personnel?		No	No	No	No	No	No
Cash and Bank							
4.28 Indicate names and positions of authorized signatories in the bank accounts.		There is a bank account opened at Agricultural Promotion Bank for depositing state budget withdrawn from PFO. Authorized signature of 2 Directors out of 4 PHO Directors	Chief of AFU and one Director's signature	There is a bank account opened at a commercial bank for depositing state budget withdrawn from PFO. Authorized signature of 2 persons out of 3 including PHO Directors and Chief of finance unit;	Two out of three PHO Directors and Chief of Finance section;	Two out of three PHO Directors and Chief of Finance section;	Two out of three PHO Directors and Chief of Finance section;

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Safeguard over Assets							
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?		The fixed assets and vehicle management unit within the Admin section responsible for recording and following up all fixed assets.	No coding system for fixed assets procured by public funds but only for projects;	There is no adequate safeguards to office assets; No system to follow up the fixed assets transferred between sections within PHO;	Yes - Administration responsible for assets management; - Coding system consolidated in PHO for all fixed assets;	- Administration responsible for assets management; - List of fixed assets updated every year with various sections;	No system or person responsible for fixed asset management
4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?		They are currently trying to collect all information about fixed assets by sending a fixed assets recording form to all sections/units.	Fixed asset record book is updated every year including health centers.	No	Yes, DHOs and HCs also updated their list of fixed assets every year;	- Yes, DHOs and HCs also updated their list of fixed assets every year; - No reconciliation with control account	No
4.36 Are there periodic physical inventories of fixed assets and stocks?		No, the yearly physical inventories of fixed assets have not been conducted since many years	Physical inventories of fixed assets is conducted once a year;	No physical inventories of fixed assets but only update the list of new purchase;	Yes, physical inventories of fixed assets conducted for project assets but not for state assets;	Yes, physical inventories of fixed assets conducted for project assets but not for state assets;	No physical inventories of fixed assets but only update the list of new purchase;
4.37 Are assets sufficiently covered by insurance policies?		No. Only vehicles provided by external donors are covered by insurance	No. Only vehicles provided by external donors are covered by insurance	Yes, but only cars are covered by insurance, not motorcycles;	Yes, but only cars are covered by insurance, not motorcycles;	Yes, but only cars are covered by insurance, not motorcycles;	No. Only vehicles provided by external donors are covered by insurance

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5.4 Will the internal audit department include the project in its work program?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5.5 Are actions taken on the internal audit findings?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
6. External Audit							
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, by SAO	Yes, by SAO	Yes, by SAO	Yes, by SAO	Yes, by SAO	Yes, by SAO	Yes, by SAO
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	yes	Yes	Yes	Yes	Yes	Yes	Yes
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?	No	No	No	No	No	No	No
6.4 Were there any major accountability issues brought out in the audit report of the past three years?	No major issues	The auditor does not make any specific recommendations to the PHO's Directors at the end of the audit.	No management letter and recommendations provided specifically for PHO;	The auditor does not make any specific recommendations to the PHO's.	The auditor does not make any specific recommendations to the PHO's.	The auditor does not make any specific recommendations to the PHO's.	No comments and recommendations provided;

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6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	The external auditor, State Audit Organization of Lao PDR	The external auditor, State Audit Organization of Lao PDR	The external auditor, State Audit Organization of Lao PDR	The external auditor, State Audit Organization of Lao PDR	The external auditor, State Audit Organization of Lao PDR	The external auditor, State Audit Organization of Lao PDR	The external auditor, State Audit Organization of Lao PDR
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No specific recommendation for MOH	No specific recommendation for PHO	No specific recommendation for PHO	No specific recommendation for PHO	No specific recommendation for PHO	No specific recommendation for PHO	No specific recommendation for PHO
6.7 Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	Yes, SAO	Yes, SAO	Yes, SAO	Yes, SAO	Yes, SAO	Yes, SAO	Yes, SAO
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	Yes, SAO	Yes	Yes	Yes	Yes	Yes	Yes

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7. Reporting and Monitoring								
7.1	Are financial statements prepared for the entity? In accordance with which accounting standards?		The report on PHO's state budget expenditure (excluding DHOs) is produced for the Directors and PFO in accordance with state budget chart of accounts	The report on PHO's state budget expenditure is produced monthly for the Directors and quarterly report to PFO in accordance with state budget chart of accounts and various forms of public budget expenditure (MOF);	The report on PHO's state budget expenditure (excluding DHOs) is produced for the Directors and PFO in accordance with state budget chart of accounts	Yes, quarterly and yearly report is produced by PHO sections, DHOs and submitted to PHO Directors and Finance unit;	Yes, quarterly and yearly report is produced by PHO sections, DHOs and submitted to PHO Directors and Finance unit;	Yes, semiannual and yearly report is produced by PHO sections, DHOs and submitted to PHO Directors and Finance unit;
7.2	Are financial statements prepared for the implementing unit?		Yes	Yes	Yes	Yes	Yes	Yes
7.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?		- Quarterly financial report is produced for the Provincial Treasuries Office (PFO) - Quarterly and annual financial report is prepared for the PHO's Directors	- Monthly financial statement is submitted to PHO Directors; - Quarterly and annual financial report is submitted to the PFO.	- Quarterly and annual financial report is prepared for the PHO's Directors ; - Delay in preparing financial statement by DHOs; - Most DHOs don't take the reporting task as an important issue;	- Quarterly and annual financial report is prepared for the PHO's Directors; - Delay in preparing financial statement by DHOs;	- Quarterly and annual financial report is prepared for the PHO's Directors; - Delay in preparing financial statement by DHOs;	- Semiannual and annual financial report is prepared for the PHO's Directors; - Delay in preparing financial statement by DHOs; - Some DHOs did not prepare financial statement and Statement of Expenditure;
7.4	Does the reporting system need to be adapted to report on the project components?		Monthly or Quarterly implementation and performance assessment report is required	Monthly or Quarterly implementation and performance assessment report is required	Monthly or Quarterly implementation and performance assessment report is required	Yes, Monthly or Quarterly implementation and performance assessment report is required	Monthly or Quarterly implementation and performance assessment report is required	Monthly or Quarterly implementation and performance assessment report is required

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7.5 Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes, for project loan	No	No	No	No	No	No
7.6 Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes, quarterly summaries of state budget expenditure are produced by finance unit	Yes, quarterly summaries of state budget expenditure are produced by finance unit based on the format provided by PFO. However, detail contents and guideline were not stated in the form.	Yes, quarterly summaries of state budget expenditure are produced by finance unit based on the format provided by PFO. However, detail contents and guideline were not stated in the form.	Yes, quarterly summaries of state budget expenditure are produced by finance unit based on the format provided by PFO. However, detail contents and guideline were not stated in the form.	Yes, quarterly summaries of state budget expenditure are produced by finance unit based on the format provided by PFO. However, detail contents and guideline were not stated in the form.	Yes, quarterly summaries of state budget expenditure are produced by finance unit based on the format provided by PFO. However, detail contents and guideline were not stated in the form.	Yes, quarterly summaries of state budget expenditure are produced by finance unit based on the format provided by PFO. However, detail contents and guideline were not stated in the form.
7.7 Are financial management reports used by management?	Yes	Only annual financial report is used by management for formulating the following year plan;	Yes, monthly financial statement was requested by management;	Only annual financial report is used by management for formulating the following year plan;	Yes, quarterly financial statement is used by Finance unit to follow up and monitor expenditures made by sections and DHO;	Yes, it is used by Directors and Finance unit;	No, there is only disbursement amount available since DHOs did not submit their financial statement report;

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7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes, the comparison between actual and budget expenditure is made on a quarterly basis and shown the budget allocation for the next quarters.	Yes, the comparison between actual and budget expenditure is made on a quarterly basis and shown the budget allocation for the next quarters.	Yes, the comparison between actual and budget expenditure is made on a quarterly basis and shown the budget allocation for the next quarters.	Yes, the comparison between actual and budget expenditure is made on a quarterly basis and shown the budget allocation for the next quarters.	Yes, the comparison between actual and budget expenditure is made on a quarterly basis and shown the budget allocation for the next quarters.	Yes, the comparison between actual and budget expenditure is made on a quarterly basis and shown the budget allocation for the next quarters.	Yes,
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Spreadsheets	Spreadsheets	Spreadsheets	Spreadsheets	Spreadsheets	Spreadsheets	Spreadsheets
8. Information Systems							
8.1 Is the financial management system computerized?	No	No	No	No	No	No	No
8.2 Can the system produce the necessary project financial reports?	No	No	No	No	No	No	No
8.3 Is the staff adequately trained to maintain the system?	No	No	No	No	No	No	No

Topic	MOF – EA	Bolikhamsay	Savannakhet	Attapue	Saravan	Xiengkhuang	Phongsaly
8.4 Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	No	No	No	No	No	No	No

TEMPLATE FOR PROJECT PROCUREMENT CLASSIFICATION

Procurement factors to consider when recommending “Category A” projects

Health Sector Governance Program Country: Lao People’s Democratic Republic

Characteristic	Assessor’s rating: ‘Yes’ or ‘No’ with brief comments, if ‘Yes’
Is the Procurement Environment Risk for this project assessed as “High” based on the country and sector/agency risk assessments?	No
Are multiple (typically more than three) and/or diverse Executing (EAs) and/or Implementing Agencies (IAs) envisaged during project implementation? Do EAs/IAs lack prior experience in ADB project implementation?	Yes, projects will be implemented through one EA and several IAs in different provinces
Are multiple contract packages and/or complex and high value contracts expected (compare to recent donor projects in DMC)?	High value: no Multiple contracts: around 6 small value procurement contracts are expected
Does the project plan to use innovative contracts (PPP, Performance-based, Design & Build, O&M, etc.)?	No
Are contracts distributed in more than three geographical locations?	All contract will be administered centrally by NPCO
Are there significant ongoing contractual and/or procurement issues under ADB (or other donor) funded projects? Has misprocurement been declared in the DMC?	No
Does the DMC have prolonged procurement lead times, experience implementation delays, or otherwise consistently fail to meet procurement timeframes?	No
Do EAs/IAs lack capacity to manage new and ongoing procurement? Have EAs/IAs requested ADB for procurement support under previous projects?	No
OVERALL PROJECT CATEGORIZATION RECOMMENDED	Recommended: Category B

Overall recommendation of the concerned project officer:

Gerard Servais, Senior Health Specialist, SEHS

The country and the EA have previous experience with ADB procurement and financial management systems. EA is implementing successfully similar project (GMS Second Communicable Control Project – G0232-LAO)

Recommendation of OSFMD’s procurement specialist [insert name]