

LAO PEOPLE'S DEMOCRATIC REPUBLIC
THE POVERTY REDUCTION FUND



**MANUAL
OF OPERATIONS**

March 2003

TABLE OF CONTENTS

1	INTRODUCTION AND OVERVIEW	6
1.1	Background.....	6
1.2	Project Objectives	6
1.3	Targeting.....	6
1.4	PRFP Principles.....	7
1.4.1	Simplicity	7
1.4.2	Menu of Options	7
1.4.3	Participation	7
1.4.4	Ownership.....	7
1.4.5	Transparency and Accountability.....	8
1.4.6	Wise Investment.....	8
1.4.7	Empathy (“Siding With The Poor”).....	8
1.5	Basic Policies.....	9
1.5.1	Types of Activities	9
1.5.2	Types of Activity Prohibited in PRFP (the “Negative list”)	11
1.5.3	Number and Size of Proposals	11
1.5.4	Proposal Selection.....	12
1.5.5	Sanctions	12
1.5.6	Funding	13
2	PROJECT ORGANIZATION AND STRUCTURE	14
2.1	Organization of PRFP.....	14
2.2	Overview of the Autonomous Fund Management.....	14
2.3	Role of Government	15
2.4	National Level Structure.....	16
2.4.1	Administrative Board.....	16
2.4.2	Executive Director	16
2.4.3	Senior Advisor	17
2.4.4	Senior Technical Advisor.....	17
2.4.5	Monitoring and Evaluation Coordinator	17
2.4.6	Planning and Training Coordinator.....	18
2.4.7	Chief Finance and Administration Officer.....	18
2.5	Province Support Teams.....	19
2.5.1	Province Coordinator (one person per province)	19
2.5.2	Community Development Specialist (one person per province).....	19
2.5.3	Financial Management Expert (one person per province).....	20
2.5.4	Monitoring and Evaluation Expert (one person per province).....	20
2.5.5	Technical Advisor (up to one person per district, based in the province)	21
2.6	District Teams.....	21
2.7	Khet Level	23
2.7.1	Khet Facilitators.....	23
2.7.2	Khet Teams	24



2.8	District Forum	25
3	TARGETING, PHASING, AND RESOURCE ALLOCATION	26
3.1	Overview of Targeting and Phasing	26
3.2	Methods of Targeting	26
3.3	Responsibility for Targeting Decisions	29
3.4	Phasing of Operations	30
3.5	Allocation of Resources	31
3.6	Responsibility for Resource Allocation	32
4	PROJECT CYCLE, PROCEDURES AND PROJECT MENU	33
4.1	Preparation	33
4.1.1	Orientation for National Actors and Training of Trainers.....	33
4.1.2	Recruitment and Training of Project Staff/Consultants and Facilitators.....	33
4.2	Socialization	33
4.2.1	Provincial Workshops	34
4.2.2	First District (Inter-Khet) Socialization Meeting	34
4.2.3	Khet Socialization Meeting (the First Khet Meeting)	35
4.2.4	Village Socialization Meeting (the First village Meeting)	36
4.3	Planning.....	36
4.3.1	Group/Village Meetings.....	36
4.3.2	Khet Decision Meeting	37
4.3.3	District Decision Meeting to Prioritize Subproject Proposals.....	38
4.3.4	Preparation of Designs and Budgets, Procurement Methods	38
4.3.5	Khet Subproject Design and Budget Meetings	39
4.3.6	District Decision Meeting to Finalize Funding Commitments.....	39
4.4	Implementation.....	39
4.4.1	Khet Preparation Meeting	40
4.4.2	Additional Training for Facilitators and Implementation Teams	40
4.4.3	Training of Khet and Village Teams.....	40
4.4.4	Implementation of Subprojects	40
4.4.5	Khet Accountability Meetings	41
4.4.6	Periodic Cross-Village Visits and Monitoring	41
4.5	Post Implementation	42
4.5.1	Accountability/Hand-over Meetings	42
4.5.2	Subproject Account Assessments.....	42
4.5.3	District Evaluation Meetings.....	42
4.5.4	Independent Assessments.....	42
4.5.5	Complaint Resolution Mechanism	42
4.5.6	Operations and Maintenance.....	44
5	MIS, MONITORING, EVALUATION, SUPERVISION, REPORTING.....	45
5.1	Overview of Monitoring and Evaluation System	45
5.2	Management Information System.	45
5.3	The Baseline Survey and Follow-up Surveys.....	47
5.4	Beneficiary Assessments	47
5.5	Khet and Cross-Village Monitoring	48
5.6	Complaints and Resolution System	48
5.7	Supervision.....	49
5.7.1	Supervision by the Board	49



5.7.2	Government Supervision.....	49
5.7.3	Periodic Bank Supervision missions	50
5.8	Annual Audits	50
5.9	Case Studies	51
5.10	Sharing Results at The <i>Khet</i> Level.....	51
5.11	Reporting.....	52
6	<i>PROCUREMENT AND CONTRACTING FOR SUBPROJECTS</i>.....	54
6.1	Procurement for sub-grant activities.....	54
6.1.1	Procurement of Civil Works (small scale infrastructure).....	54
6.1.2	Procurement of Goods	57
6.1.3	Training.....	58
7	<i>FUND FLOWS, DISBURSEMENTS AND ACCOUNTING</i>.....	60
7.1.1	Flow of Funds	60
7.1.2	Special Account at Central Level.....	60
7.1.3	Replenishment of Special Account	61
7.1.4	Authorized Allocation.....	61
7.1.5	Provincial Accounts for Operating Costs and <i>Khet</i> Development Activities.....	61
7.1.6	<i>Khet</i> Accounts at district level for <i>Khet</i> Development Activities	61
7.2	Disbursements.....	63
7.2.1	Initial Advance to the <i>Khet</i>	63
7.2.2	Basis of Withdrawal of Funds after Initial Advance	64
7.2.3	Operational Expenditures as Part of Sub-project	65
7.2.4	Administrative Budget for <i>Khet</i> Implementation Teams	65
7.3	Record Keeping and Accounting	65
7.3.1	Provincial Level	65
7.3.2	District Level	65
7.3.3	<i>Khet</i> Level.....	65
8	<i>SOCIAL AND ENVIRONMENT SAFEGUARDS</i>.....	67
8.1	Background.....	67
8.2	Types of Prohibited Activities	67
8.3	Environment	68
8.4	Resettlement.....	70
8.5	Ethnic Minorities.....	73
8.6	Monitoring	74
8.7	Complaint Mechanism	74
8.8	Roles and Responsibilities.....	74
9	<i>TRAINING AND CAPACITY BUILDING</i>	76
9.1	Provincial Orientations Workshops	76
9.2	Training of Trainers.....	76
9.3	Training for all Provincial Consultants and District Facilitators.....	77
9.4	Training for All Provincial Engineers and District Technicians	77
9.5	Training for <i>Khet</i> Facilitators	78
9.6	Monthly Meetings and Refresher Training	78
9.7	Training in Subsequent Years.....	78



9.8	Additional Training Activities.....	79
10	ANNEXES.....	80
10.1	ANNEX 1: Decree of the Prime Minister	80
10.2	ANNEX 2_a: Data Collection Matrix: Improved Infrastructures and Services 85	
10.3	ANNEX 2_b: Data Collection Matrix: Empower Poor Khets Through Capacity Building.....	87
10.4	ANNEX 2_c: Data Collection Matrix: Establish an Inclusive Khet Participatory Decision-making Process.....	90
10.5	ANNEX 2_d: Data Collection Matrix: Participatory Decision-making Process 93	
10.6	ANNEX 2_e: Data Collection Matrix: National Project Management/ Institutional Efficiency of Poverty Fund	94
10.7	ANNEX 3: Complaint Monitoring and Handling Procedure.....	95
10.8	ANNEX4: Khet request for payment standard form.....	98
10.9	ANNEX5: Procurement of goods.....	99
10.10	ANNEX6: Procurement of works.....	111
10.11	ANNEX 7: Contract agreement between PRF and the communities.....	127



1 INTRODUCTION AND OVERVIEW

1.1 Background

The Poverty Reduction Fund Project (PRFP) is an innovative effort of the Lao People's Democratic Republic. The PRFP aims to support one of the primary goals of the national Five-year Socio-economic Development Plan (2001-2005) and the Interim Poverty Reduction Strategy Plan: to reduce poverty in the country by half by 2010.

1.2 Project Objectives

The main objectives of the PRFP are to:

- assist villagers to develop community infrastructure and gain improved access to services;
- build capacity and empower poor villages in poor districts to plan, manage and implement their own public investments in a decentralized and transparent manner; and
- strengthen local institutions to support participatory decision-making and conflict resolution processes at the village, *khet*, and district levels, involving a broad range of villagers, including women, the poor and ethnic minorities.

The project aims to deliver resources to poor villages, efficiently and effectively. Villagers will decide on how resources are allocated, manage project funds and the implementation of subprojects. Extensive facilitation and training is provided through the project to ensure that poor villagers, including women, participate in the decision-making process and benefit from project inputs. The project builds local community capacity by providing technical support for villagers over a number of years, to help solve problems and resolve conflicts. The project aims to create stronger links between the local government and the aspirations of villagers with project staff at district, province and national levels coordinating and building linkages.

1.3 Targeting

The main targets of the PRFP are communities in poor villages. Poor districts have been chosen on the basis of a population-weighted poverty index, consumption and expenditure data, local knowledge and participatory processes. All villages in a targeted district are eligible to participate. The villages in a chosen district participate based on sub-district groupings called "*khet*", pre-existing *khet* or clusters of villages where *khet* do not already exist.

The list of provinces and districts participating must be ratified by the Fund's Administrative Board, and approved by the government and the World Bank on an annual basis, as must the grant allocations for each participating district.



1.4 PRFP Principles

The Poverty Reduction Fund Project is designed around a number of key principles that provide the basis for project implementation and supervision, as well as for local innovations, and for the evaluation of the project and its impact. The principles of the project, further explained below, are:

- Simplicity
- Menu of Options
- Participation
- Ownership
- Transparency and Accountability
- Wise Investment (sustainable, replicable, complementary)
- Empathy (“Siding With The Poor”)

1.4.1 Simplicity

The project design, rules and regulations are simple. This ensures greater transparency and local ownership of the project. Materials and methods used by the project are verified with villagers to ensure that they are properly understood and appropriate.

1.4.2 Menu of Options

The project can provide funding for a wide range of village infrastructures and training. Villagers, taking into account the limited resources and capacities available locally, will prioritize their own proposals. The project staff and local government agencies, will provide villagers with the information required to make informed choices.¹

1.4.3 Participation

In order to ensure effective use of funds, villagers need to negotiate and collaborate together. Decision-making must involve more people than just the village government, party representatives or elite: it must involve the whole community. Assistance and information is provided to villagers by facilitators and consultants as well as local government technical staff, but the communities themselves decide priority subprojects for funding.

1.4.4 Ownership

Villagers must be willing to contribute to subprojects to show their support and ownership of the activity. The local contributions can be in cash, in kind, and/or in labour. As with every other aspect of the subprojects, villagers themselves decide. This information must be included as a part of the *khet* proposal. To ensure sustainability, detailed operations and maintenance plans must also be included in proposals, and villagers must be genuinely

¹ Menu options may be added as the project progresses and the capacity of villagers, facilitators, consultants and local governments increases. For example, capital for social services, community micro-enterprises and/or micro-credit might be provided in year two, depending on demand and results of the first year’s project implementation. Changes to the menu require the approval of the government and the World Bank.

willing to operate and maintain any infrastructure that is built². Operations and maintenance teams must be established before funds are disbursed. Encouraging high levels of ownership is critical if activities are to be sustained in the long term.

1.4.5 Transparency and Accountability

Complete transparency and local accountability are essential. Villagers own the grants and they must be satisfied that the funds are used properly. All complaints will be taken seriously and investigated by the PRFP staff. Villagers are entitled to question project decisions and disbursements, and they must receive clear answers to their questions. At every stage and at routine meetings villagers must be informed how the funds are being used. *Khet* and village implementation teams must give a full and clear account of the use of grant funds to all of the villages. Villagers will be made aware of their rights early on in the process. They will also be told who to contact if things are not proceeding as planned and how to report problems.

1.4.6 Wise Investment

(Sustainable, replicable, complementary)

This project will expand annually to cover additional poor districts. The Poverty Reduction Fund is legally established so that it can channel assistance from many sources. The eventual aim is for it to provide a mechanism for revenue transfers to locally determined and community-managed development interventions in all poor areas: interventions that are wise investments. The scope of the initial project and the PRFP itself is not meant to supplant other, larger development efforts but to complement such efforts with small, local community investments. Sub-project activities need to also be relevant: that is to say, the degree to which the investment is effectively addressing the expressed needs of the poor communities must be given due consideration.

1.4.7 Empathy (“Siding With The Poor”)

The Poverty Reduction Fund, all the PRFP consultants and facilitators work for the poor. As such, for each planned and implemented activity, in all processes and all procedures, preference is given to the poorest people in the community. Facilitators and consultants are evaluated based on this principle: their championship of the rural poor.

Any change to the project design requires the mutual agreement of the Government of the Lao PDR and the World Bank, and it must be in accordance with the above principles.

² Proposals and plans should be detailed but not overly complicated. It is of utmost importance to abide by the key principle of simplicity so that the process doesn't get bogged down in project proposal formulation because of low levels of education of villagers. Appropriate support and training should be provided to strengthen local communities' capacity.

1.5 Basic Policies

1.5.1 Types of Activities

The PRFP will fund proposals prioritized by villagers, which they decide are feasible, based on technical information provided to them and designs and budgets prepared with the help of the project technical assistance team.

The project is able to fund a wide range of small activities that are proposed and acceptable to the district level forum, including community infrastructure and training activities.

The list of acceptable types of investments is discussed below. It is expected that the project menu will expand in year two and thereafter, provide assistance for activities such as locally based community enterprises or income-generating activities (probably viable, group-based, on-going activities as opposed to new enterprises); support services for existing, viable, and proven micro-credit and/or village revolving fund groups, which have capital from the mobilized savings of borrowers; and, community social services. Decisions on changing the scope of the menu will depend on mutual agreements between the Government of Lao PDR and the World Bank.

Project Menu

The project allows for villagers to propose and have funded a large selection of community infrastructure and training.

1. Community Infrastructure

Sub Project Type	Items <u>Eligible</u>	Item <u>Not Eligible</u>	Probable Procurement Method
Access and Transport	Bridges, footpaths, tracks, culverts, ramps, piers, road repairs and up-grading.	New roads and road surfacing/sealing	Open
Water systems	Wells, gravity water supply, small weirs, ponds, etc.	Piped household water hookups	Community participation
Community Irrigation and Drainage	Weirs, canals, bunds, gates, spillways, and other structures	Electrical pumps	Community participation
Markets, community halls, and sanitation	Buildings, drainage, latrines, wells, and furnishings.	Generators	Community participation
Health post or clinic and sanitation facilities	Building, furniture, latrine, supplies and medicines, allowance for nurses/midwives (in cash or kind)	Generators	Open
Schools, nurseries and sanitation facilities	Buildings, latrine, allowance for teachers (in cash or kind), supplies, equipment, furniture.	Any supplies provided by the government	Community participation
Community electrical supply	Mini-hydro generator, wiring	Gasoline or diesel generators	Community participation

2. Training Activities

Many types of training can be funded under the project, as long as providers can be identified and contracted. (Civil servant or government-subsidized bodies cannot be paid using project funds, except if they can establish that they (i) are legally and financially autonomous and (ii) operate under commercial laws and (iii) are not a dependent agency of the borrower)

3. Pilots

Grants for community enterprises and community social services as well as community revolving funds might be provided on a pilot basis but only starting in **year two** of the project. The experiences of year one will be the basis on which the decision regarding such pilots will be made.



1.5.2 Types of Activity Prohibited in PRFP (the “Negative list”)

The project will not fund:

- new roads;
- road resurfacing;
- road sealing (laterite, asphalt etc.);
- electrical, gasoline or diesel generators or pumps;
- piped, individual household water hook-ups;
- equipment or materials that can be paid for from other funds;
- chain saws;
- pesticides and other dangerous chemicals;
- investments detrimental to the environment;
- acquisition of land (purchase or lease), under any conditions;
- construction, rehabilitation, or maintenance of any government office buildings;
- payments of salaries to government servants or the salaries of the staff of government subsidized organizations;
- any activity unacceptable to a large number people (regardless of their ethnic background).

Each subproject must take into account environmental and social impacts. To ensure this, all proposals must include completed environmental and social checklists. As part of the design stage, an environmental review will be undertaken on all larger subprojects considered to be difficult or potentially hazardous by the provincial engineers. The standard checklist for this review is provided in Chapter 8 of this document. Since most works are very small, environmental risks are expected to be minimal.

Project consultants and facilitators are trained and tasked with ensuring that activities follow the rules of the project, and that activities on the negative list are not supported with project funding.

Forced (involuntary) resettlement is not allowed under any condition. Voluntary resettlement requires an early special approval from Vientiane, prior to any decision in the inter-*khet* meeting.

Further details regarding social and environmental “safeguards” are dealt with in Chapter 8 of this Manual and also in the Technical Guidelines.

The government and the World Bank will review the list of prohibited activities every year.

1.5.3 Number and Size of Proposals

Each *khet* can submit up to six proposals each year. At least half of these **must** be the result of deliberations in a separate women’s meeting held prior to the general inter-village *khet* meeting. If the sole priority of both the women and men is the same, then a *khet* might submit just one proposal.



It is expected that each *khet* in the participating districts will receive funding for at least one proposal during the life of the project. Sub-project proposals cannot exceed \$25,000. Depending on the size of subprojects and the decisions of the community representatives, it is possible that every village will have a proposal funded.

Khet proposals can be for investments for one village or villages can collaborate and combine and submit *khet* subproject proposals for multi-village investments. In the case of investments proposed jointly by more than one *khet* the upper limit is raised from \$ 25,000 to \$ 50,000.

1.5.4 Proposal Selection

Representatives of the communities decide on which proposals will receive funding at the district level (inter-*khet*) forum. Delegations of elected villagers make these decisions based on a mutually determined set of criteria which must include: estimated impact of the subproject on poverty; number of beneficiaries; and, the amount of local contribution (cash, kind, and/or labor), level of poverty and precariousness of applicants (emergency, contingency)

Those villages and *khet* that did not have their proposals approved in the first year have priority in subsequent years. This should enable all *khet* joining the project in the first year to have at least one proposal approved over the 5-year life of the project.

1.5.5 Sanctions

- a. Sanctions are determined and agreed to in order to regulate project implementation and ensure that poor villagers benefit. Sanctions are imposed for violations of agreements made between villages of a *khet* and the project. Sanctions can also be imposed by villages or groups on individuals.
- b. Sanctions are aimed at ensuring the accountability of various related parties in the management of PRFP activities.
- c. Sanctions can be in the form of:
 - i. Community Sanctions, determined by agreement in sub-village or group meetings, village meetings, and inter-village/*khet* meetings;
 - ii. Government sanctions in the form of legal sanctions, which can be imposed on government officials, consultants, and communities in accordance with prevailing legislation;
 - iii. PRFP sanctions, which include stopping PRFP assistance in the case where the district or cluster of villages do not manage PRFP well, where PRFP principles are violated, where funds or authority is misused, or where there is serious deviation from PRFP procedures.
- d. All agreed sanctions must be clearly explained before submission into the official minutes of local meetings. The sanctions must also be publicly displayed on information boards in villages.



1.5.6 Funding

a. Sources and Allocations of PRFP Funds

The Fund is initially financed through a credit from the World Bank. Eventually the Fund may be supported by various other sources, including government revenues. Each chosen district receives a block grant during each cycle (or year) for the length of the project. The amount of each district's grant will be determined and announced at the beginning of each year. District allocations are made in proportion to the number of poor people living in a PRFP district with regard to levels of severity of poverty. The use of these funds is then made based on the results of the district (inter-*khet*) meetings. Chapter 3 gives further clarification regarding the district allocations.

Each year the Administrative Board and the World Bank will review the method of allocating grants to districts, and the amount of the grant allocations, based on recommendations from the Executive Director. It is possible that additional funds will be given to districts that implement the project well, or that fewer funds will be provided to districts that have not managed the available resources properly. District level grants can only be set with the approval of the Government of Lao PDR and the World Bank.

b. Funds Disbursement and Channelling Mechanisms

The details of fund flows and disbursement are dealt with in Chapter 7 and in the Finance and Administration Manual.



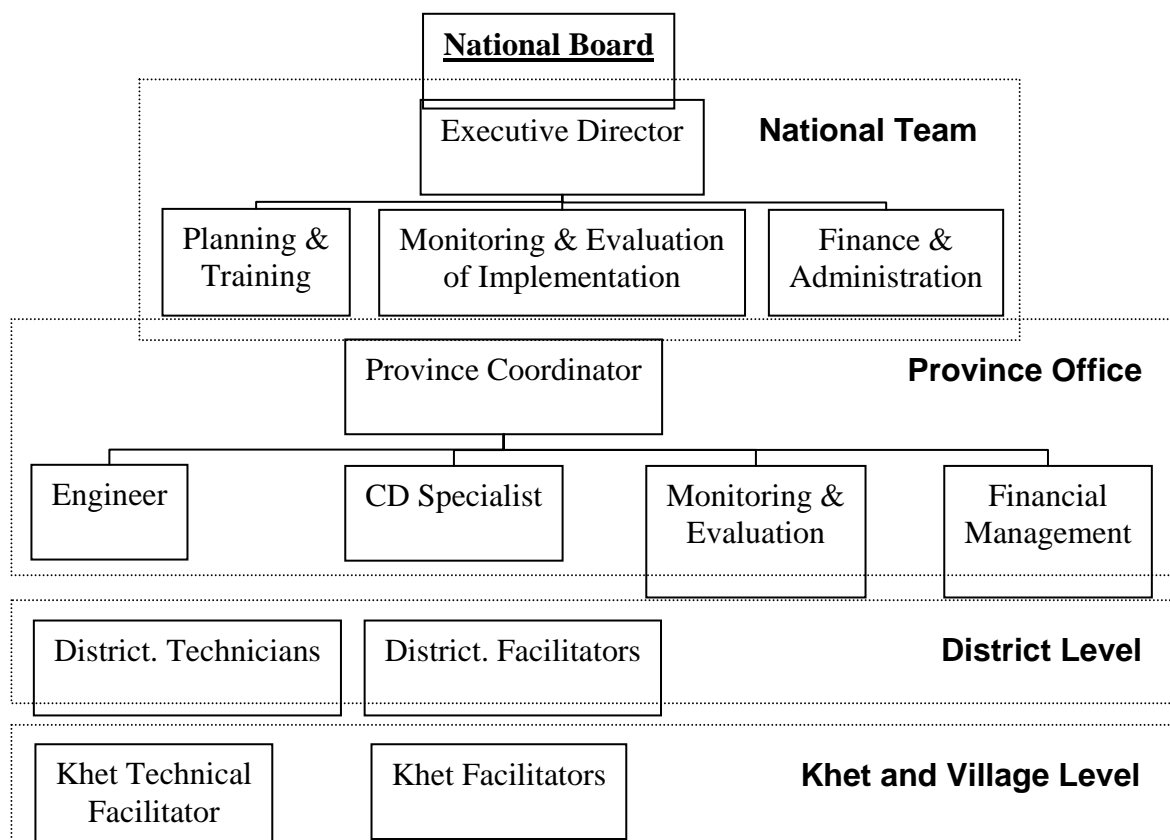
2 PROJECT ORGANIZATION AND STRUCTURE

2.1 Organization of PRFP

The PRFP organizational structure is highly decentralized, with most tasks being carried out locally, but with supervision and oversight from the central team and from provincial offices that report to the office of the Executive Director. The PRFP is structured like this in order to give effective and efficient assistance to communities in the planning and implementation of community activities.

The project structure helps to ensure that the activities implemented provide the results desired. This requires a high quality of facilitation, and the organizational structure of the project directly supports facilitation for the communities. The structure also takes into consideration the need to develop a Management Information System to track progress, to report to the government, and to provide inputs for future policy development.

The general structure of the PRFP is shown below.



2.2 Overview of the Autonomous Fund Management

The Poverty Reduction Fund has been legally established as an autonomous entity, formed and run in accordance with the Decree of the Prime Minister No. 73/PM dated May 31, 2002 (see Annex ANNEX 1: Decree of the Prime Minister page 80). The



Executive Director manages the Fund, the project and the project office, staffed by consultants in Vientiane. The Executive Director reports to the Administrative Board of the PRFP. The day-to-day management of consultant services and responsibility for subproject implementation and quality will rest with the facilitators and consultants hired by the project. The province level offices and teams of consultants and facilitators report to the Executive Director. There is a direct line of command from the Executive Director to province level technical team and the District Facilitators. Consultants and facilitators report to the Executive Director, and coordinate closely with local government officials and technical sectors. The Executive Director contracts consultants to carry out additional tasks such as training, specific studies and independent monitoring as needed (see 2.4 below).

2.3 Role of Government

Even though the project is highly autonomous, the government still has important roles to play, particularly related to supervising and providing advice and guidance at all levels.

The project cannot provide support to government officials from the grant or operational funds. Nevertheless, the project must encourage government involvement. For example, in order to avoid duplication, make optimal use of resources and ensure that the impacts of subprojects are sustainable the following measures are taken:

- The community makes full use of locally available resources. This may include, where appropriate, the technical expertise and/or equipment of government agencies at the district and province level. It is the responsibility of the District Facilitator to find and disseminate information regarding these resources as early as possible in the proposal preparation stage.
- All proposals must include viable, detailed, Operation and Maintenance plans including a clear division of responsibilities and financial plan. Where external (government or other) resources are required there must be a clear agreement on what will be provided, when and how.
- All proposals must have a clear statement of the source of necessary inputs such as teachers, books and equipment for schools; and medical staff, equipment and pharmaceuticals for health centres. Proposals will be considered incomplete and unworthy of support if they do not fully explain the required inputs to ensure sustainable benefits with, where appropriate, written confirmation from the external source that such inputs will be made available.
- After prioritization of proposals, but before the community representatives make a final decision on allocation of funds, the District Facilitator will share the proposal lists with local government and interested organizations donors, so that they can provide advice regarding alternative or supplementary sources of assistance. Communities can make their final allocation decisions after allowing seven days for this advice. The District Facilitator will assist in seeking guidance and support.
- Where alternative sources of assistance may be available for specific proposals, this information must be clearly stated at the district level decision-making meeting by the District Facilitator, who is responsible for ensuring that this information is made available as early and widely as possible.



2.4 National Level Structure

2.4.1 Administrative Board

The decree of the Prime Minister that establishes the PRFP also sets the mandate for the Administrative Board and the Executive Director (see below). The Administrative Board performs a number of important tasks including, but not limited to:

- setting policies and rules;
- establishing targets, defining clusters of target villages;
- creation of the yearly plan and budget;
- seeking additional resources to support the development program;
- monitoring of progress;
- establishing and improving procedures and systems;
- clarification to related government agencies regarding the project.

Most of the decisions of the Administrative Board will be based on knowledge and experience generated by the project, as reflected in the reports of the Executive Director. Strategic decisions require prior agreement from the related donor agency and relevant government offices. The Administrative Board will include knowledgeable influential and implementation members from government and from civil society.

The following notes concern some of the key positions under the guidance of the Administrative board, including the Executive Director.

2.4.2 Executive Director

Duties and responsibilities:

- overall responsibility for the Fund, project implementation and results;
- management of the national team and provincial teams;
- oversight of all project activities;
- ensures that recruitment for project positions at the national, provincial and district levels is fair and open to all qualified candidates;
- ensures that the project strives to achieve and maintain a gender balance at all levels, and that minority groups are included in the structure to help ensure wider representation;
- evaluates consultant/facilitator performance periodically, making decisions on personnel (hiring and dismissal, placement, etc.);

Reports to: the Administrative Board in Vientiane, periodically (at least semi-annually).

Staff supporting: The entire project structure: All consultants and facilitators.

Remarks: Implements the policies of the Administrative Board in accordance with the policies and rules of the project. Coordinates with officials, providing monthly progress reports and holds coordination meetings that focus on problems whose solutions require government and PRFP collaboration.



2.4.3 Senior Advisor

Duties and responsibilities:

- advise the PRFP Executive Director and the Central Team on project policy, procedure, co-ordination and implementation;
- strengthen capacity in participatory planning;
- assist with training and annual work program preparation;
- monitor work progress and to provide field support to technical teams at sub-project sites;
- provide data analysis, working methodologies and processes for project implementation

Reports to: Executive Director.

Remarks: Develop and maintain strong working relations with authorities at all levels as well as donors and other institutions involved in project activities. Work directly with the Executive Director and other supporting staff members.

2.4.4 Senior Technical Advisor

Duties and responsibilities:

- oversee all technical and engineering aspects of the sub-project activities being carried out at the local level, including surveys, design, procurement, implementation procedures and maintaining records;
- develop and implement standard designs, drawings and guidelines, to be used in the sub-project menu;
- design and implement a Unit Cost Database (UCD) that will be integrated into the project's Monitoring Information System;
- oversee technical training program (to be developed by another consultant), for the provincial and district engineers and technical facilitators;
- select the provincial technical staff and district facilitators in each of the three target provinces.

Reports to: Executive Director.

Staff supporting: Works directly with province level technical experts.

Remarks: Will provide advice to the Executive Director and the Chief of Engineering regarding training of provincial and district staff and will also work closely with the MIS to develop reporting.

2.4.5 Monitoring and Evaluation Coordinator

Duties and responsibilities:

- maintaining the project Management Information System (MIS);
- supervising provincial MIS consultants;
- analysis of incoming data;
- producing reports for Executive Director and Administrative Board;
- overseeing project promotion and planning stages;



- overseeing quality of implementation and project impact;
- managing the complaints monitoring and conflict resolution procedures;
- ensuring appropriate actions are taken.

Reports to: Executive Director

Staff supporting: A team of senior consultants and staff, direct link to the province level M&E experts.

Remarks: This consultant must coordinate closely with all other sections and levels of the project to ensure optimal results.

2.4.6 Planning and Training Coordinator

Duties and responsibilities:

- ensure that project activities are carried out according to the project guidelines as well as contributing to the training and general capacity building of staff at all level of operations;
- coordinate a strong team spirit, delegating tasks, and providing the necessary guidance for monitoring and evaluating project activities at the various levels of project;
- develop and deliver a comprehensive training to be implemented throughout the project area throughout the duration of the project activities;
- assist with analysis of the target districts and provinces and compiling other profiles and reports as required by the project;
- assist in developing focal area planning tools and methodologies;
- assist in developing a standardized means of collecting data of districts: geographical location and climate, district structure, main constraints and development opportunities.

Reports to: Executive Director.

Staff supporting: A team of senior consultants and staff, direct link to the province level CD and Technical experts.

Remarks: Will be required to work closely with the project director, in coordinating project activities at the provincial, district and sub-district levels.

2.4.7 Chief Finance and Administration Officer

Duties and responsibilities:

- coordinate with project management on the financial, procurement and administrative aspects of the project;
- advise project management on sound accounting including procurement administration and personnel;
- design and provide training regarding financial procedures throughout the project;
- design and provide training and support to the field offices in financial management and report writing;



- produce timely financial reports in accordance with the project guidelines.

Reports to: Executive Director.

Staff supporting: A team of senior consultants and staff, direct link to the province level finance experts.

Remarks: Will be required to work monitor and support financial activities at the provincial, district and sub-district levels.

2.5 Province Support Teams

A team of consultants is based in the capital of each chosen province. Consultants in the province teams must spend at least 65% of their time in target districts, *khets* and participating villages. Transport is provided to enable such fieldwork, including the supervision of district facilitators.

Province teams meet monthly with district facilitators to collect reports, discuss progress and problems, and provide on-the-job training. These meetings are also used to evaluate facilitator performance and provide guidance.

The province level team is as follows:

2.5.1 Province Coordinator (one person per province)

Duties and responsibilities:

- management of the provincial team;
- oversight of activities in the province;
- carrying out field support roles;
- coordination with province level government agencies.

Reports to: Executive Director in Vientiane.

Staff supporting: Province team.

Remarks: The Provincial Coordinator will submit progress reports on project implementation as well as liaison with other projects in the provinces and districts, as well as other institutions at provincial and district levels.

2.5.2 Community Development Specialist (one person per province)

Duties and responsibilities:

- supervises district facilitators and village facilitators,
- oversees all aspects of the project information dissemination and local planning stages;
- manages the complaints monitoring and conflict resolution procedures, in conjunction with the Monitoring and Evaluation consultants;
- ensures transparency throughout the process, in cooperation with the financial management expert and the civil engineering support team;
- oversees training provided to local facilitators in community development, participatory processes and conflict resolution techniques.



Reports to: Provincial Coordinator and coordinates with the national level Operations and Training Coordinator.

Staff supporting: Province and district teams.

Remarks: Will advise in the design and development of a framework whereby provincial advisors will be able to support district facilitators in planning and implement local developing projects.

2.5.3 Financial Management Expert (one person per province)

Duties and responsibilities:

- assists villages in accounting and contracting;
- regularly inspects village books and records;
- maintains the province level account for the project;
- administers disbursement of funds from the account (only the elected village representatives can actually make withdrawals);
- provides training to villagers selected to manage funds as well as to village officials;
- facilitates cross-village “audits”;
- helps to conduct village level meetings to explain to villagers the use of funds received by the village implementation team.

Reports to: Province Coordinator and the Chief Financial and Administration Officer in the Executive Director’s office.

Staff supporting: Province and district teams.

2.5.4 Monitoring and Evaluation Expert (one person per province)

Duties and responsibilities:

- processes data from the field, primarily consisting of reports from facilitators and technical staff;
- puts data into computerized format to allow easy transfer of data and analysis;
- assists the Province Coordinator in the production of province level reports for the government;
- highlights issues for other province level team members to troubleshoot;
- records problems and solutions, working closely with the other team members to ensure that reports capture key issues and reflect site realities;
- assists in the maintenance of the Unit Cost Database and Management Information System (MIS);
- assists in the transfer of data to national level.

Reports to: Province Coordinator and the national level Monitoring and Evaluation Coordinator.

Staff supporting: province and district teams.



2.5.5 Technical Advisor (up to one person per district, based in the province)

Duties and responsibilities:

- oversee all technical aspects of village and *khet* sub-projects within their province, including the engineering and technical survey, design, procurement, implementation inspections and final completion records;
- oversee the work of the District Technicians and through them, the *Khet* Technical Facilitators;
- participate in the instruction and orientation of new district and village personnel;
- find skilled trainers when villagers request technical training;
- frequent site inspections during different periods of the sub-project cycle;
- carry out environmental evaluations of sub-project proposals that exceed the threshold;
- updating of technical data in the MIS;
- periodically carrying out a unit price survey of raw construction materials and labour rates in their provinces. This information will be sent to Vientiane for input and updates to the Unit Cost Database.

Reports to: Civil Engineering Support Specialist at the national level.

Staff supporting: province and district teams.

Remarks: Initially all civil engineers, but as the project develops and menu choices are expanded to include activities other than infrastructure, experts from others fields, such as agriculture and micro-finance, might be included. The Province Engineers serve the villagers and are not “bosses” in any sense; their authority derives from the villagers who own the funds; but the villagers must also abide by the principles, rules and regulations of the project.

2.6 District Teams

At the district level consultants act as a bridge between the needs at the *khet* and village levels with the sources of support at the district and province levels. The work of these consultants is focused on the field, assisting the communities, but they also have a vital role to play in the reporting process.

District teams meet bi-monthly with *khet* facilitators to collect reports, discuss progress and problems, and provide on-the-job training. These meetings are also used to evaluate facilitator performance and provide guidance. The results of these meetings are fed into those at the province level.

The district level team is as follows:

2.6.1.1 District Facilitators

Gender balance will be a criterion for selection. Each target district has a minimum of two full-time facilitators: one man and one woman, and they work as a team with the District Technician because in practice their duties may often overlap.



Duties and responsibilities:

- work directly with communities participating in the project;
- train, assist and supervise *khet* facilitators, subproject implementation teams, village representatives and teams, and village officials;
- help villagers identify needs, plan subprojects, implement funded subprojects and account for funds disbursed;
- monitor and supervise the process;
- identifying and helping to solve problems that arise including: construction problems, interference, corruption, exclusion, elite capture, conflicts etc.;
- reporting project progress and problems encountered;
- assist in the training of *khet* facilitators and teams.

Reports to: Provincial Coordinator and coordinates with district officials.

Staff supporting: District and *khet* teams.

Remarks: These facilitators must be able to speak the language(s) of the villagers in their area and must live in or near the district centre. They will be provided with appropriate transport or a transport allowance sufficient to allow them to spend at least 65% of their time in the participating villages. Each *khet* and as far as possible each village should be visited by at least once a month. District Facilitators will meet *Khet* Facilitators at least once monthly to provide training and assess progress and implementation problems. They should have at least a high school diploma and preference will be given to those with experience and post-high school education or further training. In areas where candidates with high school diplomas are not available, the best candidates will be chosen and provided with additional training and supervision. At least one District Facilitator in each targeted district must be a woman. Candidates from ethnic minority groups will be encouraged.

2.6.1.2 District Technical Advisor

Duties and responsibilities:

- technical preparation of village and *khet* sub-projects within their district, including the engineering and technical survey, environmental screening, selection of standard designs, minor adaptation of standard designs to suit village or *khet* wishes;
- assist with planning of procurement;
- implementation inspections and environmental monitoring;
- final completion records;
- instruction and on-the-job training of *Khet* Facilitators and implementation teams;
- frequent site inspections during all periods of the sub-project cycle;
- attend all *khet* and district meetings;
- make recommendations to village and *khet* representatives regarding the use of standard designs for specific sub-projects and procurement/implementation methods.



Reports to: Province Engineer.

Staff supporting: Province and district teams.

Remarks: The District Technicians must be able to speak the language(s) of the villagers in their area and must live in or near the district centre. The District Technicians will be provided with appropriate transport or a transport allowance sufficient to allow them to spend at least 65% of their time in the participating villages. Each *khet* should be visited by the District Technician at least once a month to provide training and assess progress and implementation problems.

2.7 Khet Level

2.7.1 Khet Facilitators

Each *khet* elects three facilitators, one man and one woman for community development and one Technician. These facilitators are volunteers, they do not receive a salary, though the PRFP provides a small amount to cover expenses (transport, subsistence while away from the village, etc.) and provides free training related to their duties. These facilitators are selected from the three candidates proposed by each village in the *khet*. It will be encouraged to propose, and select, candidates from vulnerable ethnic groups. At least one of the three candidates must be a woman. No *khet* facilitator can at the same time hold a position in the village administration or any other formal position in local government administration. All facilitators are trained and receive guidance and technical support as required.

All facilitators are evaluated periodically and can be replaced if the villagers are unsatisfied with the services of the facilitators, or if they do not fulfill their duties within the project. It is expected that all *Khet* Facilitators are able to read and write, though exceptions can be made in extraordinary circumstances. One of the facilitators must be chosen to lead the facilitator team, so that their efforts can be coordinated more effectively. One of the facilitators must be given charge of helping the villages of the *khet* report to the district and eventually the province level on a monthly basis. This reporting will use simple, standard forms that reflect the use of funds and physical progress of the subproject(s). It is likely that the same facilitator will assist with the training of the village and/or subproject treasurers, and the preparation of the documents necessary to request withdrawals from the PRFP account at the province level.

No *khet* can participate in the project unless they elect a capable female facilitator.

Facilitators are crucial to the project. Their role in linking the community to resources is the one that must be stressed most strongly. The facilitators make sure that as many people as possible know about the activities and participate. They must try to include people who are usually excluded from such processes. In many places the facilitators will have to make special efforts to include women and the poorest families in the villages as well as ethnic minorities. In some places the facilitators must also make special



efforts to encourage the participation of particularly vulnerable ethnic groups and look for ways of overcoming linguistic, cultural and social barriers.

In particular, *Khet* Technical Facilitators will work closely with the village and *khet* implementation team during all phases of a sub-project, from the proposal stage through to implementation and finally operation and maintenance of completed, turned-over sub-projects. The *Khet* Technical Facilitator does not work for the PRFP, but rather for the villagers within the *khet*. He/she will provide liaison with the District Technician, helping with field technical and environmental screenings as necessary. *Khet* Technical Facilitators with experience in construction of small scale infrastructure will likely be elected to act as *khet* 'foreman' for CP procured sub-projects, although this is not a requirement. If a sub-project is constructed using contractors, the *Khet* Technical Facilitator will act as an onsite inspector, helping the District Technician with technical supervision of the sub-project on behalf of the *khet*.

2.7.2 **Khet Teams**

During implementation, a number of teams are created based on sub-project management needs. Some examples may include the following:

- Voluntary team or Procurement and Construction Supervision Team who will supervise procurement and construction process based on the principles and policies of the project;
- *Khet* Management Team or Implementation Team who is responsible for a management of project implementation, including information dissemination;
- *Khet* Maintenance Team who has a responsibility to manage maintenance activities in the *khet*.

The types, number and responsibilities of teams may sometimes differ, according to local needs.

The aim of creating teams is to divide the responsibilities so that the strengths of local people are used optimally, increasing transparency, without putting too much burden on a small number of people.

The establishment of many small teams with clear and simple tasks will help ensure broad-based participation, greater transparency and local ownership. For this reason, people on these teams should not hold other positions (for example, someone on the implementation team should not also be on the team responsible for overseeing finances and payments). The danger with this system is that many small teams may cause confusion, and this is why the teams must have their roles and responsibilities clearly stated and understood from the outset.

Each team should have at least one spokesperson who reports to the general public at *khet* meetings regarding progress of the subproject from their particular perspective.



2.8 District Forum

The villages in the *khet* come together to elect four *Khet* Representatives (two of whom must be women), who participate in district level meetings. A *khet* official or the head will usually also attend such meetings. For example, a district with eight *khet* has thirty-two (8 x 4) *Khet* Representatives plus District Facilitators, officials and observers from the province. District forum will be called at a number of critical stages of the project (see Project Cycle), including to decide allocation of funds, and also to resolve disputes.

SANCTIONS FOR CONSULTANTS AND FACILITATORS

No consultant or facilitator hired by the project is allowed to directly handle any funds provided to a village from the district grant allocation. A facilitator who does not live in the district, or is often absent from work without prior permission, will be dismissed. Any consultant who is evaluated and considered not to be serving the interests of villagers, especially the village poor, will be dismissed. Village opinions will be considered in making any such decision. Corruption by consultants or facilitators will not be tolerated. This includes lack of action on reported cases of corruption by supervisors or facilitators on instances of corruption reported by villagers. Consultants and facilitators who do not report suspected cases of corruption are in effect covering up corruption and considered to be in collusion!



3 TARGETING, PHASING, AND RESOURCE ALLOCATION

3.1 Overview of Targeting and Phasing

The PRFP supports the government's objective of reducing poverty. Targeting of the project to poor areas and poor people is therefore essential. Poverty rates throughout Lao are high. However, poverty targeting is notoriously difficult, since available socioeconomic data rarely reflects the multifaceted nature of poverty, especially in rural areas.

Selection of target areas for PRFP operations is based on data at the national level and local level knowledge. PRFP uses available poverty and population data to rank districts by poverty, poorer districts are given priority.

Thus, resources are allocated to each target district based on available poor population figures that are weighted according to local respective poverty levels, with an average allocation of \$5 per capita for the weighted population of the identified poor villages, rounded to the nearest \$ 1,000. Subprojects proposed by *khets* can be funded within the district allocation.

Phasing of PRFP operations is carried out on a district-by-district basis, beginning with poor districts in three carefully selected provinces. The provinces have been chosen for their regional diversity, varying poverty levels, and level of infrastructure and communications development to permit early start up of operations. The rationale for this is to build experience with the project modalities as quickly as possible under a range of conditions. This experience will be extremely useful for identifying areas for inclusion and design of implementation strategies in the years that follow. This chapter sets out the methods for targeting decisions, the phasing of operations, and the rules for allocation of resources to districts.

The methods utilized by the PRFP for targeting and resource allocation must be objective and transparent to all stakeholders. PRFP will report publicly on any new targeting and resource allocation decisions it makes and how it makes them. Transparency and objectivity are key PRFP principles, they will be used to convince stakeholders that the PRFP decisions are fair and equitable.

3.2 Methods of Targeting

Provincial Targeting. Successful targeting of PRFP operations and resources requires accurate and believable data on poverty at the local level. The Lao Expenditure Consumption Survey (LECS) prepared by the National Statistical Centre (NSC) provides such data at the national and provincial levels. Using this data, provinces can be reliably ranked as to their poverty rates, using a standard poverty line of minimum per capita consumption. The NSC has published provincial rankings based on the 1997 LECS survey. Huaphanh Province has the highest percentage of poor at 70%. Champassack and Savannakhet are more prosperous at 37% and 35% each. Champassak has a population comparable to Huaphanh, and it will be instructive to see if the significant pockets of poverty there can be reached effectively through PRFP activities. Savannakhet has almost double the population, and again the comparison will prove useful in designing future interventions. Whereas it is assumed Huaphanh



will eventually receive support for all eight of its districts, Champassak will not be eligible to receive additional support in any of the other 6 remaining districts, because poverty levels are considered too low. In Savannakhet Province, the total number of districts amounts to fifteen, out of which nine face high poverty levels. Therefore, in addition to the initial four districts covered by PRFP, the possibility that other eligible districts in Savannakhet province could be added later on is not excluded at this early stage.

The three initial provinces for PRFP operations have also been chosen to provide a more logistically favourable challenge in Champassak and Savannakhet, and presenting a more demanding challenge in Huaphanh which is more remote, poorer, and equipped with less transport and communications infrastructure. In later years the PRFP will expand into two more provinces which will be selected based on experience in the original three, with the objective of selecting locations that have both high population, good potential for development using the project methodologies and high poverty rates.

District Targeting. PRFP will operate in the poorest districts within the chosen provinces. LECS data from the National Statistics Office (NSC) is not particularly representative at the district level. However, some initial attempts have been made to rank districts nationally by consumption and other measures of vulnerability and poverty. These produce different results, but with some districts, which may be the very poorest, identified as poor by the two different methods. NCS has also been undertaking new initiatives to rank poor villages.

District targeting will proceed in years 2 through 5 on the following basis:

- Districts in the selected provinces will be ranked by poverty rate, from poorest to richest, using the most accurate data and methodologies available, by the province level authorities;
- Only those districts with significantly high poverty rate will be considered for PRFP operations.

Districts are the primary targeting unit. For the purposes of this project, districts are said to consist of a number of subdivisions called *khets*, which are themselves clusters of villages. Community representatives achieve targeting within districts through subproject prioritization.

Once a district is a part of the project it will receive assistance until the final year, unless a serious infraction has occurred. In such cases the district may be suspended or dropped from the project list, unless another suitable resolution to the problem has been achieved.

Lists of target districts have to be confirmed each year by the Administrative Board, representing the government, as well as by the World Bank. The list for the current year will be taken from those ranked “HIGH” or “MEDIUM” priority in the Table overleaf.



Districts

Province	District	Population	Per Capita Consumption Index	Poverty Headcount (PHC)	Priority Rating
					High = 40 Medium = 36
Huaphanh	Huameuang	23,665	83.8	63.3	HIGH
Huaphanh	Xiengkhor	74,841	86.8	60.7	HIGH*
Huaphanh	Xamtay	47,084	86.7	60.7	HIGH
Huaphanh	Viengthong	20,352	87.5	60.1	HIGH
Huaphanh	Xamneua	45,836	93.4	55.3	HIGH
Huaphanh	Viengxay	32,873	94.2	54.6	HIGH
Savannakhet	Nong	16,723	103.9	47.4	HIGH
Savannakhet	Xonbuly	34,602	104.3	47.4	HIGH
Savannakhet	Thapangthong	24,011	106	46.2	HIGH
Savannakhet	Atsaphone	41,123	106.2	45.6	HIGH
Savannakhet	Phine	40,994	107.6	45.3	HIGH
Savannakhet	Vilabuly	24,560	107.7	44.7	HIGH
Savannakhet	Sepone	35,731	110.7	42.7	HIGH
Savannakhet	Atsaphangthong	48,743	112	41.9	HIGH
Savannakhet	Champhone	86,550	113.9	40.7	HIGH
Savannakhet	Outhoomphone	69,025	115.2	40	MEDIUM
Savannakhet	Xaybuly	42,936	116.2	39.3	MEDIUM
Savannakhet	Songkhone	81,864	119.6	37.2	MEDIUM
Savannakhet	Khanthabouly	124,896	137.3	28.7	---low---
Champasack	Moonlapamok	32,228	116.8	38.7	MEDIUM
Champasack	Khong	65,212	120.1	36.7	MEDIUM
Champasack	Sukhuma	38,051	120.7	36.6	MEDIUM
Champasack	Pathoomphone	43,142	120.6	36.4	MEDIUM
Champasack	Champasack	49,242	123.7	34.8	---low---
Champasack	Bachiangchaleunsook	34,354	125.1	34.3	---low---
Champasack	Sanasomboon	55,716	125.7	33.8	---low---
Champasack	Phonthong	73,704	126.1	33.6	---low---
Champasack	Paksxong	44,518	132.6	30	---low---
Champasack	Pakse	65,220	167.4	18.3	---low---

- This district has since divided into three smaller units, all of which are suggested for the first year of the project.



*Khets*³ are informal groupings of villages (usually of 10-20 villages), near to one another and linked by road, trail or river transport. All *khets* within a targeted district are eligible to participate, as are all villages within these *khets*. In places where there has been a serious problem, the Executive Director may suspend a *khets* from the project until the problem is solved, or indefinitely if no solution is found.

Subprojects can include basic infrastructure and activities that are most likely to appeal to the poor in village settings, thus they self-target to the poor. The small subproject size will reinforce the project's self-targeting. Experience in many countries with similar projects establishes the fact that targeting subprojects to poor households within a village is possible only through these self-targeting aspects of the project menu, and the highly participatory decision-making processes at the village level that will give voice and responsibility to all segments of the village community. These processes will give the poorest members of the village, and women, a mechanism to publicly propose and lobby for subprojects that will benefit them. To strengthen the self-targeting nature of the project, one of the main selection criteria for activities will be: "*Significant, sustainable impact on local poverty*".

3.3 Responsibility for Targeting Decisions

The national PRFP office, under the Executive Director, is responsible for preparing materials for the larger scale targeting decisions under the project: identification of target provinces and districts. Selection of provinces for inclusion in PRFP will be approved by the Administrative Board based on the recommendations of the Executive Director. These recommendations will be based on inputs from the Planning and Training Unit and the Monitoring and Evaluation Unit of the national PRFP office in Vientiane.

Future district selections will be proposed by the Provincial Monitoring and Evaluation Unit through the Provincial Coordinator and sent to the Executive Director for approval. The Provincial Coordinator will consult the provincial and district authorities to obtain their input and guidance on district selections.

The Administrative Board will approve the list of proposed provinces and districts, as presented by the Executive Director each year. Final selection of locations and related funding allocations must then be agreed by the national level government and ratified with a statement of no objection from the World Bank.

Where no *khets* are established, approval of the "project *khets*" (subdivisions of the district) will rest with the Executive Director, and with the Administrative Board in the event of unresolved disagreement with provincial or district authorities, after review of the input of local authorities and proposed village clusters of villages, based on criteria that will include social cohesion, ethnicity and topography.

³ A former political institution grouping villages into administrative zones. Still informally present in some districts.



3.4 Phasing of Operations

The first year of project implementation involves many start up activities at all levels, development of operational and accounting systems, training of project personnel, and the application and fine-tuning of the project processes in light of practical on-the-ground experience. Initially there will be ten districts in the project: three districts in Savannakhet, four in Champassak and three in Huaphanh. This will expand to fourteen districts in year two. The summary phasing of the project is presented in the table below (Table 3.1).

The basis for this overall phasing is as follows:

- Each district averages ten *khets* (Based on calculated average for ten initial districts);
- Each province has around ten districts (Champassak:10 districts; Savannakhet: 15 districts; Huaphanh: 8 districts) but only chosen districts will participate, based on poverty rates and anticipated level of success;
- For the initial provinces, sixteen districts are distributed, four each in Champassak and Savannakhet, eight in Huaphanh. Four additional districts will be selected from two additional provinces and/or among remaining eligible districts not yet covered in Savannakhet province in year two and year three. In total twenty four districts will be covered by the PRFP.
- Most, if not all villages in participating districts will have a good chance of obtaining support for a sub project proposal of average cost during the life of the project;
- Average sub project cost is estimated to be around \$ 5,400.

Table 3.1 LAOS POVERTY REDUCTION FUND PROJECT

PROVINCE	2003	2004	2005	2006	2007	TOTAL
Huaphanh ⁴	3	3	5	8	8	8
Savannakhet	3	3	3	4	4	4
Champassak	4	4	4	4	4	4
Province 4	-	2	4	4	4	4
Province 5	-	2	4	4	4	4
Total Districts	10	14	20	24	24	24
Khets	98	140	200	240	240	240
Subprojects	294	420	600	720	720	2754
Grants (\$)	1,598,745	2,283,922	3,262,745	3,915,294	3,915,294	14,976,000

This overall phasing of the project will be adjusted during implementation. Local capacity and average sub project cost are two major determinants of the number of *khets* and villages reached and the number of sub projects funded each year. A third

⁴ Huaphanh comprises eight districts



determinant is the proposal approval rate, here assumed to be around 80%. This would be comparable to similar projects in other countries. Higher average costs and higher approval rates will reduce the geographical scope of the PRFP.

Responsibility for annual reassessment of project phasing rests with the Executive Director, who prepares annual operational plans and budgets for submission to the Administrative Board for approval.

3.5 Allocation of Resources

It is essential that the cost of effectively delivering the grant funds is kept to a minimum so that most of the funds can have a direct impact on poverty at the community level. It has been decided that at least 75% of total project funds must be used for sub-project financing. Therefore, no more than 25% of project funds can be used for operational support, monitoring and administrative costs.

Transparent allocation of resources is a cornerstone of successful PRFP implementation. The method used under PRFP is based on the following considerations:

- before the annual cycle begins, each participating district must be informed in writing of their total funding allocation, which is theirs to use exclusively during that annual cycle;
- unused district allocation resources can be held over for the next annual cycle, up to 10% of the annual allocation;
- the district allocation formula is driven by the population of poor villages, with the dollar allocation rounded to the nearest \$1,000.

Each year, meetings are held between selected representatives from all *khets* in a district in order to decide which proposals will receive support (see Chapter 4 for details of the operational cycle). The meetings may decide to support small value projects that allow for more projects to be supported, higher value projects with lower the number of projects, or a mixture of large and small. Villages therefore, through their *khet* representatives, control how the allocation shall be distributed. Some activities may approach the sub project maximum cost of \$25,000. Others may be much lower in cost. Representatives of the communities make these decisions together, within the overall budget allocation and the sub project maximum. The decisions are made based on carefully prioritized proposals, with detailed designs, schedules and budgets.

Where two or more *khets* decide to combine proposals, the maximum limit is \$50,000 for a subproject. In these cases additional support and supervision will probably be required from the province level.

Grants may be given to cover special recurrent costs; these are **not** project operational costs. Eligible costs include a small hardship allowance on top of government salary, in the case of remote areas for a teacher, nurse, doctor etc.; book purchase allowance; school supplies; basic health supplies. Equipment can not be considered a recurrent cost (e.g. scales, refrigeration, desks, blackboard, etc). Since available funds are limited, these will displace other grant options for the district or *khet*, and therefore



should not be entered into lightly. They would need to be clearly justified (i.e. there is **no** current support from the government or other donors for the costs). The Government representatives and/or the community must agree that they will take over this recurrent cost responsibility after the grant has expired (maximum three years), and that community matching/counterpart will be no less than 25%. Ideally, project support should decline during the period of support.

3.6 Responsibility for Resource Allocation

Each year the Executive Director requests the Operations Unit to compile a list of participating districts, based on input from the provincial units. The Provincial Coordinators recommend changes in district participation or in resource allocation to a particular district based on performance during the most recent cycle and updated data. The Provincial Coordinator may delay district access to its allocation, but only in exceptional circumstances, or if its disbursement percentage is less than 100% but more than 70%. No new allocation will be prepared for any districts with less than 70% disbursement in October each year.

Annual allocation cannot be prepared and disbursed, without the Executive Director's review and clearance. The Executive Director, on recommendation of the Provincial Coordinator, will take a decision on delay of transfer if there are major performance issues, such as:

- Required meetings not held, or held without required representation;
- Disbursement percentage for current annual allocation is below 70% at the time of allocation transfer to provinces (October/November);
- Commitment rate of current allocation is below 80%;
- One or more villages within the cluster have misallocated resources without making restitution.

If there are no such performance issues with a district, then the Finance and Administration Unit at the national level will prepare the new allocations per district, taking into account the amounts carried over, and applying the approved formula for each. Transfers to the provincial sub accounts should take place to coincide with the onset of the dry season in October/November. Transfers are based on projected expenditures of approved sub-projects.



4 PROJECT CYCLE, PROCEDURES AND PROJECT MENU

4.1 Preparation

4.1.1 Orientation for National Actors and Training of Trainers

After the Administrative Board is formed and national consultants are recruited, an orientation for all national staff is conducted. Trainers must be recruited and contracted to carry out pre-service project training and to prepare training materials and modules for both in-service and on-the-job training to be conducted by project consultants during project implementation. A training of trainers is held to train the master trainers who will carry out the initial pre-service training of provincial consultants and district facilitators. Provincial Orientation Workshops will also be held in each selected province.

Prior to all project training a detailed but simplified manual, a Facilitator Handbook, for field use must be prepared. Communications materials for use in villages must also be prepared.

The initial consultant/facilitator orientation and training must include adult education techniques and training methods, facilitation, conflict resolution, and project principles, procedures and regulations.

Special training in technical matters will also have to be held (standard designs, unit costs, procurement, construction supervision etc.) as well as aspects such as financial management, accounting and simple bookkeeping for community subprojects.

4.1.2 Recruitment and Training of Project Staff/Consultants and Facilitators

Any selected consultant or facilitator who does not attend training or who does not complete training satisfactorily will be replaced. A minimum of five persons in each provincial office and three persons in each district office must be trained along with reserve candidates (for Year One a minimum of 20% or one reserve per district must also be trained). A more detailed discussion of project training is found in chapter 9.

4.2 Socialization

Socialization is the promotion of the project and its principles, processes and procedures to villagers, consultants, facilitators and government officials. Socialization starts at the first phase of the project at the local level and it is the foundation upon which the project builds, though in actual fact socialization and the dissemination of information occurs throughout the project, at every stage and at every level. This first phase is crucial and directly supports the success of the subsequent processes and activities implemented in the following phases.

Throughout the project, all PRFP actors at all levels are involved in the effort of encouraging broad-based participation, transparency and monitoring, including participatory monitoring by villagers. All PRFP actors must have the same level of understanding of the program, its principles, and procedures so that villagers are not



given confusing and conflicting messages, and so that villagers really understand their rights and responsibilities. Brochures, posters, radio spots and other communication materials will be prepared and used for socialization in the PRFP.

4.2.1 Provincial Workshops

After initial training of project staff, orientation meetings are held in each province. Participants of these meetings are the Executive Director and key members of his staff, provincial consultants and district facilitators, local government officials from the province and district, a representative of the local bank, representatives of local social organizations, persons from civil society, staff of other donor-financed projects, journalists, staff from local radio stations and respected elders and members of formal mass organizations. These orientation meetings need to include district level officials from target districts, at least the district chief, the head of planning, and the head of the lead agency for Rural Development and technical agencies.

The main reasons for these provincial workshops are to explain the PRFP objectives, principles, rules, and procedures in detail and to answer questions on the project. For example, all participants including local officials must understand that funding decisions rest solely with the *khet* forum. Local project staffs, under the guidance of the provincial coordinator, facilitate these meetings. Trainers and national level staff will assist as necessary. These workshops are held as soon as possible after the project appraisal and negotiations, and then each year before each new cycle.

4.2.2 First District (Inter-Khet) Socialization Meeting

After the provincial orientation workshops, the district (inter-*khet*) socialization meetings are held. These meetings involve villagers and village officials from each *khet* in the targeted district. The first meeting is very important, and the number of participants should be large enough, with representatives of all *khet* attending, so that later socialization within each *khet* can be carried out efficiently, presenting the necessary messages clearly and accurately. Some of these participants must be women. The district orientation meeting includes district administration officials, including those from technical agencies (education, health, public works, agriculture etc.) as well as a large number of villagers. The first district orientation workshop in any province involves consultants from the National Executive Director's Office. This workshop must not last for more than one day.

The meeting is facilitated by district facilitators with assistance from the provincial support team. District facilitators and officials from neighboring districts can also attend during the first round. The facilitation of this workshop includes many chances to test the understanding of the material being presented. If there is confusion regarding the principles, rules and regulations of the project and the confusion cannot be cleared up, then clarification must be sought from the national level and a second district workshop should be held.



One outcome of the workshop is a schedule of the first orientation meetings in each participating *khet*. The outline for these next meetings will be explained. For example, it must be explained that in each meeting in each *khet* there must be participants from each and every village in the *khet*. In addition, the villagers are informed that they should select three village representatives that they will be able to propose at the first *khet* meeting as *Khet* Facilitator candidates from their village; at least one of them must be a woman. This information needs to reach all villages so that they know when and how the *khet* meeting is to be held to actually select these facilitators.

Local sanctions for non-performance must be discussed and agreed to at these district meetings. The future use of operational funds at the district level is also discussed.

Consultant teams must ensure that powerful local individuals or groups do not try to dictate what will be funded, subverting the entire purpose of the project. The district meetings are a good opportunity to explain the need for the bottom-up mechanism. Local facilitators have to help with logistics, ensure that all villages participate and are involved in and informed of decisions made.

4.2.3 Khet Socialization Meeting (the First Khet Meeting)

Khet socialization meetings are held according to the schedule agreed to during the first district socialization meetings. District Facilitators, facilitate the *khet* meetings, with assistance from district officials as appropriate. The meetings should involve as many villagers as possible, including women, from all villages in the *khet*. All those involved in village administration and all unit heads, local teachers and elders should attend. Village Development Committees, where they exist, should participate and can help to facilitate village meetings and project planning. If fewer than five persons from each and every village in the *khet* attend, then the meeting must be repeated. Special follow-up meetings must be held in the villages without good participation at the first *khet*-level meeting.

This first meeting is essential to the success of the project. The local facilitator will assist and report on the use of the information boards. The meeting is used to discuss the most appropriate means for the dissemination of project information. This meeting is used to select *khet* and technical facilitators from the candidates from each village (maximum of three candidates per village, at least one of whom a woman). All nominees must attend. The meeting selects the volunteer *Khet* Facilitators: one man and one woman for information dissemination and non-technical aspects of the project, and a special *Khet* Technical Facilitator. The district facilitators should have already had a chance to explain the roles of facilitators and interview all candidates before the meeting so that they provide recommendations to the forum. A simple, open selection from the candidates is carried out at the meeting. The chosen facilitators are then trained at the district level. This meeting is also used to reinforce the understanding of



project objectives, principles, procedures and the rights and responsibilities of villagers.

Local sanctions and the issue of invitations for meetings, scheduling of *khet* meetings, and how to encourage villagers to attend meetings will also be discussed in this meeting. *Khet* information boards are set up after this meeting, with key information posted. A team of villagers, which can be set up specifically for this purpose if necessary, must maintain these boards.

4.2.4 Village Socialization Meeting (the First village Meeting)

Village socialization meetings are held according to the schedule agreed to during the first *khet* socialization meetings. District Facilitators and *khet* facilitators, facilitate the village meetings, with assistance from district officials as appropriate. The meetings should involve as many villagers as possible, at least half of the adult men and women of the whole villages. All those involved in village administration and all unit heads, local teachers and elders should attend. Village Development Committees, where they exist, should participate and can help to facilitate village meetings and project planning. If fewer than half of the adult population (men and women respectively) attend, then the meeting must be repeated. Special follow-up meetings must be held in the villages without good participation at the first village-level meeting.

4.3 Planning

The planning phase covers activities through the gathering of subproject ideas at the group and village levels up to the finalization of funding decisions at a district level meeting. The key steps of planning are:

4.3.1 Group/Village Meetings

Khet facilitators and district facilitators carry out small group, neighbourhood and village meetings. These meetings can be held concurrently with village socialization meetings and aim at beginning subproject planning. Facilitators conduct these meetings, with the cooperation of village representatives and village officials and the group heads. Women in the village will hold separate meetings. The female facilitators will usually facilitate these women's meetings. The *Khet* Facilitators note all of the ideas discussed and those that the village and the women of the village wish to discuss further at a *khet* level meeting (see Village Need and Priority Assessment). The *Khet* Facilitators make a note of the people who are elected by the villagers' forum to attend a *khet* decision meeting as their representatives who must be at least four (two men – two women). But, although the general public will not select *khet* subprojects, everyone is encouraged to attend to make certain that their representatives are truly acting on their behalf. These notes and a public invitation for attending a *khet* decision meeting are put on the Information Board, as are all other important notes at later stages of the project.



These meetings gather ideas for proposals, submitted by the people of the village. During these meetings the process of reviewing and revalidating the village development plan can also take place. If a village has not yet prepared a longer-term village development plan, this opportunity can be used to begin the process. It is assumed that village development priorities—the ideas for subproject proposals for the PRFP--will be consistent with the village development plans, but they might be different since the PRFP has a limited menu of options.

4.3.2 Khet Decision Meeting

The objective of the *Khet* Decision Meeting is to determine which proposals will be submitted at the next district meeting. This meeting is conducted in two parts. Part one is a meeting of only women; part two is a general meeting for the public, including all chosen representatives, and including women.

In the women's meeting, the participants settle on which activity or closely linked group of activities they will put forward. The women may propose up to three proposals, but there is no guarantee that these will be supported, they must be processed in just the same way as other. Their proposals are announced and ratified at the general *Khet* decision meeting (not reviewed or revised).

The general *Khet* decision meeting must be attended by the majority of the elected representatives, with representatives from each and every village in the *khet*. The aims of this meeting are to:

- determine what priority activities or closely linked groups of activities are to be proposed by the *khet* at large, men, women and youth together (the activities that will form the three additional general proposals from the *khet*);
- decide who will be responsible for overseeing project implementation, if funding is approved;
- elect *khet* representatives to the inter-*khet* meeting that will determine funding priorities. At least four elected *khet* representatives, two men and two women, in addition to the *khet* head, will attend the inter-*khet* meeting. These elected representatives must not hold any other government or official position. Anyone is allowed to attend these meetings, but the *khet* is represented officially by the four-person delegation;
- decide who can help them prepare a very simple proposal (the village teacher, for example).

The proposals are simple outlines, in a standard format (see Technical guidelines), describing what is to be built or carried out, how large, for whom (men, women, ethnic groups), where and when (if important), information on local contributions to the subproject costs; who will be responsible for overseeing implementation; project location etc. The proposals at this stage do not include detailed designs or budgets. These will be added later, with



assistance from the District Engineer or the provincial support team, after funding priorities are determined at the district level meeting.

After the district Decision meeting (See section 4.3.3 below), the proposals that have been prioritized will be appraised and other sections will be added, which will also include:

- details designs and cost estimates;
- a maintenance and operations plan and budget;
- Procurement and financing plan;
- Environment impact assessment/check;
- Required inputs to ensure sustainability and confirmation that external inputs (if needed) will be available;
- detail out all other resources available in the *khet* and how these are being used, for what; and
- a sketch map with the subproject location shown.

This first *khet* decision meeting is essential to the success of the project. The local facilitator will assist and report on the use of the information boards. The meeting is used to discuss the most appropriate means for the dissemination of project information. This meeting also selects a head, secretary and treasurer of the Implementation Team who will be responsible of all of the PRF process in the *khet*. Local sanctions and the issue of invitations for meetings, scheduling of *khet* meetings, and how to encourage villagers to attend meetings will also be discussed in this meeting. *Khet* information boards are set up after this meeting, with key information posted. A team of villagers, which can be set up specifically for this purpose if necessary, must maintain these boards.

4.3.3 District Decision Meeting to Prioritize Subproject Proposals

This district level meeting is held to prioritize proposals. This meeting is facilitated by the district facilitators and attended by at least one person from the provincial support team. In most cases not all proposals can be funded in one year. It is expected that most participating *khets* will have many subprojects funded during the life of the project. Not all activities will cost the same; some will be larger than others. Some subprojects will benefit only one village; some many or even all villages within a *khet*. Proposals not funded in one year can be funded in a subsequent years (though they will need to be resubmitted). All proposals are considered together and ranked together.

4.3.4 Preparation of Designs and Budgets, Procurement Methods

After proposals are ranked, they are sent to the District Technician, who, with the province support team, assists villagers to prepare designs and budgets and proposes a method of procurement (see Chapter 6 for details on procurement). At this stage the provincial engineers can begin to focus more on proposed activities that seem large, unique and/or difficult. Additional training or assistance can also be scheduled. A separate Technical Manual, with standard designs and unit costs, provides guidance for the Provincial



Engineers and District Technician who assist villagers in the preparation of designs and budgets for prioritized proposals.

4.3.5 Khet Subproject Design and Budget Meetings

The Provincial Engineers and District Technician hold meetings, at least one meeting in each *khet*, to ensure that villagers really understand and accept the designs and budgets prepared, and the method of procurement recommended. These meetings must include village officials in villages affected, all *Khet* Facilitators, and the village/group representatives who proposed the activities. Anybody is allowed to attend this meeting.

If a *khet* or a village rejects the design, budget or recommendation regarding the method of procurement, this must be discussed and a suitable alternative found. The Provincial Engineers must be prepared to explain to all villages any risks in the chosen design.

If an Operations and Maintenance Team has not yet been created, one is established at this stage. Project facilitators will provide a standard checklist for O & M as well as training for O & M teams.

While the District Technician and/or Provincial Engineers discuss on design and budget, the District Facilitator must randomly interview some community members to ensure that proposals actually do come through the accepted project planning process.

4.3.6 District Decision Meeting to Finalize Funding Commitments

Another district (inter-*khet*) meeting is held to finalize and ratify funding decisions, based on priorities established in the previous district level meeting. The decision is based on the ranking of priorities, taking into account the newly prepared designs and budgets.

A proposal that is not funded can be revised for funding in following years and also referred to other potential sources of support. Based on the subproject proposal, detailed designs, schedule and budgets that have been prepared, this meeting ratifies what proposals can be funded with the funds available and which have to be postponed. Data on all prioritized proposals, those funded and those not funded, are entered into the MIS at the province office.

In this meeting, the district forum will also set-up teams to inspect bookkeeping in *khets* by using a cross-checking system where *khet* teams will check the bookkeeping of other *khets*. (for further explanation see 4.5.2).

4.4 Implementation

Implementation involves a number of steps from preparation to the actual construction of the works, including periodic cross-village assessment visits, monitoring and reporting. Preparation for implementation is needed to ensure quality, to be certain that construction is in line with PRFP principles and objectives and based on the design and budget of the subproject.



4.4.1 Khet Preparation Meeting

Immediately after the district level decision meeting, there will be a *khet* level meeting to:

- announce which proposals have not received support and why;
- announce what has been funded and the amount of funds provided;
- sign the contract between the project and the *khet*;
- mobilize workers and local contributions;
- arrange for the advance of funds for the subproject;
- discuss procurement and begin the process;
- set up small, voluntary teams to monitor implementation, the use of funds and materials purchased, including the operations and maintenance team, if this team has not already been established;
- elect some people to assist the head of Implementation Team to implement the sub-projects;
- elect a small team to be responsible for the local procurement process. This is called an “*Evaluation Committee*” (*EC*), it consists of not less than five local representatives as members, of which at least two should be women. The memorandum on EC establishment must be kept in the *khet* file.

4.4.2 Additional Training for Facilitators and Implementation Teams

Before funds can be withdrawn, training is conducted for facilitators, implementation teams and others in each area on construction techniques, procurement and contracting, and construction supervision. Such training covers both community procurement and shopping procedures.

4.4.3 Training of Khet and Village Teams

District Technicians, assisted as required by the Provincial Engineers and District Facilitators, provide training to the voluntary teams established in participating *khets* and villages for monitoring and accountability of implementation, and also for operation and maintenance of completed works. Checklists and other materials are provided as appropriate from the national level.

4.4.4 Implementation of Subprojects

Implementation of sub-projects begins after contracts are signed between the project and the *khet* forum, the recipient of the grant, and teams are established, and funds are available. Basic training also occurs before the beginning of construction. Timing of implementation also depends on the type of activity and the season. Construction of small works should not take more than one to four months.

In the implementation of approved subprojects, the following principles need to be observed:

- the community is the owner of the subproject and therefore any decision is the responsibility of the villagers of the *khet*;



- where labour is to be paid, the village poor should get priority as labourers;
- when there are parts of the work that are beyond the ability of the community, the community can utilize outside skilled labour or experts as long as it has been previously agreed and included in the approved subproject proposal.

Chapter 7 describes in detail processes and regulations for funds flow, for advances and for subsequent, staged withdrawals, based on certification of physical progress and proof of village review of certification and use of earlier withdrawals. The Technical Manual includes standard designs and unit costs, and deals in detail with what villagers must do to reallocate unused budget from approved subprojects (“under runs”) or revise planned activities (designs and budgets), and create change orders. Reallocating unused budget and change orders must both be negotiated at a *khet* meeting or a district meeting for larger amounts or significant changes. Such changes must be reported to the province office for entry into the MIS. In general, unused funds can easily be reallocated to expand the volume of an activity. However, because of the case-by-case nature of these small activities, it is wiser for communities to seek province level approval in all such cases.

4.4.5 Khet Accountability Meetings

Accountability meetings are held before every fund withdrawal from the bank. These meetings are to review progress, problems and the use of all funds expended to date. District Technician and/or District Facilitators assist and then survey villagers to see if what was discussed has been understood and whether villagers are satisfied with progress.

Training in bookkeeping and reporting is given whether a subproject is implemented by the community itself or with the assistance of a contractor. Throughout the process the *Khet* Facilitators submit simple reports that include information from each village involved in subproject implementation, the District Facilitators summarize these reports for the province level. Standard forms, including reporting formats, are provided in The Finance and Administration Manual. Reporting must be routinely carried out throughout implementation.

Training is provided periodically for local facilitators and local teams, as needed, depending on the activity and stage of implementation. See Chapter 9 for more details on training and capacity building for staff and villagers.

4.4.6 Periodic Cross-Village Visits and Monitoring

During implementation, periodic cross-village visits and public review of expenditures must take place, to show villagers best practices elsewhere and to help identify and expose bad practices as well. This is an integral part of enhancing transparency and building local capacity.



4.5 Post Implementation

4.5.1 Accountability/Hand-over Meetings

Accountability meetings are held after a subproject is completed. These meetings are to account for a subproject completed and to “hand over” the project from the implementation team to the *khet* and the village(s) affected. Such a meeting can also be used to plan for the second cycle. At this meeting the villagers will discuss whether they are satisfied with the performance of the implementation team, whether they wish to replace facilitators, and so on.

4.5.2 Subproject Account Assessments (Evaluations of the Use of Funds and Subproject Efficiency)

As part of subproject completion and the beginning of a new cycle, the subproject books will be inspected, by teams selected by the district forum. These assessments of accounts will be carried out for all *khet* and beneficiary villages. The results of such audits will be reported back to villagers. If an audit is “qualified,” then action must be taken before funding decisions for the second cycle are determined. A “qualified” audit that is not satisfactorily taken care of could result in a *khet*’s proposals submitted in the second cycle not being considered. Similar checks will be made on a sample basis by the project.

4.5.3 District Evaluation Meetings

At the end of the each cycle and before any funds can flow for the following cycle, a district meeting must be held to account for funds spent. A district level report must be prepared by the District Facilitator working with the Province Coordinator, for the provincial government and for the National Executive Director’s Office in Vientiane.

Though the first cycle planning process is expected to take about six to eight months, subsequent cycles in the same areas might take only about three to four months. Because time is spent in initial, preparatory exercises, in new areas the process might take six to eight months, and therefore they should begin earlier. Not all areas are expected to be on exactly the same schedule. Detailed schedules will have to be drawn up by each provincial support office in consultation with District Facilitators.

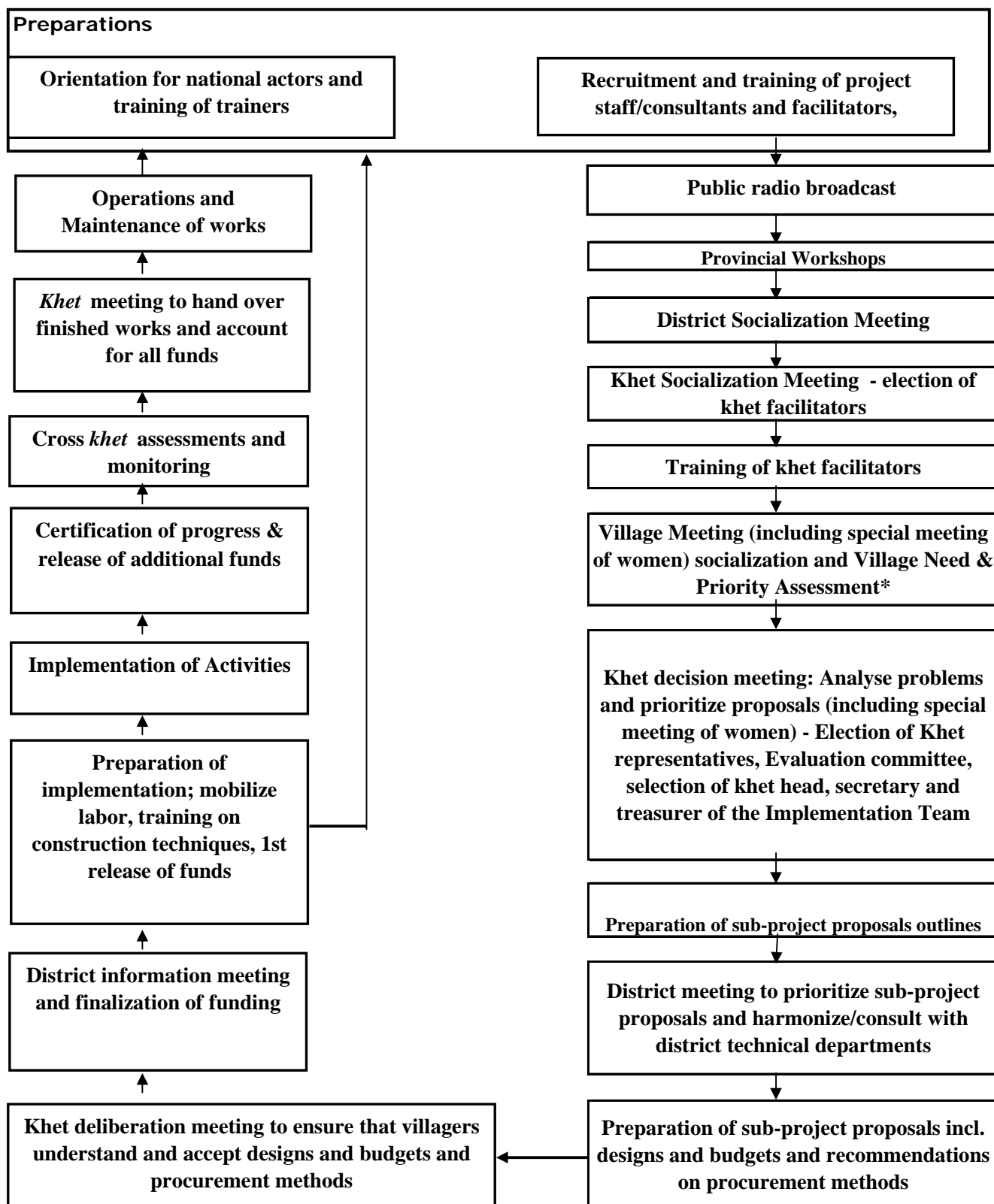
4.5.4 Independent Assessments

Independent technical assessments and audits will be carried out for each cycle.

4.5.5 Complaint Resolution Mechanism

A complaints resolution system is central to the project. A complaints database will be maintained as part of the project MIS, both at the province and national level. Response to complaints is central to the success of the project (see also Chapter 5 and Annex 3).



PRFP ACTIVITY CYCLE

4.5.6 Operations and Maintenance

Operations and Maintenance of the subproject built as part of the PRFP is the responsibility of the khet and villages, which built the works. This will be monitored periodically on a sample basis, and used as an indicator of community ownership and sustainability of project outcomes.



5 MIS, MONITORING, EVALUATION, SUPERVISION, REPORTING

5.1 Overview of Monitoring and Evaluation System

The Monitoring and Evaluation (M&E) System uses a range of methods for collecting and processing data, including:

- Operational Management Information System (MIS)
- Baseline and Follow-up Surveys
- Beneficiary Assessments
- Cross-*Khet* Monitoring
- Complaints Resolution Process and Database
- Annual Audits
- Case Studies

The PRFP is designed to be an active, adaptable, learning institution. It is also responsive and transparent: complaints and requests for assistance are acted upon and all reports are publicly available. The project monitors its own performance in relation to the stated development objectives. Each of the data collection and processing methods is briefly explained below.

5.2 Management Information System.

The backbone of Monitoring and Evaluation for this project is the operational Management Information System (MIS), since this provides most of the data for measuring progress, during subproject planning, as well as throughout implementation. The MIS is based on very simple, monthly, standard format reports from the *Khet* Facilitators, as well as paperwork related to withdrawals from the PRFP account. The standard reporting formats are provided by the national level and are appropriate to the main phase of planning or implementation being undertaken (see also the Finance and Administration Manual). The reports are submitted to the District Facilitators, where they are examined and annotated again. Copies of the annotated forms are sent to the province level where the data is examined by the province level team and entered onto a computer file. The computer file is used as input to the disbursement system, as the figures gained include both costs and physical progress data. A copy of the computer file is sent to the national level for the purpose of early identification of possible problem locations, comparative analysis between locations, and the generation of a national level report. The same system is used to generate sub-national reports, which are fed back to the provinces and districts, so that they can compare their progress with other areas.

Thus, the MIS tracks implementation progress of individual subprojects against proposals and against typical progress benchmarks throughout the project cycle.

The data collected through the MIS will be supplemented as the project progresses, adding layers of information. For example, the project can track relative poverty and isolation, so that a more qualitative analysis may be possible (e.g., to what extent are poorer or more isolated areas prone to delays or issues of gender exclusion). These new layers can be added from public data sources and from the results of project related studies. Outputs may prove very useful for planning of future initiatives.



The MIS will be able to generate warnings if there appear to be delays or cost overruns, as it can be checked against the original proposal data and/or against standard designs for each subproject type. Key commitments, disbursements and progress milestones will be recorded and reported. The MIS will also include tracking of an agreed set of key performance indicators, many of which will be cross-checked through other M&E methods utilized within the project. The flow of the MIS follows two parallel and complementary lines: standard monthly reports that primarily capture the socio-economic aspects of the project, and reports triggered by key actions in the subproject. The monthly reports can capture data such as end-of-month progress and accounts. The triggered reports consolidate information from the proposal and design forms, withdrawal requests, completion report and other key steps in the process.

Khet

(*Khet* Facilitator reports using standard format(s), a copy is put on public display)



Triggered

District

(*District* Facilitators process the *khet*/subproject reports:

Add footnotes, and file one copy, forward one copy and follow-up on issues)



Monthly and triggered

Province

(Province office inputs data from reports (including comments) into computer MIS and generates simple province reports, by district, *khet* and village;

Follow-up for sites that seem to need special attention)



Monthly (MIS also has “real time” data)



National

(National office inputs data into main MIS system; analyses and generates national report; comparative province and district reports)



Quarterly (MIS also has real time data)



Province

(Public display of province data/analysis; disseminates district data)



Quarterly

District

(Public display of *khet* data/analysis;

Discuss progress with *khet* representatives/facilitators)



Quarterly

Khet

(Periodic public meetings to discuss progress and problems)



5.3 The Baseline Survey and Follow-up Surveys

A number of surveys will be carried out by the facilitators as an integral part of their duties during the course of the project to assess project success, verify the accuracy of progress reports and study specific related aspects.

The main studies, explained below, will provide essential information concerning indicators that reflect the impact of the project on development objectives, including:

- Access to and quality of infrastructure;
- Capacity building and empowerment;
- Strengthening participatory decision-making processes and increasing levels of inclusion of marginalized, the poor and women.

This information will be collected through accepted survey techniques such as community questionnaires, focus group discussions, snowball interviewing, and key informant surveys. Independent consultants may be hired to design the baseline survey and collect data from a representative sample of *khets*. As well, the National Statistics Centre's village/district surveys complements such a baseline data collection process, and could be included in the survey material collected.

In order to have comparative data available to show “with project” against “without project” differences, the same information will be collected by consultants for a sample of *khets* that are **not** participating in the PRFP. Comparing the two datasets will help to identify the effectiveness of the PRF project. The two sets of locations will be roughly comparable prior to project interventions, and any non-project inputs will be taken into account so that any compensation given to places without the project may be factored in. Follow-up surveys will be undertaken in the fourth year of the project to assess success and provide inputs to the design of the follow-up project.

5.4 Beneficiary Assessments

Beneficiary assessments will be conducted every year on a sample basis by an independent entity or consultant. These will provide useful feedback from communities concerning direct and indirect project impacts. This will indicate whether the development objectives are being met and give qualitative information regarding project implementation. The assessments will include a number of salient aspects, including:

- Accessibility and quality of services;
- Degree and forms of participation;
- Types of local organization and institutions;
- Perceptions of success and satisfaction;
- Perceived constraints;
- Roles of the *khets* and district forums;
- Issues related to project design and budgeting;
- Implementation issues (including use of contractors, supervision, any corruption);
- Appropriateness of poverty targeting;
- New associations and partnerships for *khets* or village clusters;



- Sustainability issues relating to subprojects (including O & M), future actions, expectations and goals.

5.5 Khet and Cross-Village Monitoring

The *khet* facilitators will help with the establishment of a number of small, voluntary teams in each participating *khet* to monitor progress, to witness the disbursement of funds, to oversee the purchase of materials and equipment and/or the works undertaken by third party contractors and to “audit” accounting books.

Throughout the year the project will also encourage villagers to visit other villages in their district to assess project performance and beneficiary satisfaction. They will look into how villagers like the project and who has been involved in implementation. The villagers will ask both beneficiaries and non-beneficiaries if they are satisfied with the work, if they know how much it has cost, if villagers know how to maintain the investment, and so on. It is expected that these visits will occur at least six times during each year, possibly increasing as villagers become more interested and as more capacity is built. The results of such monitoring visits will be discussed within *khets* carrying out such monitoring and those visited and will also be discussed in forthcoming inter-villager *khet* meetings. The possibility also exists to expand this to inter-*khet* and cross-district monitoring as well.

This form of monitoring can develop into farmer-to-farmer training, where representatives from successful *khets* help to monitor and advise less advanced areas.

5.6 Complaints and Resolution System

The project encourages transparency and community ownership. It is inevitable that there will be complaints registered as the project progresses, some may be valid whilst others may be simply based on rumours or gossip, or arises from a lack of information or transparency. The response to a complaint must be as rapid as possible, so it is important that the relevant person or people are notified as soon as complaints are received. The project needs to create and maintain a database of problems found and actions taken, documenting the process of complaint resolution from beginning to end. This is one of the most important monitoring interventions undertaken in this project.

The complaints resolution system database may begin with a letter from an external source (a villager, an NGO, etc.) or from a report from project staff or facilitators. The problem is carefully summarized and categorized before being processed in a computerized database at the province level. Immediately a note, usually with a photocopy of the documentation, is given to the relevant field personnel. In many cases it may be important to protect informants by not revealing their identities, as standard practice the source of complaints should be kept highly confidential. The action taken is reported and this is noted in the database by the M&E section(s). Cases that are solved are also noted in the database.

The database generates an automatic list of unresolved cases per *khet* every month. Every month this list will be forwarded to the relevant person and supervisor, so that monitoring of the process can take place effectively. The data is sent on a monthly basis to the national level, though large or particularly serious problems will be



reported immediately to the appropriate personnel. Villagers are kept informed at every step of complaints logged and actions taken. Villagers will be involved in solving complaints, problems, and conflicts that arise. The database needs to be able to track such things as corruption, collusion, nepotism, violations of consultant code of ethics, violations of project processes and procedures, interference against project principles.

Since the national level of management will use this information to refine the project design, it is essential that reporting of problems and solutions be accurate, honest and timely as possible. Facilitators and consultants are encouraged to report complaints and problems; not penalized for doing so. Indeed, failure to report complaints or problems will be considered a serious transgression on the part of the respective facilitator or consultant. Failure to report a serious problem may result in staff dismissal.

Further information concerning the complaint resolution mechanism is given in Annex 3.

5.7 Supervision

Periodic and targeted supervision trips are essential so that the agencies involved can follow project progress without being fully reliant on written reports, which may often tell only a biased story. The visits also underline the fact that higher levels of management care about the progress of the project and as such the visits can be genuinely appreciated by fieldworkers. Care must be taken to seek solutions to problems without causing undue loss of face for the fieldworkers, especially in the case of facilitators, as this can seriously undermine their effectiveness and therefore the success of the project in that particular location.

5.7.1 Supervision by the Board

The national level staff will provide information and advice to any Board member who wishes to carry out supervision trips to project locations. These visits may be to randomly selected sites or to villages known to have specific problems. Feedback from these visits to the Executive Director may include suggestions for improving project policy and advice on tackling particular problems.

5.7.2 Government Supervision

The government will monitor the project through field visits by the relevant national and local government agencies. These visits will be to selected sites and focus on aspects that reflect the individual responsibilities of the agencies concerned. So, for example, the Ministry for Education may elect to send a team to inspect schools being built by the project. Teams of government officials from different agencies may also visit locations from time to time. The project staff is expected to provide information to anyone interested in the implementation of the project, but they will not have the resources to provide any financial or logistic support.



5.7.3 Periodic Bank Supervision missions

As with all projects that are supported by the World Bank, there is a legal obligation on the Bank to assess progress and supervise compliance with agreements and standard procedures. The World Bank aims to support the PRF in resolving any implementation issues that have arisen, and can call upon a wide range of resources throughout the world, to find solutions to problems.

A Mid-Term Review between the World Bank and the Government of the Lao PDR will take place two and a half years after project effectiveness or when 50% of project funds have been disbursed; depending on whichever condition is met first. This will be a special mission, which will make a number of decisions regarding the future of the project based on reports from the PRF staff and direct field observations by mission members.

Periodically the World Bank will send small missions to review progress and advise and assist the project before and after the Mid-Term Review.

5.8 Annual Audits

Annual technical audits will be carried out to determine the *quality* of the *khet* investments. These audits, undertaken by consultants, will provide information in absolute terms as well as information relative to other delivery systems. They will assess if unit costs are reasonable and being adhered to, and also identify issues related to procurement and contracting issues. The technical audits will also try to establish if operations and maintenance plans are adequate, and being implemented. The reports from these audits will include specific recommendations regarding how the project might better achieve its stated objectives, for this reason it will be necessary for auditors to be briefed fully in the unique principles and methodologies of this project prior to carrying out field visits.

Financial audits will also be conducted by external, independent auditors on an annual basis. The audits will focus on two sets of issues:

- Accounting for funds used at the national level and transferred through to the province. These will result in a standard audit report to the PRF Administrative Board (please refer to the Financial and Administration Manual for further details).
- Accounting and bookkeeping practices at the levels below the province. The auditors will follow a random sample of cases from the province and see how funds have been used and recorded at the *khet*, village or group level. The auditors will examine not only the accounting system and books, but also the level of transparency and accountability at the village level, including those *khets* with high rates of illiteracy and low numeracy skills. Any weaknesses of the project systems will be reported, and suggestions for specific improvements will be given to the Administrative Board and national level team.



5.9 Case Studies

During the course of the project, the national level team may decide to carry out studies related to specific issues or types of subprojects to provide feedback for future initiatives, the improvement of manuals, training, subproject technical quality and supervision. These studies may be internal, fed by information received from project staff through questionnaires circulated to facilitators or staff, or conducted externally by individuals or organizations hired to undertake small-targeted studies. Aside from the obvious cost restraints on such activities, care must be taken not to unduly burden staff and facilitators with too much data gathering and form-filling, as this can demoralize the personnel and waste valuable time.

5.10 Sharing Results at The *Khet* Level

Information related to the project, and in particular the results from *khet* and inter-village monitoring exercises, must be shared with the general public. Information sharing is accomplished through at least two main methods, namely:

Formal Meetings: The *Khet* Facilitators will arrange for a *khet* level meeting to be called to discuss progress and problems. Before any request for a withdrawal can be made to the PRFP a public statement of progress must be made at such a meeting, and this must include a statement of funds spent to date as well as justification for decisions made and actions taken since the previous meeting and an explanation of the activities planned for the future. This is especially important in places where the level of illiteracy is high.

Information Boards: At each subproject location a simple board must be prepared that states the name, type and scope of the activity including costs and other relevant data. Another board will be erected in the *khet*, in a place that is easily accessed by the majority of the population (e.g. marketplace, outside of a school, near a temple), and information regarding the project will be posted or written onto this at regular intervals (updated at least once every month). The maintenance of this board can be entrusted to the *Khet* Facilitators, or preferably to a respected local group (e.g. village elders, a women's group, a youth group). The boards are a standard compulsory requirement, even where few people are able to read, since putting this important information in a public place makes corruption, collusion and nepotism more difficult to conceal.

Facilitators should explore other ways of informing the community about current progress and the problems faced by the project.

These efforts to ensure transparency will be checked by the project staff. Withdrawals of PRFP funds will not be permitted to *khets* that have not maintained reasonable levels of transparency. Likewise, the *khets* must help the project in monitoring the effectiveness of staff and facilitators by reporting any misconduct or tardiness to the province or, if necessary, the national level.

The Information Education and Communication specialist at national level will assist in the development of materials and methods to encourage support for the PRFP and greater transparency throughout the country. Some of these materials may need to be



translated into local languages by facilitators before they can be used effectively in *khets*.

Table: Summary of PRFP Monitoring and Evaluation

No.	Instrument	Source of Data	Implementing Agency
1	Management Monitoring and Reporting	MIS	PRFP staff
2	Baseline and Follow-up surveys	Community questionnaires, focus groups, key informant surveys (random sampling with adequate sample size)	PRFP facilitators with support and inputs from the NSC
3	Annual Beneficiary Assessments	Qualitative assessments of beneficiaries	Independent consultants or firm
4	<i>Khet</i> and Cross-village Monitoring	Qualitative, based on checklists	Community members with support from PRFP staff
5	Complaints and Resolution System	<i>Khet</i> /Cluster information aggregated to Province	PRFP Monitoring Unit
6	Technical Audits	Engineering assessment	Independent firm or consultants
7	Annual Financial Audits	MIS and financial records	Independent Auditors
8	Periodic Case Studies	Community Development or Engineering assessments	PRFP staff and/or independent firms or consultants or NGOs

5.11 Reporting

Regular reporting is essential in the PRF, as it is in most projects. In the PRF the formal reports will be prepared by the province level coordinators (and staff) and the national level Executive Director, assisted by his staff. Monthly provincial reports will have a local focus with a summary of progress, main characteristics of each *khet*, problems encountered, and so on. These reports will be presented to the national level as a record of progress for each of the provinces.

A national level report will be prepared quarterly. This will bring together the salient information from each of the provinces as well as remarks and field observations from the national level team, and relevant information from external sources.

An analysis of data entered into the MIS (see also 5.2) and other project data will be attached as annexes to reports.



Other sources, such as newspaper reports and incoming correspondence will be quoted whenever relevant in province and national level reports. Significant passages from the findings of studies or surveys will also be quoted in the reports.

The national level team must prepare an Annual Report summarizing progress to date and recommendations for change for the Administrative Board at the national level.

Reports are essential. The system will fail if individuals do not report on a regular basis. The project aims to keep all reporting processes as simple as possible. The policy of the project is to withhold payment of the salary or allowances of any individual who has not fulfilled their reporting requirement, until required reports are submitted by the facilitator or consultant in question. If a member of staff consistently fails to report accurately or on time then this will result in the termination of their contract with the PRF.



6 PROCUREMENT AND CONTRACTING FOR SUBPROJECTS

For information regarding procurement and financial management within the project please refer to the Finance and Administration Manual. The following notes focus on the procurement carried out by communities with the funds they receive from the project, which is not covered in the Finance and Administration Manual. There are finance personnel at both the national and province level and it is their responsibility to help solve any problems as they arise. However, other staff must also assist. The facilitators will be trained and given the responsibility to help Treasurers and Implementation Teams at the village and *khet* levels in procurement and financial management issues.

The National Office of the Poverty Reduction Fund, established under the Decree of the Prime Minister on the establishment of the Poverty Reduction Fund as an autonomous entity, led by the Executive Director has the responsibility for project financing, supervision and quality.

The *khet* Implementation Team is responsible for procurement activities under a subproject.

The Implementation Team assists the District Facilitator to arrange a meeting in which the community can elect a Subproject Committee for each approved subproject. The Subproject Committee takes responsibility for the management of the whole subproject. In addition, if considered necessary, sub-committees accountable for various aspects such as procurement of goods and services, inspection of goods and services procured and finance and accounting may be established.

The Implementation Team will receive funds that will be transferred from the PRFP. Thus, the community is responsible for all payments for labour, goods and sub-contractor (if any).

The Implementation Team has to prepare and submit invoices to the province level Finance Management Expert who will forward it to the Chief Finance and Administration Officer at the national level in order for the community to receive the initial payment. The subsequent disbursements shall be made against invoices and certification of progress issued by the district and provincial PRFP staff.

6.1 Procurement for sub-grant activities

The procurement process in this manual has been customized from the World Bank Procurement Guidelines and was tailored for this project-specific environment.

6.1.1 Procurement of Civil Works (small scale infrastructure)

Given the nature and the type of projects that the PRFP intends to support, the value of the individual project will not exceed \$25,000 and the average project value is expected to be around \$5,400. *Khets* may be able to manage joint projects of up to \$50,000. The application of International Competitive Bidding and National Competitive Bidding procedures are not anticipated



due to the size and scope of the procurement. The following methods can be used by the community for civil works upon consultation with the consulting teams for determination of the appropriate method based on the capacity and capability of the community (villages), at the time of ranking and approving the subprojects.

Community Force Account. Under a community force account, the community implements the subproject using its own resources (skilled and unskilled labour, materials, equipment), and may use project funds to subcontract part of the subproject. The community will act as the implementing agency with a small Implementation Team to oversee all PRFP activities.

In addition, sub-committees accountable for various aspects of the subproject implementation may be established to monitor such activities such as the procurement of goods and services, inspection of goods and services procured, and review of accounting. The Implementation Team is responsible for all payments for the labour, goods and sub-contractor (if any).

Procurement of Small Works. This is a mandatory method for procurement of works over \$35,000 (case of a joint subprojects) and an optional method for procurement of smaller works (for example for more complicated project types) valued at \$35,000 or less. In this process, the works will be procured on the basis of comparing price proposals obtained from at least three (3) independent construction firms and/or individual entrepreneurs. In order to encourage transparency, in addition to inviting potential contractors to submit proposals, the *khet* Implementation Team will be required to make information available to all local suppliers at the district level and, if necessary at the province level. This will be done through the posting of public announcements. These announcements will include relevant information to enable interested parties to submit proposals (A sample form for the Public Announcement Invitation for Proposals is attached in ANNEX 4 of this Operations Manual). Provincial technical teams and/or district facilitators will provide training and guidance for each step. The detailed steps to be followed and documentation to be maintained in this procurement process are:

- (1) After a funding decision has been made and the implementation stage has started, the community will establish an *Evaluation Committee (EC)*, consisting of not less than five local representatives to serve as member, of which at least two should be women. The memorandum on establishment of such EC must be maintained in the file.
- (2) The EC must (a) solicit proposals from more than three qualified local contractors, in order to ensure they receive at least three proposals from which to choose from, and in addition, (b) make a public announcement inviting any other interested contractors to participate and submit proposals. This public announcement will be posted in at



least three prominent places, in the community, district and province to ensure that information inviting proposals is widely disseminated. Where this is not expensive, the EC can also advertise in other media available in the province. The evaluation report should include the details on places where the announcement was posted.

- (3) The same information must be available to every interested contractor, including but not limited to, the design, specification, bill of quantities, estimated cost, conditions of contract and schedule of work. A declaration form must be given to potential suppliers or contractors and this will be used to record their offers. The EC must be careful to ensure that the firms/individuals invited for the proposals are reputable, well established, and have provided similar services on previous occasions, as part of their normal business. Local opportunities may also be fostered as to encourage small entrepreneurs not so well established. If the EC receive proposals from unsolicited firms/individuals, these may be accepted after the EC verify the nature and reputation of the firms/individuals.
- (4) At least ten (10) working days will have to be allowed after the notice has been put in public places for the interested/eligible contractors to prepare and submit their complete offers.
- (5) The EC shall indicate the date, time and place for the submission of proposals in the invitation letter.
- (6) The list of names and address of the contractors/suppliers to whom the invitation for quotation were sent and/or to whom the invitation for quotation were received shall be recorded and attached to the evaluation report.
- (7) Proposals shall be submitted in sealed envelopes and opened in a meeting open to the general public immediately after closure of the submission period. A meeting attendance list must be recorded and attached to the evaluation report.
- (8) A list of submitted proposals received from the contractors shall also be recorded and attached to the evaluation report.
- (9) The EC shall evaluate all proposals received and provide an award decision. The award decision would normally be made to the lowest priced and qualified contractor. If there are specific reasons why a more expensive quote has been approved then these reasons must be made public and a note concerning these issues must be attached in the evaluation report. The EC must notify the provincial PRFP staff on the decision of award. One copy of the detailed evaluation report, together with the original of proposals received and documents specified above must be kept at the provincial office for post review by the World Bank. Another copy of these documents must be kept at the *khet* level. The district office shall keep record of all subprojects



implemented in the district; data must be available from procurement stage, supervision stage and until payment.

- (10) The village representative signs the contract with the recommended contractor. A copy of the signed contract must be available in the file at the *khet* level.

6.1.2 Procurement of Goods

The Local Shopping method available for procurement of goods below is also customized from the World Bank Procurement Guidelines (Article 3.15) for this specific project environment.

- **Local Shopping.** Goods will be procured on the basis of comparing price quotations obtained from at least three (3) suppliers. The detailed steps to be followed and documentation to be maintained in this procurement process are:

- (1) After funding decision has been made and the implementation stage has started, the community will establish an *Evaluation Committee (EC)*, consisting of not less than five local representatives to serve as members, of which at least two should be women. The memorandum on establishment of such EC must be maintained in the file.
- (2) Thereafter, the EC is expected to (a) prepare a clear lists of goods, materials, tools or equipment required including the type of item, number required and notes regarding quality and preferred delivery schedules (b) locate at least three (preferably more) reputable sources of the required items and solicit proposals from these suppliers. If the order is large (estimated to be more than \$5,000) then the EC must also, (b) make a public announcement inviting interested suppliers to participate and submit proposals. This public announcement will be posted in at least three prominent places, in the community, district and province to ensure that information inviting proposals from qualified suppliers is widely disseminated. The evaluation report should include the details on places where announcement was posted.
- (3) All potential suppliers must be provided with the same information required for making an accurate proposal, including but not limited to, specification, quantities, estimated cost, conditions of contract and schedule of delivery. Each interested supplier must complete a supplier declaration form. The EC must ensure that the suppliers invited for the proposals are reputable, well established, and can provide the required goods as part of their normal business. If the EC receives proposals from unsolicited suppliers, these may be accepted if the EC can ascertain the nature and reputation of the suppliers.
- (4) In the case of large or complicated orders, at least ten (10) working days must be allowed for the interested/eligible suppliers to prepare and submit their offers. For small (less than \$5,000) a shorter period



can be allowed. In some instances, where the requirements are small and simple to fulfil, eligible suppliers may be able to give an accurate proposal on the same day.

- (5) The list of names and address of the suppliers from whom the EC invited to participate and from whom the EC received proposals shall be recorded and attached to the evaluation report.
 - (6) The proposals from all of the suppliers shall be recorded and attached to the evaluation report.
 - (7) The EC shall evaluate all proposals received and provide an award decision. The award decision would normally be made to the lowest priced and qualified supplier. If there are specific reasons why a more expensive quote has been approved then these reasons must be made public and a note concerning these issues must be attached in the evaluation report. The EC will notify the provincial PRFP staff on the decision of award. A detailed evaluation report, including the original proposals received as well as the documents specified above, shall be kept for post-review by the World Bank at the provincial office. Another copy of these documents must be kept at the *khet* level. The provincial office shall keep record of all subprojects implemented in the district; data must be available from the procurement stage, the supervision stage and of payments made.
 - (8) The village representative signs the contract with the recommended supplier. A copy of signed contract must be available in the file.
- **Direct Contracting.** Direct contracting or sole sourcing may only be used when the estimated cost for procurement of goods is less than \$1,000. A supplier may be chosen without going through the local shopping procedure outlined above, provided that the costs are in line with local market rates (or where relevant, the Unit Cost Database). This method shall only be used when it is justified that there is only a single source of supplier available in the area. Documents available for post-review should be including but not limited to, a purchase order, an invoice and evidence of payment.

6.1.3 Training.

Almost any type of training can be funded under the subproject (some examples might include: training in rice cultivation, livestock health, wood-working or carpentry or training for traditional birth attendants or for mother with small children etc.). Civil servant or government-subsidized bodies cannot be paid using project funds. Since the amount of training will be very small, the training will be procured through community participation in accordance with Article 3.15 of the World Bank Procurement Guidelines. This community participation subproject will be monitored so as to ensure an efficient costing and productive activity.

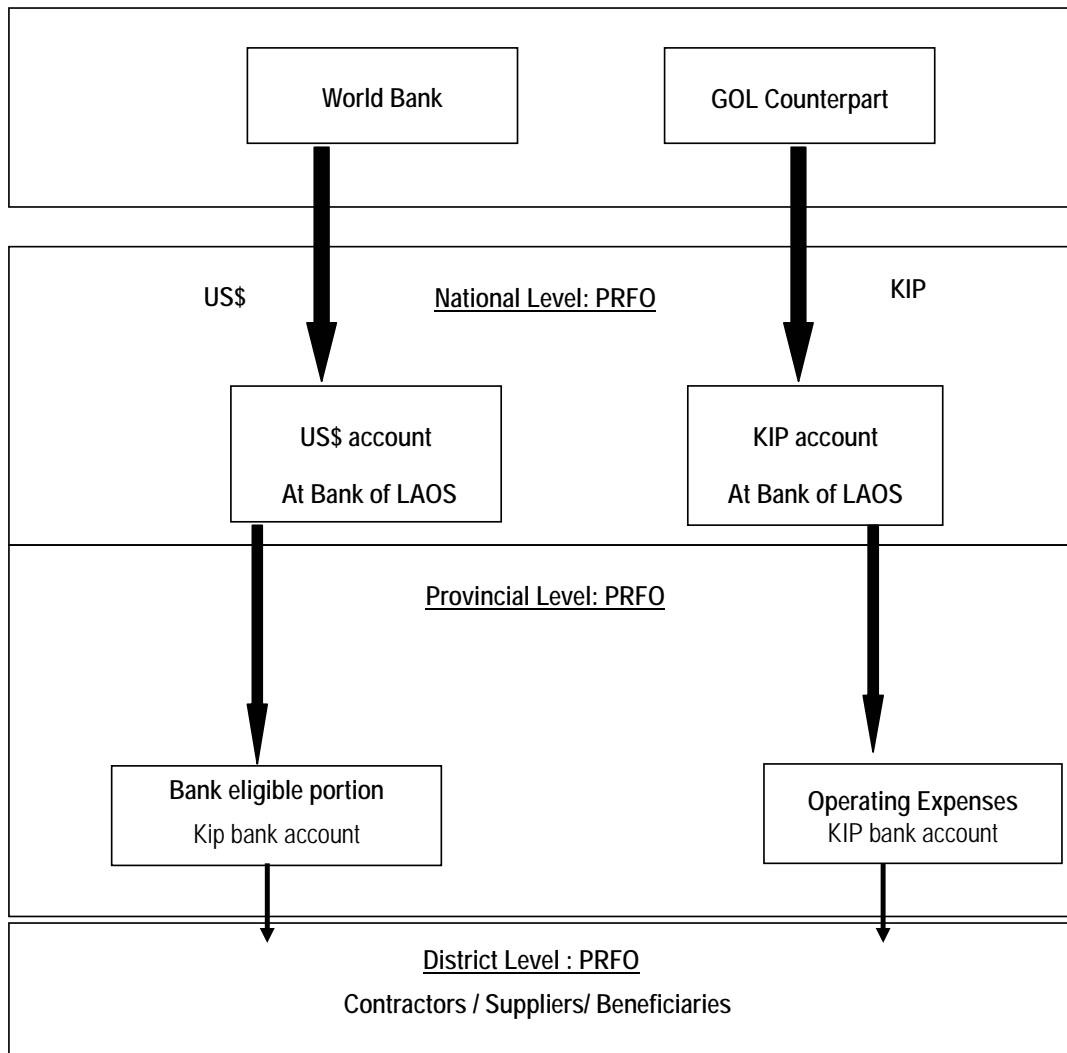


Procurement sample forms for the Order and Contract for Supply of Goods and Contract for Civil Works are attached in Annex 5 of this Operations Manual.

7 FUND FLOWS, DISBURSEMENTS AND ACCOUNTING

Flow of Funds from the World Bank and government Counterpart Contribution

The flow of funds from the Bank, Government, and other financiers is depicted below.



7.1.1 Flow of Funds

The purpose of this chapter is to explain how funds from the PRFP will flow from the central office through the provinces to the *khets* level Implementation Teams, how the disbursement process will function, and how the *khets* will gain access to their funds.

7.1.2 Special Account at Central Level

The PRFP is initially financed through an IDA credit from the World Bank. The Executive Director (or assigned representative) of the PRFP will open a separate dollar special deposit account (Special Account) at the Central Bank of Lao PDR. The Executive Director will be authorized to make withdrawals from this account to deposit funds directly into province level accounts for use by *khets* and also make withdrawals for operational funds for his staff.



The initial allocation to the provinces will be based on 2 months of projected expenditure for the first year of operations. This allocation will at no time exceed the amount authorized for the Special Account.

7.1.3 Replenishment of Special Account

The Executive Director will regularly, preferably at least once a month, submit applications to the World Bank in order to replenish the special account so as to ensure villagers do not experience delays in accessing funds. Requests should be made whenever the funds remaining in the special account drops to 80% of the initial deposit. The replenishment will be based on supporting documents received from the provincial offices.

7.1.4 Authorized Allocation

The Special Account which would cover the IDA share of eligible expenditures in all disbursement categories, would have an authorized allocation of US\$1.8 million with an initial withdrawal of US\$ 0.9 million equivalent to be drawn from the Credit Account and deposited in the SA. When the amounts withdrawn from the Credit total US\$ 3.0 million, the initial allocation will be increased to the authorized allocation.

7.1.5 Provincial Accounts for Operating Costs and *Khet* Development Activities

In every province that PRFP will operate, Provincial Coordinators will open accounts in local commercial banks (initially accounts will be opened in three provinces – Champasak, Huaphanh and Savannakhet). These will be deposit accounts in kip. Funds disbursed into these accounts will be to finance operating costs and to transfer funds to khets bank accounts in district commercial banks to finance *khet* sub-projects and based on payment schedules outlined in sub-project agreements. Withdrawals from these accounts will be in Kip. The Provincial Coordinators request replenishment of the account and authorization to transfer approved funds from the provincial accounts to the *khet* accounts from the central office.

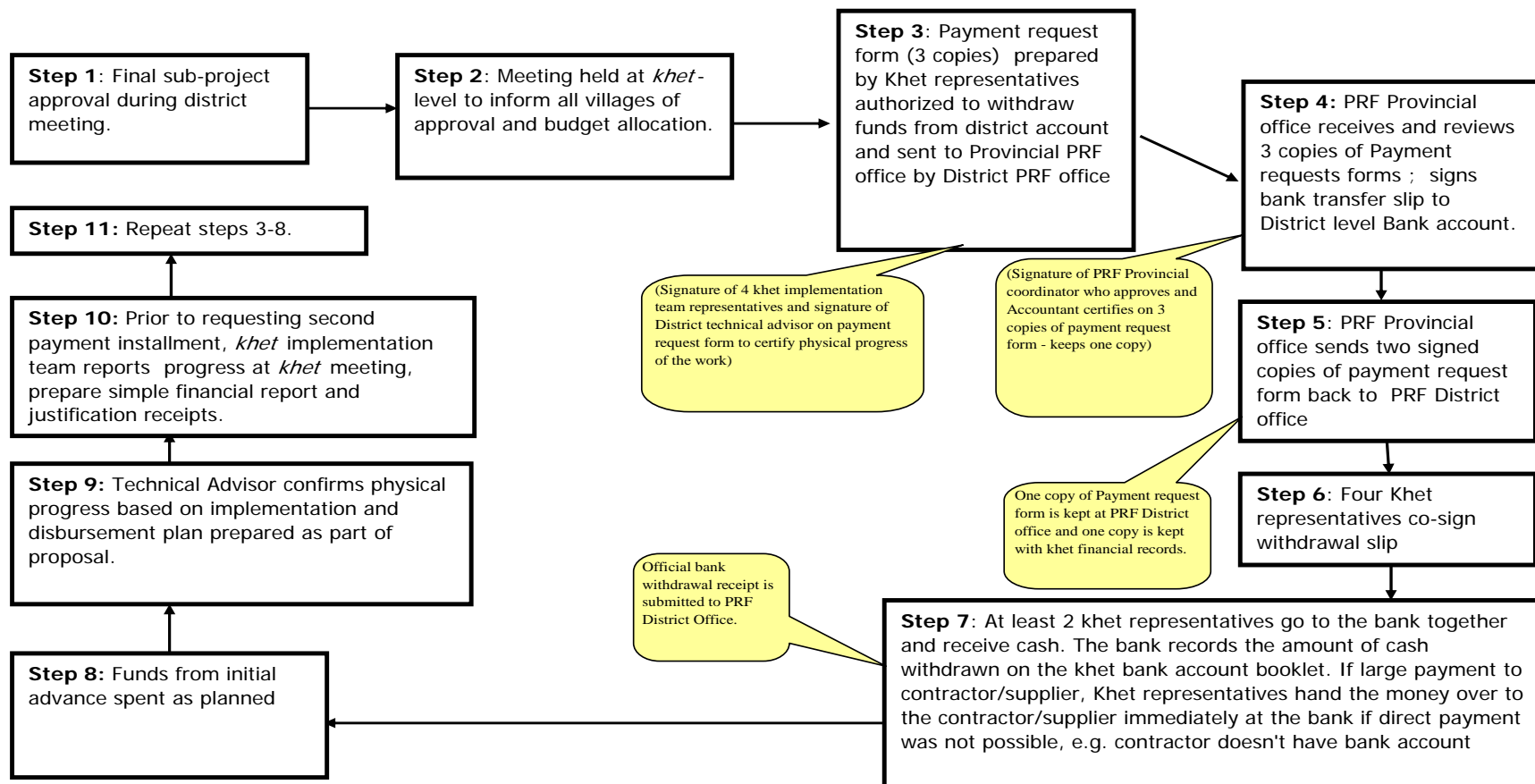
7.1.6 *Khet* Accounts at district level for *Khet* Development Activities

Withdrawals from these *khet* accounts can only be made by authorized representatives of the *khet*, who have been designated by the *khet* (villagers elected during *Khet* meeting). The Provincial Coordinators replenishes the account after authorisation from the central office but they are not authorized to make any withdrawals from the *khet* accounts on the behalf of communities. The selected commercial banks will be provided with all the relevant information to properly identify authorized individuals (e.g. signature samples of all those allowed to withdraw funds; photo identification; copy of PRFP identification cards; written authorization indicating all those authorized to withdraw funds; number of signatures required on bank withdrawal slips; etc).

Representatives of the *khet* are not allowed to re-deposit project funds into any other bank account, however they are responsible for the security of the funds that are withdrawn.



SUB-PROJECT DISBURSEMENT CYCLE



7.2 Disbursements

7.2.1 Initial Advance to the *Khet*

Once a *khet* has received final approval for its sub-project determined at the district level meeting, it will be required to undertake several steps before it can make its first withdrawal. A *khet* preparation meeting is held to inform all village members that the project submitted was approved and also confirm the amount of budget allocated. At this meeting villagers will also elect the members of the Implementation Team and establish a small team of volunteers to witness cash transactions, check materials and equipment procured and assess progress and exercise control over the *khet* Implementation Team, promoting greater local transparency and accountability (other requirements are detailed in Chapter 4).

In addition to the type of project, budget and procurement method all proposals also include an implementation and disbursement schedule. The disbursement schedule outlined in the proposal will determine at what intervals the *khet* makes withdrawals. The amount of the initial advance will also be indicated in the schedule, but will not exceed **25 percent** of the total sub-project budget as agreed to in the signed agreement between the PRF and the *khet*.

The *khet* representatives authorized to withdraw funds on behalf of the *khet* must fill out a payment request form. The form must include all proposals and confirmation of *khet* meetings held; number of people who attended the meetings; number of women who attended the meetings, etc.

Three copies of the form must be filled out, one copy will be kept in the *khet* and one copy will be kept at the PRF District office and the other submitted to the provincial office. All three forms must be signed by the Technical Advisor (province or district, depending on size and complexity of the sub-project, which was pre-determined during the design phase) and 4 members from the *khet* Implementation Team (the villager authorized to make withdrawals from the bank, the treasurer; and two other members elected by the team).

After receiving all required signatures, the three forms are sent to the PRF province office to be certified by the Financial Management Expert and approved by the Provincial Coordinator in the provincial office. The Financial Management Expert will verify that all signatures have been received and he/she will sign the payment request form and also sign the fund transfer request slip, keeping one copy of the form for the provincial files and sending back the other two forms for the PRF district office and the *khet*.

As soon as the forms have returned to the PRF District office, the *khet* authorized villagers are informed that the transfer has been done and can then withdraw cash in the *khet*'s bank account. In order to withdraw cash, the withdrawal slip must be signed by four *khet* representatives and two of them must go to the bank in person and counter-sign the withdrawal slip there.



If villagers need to pay a large amount to a contractor or supplier, it is recommended that the PRF provincial office undertakes a direct payment. However, if and when it is not possible (e.g. a contractor does not have a bank account), the two khet representatives hand over the cash immediately at the bank. The bank teller stamps and signs the receipt confirming the amount of money withdrawn. The official bank receipt (stamped withdrawal slip) is forwarded to the provincial office so as to enable the Financial Management Expert to maintain the books properly. The bank teller records the amount of money withdrawn on the khet account booklet, (Record book as for saving account with no interest). The villagers ensure that the payment request form and the khet bank account booklet are kept with all other receipts required for bookkeeping. The payment request form and other documentation will be presented and explained at the next public *khet* meeting held.

7.2.2 Basis of Withdrawal of Funds after Initial Advance

Subsequent disbursements during the implementation can only be made after (i) the *khet* implementation team has reported progress in a *khet* accountability meeting and (ii) upon certification of physical progress by a PRFP technical advisor, from the district, province or national level.

In most cases it will be the District Technician who will be requested to certify physical progress and authorize the next payment instalment. Only the more difficult or larger investments will require province or national level authorization. Physical progress will be measured against the implementation and disbursement plan laid out in the project proposal. While the District Technician certifies physical progress, the District Facilitator prepares a *khet* accountability meeting in which the implementation team will provide a briefing and discuss progress to date: report on any problems; how much work has been completed; how much money was spent; what goods were bought; how the next instalment of funds will be used, etc. At this meeting, the District Technician and/or District Facilitator must attend to give information related to physical progress.

The District Technician will only certify physical progress if there is no problem related to the Implementation Team accountability.

As with the initial advance, all subsequent withdrawals also require the filling out of a payment request form and getting the signatures of the District Technician and four authorized signatures from the *khet* implementation team. The payment request form includes a section where critical information can be reported on:

- confirmation *khet* meeting held to brief everyone on progress;
- date of meeting;
- number of people in attendance;
- number of women in attendance;
- main decisions of the meeting.

This procedure will be used irrespective of which of the permitted procurement methods are used by the villages.



7.2.3 Operational Expenditures as Part of Sub-project

As part of the overall sub-project proposal for a school or health clinic, villagers may choose to include as part of the project budget an allocation for operational expenditures. Such an allocation could cover the stipends or salary supplements for **teachers or health personnel** and/or supplies for the facilities (i.e. cost of books, pharmaceuticals, furniture, etc.). The budget allocated for such expenditures could be proposed for up to 4 years, but must not exceed closing date of the Project. The disbursement plan for such expenditures must be specified in the proposal and disbursements would be made from the district account. Such expenditures would also need to follow the same disbursement steps as that of regular sub-project disbursements:

- preparation of a payment request form;
- signature of the 4 authorized individuals from the *khet* implementation teams;
- signature of technical advisor, etc.

7.2.4 Administrative Budget for *Khet* Implementation Teams

A maximum of two percent of the total sub-project budget will be allocated for the administrative costs involved in implementing the sub-projects (i.e. travel cost, participation in meetings, etc.). *Khet* implementation teams will be allowed to withdraw up to two percent each time a withdrawal is made (i.e. at initial advance and subsequent progress payments). Each withdrawal would be recorded in the books managed by the team and reported in a *khet* accountability meeting.

7.3 Record Keeping and Accounting

7.3.1 Provincial Level

The Provincial Finance and Management Administration Officer must maintain the books of accounts and evidence of payments, monitor disbursements and monitor the paperwork to ensure all the appropriate signatures were received prior to authorizing any and all disbursements. They will also ensure timely submission of documents to national level so as to ensure no delays are experienced in reimbursing the provincial accounts by the central office.

7.3.2 District Level

Duplicates of some of the key financial management and procurement documents may be required at the district level. However, in general the documentation at this level will be limited to monthly financial reports and any records related to larger purchases (e.g. more than \$5,000).

7.3.3 *Khet* Level

Every expenditure made by the *khet* has to be accounted for in an expense report. Proper receipts should also be maintained at the *khet* level that clearly indicate the service or goods paid for. A simple cash book will be maintained by the Treasurer of the Implementation Team (updated on a daily basis). Training will be provided by the provincial Finance and Management



Administration Officers to villagers as to how to maintain such a book. The book would include the following features:

- Detailed list of all financial transactions, both receipts and expenses;
- Expenses to be described in same level of detail as that of the official receipts;
- Erasures, white-outs are expressly forbidden, so that any corrections are clearly visible to all who want to review.

The provincial accountant will check the *khet* accounts and records periodically and as requested or needed if problems arise.

***Khet* level meetings (accountability/hand-over meetings)** will be held at reasonable intervals (at least every month) throughout implementation to review procurement, expenditures and related disbursements. A small team of volunteers is established to witness cash transactions, check materials and equipment procured and assesses progress and exercises control over the *khet* Implementation Team, promoting greater local transparency and accountability.



8 SOCIAL AND ENVIRONMENT SAFEGUARDS

8.1 Background

This Chapter deals with the guidelines to be used to avoid or minimize adverse environmental and social impacts of subprojects and to ensure that they meet with the requirements of the International Development Agency of the World Bank as described in its safeguards policies on Environmental Assessment (OP 4.01), Natural Habitats (OP 4.04), Forestry (OP 4.36), Pest Management (OP 4.09), Cultural Property (OPN 11.03), Involuntary Resettlement (OP 4.12) and Ethnic Minorities (OD 4.20 on Indigenous Peoples).

Since most subprojects are very small, no major environmental and adverse social impacts are expected. The project will, by the nature of the decision-making process, not fund any investment that is not acceptable to the majority of villagers involved, and all of the villagers directly affected. Decisions on the allocation of funds are made by villagers themselves, through a negotiation process, and with information provided by project facilitators and technicians.

However, small-scale civil works may require minor land acquisition or may have minor adverse social or environmental impacts. Thus, these guidelines prescribe a screening and review process for all subprojects that may cause adverse impacts on the environment or people; procedures to avoid or mitigate these impacts; complaint mechanism; and procedures for monitoring and evaluation. Screening and review will take place prior to submission of subproject proposals to the district meeting.

Preliminary screening will also be needed to assess the presence of Unexploded Ordnances (UXOs) and the danger they may impose on local subproject activities. As many districts throughout the Lao PDR are adversely affected by the presence of UXOs clearance may be required as a preliminary stage of subproject activities. The Technical Guidelines should be consulted further in this regard.

The PRFP should seek advice from UXO Lao and local communities and authorities during the sub-projects' technical feasibility study in order to determine the levels of contamination of the sub-project sites. (No contamination, moderate and high).

In the areas with no contamination, sub-project activities and construction can proceed without having to undertake any UXO screening activities.

8.2 Types of Prohibited Activities

To avoid certain adverse impacts on the environment and people, a number of activities are excluded from the menu of eligible subproject investments as described below.

The project will not support projects that involve new roads; gasoline or diesel generators and pumps; guns; chain saws; pesticides, insecticides, herbicides and other dangerous chemicals; asbestos and other investments detrimental to the environment. No forest operations, including logging, harvesting or processing of timber products



will be supported. No new settlement or expansion of existing settlements will be supported in natural habitats, protected areas or areas proposed for protection (the province level project team will make every effort to identify such areas and ensure that the project does not endanger them in any way). Where settlements already exist proposals for funding should be in compliance with any local regulations on land management and other provisions of the protected area management plan. No track upgrading or road rehabilitation of any kind will be allowed inside natural habitats and existing or proposed protected areas.

The project will not fund the acquisition of land under any conditions and involuntary resettlement is not allowed. However, some voluntary resettlement or land acquisition may occur, either with voluntary contributions or with compensation provided by the village. These projects will undergo review by provincial project staff and any voluntary movement or resettlement of more than five households or household structures, and subprojects requiring land acquisition of more than 100 persons or 10% of holdings, will need special approval from the national Poverty Reduction Fund (PRF) Office in Vientiane prior to decision at the District Decision Meeting. No project support will be provided in areas with government activities involving village consolidation or involuntary resettlement.

Any activity unacceptable to a group of ethnic minorities in a village of mixed ethnic composition cannot be funded. Activities that will have adverse impacts on ethnic minorities within the village and/or in neighbouring villages cannot be funded.

8.3 Environment

All activities supported by the Poverty Reduction Fund must avoid or minimize negative environmental impacts by exploring viable alternative designs and by following the Operational Manual and Technical Guidelines.

Most adverse impacts will be highly localized, temporary in nature, and easily mitigated through the application of sensible site selection criteria, good construction practices and diligent management practices in the operational phase. These environmental standard operating procedures for various types of subprojects will be incorporated into the Technical Guidelines providing standard technical designs and costs. Any activity that is added to the menu of possible subprojects (e.g. livelihood activities) in subsequent years will have to be accompanied by additions to the Operational Manual and Technical Guidelines with specific guidance on how to manage environmental aspects of the particular activities.

Subprojects will be screened and approved by District Technicians trained in environmental assessment and mitigation to ensure that environmental requirements are met during subproject preparation and implementation. The screening occurs immediately after the District Meeting, which prioritizes subproject proposals, and before more detailed designs and budgets are determined. District Technicians assist villagers in incorporating environmental measures into subproject design before submission to the District Decision Meeting (see PRFP Activity Cycle in Chapter 4). District Technicians will also be responsible for monitoring implementation of subprojects for environmental impacts; for subprojects following the standard



operating procedures a simple visual inspection is sufficient. For subprojects which require an environmental assessment, as described below, the Provincial Engineer is responsible for incorporating environmental mitigation measures into subproject design.

As part of the selection requirements, all subproject proposals are required to include a brief description of the existing environment at the project area, any known environmental sensitivities, and any sites affected with known archaeological, paleontological, historical, cultural, religious or unique natural values. District Technicians will, together with villagers, expand on the environmental information collected through reference to existing reports and studies (if available), through discussions among villagers and neighbouring communities or through new data collection if necessary. Project applications that do not provide adequate environmental data cannot be considered for financing until they meet these requirements. Standard sheets with environmental and social information needed are included in the Technical Guidelines as a part of the standard subproject proposal formats.

District Technicians will screen proposals for environmental impacts. The screening checklist will be used to classify subprojects into three categories:

- Projects with small or no environmental impacts, and which follow the standard operating procedures, can be submitted for consideration without any environmental evaluation.
- Projects expected to generate moderate or medium impacts require preparation of a simple environmental evaluation and incorporation of recommended mitigation measures in the project design before submission. These activities might be funded by the PRF, but only if appropriate measures are taken to avoid or reduce negative impacts to a minimum. The involvement of the Provincial Engineer is required to ensure that appropriate design and mitigation measures are taken.
- Projects with significant or excessive environmental risks (highly unlikely), which would require a comprehensive environmental assessment (including activities on the negative list), will not be submitted for consideration.

Projects that require an environmental evaluation include subproject proposals that involve large-scale or sensitive land and water use changes and proposed subprojects inside natural habitats, protected areas or areas proposed for protection by the government. The table below shows the scale of projects, which would determine whether subprojects are required to follow the standard operating procedures or to prepare an environmental evaluation (the thresholds are based primarily on environmental concerns, but technical concerns have also been considered to ensure sustainability of subprojects, e.g. for irrigation projects). Subprojects beyond the scale will not be funded.



Subproject Type	Units	Standard Operating Procedures	Environmental Evaluation Required
Up-grading and repairs of rural roads	km	< 2	2-5
Up-grading and rehabilitation of tracks and footpaths	km	< 5	5-20
Bridges, ramps and piers	m	< 5	> 5
Water systems (potable)	users	< 100	> 100
Irrigation	ha		All
Buildings (community halls, health centres, schools)	sq.m.	< 400	> 400
Sanitation Facilities	users	< 100	> 100
Mini-hydro	kW		All

For subprojects that are required to follow the standard operating procedures, the District Technician works with the villagers to ensure that the procedures are followed and the project is designed according to the standards. For subprojects that require an environmental evaluation the Provincial Engineer will oversee the preparation of the evaluation. The evaluation will include a description of the environmental impacts and mitigation measures to be incorporated into the design (see the Technical Guidelines for more information). Based on the evaluation, the Provincial Engineer determines whether the project should be approved for further preparation and submission. The technicians and engineers will monitor the implementation of subprojects on an ongoing basis and at least at both mid-point and completion, following the information provided in standard sheets in the Technical Guidelines.

Training programs will be developed to strengthen environmental awareness and the District Technicians will introduce environmental management themes into the village planning process, following the guidelines provided in the Operational Manual and Technical Guidelines. Materials will be developed by the National PRF Office to aid the technicians in this process; this would include visual materials and written materials translated into local languages as needed.

8.4 Resettlement

Land acquisition will be kept to an absolute minimum and no person will be involuntarily displaced under the project. The project will not fund the acquisition of land under any conditions: it cannot approve the use of grant funds for any purchase or rental/lease agreement with any group or individual. However some land acquisition or relocation may occur on a voluntary basis or with compensation (possibly in-kind) provided by the village. Thus, subproject proposals that would require demolition of houses or acquire productive land, permanently or temporary, must be carefully reviewed by District Facilitators and approved by the Provincial PRF Office. The review process should confirm that no satisfactory alternative is available, that affected persons have been informed about their rights to compensation and assures that they have agreed with the arrangements. A description of the resettlement or land acquisition impact must be included in the subproject proposal. For subprojects with more than 100 persons or 10% of holdings affected by land acquisition and for subprojects with more than five households or structures being resettled or moved a



separate Land Acquisition Report or Resettlement Report (respectively) is required. Approval from the National PRF Office is required in such cases.

The key principles of the World Bank's policy on Involuntary Resettlement are:

- Acquisition of land and other assets should be avoided when feasible and otherwise minimized;
- Compensation measures must provide affected persons with sufficient opportunities to improve, or at least restore, incomes and living standards;
- Lost assets should be replaced in kind, or compensated at replacement cost;
- Absence of legal title to land or other affected assets will not be a barrier to compensation or other suitable forms of assistance; and
- Adversely affected persons will be provided with information relating to impacts and entitlements, will be consulted as to their preferences regarding implementation arrangements, and will be informed regarding methods and procedures for pursuing grievances.

Key definitions concerning involuntary resettlement include:

Land Acquisition: A process by which any person is compelled to relinquish ownership, possession, control or use of all or part of their land, structures, or other assets. This includes land or assets for which the possessor or user enjoys customary or uncontested access but lacks legal title (e.g. trees, grazing rights, cultivatable land).

Project-Affected Person: Any person who, on account of the execution of a subproject would have either their:

- (i) Right, title or interest in any house, land (including residential, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, in full or in part, permanently or temporarily; or
- (ii) Business, occupation, work, place of residence or habitat adversely affected; or
- (iii) Standard of living adversely affected.

Replacement Cost: The principle of valuation used to determine appropriate compensation for lost land or other assets. Replacement cost refers to the amount necessary for actual replacement of the lost asset. To achieve replacement cost, assets cannot be depreciated for age or prior use. Replacement cost also is net of taxes, fees, or any other deductions for any other purpose. The project funds cannot be used to pay such costs; therefore proposals must explain how the village will provide appropriate compensation where this is necessary.

In accordance with traditional practices villagers may choose to *voluntarily contribute* land or assets and/or relocate temporarily or permanently from their land without compensation. This can often be justified because the project will either increase the value of the remaining property or provide some other direct benefit to the affected people. Voluntary contribution is an act of informed consent. District Facilitators must assure that voluntary contributions are made with the prior knowledge that other options are available, and are obtained without coercion or duress. Proposals including voluntary contributions will not be submitted for approval where they would significantly harm incomes or living



standards of individual owners or users (the amount contributed on a voluntary basis should usually not exceed 5% of that individual's holding).

Villagers may volunteer to relocate or contribute land *against compensation* from the village (the subproject grant cannot be used to pay compensation). In such cases, District Facilitators will ensure that the following means of compensation are agreed upon and provided before works are undertaken:

- a) Replacement of land with an equally productive plot or other equivalent productive assets;
- b) Materials and assistance to replace fully solid structures that will be demolished;
- c) Replacement of damaged crops, at market value;
- d) Other acceptable in-kind compensation.

For both types of land acquisition (voluntary or against compensation), District Facilitators will ensure that all occupants of land and owners of assets affected are consulted and agree to the arrangements. The proposal will include a description of the persons affected, impacts involved (e.g. land, trees, crops, houses and other structures) and agreements reached (e.g. nature and amount of compensation).

District Facilitators will arrange a village meeting to inform villagers about their rights to compensation and options available in accordance with these guidelines. The minutes will reflect the discussions held, agreements reached and include the following:

- a) For any voluntary contribution- name of contributor and details about the contribution;
- b) For land/asset acquisition against compensation- names of the affected persons, impacts and details about the nature and level of compensation.

The District Facilitator shall provide a copy of the minutes to affected persons and confirm in discussion with each of them their requests and preferences for compensation, agreements reached, and any eventual complaint. Copies will be kept in the project documentation and be available for monitoring and supervision.

For subprojects with significant land acquisition (e.g. affecting more than 100 persons or more than 10% of the holdings of project affected persons) a separate Land Acquisition Report will be required. For subprojects requiring voluntary movement or resettlement of more than five households or household structures a Resettlement Report will be required. The reports will include the following elements, as relevant:

- a) Basic data identifying impacts and persons affected;
- b) Arrangements for in-kind replacement of land or for compensation at replacement cost, including signed statements by all affected landowners confirming that these arrangements are satisfactory;
- c) Arrangements to ensure adequate performance by contractors relating to compensation for temporary impacts;
- d) A schedule of assets (other than land), which will require to be replaced as part of the construction contract, and signed statements by the affected owners confirming that these arrangements are satisfactory;



- e) An implementation schedule indicating that replacement land will have been provided before implementation of the project begins;
- f) A site map with field measurements validated by villagers, showing land to be acquired and replacement land to be provided, sufficiently detailed to allow verification;
- g) Arrangements for disclosure of information, consultations, and procedures for pursuing grievances.

District Facilitators will aid the villagers in preparing the Report and provincial staff will provide input as needed. The Community Development Adviser at the provincial office must first review the Report and then forward it to the National PRF Office for approval. No subproject requiring a Land Acquisition Report or Resettlement Report will be submitted to the District Decision Meeting unless the National PRF Office has approved it.

8.5 Ethnic Minorities

The project must follow the key principles of the World Bank's policy concerning ethnic minorities (Operational Directive 4.20 on Indigenous Peoples), which are to "ensure that indigenous peoples do not suffer adverse impacts during the development process... and that they receive culturally compatible social and economic benefits." The term "Ethnic Minorities" as used here includes ethnic groups in Laos, such as the Mon-Khmer, Hmong-Mien and Tibeto-Burman ethnolinguistic groups inhabiting the highlands, who are vulnerable to the development process and who meet the characteristics used in the World Bank's policy (OD 4.20).

The concerns of ethnic minorities are met primarily through the design of the project itself. However, project facilitators at district and provincial level are tasked to review projects that may impact ethnic minorities in order to ensure that affected persons have been consulted, agree to the arrangements and that no adverse impacts on vulnerable ethnic minorities result from subprojects.

For projects that may affect ethnic minorities within a village with mixed ethnicity or in a neighbouring village, District Facilitators will consult with the affected villagers and assess whether they may suffer significant adverse impacts from the proposed activity, and ensure that they agree to the arrangements of the proposed subproject. Facilitators will pay particular attention to impacts on access to land, including shifting cultivation areas under fallow.

If the review determines that the proposed subproject will have adverse impacts on ethnic minorities, or if the affected group rejects it, the subproject as proposed will not be submitted to the District Decision Meeting. In both cases, the *khet* may submit a revised proposal in subsequent cycles.

For projects with only minor impacts to which the affected ethnic minorities agree, District Facilitators will document the consultations with the affected persons, agreements reached and any eventual complaint. Copies will be kept in the project documentation and will be available for monitoring and supervision. The



Community Development Adviser at the provincial office provides guidance to District Facilitators and ensures that the process is acceptable to the ethnic minorities affected. The National PRF Office in Vientiane is tasked to monitor if the system for addressing the concerns of ethnic minorities is appropriate.

8.6 Monitoring

Approved projects with environmental and/or social impacts will be supervised and monitored by District Facilitators and District Technicians with assistance and oversight by the Community Development Advisers and Provincial Engineers. The findings and any recommendations will be recorded in quarterly reports to be furnished to the National PRF Office, through the Provincial PRF Office and shared with World Bank supervision missions.

General monitoring and evaluation of the project, including monitoring and evaluation by independent entities or consultants, will pay particular attention to issues concerning the environment, ethnic minorities and resettlement/land acquisition.

8.7 Complaint Mechanism

Complaints related to environmental, ethnic minority or resettlement issues will be handled as follows:

- a) As a first stage, affected or concerned persons will present, verbally or in writing, their complaints to project facilitators or the Provincial PRF Office, who will have to provide a documented response to the claimants within fifteen days. Reports on each complaint and the subsequent measures taken, must be given to the province M&E Expert and the Provincial Coordinator, with routine summaries sent to the national level M&E team (as attachment to regular/monthly reports).
- b) If the claimants are not satisfied with the decision, the case may be submitted to the National PRF Office in Vientiane, as well as to local authorities (e.g. the Provincial Assembly). Specified authorities should record receipt of complaints and reply to the claimants within fifteen days. Claimants will be exempted from any administrative or legal charges associated with pursuing complaints. The national level M&E team must record reports on each complaint and the subsequent measures taken.

8.8 Roles and Responsibilities

Overall responsibility for the implementation of these guidelines lies with the National PRF Office in Vientiane. The office will ensure that the guidelines are appropriately disseminated and that project staff have the required skills and receive appropriate training. The office is responsible for proper monitoring of social and environment



issues and will incorporate necessary changes to the guidelines and procedures based on recommendations from monitoring exercises and in agreement with the World Bank.

Project facilitators and technicians will be trained and tasked to ensure that the PRF will not fund activities restricted under these guidelines and that the safeguards procedures and screening process will be followed as prescribed.



9 TRAINING AND CAPACITY BUILDING

One of the primary objectives of the Poverty Reduction Fund Project is the empowerment of local communities, building the capacity of villagers to improve their own livelihood and developing grassroots demand for services and greater transparency. Building village infrastructure without concurrently building the capacity of poor villagers will not reduce poverty and is not sustainable. A key component of the PRFP is training and capacity building interventions, both for villagers and for young, educated Lao who serve as project facilitators and provincial consultants.

The training carried out in the PRFP will be both pre-service as well as in-service, both formal and on-the-job. Every opportunity to impart knowledge, to share experiences, should be used.

A Planning and Training Coordinator will be assigned to the Office of the Executive Director in Vientiane to identify and coordinate project training. The coordinator will also assist in identifying sources for training when villagers propose training, to be funded through district/khet grant allocations, coordinating with government departments, donors and international agencies, NGOs the national university and other training providers. The initial challenge is to provide quality pre-service training for all the national and provincial consultants, and for the district and *khet* level facilitators for the first cycle.

9.1 Provincial Orientations Workshops

After a brief orientation for National Office staff, provincial workshops will have to be held to orient and socialize various interested parties in each selected province. The workshops will explain:

- Project objectives;
- Structure and organization;
- Principles;
- Procedures;
- Rules and regulations;
- Schedule for cycle one and key activities.

Representatives from government offices, local TV and radio stations, NGOs and other projects, universities and academies, civil society, and respected elders and traditional leaders will be invited. The province level government will conduct the workshop, with assistance from the national level project office, as required.

9.2 Training of Trainers

An institution and/or experienced individuals (a core team of trainers) will be recruited as trainers. After a “training of trainers” for key consultants in the Office of the Executive Director and the training team, the facilitators and consultants are recruited, and given pre-service training.



The trainers, assisted by national level consultants and selected short-term international consultants, will carry out an intensive pre-service training course. This will be comprised of three one-week training modules, to be conducted prior to each main phase: socialization, planning and implementation. This programme will include training for approximately 45 facilitators and consultants that have been recruited for the four first cycle “pilot” clusters.

The training will consist of five main modules:

- PRFP principles, procedures, rules, regulations, structure and organization, the project menu, etc. The module will have to include reporting procedures and issues of supervision as well. Approximately 3 full days.
- How to train *khet* facilitators and village teams, material, logistics, techniques, curricula etc. 1 or 2 days.
- Facilitation techniques, including the use of IEC materials, and the principles and techniques of successful adult education (including techniques for the training for non-literate adults). This module would also deal with conflict resolution and practical problem-solving in community development. Approximately 4 days.
- Financial management, bookkeeping and accounting, and contracts, especially for community development projects. Methods for accounting for non-literate communities must also be covered. Transparency is the underlying principle here. Approximately 3 days.
- Engineering and technical material including surveying, designs, budgeting, procurement, construction supervision and operations and maintenance for rural communities, with rural communities, by rural communities. The subject matter is engineering for village-based planning and implementation. Approximately 7 days, including 2 or 3 days in the field.

Senior consultants from the national level will give the first module, as an introduction to the project. It is assumed that some training body or an NGO with adult training skills will have to be contracted to handle the facilitation module. Depending on capacity either outside trainers or in-house consultants will provide other modules.

9.3 Training for all Provincial Consultants and District Facilitators

The materials covered in the TOT will form the basis for the first year’s basic pre-service training course for all provincial consultants and district facilitators.

9.4 Training for All Provincial Engineers and District Technicians

An additional week to ten days of pre-service training for all provincial engineers should be organized as well as an additional week of separate, specialized training for the provincial financial specialists (along with those in the Financial Management Unit of the Office of the Executive Director). This specialist training will assume that the trainees have only limited knowledge of community-based projects.

9.5 Training for *Khet* Facilitators

District Facilitators, with the assistance of provincial consultants, will be responsible for training all *Khet* Facilitators. *Khet* Facilitators must receive a minimum of 4 to 5 days of “pre-service” training, which should occur before the rainy season. Materials for *Khet* Facilitator training will be prepared in Vientiane, but should be adapted to local needs over time. The Technical Facilitator will be given an additional two days of specialized training including practical examples of technical problems and solutions appropriate to the context.

9.6 Monthly Meetings and Refresher Training

Khet Facilitators will meet with District Facilitators monthly. These meetings should be used to review progress, discuss problems and solutions, revise schedules, evaluate performance and provide refresher training. A few hours should be set aside to discuss case studies to share experiences - including problems and innovations, as well as success stories. These few hours of on-the-job training should be organized and materials can be sent from Vientiane. But, materials should be appropriate and timely for the activities taking place, in the coming months.

Similarly, District Facilitators meet monthly (for one or two full days) with the provincial support team. These meetings should be used to review progress, discuss problems, revise schedules and for on-the-job training. A few hours of these monthly meetings will also be used to meet with district level officials to keep them informed of progress and to seek assistance for villagers in solving problems that arise. These meetings are also useful in that activities not able to be funded can be submitted to the government or through the government officials to other donors or organizations. District officials must report to provincial authorities and so it is essential they are kept up to date regarding project developments.

9.7 Training in Subsequent Years

Second year training plans, schedule and contracts must be arranged immediately after first year pre-service training is completed. The best performing and most out-going first cycle facilitators and consultants should be involved in year two training, as trainers or at least as resource persons. Efforts should be underway immediately to prepare short case studies of conflicts that arise, problems encountered and innovations undertaken as well as success stories, for use in year two training. Year two training, especially up-grading for year one facilitators and consultants, must include materials and lessons learned and best practices from year one. Upgrading or refreshing training for year one facilitators and consultants can be shorter, perhaps only six days in length, but this must be evaluated and decided upon based upon year one performance. Additional areas will be added and consequently additional consultants and facilitators will need to be hired and trained. These new members of the team will be given a course similar to the original team members, except that it should include site visits and many more actual examples.



Training is not “optional.” Recruited and selected facilitators and consultants that do not attend training or attend and do poorly, cannot be mobilized. It has been suggested that people successfully completing any project training should be recognized and given a certificate that is formally acknowledged by the government.

9.8 Additional Training Activities

During project planning and implementation, cross-visits and small “study tours” between districts and provinces are a very good training opportunity, but these must be properly prepared. After such visits, debriefings must be held. Cross-visits are useless if the information gained is not processed, shared and somehow documented.

Training in one province should include a review of proposals, reports and other key documents from another province. The purpose of such exercises is not to find fault (though this might happen), but rather to share experiences and ideas.

At least twice a year a workshop should be held for all facilitators and consultants in Vientiane in order to ensure that everyone is aware of any changes to the project and to give additional skills in preparation for the months ahead. Such opportunities also build morale and team work.

Facilitators and consultants should be equipped with materials and reading matter. Cassette tapes might also be used. Even radio programs to promote the project and inform project staff and villagers should be considered. Experience in other similar projects has confirmed the usefulness of monthly bulletins for sharing knowledge and experiences and practical advice for involving villagers and ensuring quality of implementation. Project facilitators and consultants, especially those living in remote areas, do not want to be abandoned. Unsupported field staff may feel alienated and exhibit apathy towards the project activities. Training, coordination meetings, supervision, bulletins etc. all work to increase capacities, build team spirit and a “passion” for the project and its goals, and maintain quality of performance.

Concurrently inferior performance must not be sanctioned, but likewise superior performance should be rewarded by recognition and opportunities for cross-visits, study and further training.



10 ANNEXES

10.1 ANNEX 1: Decree of the Prime Minister

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity
Prime Minister's Office No. 73/PM

DECREE OF THE PRIME MINISTER ON THE ESTABLISHMENT OF THE POVERTY REDUCTION FUND

Referring to the law on the Government of the Lao People's Democratic Republic
No.01/NA of 6 March 1995

Referring to the studies and proposal made by the Committee for Planning and
Cooperation No 723/CPC dated 12 May 2002,

The Prime Minister issues the Decree

PART I

Objectives, Rights and Duties

Article 1. Fund Establishment

The Poverty Reduction Fund hereafter called 'The Fund' is established to address,
prevent and reduce poverty of the pluri-ethnic people throughout the country, to
eradicate and step out of the poverty above,
The hereby-established Fund is a financially autonomous organization and operates
under the laws of the Lao People's Democratic Republic and under the guidance of the
President of the Committee for Planning and Cooperation.

Article 2. Fund Objectives

The main objectives of the Fund are to finance small-scale investment and services and
to strengthen local capacity in respect of village development.

Article 3: Rights of the Fund:

Receive financial support which include, but not limited to, support in respect of
assistance grants, loans, budget allocations, contributions from foreign sovereigns,
international organizations, national institutes and juridical entities, whether local or
foreign, to meet the above mentioned objectives

3.2 Obtain from external donors technical assistance consistent with all applicable
laws, rules and regulations of the Lao PDR.



3.3 Provide funds for the implementation of projects consistent with the Fund's objectives and enter into contracts with eligible implementing entities from public and non-public sector for the implementation of such projects at the local level.

Article 4: Duties of the Fund:

- Provide sufficient and efficient supply of assistance and community counterpart funds to eligible implementing units for the implementation of different projects.
- Organize a supervision system of sub-project implementation and an annual audit of the Fund's accounts.
- Monitor the progress, compliance, and implementation of on-going projects and in respect of the Fund's objectives.
- Monitor and complete payments in due time and agreed conditions, and allocate funds in line with the actual requirements in each area.
- Implement procedures of regulations pertaining to procurement, contracting and disbursement process in accordance with the laws and regulations of the Lao PDR and agreements with external agencies providing resources to the Fund.
- Materials and equipment in respect of projects funded through the proceeds of the Fund, that are produced domestically shall receive a procurement preference.
- Conduct its activities based on principles of coordination, with the competent authorities concerned of the Government in relation to projects supported by the Fund.
- Evaluate and report the performance of the fund activities in terms on inputs, outcomes, and impacts on annual basis or more often as required.
- Implement other activities as provided under this Decree

PART II

Project Selection Criteria

Article 5. Guiding Principles and Criteria:

To achieve the objectives as set forth in this Decree the Fund shall support projects designed, proposed and approved by village or khet, which will use, as appropriate, the skills and participation of the eligible business and social entities. The Administrative Board of the Fund shall not participate directly in the implementation of any Fund's projects.

The selection criteria of eligible Fund projects shall include:

- Small-scale projects, the objectives of which are consistent with the objectives of the Fund, and with a maximum value to be determined by the Fund.
- Projects meeting efficient price standards, of adequate technical quality, of appropriate project design, and suite to ease of operation and maintenance.
- Implementing activities that involve the use of local capacity.



- Projects that are located in isolated rural areas with high rate of poverty.

PART III ORGANIZATION OF THE FUND

Article 6. Fund organization:

The Fund Organization comprises of:

- 6.1 The Administrative Board.
- 6.2 The Executive Director.

Article 7. Administrative Board organizational structure:

The Fund's Administrative Board includes the ministers, vice-ministers or representatives of each sector, as follows:

- President of the Committee for Planning and Cooperation, as Chair
- Vice-Minister, Ministry of Finance, as vice-Chair and Standing member,
- A respected member of civil society as second vice Chair,
- Vice-Governor of the Bank of Lao PDR, as member
- Vice-President of the Lao Front for National Construction; as member,
- Vice-President of the Lao Women's Union; as member,
- Secretary General of the Lao youth Executive Committee; as member
- Representative of Civil Societies, as member
- Vice-Governor of the targeted province, as member

The Fund Executive Director serves as Secretary of the Fund Administrative Board. If necessary, the Administrative Board may invite outsiders to participate in consideration of specific issues related to the Fund. Quorum will be achieved with at least 7 Board members present.

The Administrative Board has the duty to:

- Adopt the Fund's policies on the basis of the poverty reduction policies and programs of the Government of the Lao PDR;
- Set policies in regard to staff selection and remuneration to ensure the efficient operation of the Fund;
- Approve district poverty targeting strategy and methodology and the selection of participating districts in Fund operations;
- Adopt the Fund's annual budget. and assign the Executive Director to sign agreements with local and foreign donor agencies to fund the Fund of Lao PDR in accordance with external financial cooperation policies and the constitution of the Lao PDR.
- Approve rules, principles, manual, and handbooks on the operation of the Fund.
- Consider and adopt reports on the operation of the Fund submitted by the Executive Director on a regular basis.
- Ensure that the operation of the Fund complies with this Decree and with the rules and principles outlined in the Fund manuals.



- The Administrative Board will be responsible for selection, recruitment and terminate the contract of the Executive Director of the Fund.
- Consider and approve annual district allocations;

Upon termination of the Fund, the Board shall transfer the ownership and management of the Fund's activities to units or communities concerned based on the laws of the Lao PDR and agreements signed with donors;

Assume other tasks and responsibilities as necessary to meet its duties and the objectives of the Fund.

The Administrative Board shall meet and consider issues once in six months or more often as needed, based on the majority of vote, with seven members in attendance constituting a quorum..

Article 8. Duties and term of office of the Executive Director:

The Executive Director has a term of office of 3 years from the signing of the contract. Such term may be extended for another term of no more than 2 years.

The Executive Director shall be a full time position and shall possess administrative skills and competence in handling all issues and acting as the secretary of the Administrative Board.

8.3 The responsibilities of the Executive Director include:

- Submission of program policies to the Administrative Board for consideration and adoption.
- Drafting and submission of programs, projects, annual budget, and work plan, handbooks on the operation of the Fund for consideration and regular monthly reporting to the Administrative Board.
- Guidance and administration of the Fund consistent with the policies and regulations adopted by the Administrative Board.
- Representation of the Fund in entering contracts or agreements with agencies and organizations based on the policies, regulations and responsibilities assigned by the Administrative Board.
- Recruitment of personnel to the Fund Office on the basis of competition and transparent selection with the approval of the Administrative Board.
- Management of the Fund Office and its personnel to improve budget management, project assessment and project execution evaluation, financial guidance and monitoring of projects, safekeeping of projects' financial data and documents.
- Implementation of other tasks, which may be determined and assigned by the Administrative Board.

PART IV BUDGET

Article 9. Government contribution

The Government builds favorable conditions for the allocation of the State budget, of the foreign assistance by grant to the Fund as budget to meet the requirements of communities in due time. The Government ensures an adequate initial funding for the establishment of the Fund.



Article 10. Duties and taxes exemption

All agreement under contracts signed for importing materials, equipment and vehicles with the support of assistance funds from the Fund shall be exempted from import taxes and fees as mentioned in the Taxation Law. All other agreements and contracts signed for the implementation of the project shall be in line with the taxation law applicable at the present time and in the future.

Article 11. Fund's Account

To facilitate financial monitoring, the Fund shall maintain a special account at the Bank of Laos (BOL) and sub-account at business Bank as necessary. Any transfer of money shall be made through such an account.

Article 12. Transfer of ownership

The Administrative Board has the duty to outline regulations governing the use of the Fund's resources and shall transfer all responsibilities over the projects to the Government or to communities once they are completed.

PART V FINAL PROVISIONS

Article 13. Change of the Fund

The Fund may be terminated, modified, or suspended based on the proposal made by the Administrative Board.

Article 14 Logo of the Fund

The Fund has its own logo and Stamp.

Article 15 Implementation

All governmental organizations, mass organizations from the central to the local level and the private sector have the duty to acknowledge and extend cooperation in the strict implementation of this Decree.

Article 16. Effectiveness

This Decree is effective from the signing date.

Vientiane 31st of May 2002

Prime Minister
Signed and sealed

BOUNNHANG VORACHITH

PRFDECREE.02



10.2 ANNEX 2_a: Data Collection Matrix: Improved Infrastructures and Services

Performance indicators	Management Monitoring and Reporting (MIS)		Baseline & Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered							
Number of sub-projects		Proposals							
Type of sub-projects		Proposals					SAMPLE		
Feasibility of design		Proposals		YES	YES		SAMPLE		
Technical assessment of progress (quality & quantity)		Withdrawal request		YES	YES		SAMPLE		
Quality of finished infrastructure		Completion		YES	YES		SAMPLE		
Utilization of infrastructure/service			SAMPLE				SAMPLE		SAMPLE
Increase in access to infrastructure/service			SAMPLE				SAMPLE		
Increase in quality of (absolute and relative)			SAMPLE				SAMPLE		
Demand by the poor of different sub-project types			SAMPLE	YES	YES		SAMPLE		SAMPLE
Utilization by the poor of different sub-project types				YES	YES		SAMPLE		SAMPLE
Number and percentage of ethnic minority beneficiaries		Proposals							SAMPLE
Number and percentage of poor khets served		Proposals					SAMPLE		
Number and percentage of poor		Proposals					SAMPLE		



Performance indicators	Management Monitoring and Reporting (MIS)		Baseline & Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered							
districts served									
Percentage of beneficiaries satisfied with outputs				YES	YES				SAMPLE
Satisfactory level of O&M	YES						SAMPLE		
# of target communities with maintenance plans		Proposals					SAMPLE		
# of sub-projects operational and maintained after 1 year		Annual visits					SAMPLE		
# of sub-projects operational and maintained after 2 years		Annual visits					SAMPLE		
Evidence of cost-effectiveness of sub-project		Annual visits		YES	YES		SAMPLE		
Monthly reports by facilitators, triggered reports by engineers									



10.3 ANNEX 2_b: Data Collection Matrix: Empower Poor Khets Through Capacity Building

Performance indicators	Management Monitoring and Reporting (MIS)		Baseline & Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered							
# of khet meetings	YES		SAMPLE						SAMPLE
# of district forums	YES		SAMPLE						SAMPLE
# of women attending special women's meetings	YES		SAMPLE						SAMPLE
% of women participating in district forums (25%)	YES		SAMPLE						SAMPLE
# of proposals submitted by women	YES		SAMPLE	YES					SAMPLE
# of proposals funded that are submitted by women		Proposals		YES					
# of community procurements being undertaken		Withdrawal request						SAMPL E	
% of community procurements being undertaken		Withdrawal request..						SAMPL E	
average amount of community procurement								SAMPL E	
# of male and female khet facilitators trained	YES								
% of male and female khet facilitators trained	YES								
# female facilitators at		khet data							



Performance indicators	Management Monitoring and Reporting (MIS)		Baseline & Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered							
khet/district level									
% female facilitators at khet/district level		khet data							
# and % of female facilitators at khet/district level		District data							SAMPLE
# and % ethnic minority facilitators at khet/district level		District data							SAMPLE
# and % of target khets with active community development group (should increase over time)				YES			SAMPLE		SAMPLE
# person days training on community facilitation, project design, supervision, operations and maintenance	YES						SAMPLE		
% of trained people who use their new skills (30%)	YES						SAMPLE		
# of non-khet, non-project staff consultants and local organizations that have participated in project (training, project design, project implementation....)	YES						SAMPLE		



Performance indicators	Management Monitoring and Reporting (MIS)		Baseline & Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered							
Evidence that communities have development plans that are broader than the PRFP involvement		Proposal processing							SAMPLE
# of proposals in the khet development plans that are funded by any other source than PRFP		Proposal processing							SAMPLE

10.4 ANNEX 2_c: Data Collection Matrix: Establish an Inclusive Khet Participatory Decision-making Process

Performance indicators	Management Monitoring and Reporting (MIS)		Baseline & Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered							
# of khet meetings	YES		SAMPLE						SAMPLE
# of district forums	YES		SAMPLE						SAMPLE
# of women attending special women's meetings	YES		SAMPLE						SAMPLE
% of women participating in district forums (25%)	YES		SAMPLE						SAMPLE
# of proposals submitted by women	YES		SAMPLE	YES					SAMPLE
# of proposals funded that are submitted by women		Proposals		YES					
# of community procurements being undertaken		Withdrawal request						SAMPL E	
% of community procurements being undertaken		Withdrawal request						SAMPL E	
average amount of community procurement								SAMPL E	
# of male and female khet facilitators trained	YES								
% of male and female khet facilitators trained	YES								
# female facilitators at		khet data							

Performance indicators	Management Monitoring and Reporting (MIS)		Baseline & Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered							
khet/district level									
% female facilitators at khet/district level		khet data							
# and % of female facilitators at khet/district level		District data							SAMPLE
# and % ethnic minority facilitators at khet/district level		District data							SAMPLE
# and % of target khets with active community development group (should increase over time)				YES			SAMPLE		SAMPLE
# person days training on community facilitation, project design, supervision, operations and maintenance	YES						SAMPLE		
% of trained people who use their new skills (30%)	YES						SAMPLE		
# of non-khet, non-project staff consultants and local organizations that have participated in project (training, project design, project implementation...)	YES						SAMPLE		
Evidence that communities have		Proposal							SAMPLE



Performance indicators	Management Monitoring and Reporting (MIS)		Baseline & Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered							
development plans that are broader than the PRFP involvement		processing							
# of proposals in the khet development plans that are funded by any other source than PRFP		Proposal processing							SAMPLE

10.5 ANNEX 2_d: Data Collection Matrix: Participatory Decision-making Process

Performance indicators	Management Monitoring and Reporting (MIS)		Baseline and Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered							
Number of participatory khet meetings,	YES			YES	YES				SAMPLE
# of participants,	YES	Key meetings		YES	YES				SAMPLE
% of villagers participating,	YES	Key meetings		YES	YES				SAMPLE
% of village women participating	YES	Key meetings		YES	YES				SAMPLE
% of participants who are women	YES	Key meetings		YES	YES				SAMPLE
Investments reflect priorities of targeted communities and beneficiaries				YES	YES				SAMPLE
- in terms of types of projects		Proposals		YES	YES		SAMPLE		SAMPLE
- in terms of participatory implementation	YES	Implementation		YES	YES		SAMPLE		SAMPLE
# of target khets satisfied with their village participatory planning and design exercises				YES	YES		SAMPLE		
# of target districts managing the sub-project cycle		Implementation		YES	YES		SAMPLE		



10.6 ANNEX 2_e: Data Collection Matrix: National Project Management/ Institutional Efficiency of Poverty Fund

Performance indicators	Management Monitoring and Reporting (MIS)	Baseline and Follow-up surveys	Annual Beneficiary Assessments	Khet Monitoring	Complaints & Resolution Database	Technical Audits	Annual Financial Audits	Periodic Case Studies
	Monthly	Triggered						
% of project approved within acceptable timeframe		Withdrawal request				SAMPLE		
% of projects of acceptable technical quality		Withdrawal request				SAMPLE		
% project beneficiaries satisfied overall with project								
% of projects reaching poor khets, districts, provinces								
% of projects completed within agreed timeframe		Completion						
% of qualified audits within an acceptable timeframe						SAMPLE	SAMPLE	
% of contractors blacklisted	YES				YES			
# of complaints reported, # responded to, # resolved	YES				YES			
Project output indicators monitored quarterly/biannually	Review	Review	Review	Review	Review	Review	Review	Review
Project development objectives monitored annually	Review	Review	Review	Review	Review	Review	Review	Review



10.7 ANNEX 3: Complaint Monitoring and Handling Procedure

PRF belongs to all of the men and women in the project location. Everybody has a right to know about the project, how it works, how funds are being used and to be confident that they are being used well. If they know there is something wrong in the project or they feel unclear about the project, they can ask questions to consultants and facilitators in a khet, district, provincial or national levels, and complain if problems are not solved. As an important part of their work, consultants and facilitators resolve complaints and answer questions.

The Complaint Monitoring and Handling Procedure is a method for dealing with complaints and questions. The most basic principle in handling a complaint is that the community must be involved in the process.

Sources of Complaint

Complaints and questions about PRF can come from various sources, such as: the community, institutions or community organization, government and consultants/facilitators. They can be channeled through:

- direct verbal complaints or questions from individuals, families or groups;
- regular reports from facilitators and consultants;
- supervision or monitoring findings and/or reports;
- letters addressed to government or consultants/facilitators - a special PO BOX may be opened by project to receive such letters (at national level);
- public information media (reports in the newspapers, magazines, radio or television)

Complaint Categories

All the complaints received will be put into the following general categories:

- CATEGORY 1 - violation of the fundamental principles or procedures of the PRF;
- CATEGORY 2 - misuse of funds;
- CATEGORY 3 - negative interventions (i.e. in selection of priorities or in approval of projects);
- CATEGORY 4 - Force Majeure (need to explain what this means);
- CATEGORY 5 - others.

When a complaint seems to fall into more than one category (e.g. abuse of power combined with corrupt practices), then it needs to be registered in each relevant category. This way the project can give a reliable figure for the numbers of each type of case each year (e.g. number involving abuse of power, number involving corruption). The system must also be capable of stating the absolute figures (no double counting).



Handling and Monitoring Mechanism

Basic Principles

There are some basic principles in complaint handling. They include:

Assurance of confidentiality: the source of complaints must be kept highly confidential. Individuals must be assured they are being listened to and taken seriously without fear of reprisal.

Steps for addressing complaints should follow the hierarchy of decision making: all of complaints will be handled first at the local level by the community, consultant/facilitators, and if necessary the district level government in the problem location. While people at this level handle the problem, those at the higher levels monitor and support by giving advice. If the community and district level cannot solve the problem then the province and/or national level must become involved in the process.

Transparency and participation: The community must be kept informed and involved in all stages of the complaint monitoring and resolution process.

Proportional: handling of complaint must be based on the scope of problem. For example, the national level team should not become involved in solving small issues, but must become involved in solving problems, which are large or particularly difficult.

Objective: all of the information received must be checked by using a crossing check mechanism. This means that every complaint must be properly investigated, with information from all sources given appropriate attention.

Process

All complaints will be entered into a database. Information that must be entered includes:

- file number;
- letter number;
- date of letter;
- sender (name, address, occupant, etc);
- category of complaint;
- brief details of complaint (identity of the source of the problem, matter of complaint, etc);
- status of handling (being processed or resolved).

The information received must be checked by using a cross-checking mechanism in order to get accurate information and the status of the problem in the field. Based on this information, the staff will analyze the problem and make a recommendation and a “handling” strategy. The recommendations of the project staff will be sent to the people who will handle the problem. Every complaint received will be monitored until resolved. If the problem cannot be solved, or if the negative impacts of the problem



appear to be spreading wider, the higher level consultant/facilitator must go to the location of the problem and investigate the problem directly.

Reporting

Consultants/facilitators must report problems and handling process regularly in their progress reports. The consultants and facilitators in the field must be aware that the project will impose automatic sanctions on them if they don't report problems in their locations. In serious cases consultants and facilitators will be dismissed if they fail to report problems. Furthermore, a critical criteria of the performance evaluation of the consultant is not based on how many problems in his/her field, but based on the amount of effort given to solving problems in accordance with the handling principles. Therefore, consultants and facilitators must report problems and their efforts to solve them.

Sanctions

Many problems can only be solved by imposing sanctions. In many cases this must be done with the knowledge and approval of the relevant level of the project management. If a community imposes its own sanctions then the facilitator must advise them on what is fair and realistic. When the project imposes a sanction on the community, such as delay of disbursements or removing a location from the list of beneficiary areas, then this requires approval from the Executive Director at the national level. The Executive Director will also decide on sanctions related to consultants and facilitators. Sanctions on government officials will be through the local or national level government system, depending on the level of severity of the case.



10.8 ANNEX4: Khet request for payment standard form

PAYMENT REQUEST FORM			
Name Of Sub-Project: _____			
Province: _____	District: _____	Khet: _____	Location: _____
Approved budget: _____	Amount requested in KIP: _____	Date _____	
Name and address of payee's bank and account Number		Payee name and address	
Confirmation of accountability khet meeting		Meeting held on: _____	Date _____
		Number of participants: _____	
		Location of Meeting: _____	Number of women attending: _____
Khet representatives sign to certify and agree		Mr. _____	Mrs. _____
		Mr. _____	Mrs. _____
<i>FOR TECHNICAL ADVISOR USE ONLY</i>		<i>PROVINCIAL ACCOUNTANT CERTIFIES</i>	
Physical progress achieved: YES <input type="checkbox"/> NO <input type="checkbox"/>		Amount transferred in KIP: _____	
Procurement no objection YES <input type="checkbox"/> NO <input type="checkbox"/>		Mr./Mrs. _____ Date _____	
Comments: _____		<i>PROVINCIAL COORDINATOR APPROVES (signature & PRF stamp)</i>	
Mr./Mrs. _____ Date _____		Mr./Mrs. _____ Date _____	
Sub-Project Code: _____			

10.9 ANNEX5: Procurement of goods

Section 1 - Memorandum of Evaluation Committee Establishment

Lao People Democratic Republic
Peace Independence Democracy Unity Prosperity

Memorandum on Evaluation Committee Establishment
(for supply of goods)

Date: _____

Number of participants: _____

Number of Candidate:

Name of candidate 1: _____	Number of Votes: _____
Name of candidate 2: _____	Number of Votes: _____
Name of candidate 3: _____	Number of Votes: _____
Name of candidate 4: _____	Number of Votes: _____
Name of candidate 5: _____	Number of Votes: _____

To be designed later



Section 2 - Public Announcement Invitation for Proposals

**Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity**

**PUBLIC ANNOUNCEMENT
INVITATION FOR PROPOSALS
(for supply of goods)**

We are pleased to invite sealed proposals from eligible suppliers and/or individual entrepreneurs working in Lao PDR for undertaking following supplies of goods with technical specifications and delivery schedules (see attachment):

Detailed proposal documents can be obtained from Mr./ Ms. at the following address :

.....
.....
.....

Name of the community :.....
Location : (Village/Khet/District/Province)
Telephone No. (if available)

All proposals must be submitted in a sealed envelope on or beforeand all proposals will be publicly opened on at (time)..... and (place)..... (give details). All bidders are invited to attend this bid opening.

All civil servant are prohibited from proposal or otherwise should be rejected by the Bid Evaluation Committee.

For further information, please contact :

Name of the person :
Address as mentioned above :

Signature of the authorized representative with date.

Section 2.1- Invitation for Proposals

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

INVITATION FOR PROPOSALS
(for supply of goods)

Project No.
Project Name:
Project Location :
Estimated Cost :

From :(name)..... Village
Khet.....
District
Province

To : The Supplier:(name).....
Address :.....
Village :
Khet :
District :
Province :

Subject : Invitation for Proposals

With the reference of the above subject, I have the honor to invite you to submit your proposal for supply of goods in a sealed envelope. We request you to carefully read and examine all instructions, technical specifications, schedules of delivery, forms, and conditions of contract before preparing your proposal for submission.

Your proposal should be submitted on or before at..... in a sealed envelope at the address specified in the above not later than..... (date and time).

Date

Signature of the representative of the village



Section 3 - List of Goods/Specifications



Section 4 - Schedules of Delivery



Section 5 - Form of Proposals

Date _____

To: _____ (Village's Name)
_____ (Village's Address)

We offer to supply _____ (name and number of Contract) in accordance with the Draft Supply of Goods Contract accompanying this Proposal for the Contract Price of _____ (amount in words) _____ (Kips). We propose to complete the supply of goods described in the Contract within _____ days after the Contract is signed.

The Proposal and your written acceptance will constitute a binding Contract between us. We understand that you are not bound to accept the lowest or any Proposal you receive.

We hereby confirm that this Proposal complies with the Validity of the Proposal required by the proposal documents.

Authorized Signature: _____
Name and Title of Signatory _____

Name of Supplier: _____
Address: _____

Phone Number: _____

Fax Number, if any _____



Section 6 - Contract for Supply of Goods**LOCAL SHOPPING
Contract for supply of goods**

[Name and Address of Village/Community]

To:

Mr. Manager/Director,

The (name of the Village/Community) would like to place an order for the supply of _____ (type of goods) (see specification attached herewith), in conformity with your proposal dated _____, specifying the prices of the goods for whose procurement you successfully completed.

1. SUBSTANCE OF GOODS

[List of goods requested, with quantities]

See attachment for specification details

2. AMOUNT OF THE CONTRACT.

The amount of the order is fixed atand it is not subject to revision.

3. TIME LIMIT AND PLACE OF DELIVERY

- The time limit for the delivery of goods is set for [days, weeks or months] from the date of signing this contract. The goods will be delivered at [destination].

4. INTERIM RECEIPT

The interim receipt will be issued upon delivery of all goods. [Or: if the installation of the goods is required, the interim receipt will only be issued after installation of the equipment are completed. The receipt will be acknowledged as the interim receipt report.

5. TIME LIMIT FOR THE WARRANTY AND AFTER-SALES SERVICE

The deadline for the warranty period is set for ____months from the date of the interim receipt. During the warranty period, excluding the current maintenance, all the repairs resulting from faulty good(s) will be at the supplier's expenses, including the supply of replacement parts and other overhead costs.

The supplier is to guarantee an after-sales service to ensure the maintenance service as well as the fast and regular supply of spare parts.



6. FINAL RECEIPT

The final receipt will be issued at the end of the warranty period, and will be acknowledged as the final receipt report.

7. RETENTION

The retention amount, to be reimbursed when the final receipt has been issued, is set up at 10 percent of the total amount of this contract.

8. LIQUIDATION DAMAGES

In case of delay within the period specified in the contract, the supplier is subject to a penalty of **1/1000** of the price of the goods ordered per calendar day of delay. However, the ceiling of these penalties is 10 percent of the total amount of the contract.

In case the 10 percent ceiling is exceeded, the administration reserves the right to terminate the contract.

9. SCHEDULE OF PAYMENT

The amount of which are due will be paid in the following manner:

____% of the total amount upon the completion of the installation, delivery and training.

____% of the total amount upon the acceptance of the goods.

____% of the total amount upon the end of the warranty

Total: **100%**

10. FORM OF PAYMENT

The payment will be made by cash by the signatories of the [name of the village/community] or by check of the (name of bank] at _____[place]

11. APPROVAL OF CONTRACT

This contract will be effective only after it has been signed by the supplier.

Place and date _____

Signed: _____ [signatories of the village/community representative]



Read and accepted:

For the Supplier:

Vientiane, Date _____

Signature(s) _____ [representing the supplier].



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Project No. :
Project Name:
Location :

LIST OF SUPPLIERS INVITED/RECEIVED DOCUMENTS

No.	Name of Suppliers	Name of Representative	Address	Date	Signature



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Project No. :
Project Name :
Project Location

LIST OF PROPOSALS RECEIVED

No.	Name of Supplier	Name of Representative	Address	Date	Signature



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

EVALUATION REPORT

Project No.
 Project Name:
 Project Location:

Member of the proposal Evaluation Committee

No.	Name	Position	Signature

Proposal Submission Date :
 Evaluation Date :
 Place :

Name of Local suppliers	Proposed Price

Selected Supplier :
 Price :

Date

Signature of the Chairman of the Proposal Evaluation Committee



10.10 ANNEX6: Procurement of works

Section 1 - Memorandum of Evaluation Committee Establishment

Lao People Democratic Republic
Peace Independence Democracy Unity Prosperity

**MEMORANDUM OF EVALUATION COMMITTEE
ESTABLISHMENT
(for civil works)**

Date: _____

Number of participants: _____

Number of Candidate:

Name of candidate 1: _____	Number of Votes: _____
Name of candidate 2: _____	Number of Votes: _____
Name of candidate 3: _____	Number of Votes: _____
Name of candidate 4: _____	Number of Votes: _____
Name of candidate 5: _____	Number of Votes: _____

To be designed and revised later



Section 2 - Public Announcement Invitation for Proposals

**Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity**

**PUBLIC ANNOUNCEMENT
INVITATION FOR PROPOSALS
(for civil works)**

We are pleased to invite sealed bids/proposals from eligible construction firms and/or individual entrepreneurs working in Laos PDR for undertaking following civil works, as per bill of quantities, technical specification and design. This project is financed by
.....

Project No. : for the construction of :.....
in Village Khet..... District.....in Province
with a total estimation costs of

Detailed bidding documents can be obtained from Mr./ Ms. at the following address :

.....
.....
.....

Name of the community :.....
Location : (Village/Khet/District/Province)
Telephone No. (if available)

All bids/proposals must be submitted in a sealed envelope on or beforeand all bids/proposals will be publicly opened on at (time)..... and (place)..... (give details). All bidders are invited to attend this bid opening.

All civil servant are prohibited from bidding for a contract or otherwise should be rejected by the Bid Evaluation Committee.

For further information, please contact :

Name of the person :
Address as mentioned above :

Signature of the authorized representative with date.



Section 2.1- Invitation for Proposals

**Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity**

**INVITATION FOR PROPOSALS
(for civil works)**

Project No.
Project Name:
Project Location :
Estimated Cost :

From :(name)..... Village
Khet.....
District
Province

To : The Bidder(name).....
Address :.....
Village :
Khet :
District :
Province :

Subject : Invitation for Bids/Proposals

With the reference of the above subject, I have the honor to invite you to submit your proposal for civil works in a sealed envelope. We request you to carefully read and examine all instructions, technical specifications, design, drawing, bill of quantities, schedules of works, forms, conditions of contract, and declaration forms (check list) before preparing your bid for submission.

Your proposal should be submitted on or before at..... in a sealed envelope at the address specified in the above not later than..... (date and time).

Date

Signature of the representative of the village



Section 3 - Specifications



Section 4 - Design (if any)

Section 5 - Drawing



Section 6- Bill of Quantities



Section 7 - Schedules of Work



Section 8 - Form of Proposals

Date _____

To: _____ (Village's Name)
_____ (Village's Address)

We offer to execute the _____ (name and number of Contract) in accordance with the Draft Civil Works Contract accompanying this Proposal for the Contract Price of _____ (amount in words) _____ (Kips). We propose to complete the Works described in the Contract within a period of _____ (in words) or _____ (in number) calendar days from the Start Date.

The Proposal and your written acceptance will constitute a binding Contract between us. We understand that you are not bound to accept the lowest or any Proposal you receive.

We hereby confirm that this Bid complies with the Validity of the Bid required by the proposal documents.

Authorized Signature: _____
Name and Title of Signatory _____

Name of Contractor: _____
Address: _____

Phone Number: _____

Fax Number, if any _____



Section 9 - Contract for Civil Works**Contract for Civil Works**
[Specimen form]

This Agreement is made between the Representative of the [name of the village or community] of the one part, represented herein by Mr./Mrs./Ms., and Mr./Mrs./Ms. on behalf of the contractor [name of the contracting firm] of the other part, It has been agreed as follows :

CLAUSE 1 – CONTRACT OBJECTIVES

This contract is for
Subproject.....
at....., the village of

The works assigned to the contractor consist of :
[a detailed explanation or reference to a description/design/list of quantities in an attachment]

CLAUSE 2 – SUBCONTRACTING

The contractor shall not subcontract any parts of his works without prior consent of the other party.

CLAUSE 3 – CONTROL OF THE WORK EXECUTION

The execution of this contract is controlled by the subcommittee of the [name of the village or community]. The Government, that provides a major part of financing for the subproject, may send its own technicians to inspect the work being done or completed.

In case of non conformity to the rules of the profession, the Representative of the village/community, upon a report of the person in charge of the Government's technicians, may bring to the attention of the contractor the breach of contract. An assessment will be made by the Government technicians.

The works poorly executed shall be repaired or improved by the contractor.

CLAUSE 4 – RESPONSIBILITY

The contractor is responsible during the execution of the work for the damage and accident of any kind caused to a third party by the personnel and equipment of the contractor.



CLAUSE 5 – TIME LIMIT FOR THE WORK EXECUTION

The whole work should be completed within months from the date of the signature of the contract.

CLAUSE 6 – LIQUIDATED DAMAGES

In the event that works specified in the contract are not completed on schedule, the contractor shall be subject to a penalty of 1/1000 of the price of the works ordered per calendar day of delay, except in the case of force majeure, that would need to be confirmed by a Government's technician appointed by the authorities [name of the Government/IDA financed project].

CLAUSE 7 – INTERIM RECEIPT

The interim receipt will be acknowledged in a report and issued upon completion of the works. A certificate of acceptance will be provided by the subcommittee [name of the village/community], which may first request an opinion from a Government-appointed technician.

CLAUSE 8 – FINAL RECEIPT

The final receipt will be acknowledged in a report of the subcommittee of [name of the village/community], who may seek the prior opinion of a Government technician appointed by the authorities responsible for the implementation of the [name of the Government/IDA financed project].

CLAUSE 9 – AMOUNT OF THE CONTRACT

The amount of the contract is[currency unit].

CLAUSE 10 – SCHEDULE OF PAYMENT

The schedule of payment are :

	<u>In money</u>	<u>In kind</u>
1. Advance for Start-up [amount]		
2. First Stage at [define the first stage] [amount]		
3. Second Stage at [define the second stage] [amount]		
4. After Final Receipt [amount]		



CLAUSE 11

A copy of this contract will be addressed to the [name of the entity that approved the financing of the subproject].

Signed at[place and date]

The representatives of the village/community :

.....

Contractor :

.....

Section 10 - Declaration Form

Lao People Democratic Republic
Peace Independence Democracy Unity Prosperity

DECLARATION FORM (to be revised)
(To be filled and signed by the bidder)

The bidder shall complete the declaration form below by selecting Yes or No as appropriate.

No.	Question	Declaration
1	Contract for Financing and Implementing subproject : - Have you read and understood all the provisions of this contract?	Yes No
2	Contractors Obligations: - Do you fully understand the obligation of the contractor under this agreement?	Yes No
3	Delay Penalty : - Do you understand that penalty will be imposed if you delay completion as per timetable of one-thousandth of the total contract amount per day for completion delay?	Yes No
4	Project Bill of Quantities: - Have you read and fully understood the Project Bill of Quantities?	Yes No
5	Technical Specification : - Have you read and understood all the requirements of the specifications for works?	Yes No
6	- Before signing the contract, have you carefully observed the construction site ?	Yes No
7	- Did you compare the materials costs at the construction site with the materials costs in the contract?	Yes No
8	- Do you agree that after signing the contract, you will not ask to modify the material cost in the Bill of quantities?	Yes No
9	- Do you agree that after signing the contract, you are not allowed to transfer that contract to another subcontractor ?	Yes No

Date.....

Signature of the Bidder



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Project No. :
Project Name:
Location :

LIST OF BIDDERS INVITED/RECEIVED DOCUMENTS

No.	Name of Bidder	Name of Representative	Address	Date	Signature



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Project No. :
Project Name :
Project Location

LIST OF PROPOSALS RECEIVED

No.	Name of Bidder	Name of Representative	Address	Date	Signature



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

EVALUATION REPORT

Project No.
 Project Name:
 Project Location:

Members of the Bid Evaluation Committee

No.	Name	Position	Signature

Proposal Submission Date :
 Evaluation Date :
 Place :

Name of the Bidders	Proposed Price

Selected Bidder :
 Price :

Date

Signature of the Chairman of the Bid Evaluating Committee



10.11 ANNEX 7: Contract agreement between PRF and the communities

**Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity**

Poverty Reduction Fund Project**IDA Credit No.....****Terms and Conditions for Financing****Community-managed****Sub-project Implementation Contract**

Project Contract Code Number :.....

Name of the Project :.....

Location:

1. Main Parties to the Contract

- 1.1. The (hereinafter referred to as) established vide Decree No73/PMof the Prime Minister on the Establishment of the Poverty Reduction Fund, which for the purposes of this contract will be referred to as the “Financing Entity” and will be represented by its, Mr. and located at ...
..... Lao PDR.
- 1.2., which for the purpose of this contract will be referred to as the “**Community**”, as per definition contained in’s Operations Manual, and will be represented by, and residing/located at Lao PDR. (enclose signed copy of the Minutes of Project Support Committee’s, or any other similar community-based entity, meeting authorizing this representation)



2. Rights and Responsibilities of the Parties to the Contract

A. The Community

- 2.1. Shall be responsible for implementing the project according to the specifications, designs, site plan, project description, implementation schedule and costs contained in the contract and its attachments.
- 2.2. Shall maintain a site “instruction and record book”, and will comply with all guidelines/instructions stated in the site “instruction and record book” and will be made available to any PRFP Facilitators/Technical Advisors and other authorized World Bank personnel.
- 2.3. Shall ascertain and conform in all respects with the provisions of laws, rules and regulations of the Government of Lao PDR, which may be applicable to the project such as, but not limited, safety and security of all site operations and methods of construction, traffic regulations, promotion of environmental protection.
- 2.4. Shall be solely responsible for any work accidents, injuries, liabilities, damages which might result from the execution of work.
- 2.5. Shall not without prior consent of the Financing Entity, assign the contract or any part thereof.
- 2.6. Shall cooperate fully with the Financing Entity in its Supervision activities
- 2.7. Shall be responsible for implementing, monitoring and managing the contract.
- 2.8. Shall furnish the Financing Entity with an "operation and maintenance plan" to ensure the sustainable use of the facilities created in accordance with the general standards set forth in the”s Operational Manual and thereafter carry out, or cause to be carried out, such plan.

B. Financing Entity

- 2.11 Shall be responsible for financing the contract, and for disbursements of the contract amount to the Community for work accomplished as per schedule. The Financing Entity shall also be responsible for ensuring technical quality and standards of civil works. Further, the Financing Entity shall have the final responsibility for suspension or cancellation of the contract, when deemed necessary.
- 2.12 Shall have the power to supervise the implementation of the project until completion, and shall have the right to unimpeded inspection of the project facility anytime.



3. Purposes of the contract

In accordance with the decision of themeeting of the on, the Financing Entity will provide financial support for the contract implementation as requested by the Community named above and in accordance with the documents attached hereto.

4. Documents Attached to this Contract are:

- 4.1. Application form.
- 4.2. Approved design, specification, site plan and project costs.
- 4.3. Mandates, designations and other legal documents.
- 4.4. Bill of Quantities.
- 4.5. Community declaration form.
- 4.6. Schedule of implementation.
- 4.7. Public land documents

5. Project Description

(brief description of the main components)

6. Financing and Disbursements

- 6.1. The total amount of the contract is up to the sum of \$
- 6.2. The Community, as deemed necessary and in writing, will submit “payment requests“, as per procedures established by the Financing Entity. Thereafter, the Financing Entity will disburse resources on a grant basis in accordance with the time schedule above and upon completion of the works or receipt of the equipment.

7. Project Supervision

- 7.1. The Financing Entity will supervise directly the implementation of the project through completion.
- 7.2. The Community commits to verify the correct implementation of the project and may object to a disbursement submitted to the Financing Entity.

8. Disbursement Procedures (To be revised after further exploration as to what is feasible)

- 8.1. All disbursements under this contract will be carried out by means of Money Transfer Order or Cheque issued to the Community or his/her duly authorized representative.
- 8.2. All disbursements up to the final disbursement on project completion will be made only after carrying out the following procedures:



- a. *The Community requests disbursement from the Financing Entity by means of a request of payment based on disbursement plan and technical progress assessment;*
- b. *Requested disbursement is approved by the Financing Entity;*
- c. *If an objection to the disbursement has been submitted by the Community or its representatives, the Financing Entity will make discuss details with the Community Representatives and arrive at a decision, concerning the merits of the objection raised, and notify the decision to all concerned.*

9. Contract Cancellation

9.1 Disbursements may be suspended and this contract may be canceled by the Financing Entity subject to the following conditions:

- a. *non-completion of any of the obligations stated within this contract by any of the parties to this contract.*
- b. *if, in the judgment of the Financing Entity, the quality of the project implementation (equipment supplied or works completed) is deficient based on reports stating that the purposes of the project are at risk.*
- c. *Up on request of the Community in response to extraordinary circumstances not foreseen in the project documents.*
- d. *if, in the judgment of the Financing Entity, the Contractor has suspended implementation for such a length of time as to put the purposes of the project at risk.*

9.2 In the event that the Financing Entity decides to cancel the contract, it may request the Community to rectify the causes of cancellation within a limited period of time and to the satisfaction of the Financing Entity before carrying out such cancellation.

10. Amendments to the contract

Amendment to the provisions of this contract can be made only with the consent of all parties, who are signatories of this contract.

11. Prohibitions

- 11.1 For carrying out the Civil Works, the Community will not use heavy equipment not provided for in the project cost table attached.
- 11.2 The Community is prohibited to request free counterpart work from beneficiaries for activities being paid under the contract, in the contrary the Financing Entity shall have the full right to stop immediately the disbursement and suspend or cancel this contract.



- 11.3 The Community is not allowed to sub-contract civil works under this contract to any other party. However, parts of the civil work could be sub-contracted, after submitting detailed reasons for sub-contracting and obtaining written permission from the Financial Entity i.e., PRFP. In cases, where the Community sub-contracts this contract without prior consent in writing, the Financial entity shall have the full right to cancel this contract and shall not pay the costs of construction work and material to the Community.

12. Authorized Signatures

Any request or report directed to any of the parties to this contract must be signed by designated representatives of the parties.

13. Duration of the contract

The Community commits to complete the implementation of the project within months, to be counted from the official ground ceremony breaking date. In the case of non-compliance with this provision, the Community is subject to a penalty of one one-thousandth of the total contract amount per day of delay, except in the case of force *majeure*, in which case the Financing Entity will evaluate the additional time to be allowed and so inform the Community.

14. Addition and Revisions

- 14.1. In case of unexpected substantial increase in price of project items (i.e. materials, labor etc.....) during project implementation, price escalation may be allowed by the Financing Entity only if the total increase in price of remaining work exceeds 5% of the total contract cost. Total contract cost shall be taken to mean the original contract cost plus any additional/extra work orders that the contractor may have been instructed by the Financing Entity to do, including variation in prices that may have been authorized by the Financing Entity. The basic for computing unit cost prices for this purposes shall at all times be the unit cost database of the Financing Entity.
- 14.2 The Contractor will not make any claims to the Financing Entity on the basis of incomplete knowledge or errors in the project design or specifications during or after the implementation of the contract.

15. Settlement of Disputes

Any conflicts or disputes arising out of or in connection with the interpretation or implementation of this contract, which cannot be settled amicably by the parties, shall be decided through judicial proceedings in accordance with the Laws of the Lao PDR.



16. The present contract shall take effect when signed by all concerned parties.

Approved, on this, day of at

.....

PRFP

Community Representatives

Endorsed by