

Committee for Planning and Investment  
Poverty Reduction Fund (PRF)



**Semi-Annual Report 2006**



**Strong, capable communities, in even the most remote rural areas, working together and finding solutions to meet their present and future needs\***

Vientiane, Lao PDR, July 2006

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## List of acronyms

APB .....	Agricultural Promotion Bank
BoL.....	Bank of the Lao PDR
BoQ .....	Bill of Quantity
BTC .....	Belgium Technical Cooperation
CD .....	Community Development
CDD .....	Community Driven Development
CPI.....	Committee for Planning and Investment
CTPC.....	Construction, Transport, Post & Communication
DCD .....	District community development
DF.....	District Facilitator
District.....	An administrative unit working under the direction of provincial administrations (142 districts throughout the Lao PDR)
FA.....	Financial and Administration unit
FY .....	Fiscal Year (01/10 of the former year to 30/09 of the quoted year)
GoL .....	Government of the Lao PDR
HH .....	households
IDA.....	International Development Association (World Bank)
IEC .....	Information Education and Communication
IGA.....	Income Generation Activities (or Income-Generating Activities)
ITE.....	IGA, Training, and Environment sub-projects
KF.....	Khet Facilitator
Khet.....	Sub-district unit comprising neighboring villages
KSPPPO .....	Khet Sub-Project Priorities Outline
LA .....	Lao Agreement
Lao PDR....	Lao People's Democratic Republic
Lao PRY ....	Lao People's Revolutionary Youth
LECS .....	Lao Expenditure and Consumption Survey
LNFC.....	Lao National Front for Reconstruction
LNR.....	Lao National Radio
LTUF.....	Lao Trade Union Federation
LWU.....	Lao Women's Union
M&E.....	Monitoring and Evaluation unit

MCTPC ..... Ministry of Construction, Transportation, Post, and Communication  
MIS..... Management Information System  
NGPES ..... National for Growth and Poverty Eradication Strategy  
NSC ..... National Statistics Centre  
NUL..... National University of Laos  
OPT ..... Operations, Planning & Training unit  
PC..... Provincial Coordinator  
PCD ..... Provincial Community Development  
PM..... Prime Minister  
PMT..... PRF Project Management Team  
PRA ..... Participatory Rural Appraisal  
PRF..... Poverty Reduction Fund  
Province..... The Lao PDR is divided into 18 provinces each with an appointed governor and local administration  
SME..... Small and Medium Enterprise  
SoE ..... Statement of Expenditure  
STA ..... Senior Technical Advisor  
TA ..... Technical Advisor  
ToE..... Training of Enumerator  
ToR..... Terms of Reference  
ToT ..... Training of Trainers  
UCD ..... Unit Cost Database  
USD..... Dollar of the United States of America  
UXO ..... Unexploded Ordnance  
V ..... Villagers  
VNPA..... Village Need Priority and Assessment (form designed to record the outputs of each village participatory workshops)  
WB ..... the World Bank  
XDR ..... Special Drawing Rights

## 1. EXECUTIVE SUMMARY

The Poverty Reduction Fund (PRF) is an initiative effort of the Lao Government<sup>1</sup>, to contribute to social and economic development towards poverty alleviation for all, especially among the ethnic minorities living in remote areas. Established by a Prime Minister decree<sup>2</sup>, the PRF aims to build capacity and empower poor villagers to plan, manage, and implement their own public investments to develop community infrastructure and gain improved access to services and to strengthen local institutions to support participatory decision-making and conflict resolution processes.

This report is a summary of PRF implementation from January to June 2006, which includes the end of the third cycle and the beginning of the fourth cycle. During this time, the seventh Administrative Board Meeting took place in Xamneua District (Huaphanh Province) to discuss PRF issues and visited some sub-projects in Sobbao district. The third Annual Review and Strengthening Workshop for PRF staff was held in Vientiane province (Thalat) from 26-30 June 2006; 177 people attended, including 36 governmental staff and representatives. Issues on PRF implementation were raised and discussed, leading to a set of recommendations, which the PRF will use for future reference. This is a good opportunity for all PRF staff from five provinces comes to meet and learn more experiences from each other, useful to enhanced their skill and their commitment.

The present activity report spans the first semester of 2006, *i.e.* the second half of the Cycle III, during which the PRF has expanded to two new provinces (Xiengkhouang and Saravanh), including six new districts. In Cycle III, the PRF covers 5 provinces, 20 districts, 239 khets, and 1,913 villages, for a population of 718,700 people. After the District Finalization Meetings in December 2005, 533 sub-projects were selected in 1,233 villages (64% of the potential beneficiary villages), beneficiating to 539,000 people (75% of the total population), for a budget of approximately 4,163,000 USD.

The PRF began the sub-project implementation in January 2006. During the semester, the PRF supported communities to implement the sub-projects, carried out quality control inspections of sub-projects during their realization and final inspections on a sample of them; and transferred fund to the khet account for closing payments. End of June 2006, 343 sub-projects (64%) have been completed and 78% of the allocated budget has been transferred. Resulting from the villager request and the participatory planning process with communities, water supply, education, and roads were the major sectors for PRF investment.

The annual audit for the fiscal year 2005 (1/10/2004-30/09/2005) also took place during the reporting period. The summary of the findings of the audit stated that the PRF financial statements gave a true and fair view of the financial position. The audit report found PRF's financial processes to be acceptable.

In parallel to the completion of Cycle III, the PRF prepared the expansion into one new district in Huaphanh Provinces, Viengthong,) for the Cycle IV: recruitment and training for new PRF district staff, training of Khet Facilitators. For the forthcoming cycle, the PRF is going to cover 5 provinces, 21 districts, 252 khets, and 1,984 villages, for a population of 744,000 people; the

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<sup>1</sup> Supported by the World Bank (IDA, credit no. 3675 LA – USD 19,345,000).

<sup>2</sup> Decree 073/PM on 31 May 2002, effective in February 2003 for a period of five years.



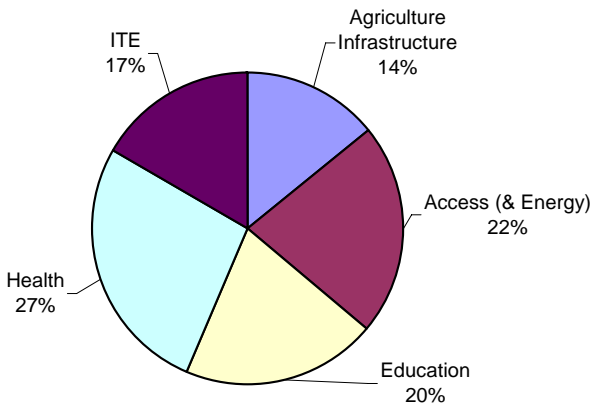
Fund mobilizes 142 contract agents, but also more than 3,800 villagers selected by their communities to facilitate, implement or monitor the activities at the village level.

## 2. PLANNING OF CYCLE III

### 2.1. Reminder: Planning of sub-projects in 2005

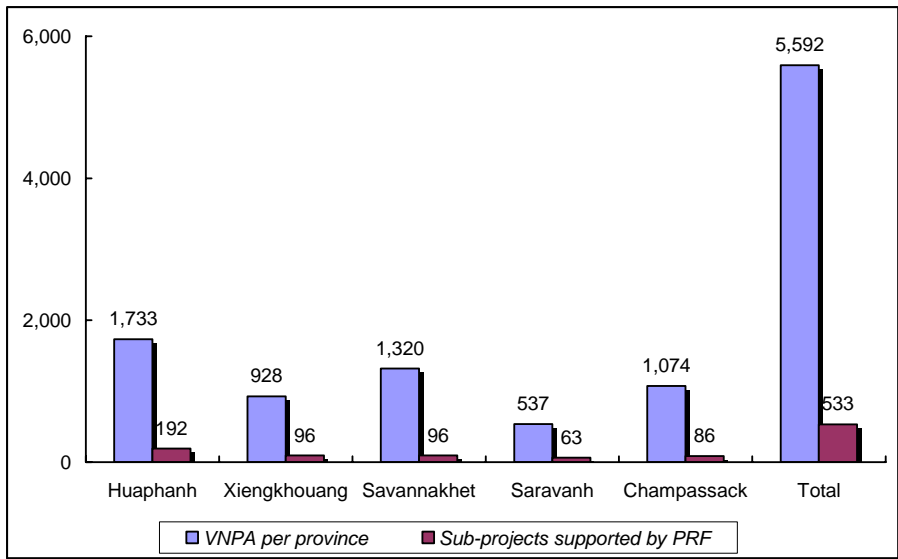
The first participatory planning step, the Village Need and Priorities Assessment (VNPA), was carried out in 2005 in all the 1,913 villages, 20 districts, 5 provinces of Cycle III.

**Figure 1: Village Needs and Priorities expressed by villagers (Cycle III)**



Water and sanitation, included into the health sector, access (CTPC), followed by education sectors were the main areas of concern for the poor villagers in the Cycle III. The prevalence for better domestic water supply has remained the same from Cycle I to Cycle III.

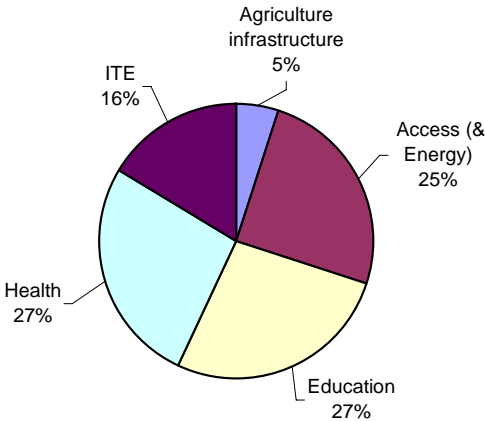
**Figure 2: Village Needs and Priorities expressed by villagers and supported by the PRF**



The number of sub-project by sector may be changed to the follow priority due to some of them could not implement in some areas

The Figure 2 above shows the number of VNPA expressed by villagers in each province for Cycle III (2005-2006); the amount is higher in Huaphanh, Savannakhet, and Champassack than in Xiengkhouang or Saravanh provinces because of higher number of khets and villages there. In total, 5,592 VNPA were expressed in Cycle III, of which the PRF (10%) finally funded 533. For comparison, the communities requested respectively 2,721 and 4,229 VNPA for Cycles I and II, of which 248 (9%) and 431 (10%) were supported by the PRF.

**Figure 3: Priority Needs expressed and selected by representatives of communities (Cycle III)**



At the District Decision Meeting, the three major sectors of health, education and access were slightly more predominant. District Decision Meetings were held in the 20 districts in November-December 2005, representing the last step of the participatory planning process. It is noteworthy that for community (khet) representatives in Cycle I, water supply was the first concern, in Cycle II education emerged at the first rank, while in Cycle III, education and health sectors<sup>3</sup> reached the first rank. *Education* sector includes 91 school sub-projects (school construction and renovation), 29 learning-teaching material sub-projects, and 23 upgrading teacher or teacher stipend sub-projects. *Health* sector includes 101 sub-projects of water supply (spring water system, drilled well, hand well), 15 dispensary sub-projects, 13 medical equipment sub-projects, while the remaining 14 deal with various health issues<sup>4</sup>.

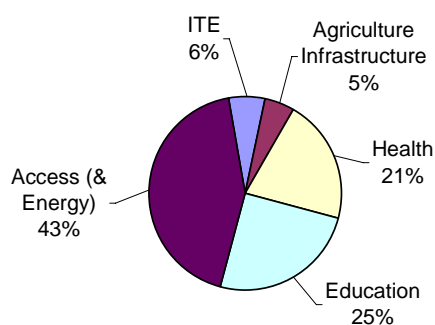
The breakdown of sub-projects by sector settled upon at district decision meetings may evolve during implementation. In some cases, sub-projects were not technically feasible. They were then discarded and new sub-projects were selected according to their rank in the priority list. For example, it happened in the khet 11 in Phin district (Savannakhet) where the community, supported by the PRF, was not able to find any constructor interested in contracting for a weir sub-project, because of especially difficult access conditions. Thus, the second rank priority sub-projected was implemented instead, a primary school.

<sup>3</sup> 143 sub-projects for each sector.

<sup>4</sup> Latrine, nurse stipends, village health volunteer training, village medicine box, delivery house construction, dormitory for patients construction, etc.

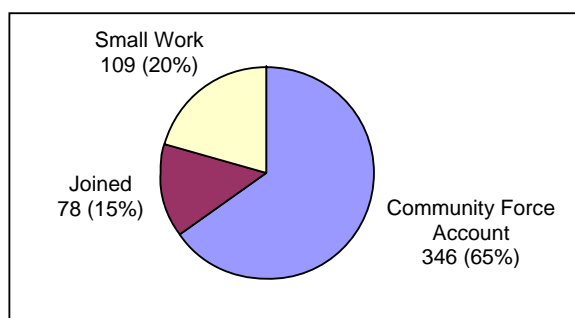


**Figure 4: Budget planned by sector (Cycle III)**



According to the District Decision Meetings results, the PRF planned a budget for the sub-projects that confirmed the predominance of Access sector in terms of investment, while the others sectors were relatively down compared to Cycle II.

**Figure 5: Procurement types (Cycle III)**



One of the PRF's objectives is to build capacity and empower poor villagers to plan, manage, and implement their own public investment in a decentralized and transparent manner. In accordance with, the village, communities are involved in implementation of 80% of the sub-projects: 346 (65%) of total sub-projects are directly implemented by community (community force account), and 78 (15%) by both community and private contractor. 109 (20%) of the sub-projects are implemented by external constructors.

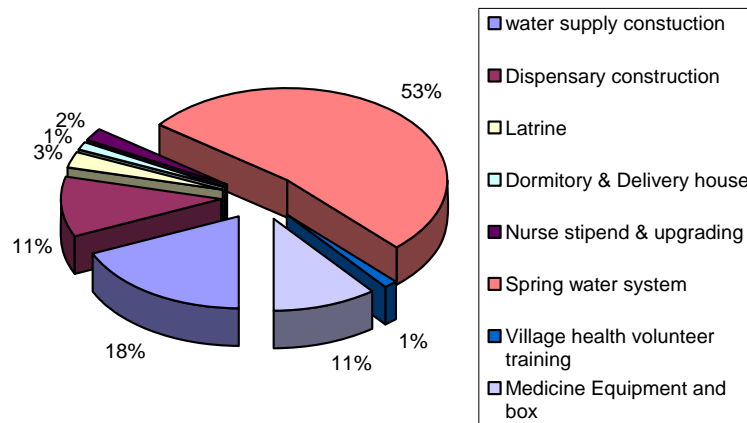
In some cases, the process of implementing may change due to lack of skills in the community. While the contracts settled with the PRF applied to Community Force Account, it turned out that the villagers were technically not able to carry out the task and external contractors were hired. Since the PRF investments were settled, the communities endure the unforeseen raisings of costs.

## **2.2. Sub-project analysis by sector for Cycle III**

### **2.2.1. Health sector**

Village water supply remains for Cycle III the main activity for the Health sector. According to the environment conditions, spring fed water systems are dominant in the northern provinces (75 sub-projects in Huaphanh and Xiengkhouang), while wells (drilled or hand dug) are dominant in the South (26 sub-projects in Savannakhet, Saravanh and Champassack provinces).

**Figure 6: Health sector data (Cycle III)**



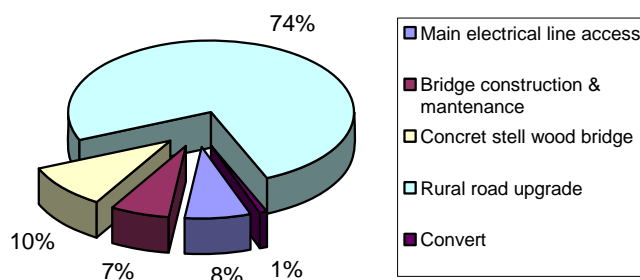
Some provinces show specific requests for Health sector; Saravanh, for example, concentrated almost 75% of dispensary, medical equipment and medicine box sub-projects<sup>5</sup>.

### 2.2.2. Access and transportation sector

Rural road upgrade appears to be the main concern of villagers in the five provinces, because most of the villages in the poor PRF-targeted districts are in remote (South) and upland (North) areas. Lack of access is a serious hindrance on transportation of agricultural produce toward markets or on access to public services.

For Cycle III, out of 133 sub-projects for the access sector, 100 sub-projects deal with rural road upgrade, for a total length of 1,045 km.

**Figure 7: Access sector data (Cycle III)**

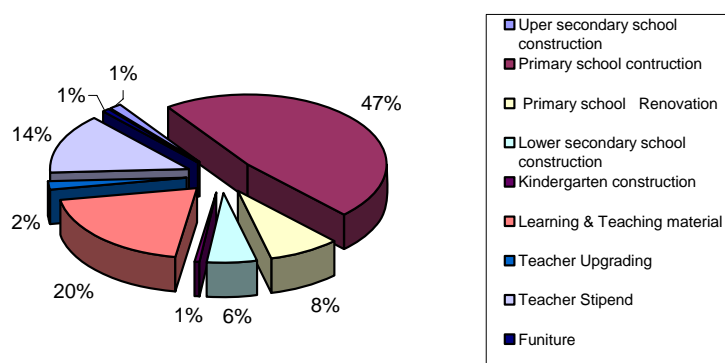


### 2.2.3. Education sector

Improving schools counts for 27% of the Cycle III sub-projects and a quarter of the investment budget, displaying a strong commitment of the communities in improving access to education for their young.

<sup>5</sup> 10 dispensaries out of 15 in Cycle III, 11 medical equipment or medicine box sub-projects out of 15 in Cycle III.

**Figure 8: Education sector data (Cycle III)**



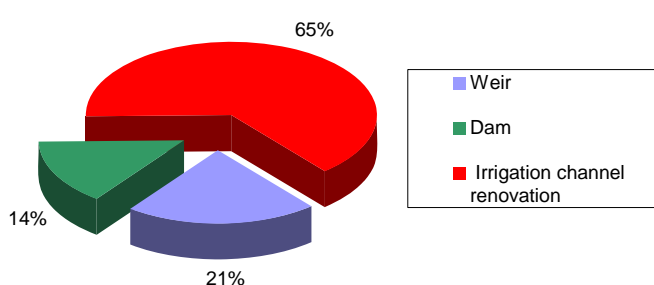
During Cycle III, the PRF mainly supported renovation/building of primary schools at village level and supplying of educational material (books, tools, furniture), to offer better conditions of learning and thus enhance the training quality and the long-term involvement of the children.

#### **2.2.4. Agriculture sector**

*Note: the PRF-called "agricultural sector" concerns only infrastructures for farming activities (irrigation schemes, ponds, etc.). Agricultural activities supported by the PRF belong to the Income-Generating ones, treated in the Income-generating activities, Training and Environment ITE sector chapter (Cf. p. 11).*

During Cycle III VNPA, the villager requests on agricultural infrastructures came from northern upland areas (Huaphanh and Xiengkhouang) and focused on access to water for dry season cropping. Creating, expanding or improving irrigation schemes may enhance farmer capacity to crop twice a year, *i.e.* to increase their rice production or to develop new cash cropping in dry season.

**Figure 9: Agriculture sector data (Cycle III)**



#### **2.2.5. Income-generating activities, Training and Environment (ITE) sector**

Income-Generating Activities were on the fringes of the PRF during its design but they quickly appear as a recurrent and strong requests from the poor communities as well as a strong demand from the Government: they are a direct tool to alleviate poverty, with immediate effects, unlike the small-scale infrastructures — *necessary but with mid or long-term impact* — on which the PRF focuses by design.

By design, the PRF focuses on community infrastructures. However, since the first Cycle, many village demands related to Income Generation Activities (IGA) were presented, leading the PRF

Administrative Board to introduce some IGA in the PRF menu of options, in line with the Government priorities in the poverty alleviation strategy, and in accordance with the NGPES. For Cycle I, the PRF proposed only IGA training courses to address the villager demands. Various assessments showed a limited impact of such training, because of the lack of capital for the beneficiary villagers to implement the new knowledge, quickly lost without practice. To answer the Poor's demand, the PRF has experimented different kind of activities (:

Training activities

- Awareness and general training on IGA
- Specially requested training courses: cropping and animal raising
- Local authorities capacity enhancement
- Khet representative financial training

Income-Generating Activities, strictly speaking

- Building of marketing infrastructures (markets)
- Village saving groups

Environmental Activities

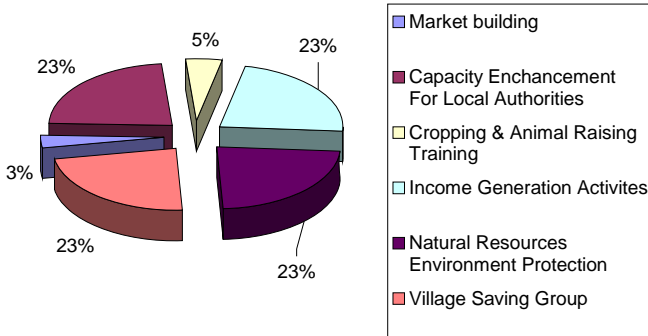
- Natural resources environment protection.

The portfolio needs to be extended, especially with support to animal raising for the poor households. To that end, a proposal for a new type of sub-project will be soon submitted to the PRF regulatory authorities.

During the latest months, the PMT has received recurrent messages and questions inferring that the PRF was implementing IGA over the approved pilot experiment. The PMT guesses that the issue lies mainly in a misunderstanding, coming from an abusive use of the term "IGA" that we made in former reports.

Obviously, the PRF uses the term "IGA" in a much wider sense than commonly; it is much more an open "other than infrastructure (and related)" sector than a precise definition. To more clearly define the sector and avoid any future misunderstanding, the PRF decided to change the sector title from IGA to ITE, meaning: *IGA, Training, and Environment*<sup>6</sup>.

**Figure 10: ITE sector data (Cycle III)**



<sup>6</sup> Cf. annex 6, p. 51.

## 2.3. Synthesis of sub-projects planned for Cycle III

Table 1: Summary of Data for Cycle III planned sub-projects

Province / District	No. of Khet	Total no. of Village	Total Population (VNPA, 2004)	No. of Adults in VNPA	No. of Adults VNPA participating	% of Adult Pop. participating in VNPA	No. of Villages benefiting from PRF	Benefiting Villages as % of total villages	No. of Poor villages benefiting	Poor villages as % of total benefiting	No. of villages counted by time	No. of Activities requested during VNPA 3 Priority Needs per Village	No. of Activities requested by PRF 2nd cycle	% of Priority Needs met	PRF Budget (KIP) Data based on Decision Meeting held Dec. 2004	Appro. Budget (USD) Exe. Rate	Average PRF cost per subproject (USD) 1\$ = 10 500 k	Village Contribution (KIP)	% Village contribution (KIP)
<b>Huaphanh</b>																			
Sobbao	7	70	25,195	14,110	13,855	98%	43	61%	34	60%	55	180	20	11%	2,309,988,507	219,999	11,000	503,649,900	22%
Add	12	78	26,414	14,747	13,568	92%	40	51%	32	49%	50	228	26	11%	2,078,809,387	197,982	7,615	650,755,438	31%
Xiengkhor	12	63	25,986	14,485	12,711	88%	52	83%	17	30%	103	182	31	17%	2,141,974,752	203,998	6,581	620,594,140	29%
Viengsay	19	130	35,234	19,565	15,141	77%	64	49%	42	49%	85	387	33	9%	2,619,413,310	249,468	7,560	1,230,982,338	24%
Huameuang	11	85	27,324	15,248	11,198	73%	39	46%	36	43%	62	241	33	14%	2,453,625,521	233,679	7,081	341,495,736	14%
Kamtay	22	172	54,213	30,411	23,423	77%	95	55%	92	54%	110	515	49	10%	5,207,948,807	495,995	10,122	674,794,574	26%
<b>Sub total</b>	<b>83</b>	<b>598</b>	<b>194,366</b>	<b>108,566</b>	<b>89,896</b>	<b>84%</b>	<b>333</b>	<b>58%</b>	<b>253</b>	<b>47%</b>	<b>465</b>	<b>1,733</b>	<b>192</b>	<b>11%</b>	<b>16,811,760,284</b>	<b>1,601,120</b>	<b>8,339</b>	<b>4,022,272,126</b>	<b>24%</b>
<b>Savannakhet</b>																			
Sepone	20	159	42,497	23,897	15,218	64%	44	28%	41	29%	45	458	32	7%	2,803,000,000	266,952	8,342	372,175,105	13%
Nong	10	79	27,194	18,415	16,836	91%	45	57%	31	41%	38	240	14	6%	1,775,685,000	169,113	12,079	261,696,003	15%
Vilabury	16	102	29,106	18,561	11,228	60%	63	62%	50	63%	54	274	23	8%	1,827,000,000	174,000	7,565	240,408,992	13%
Phin	15	116	49,626	27,750	21,624	78%	46	40%	27	36%	51	348	27	8%	2,667,000,000	254,000	9,407	815,273,200	31%
<b>Sub total</b>	<b>61</b>	<b>456</b>	<b>148,423</b>	<b>88,623</b>	<b>64,906</b>	<b>73%</b>	<b>198</b>	<b>47%</b>	<b>149</b>	<b>42%</b>	<b>188</b>	<b>1,320</b>	<b>96</b>	<b>7%</b>	<b>9,072,685,000</b>	<b>864,065</b>	<b>9,001</b>	<b>1,689,553,300</b>	<b>19%</b>
<b>Champasack</b>																			
Mounlapamok	10	67	38,142	21,443	15,080	70%	53	79%	38	73%	54	198	24	12%	1,585,500,000	151,000	6,292	164,674,808	10%
Khong	14	136	70,170	39,290	25,360	65%	40	29%	20	49%	31	414	21	5%	777,000,000	74,000	3,524	108,665,415	14%
Sukuma	10	62	46,929	26,122	15,617	60%	37	60%	17	49%	34	186	19	10%	1,071,000,000	102,000	5,368	209,772,284	20%
Pathoumphone	10	93	51,101	28,486	17,800	62%	52	56%	31	74%	55	276	22	8%	651,000,000	62,000	2,818	220,884,914	34%
<b>Sub total</b>	<b>44</b>	<b>358</b>	<b>206,342</b>	<b>115,342</b>	<b>73,857</b>	<b>64%</b>	<b>182</b>	<b>56%</b>	<b>106</b>	<b>61%</b>	<b>174</b>	<b>1,074</b>	<b>86</b>	<b>8%</b>	<b>4,084,500,000</b>	<b>389,000</b>	<b>4,523</b>	<b>703,797,421</b>	<b>17%</b>
<b>Xiengkhoan</b>																			
Nonghet	13	110	35,915	20,112	11,627	58%	75	68%	71	72%	106	319	32	10%	3,139,500,000	299,000	9,344	527,568,367	17%
Khoun	8	90	31,535	17,660	10,707	61%	55	61%	55	61%	96	266	40	15%	3,149,405,749	299,943	7,499	658,526,594	21%
Kham	10	120	46,040	25,782	21,341	83%	51	43%	39	45%	61	343	24	7%	2,055,118,799	195,726	8,155	937,290,479	46%
<b>Sub total</b>	<b>31</b>	<b>320</b>	<b>113,490</b>	<b>63,554</b>	<b>43,675</b>	<b>67%</b>	<b>181</b>	<b>57%</b>	<b>165</b>	<b>59%</b>	<b>263</b>	<b>928</b>	<b>96</b>	<b>10%</b>	<b>8,344,024,548</b>	<b>794,669</b>	<b>8,278</b>	<b>2,123,385,440</b>	<b>25%</b>
<b>Saravanh</b>																			
Samoiy	8	58	11,781	6,597	5,077	77%	30	52%	29	53%	52	168	18	11%	1,146,115,000	109,154	6,064	103,105,335	9%
ToumLan	7	67	21,785	12,200	8,997	74%	46	69%	46	70%	94	201	22	11%	1,978,915,000	188,468	8,567	200,589,017	10%
Ta Oey	5	56	22,520	12,611	7,423	59%	33	59%	33	57%	47	168	23	14%	2,258,025,000	215,050	9,350	254,384,506	11%
<b>Sub total</b>	<b>20</b>	<b>181</b>	<b>56,086</b>	<b>31,408</b>	<b>21,497</b>	<b>70%</b>	<b>109</b>	<b>179%</b>	<b>108</b>	<b>179%</b>	<b>193</b>	<b>537</b>	<b>63</b>	<b>12%</b>	<b>5,383,055,000</b>	<b>512,672</b>	<b>8,138</b>	<b>558,078,858</b>	<b>10%</b>
<b>Grand Total</b>	<b>239</b>	<b>1,913</b>	<b>718,707</b>	<b>407,494</b>	<b>293,831</b>	<b>72%</b>	<b>1,003</b>	<b>66%</b>	<b>781</b>	<b>65%</b>	<b>1,283</b>	<b>5,592</b>	<b>533</b>	<b>10%</b>	<b>43,696,024,832</b>	<b>4,161,526</b>	<b>7,808</b>	<b>9,097,087,145</b>	<b>21%</b>

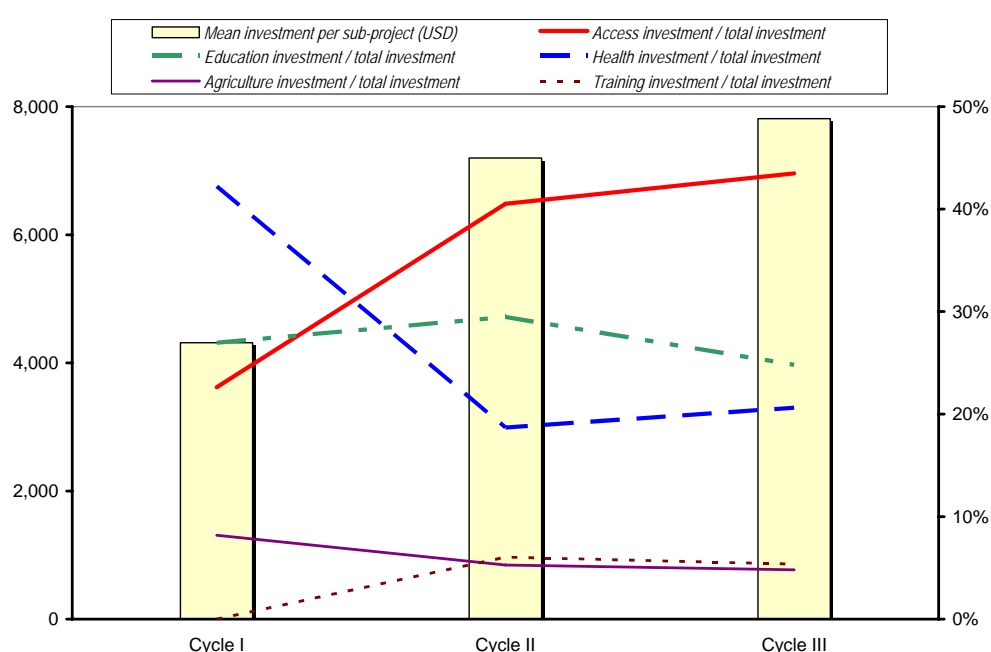
## 2.4. Increase of the average sub-project investment

In Cycle I, the PRF invested in average 4,300 USD per sub-project; the mean increased to 7,200 USD in Cycle II (+67%) and 7,800 USD in Cycle III (+81% from the Cycle I, +9% from Cycle II).

The main explanation for the increase deals with the evolution of the different sectors of investment. If Health sub-projects, mainly water supply, were the first villager choice for Cycle I (44% of the sub-projects, 42% of the investment), the Access sub-projects (roads and bridges) were the first sector in terms of cost for Cycle II (41% of the investment) and Cycle III (43%)<sup>7</sup>, even if Health and Education sub-projects remained more numerous<sup>8</sup>.

The increase of the mean sub-project cost is closely correlated to the part of the investment allotted to Access sub-projects (*Cf. Figure 11 & Table 2, p. 14*), more than other sectors.

**Figure 11: Evolution of mean investment & sector share of sub-projects investment**



**Table 2: Correlation between mean investment & sector share of sub-projects investment**

	Cycle I	Cycle II	Cycle III	Coefficient of Determination
Mean investment per sub-project (USD)	4,314	7,195	7,812	
Access investment / total investment	23%	41%	43%	1.00
Education investment / total investment	27%	29%	25%	-0.12
Health investment / total investment	42%	19%	21%	-0.97
Agriculture investment / total investment	8%	5%	5%	-1.00
Training investment / total investment	0%	6%	5%	0.96

However, the raise of the Access investment share in the total cost is more due to the increase of the average sub-project cost for that sector than to the increase of the relative number of sub-projects (coefficient of determination<sup>9</sup>: respectively 1.00 and 0.95).

<sup>7</sup> For Cycle III, this sector also includes 10 sub-projects of electrification (funding of the main access line to villages).

<sup>8</sup> Respectively 29% of the Cycle II subprojects and 27% (Cycle III) for Health, 32% and 27% for Education, while Access evolved from 21% to 25%.

<sup>9</sup> However, the series are limited to three observations.



Each kind of sub-project increased in average investment from Cycle I to Cycle II, while changes were limited between Cycle II and Cycle III. The raise is especially significant for Access sub-projects: the mean cost more than double between the two first cycles (*Cf. Table 3, p. 15 & annex I*).

**Table 3: Evolution of mean sub-project cost per sector (USD)**

	Cycle I	Cycle II	Cycle III
Access <i>roads &amp; bridges</i>	6,200	14,100 (+127%) <sup>a</sup>	13,600 (+119%; -4%) <sup>b</sup>
Health <i>water supply, dispensaries, etc.</i>	4,200	4,600 (+10%) <sup>a</sup>	6,000 (+45%; +32%) <sup>b</sup>
Education <i>Schools, teaching material, etc.</i>	4,000	6,600 (+64%) <sup>a</sup>	7,200 (+79%; +9%) <sup>b</sup>
Agriculture <i>Irrigation, fish pond, etc.</i>	3,000	6,300 (+109%) <sup>a</sup>	7,400 (+145%; +18%) <sup>b</sup>
Others <i>Trainings and pilot IGA</i>		3,700	3,000 (; -19%) <sup>b</sup>

*a (evolution from Cycle I to II)*

*b (evolution from Cycle I to III; from Cycle II to III)*

The communities met problems of quality and sustainability with some infrastructure sub-project built during Cycle I:

- quick degradation of roads and culverts, due to design deficiencies but also to lack of maintenance;
- quick degradation of open drilled wells, *etc.*

To solve such issues, the PRF improved through Cycles II & III the standards for infrastructure sub-projects:

- increase of means and skills for surveys and technical designs;
- hardened standards to integrate the low maintenance conditions in the design;
- inclusion of an initial PRF contribution to settle the community maintenance fund.

Added to the increase in quality standards and maintenance, the PRF investment in Education was modified from Cycle I to II; instead of funding a bare, we proposed a full package, more costly, with school building, teaching materials and training.

A complementary explanation for infrastructure cost increase lies in the communities and PRF staff growing experience. Some interesting but technically complex sub-projects were not selected in Cycle I, but became feasible later.

The evolution of sub-project costs in phase with the recommendations from the PRF regulatory authorities, which pointed out the need for an increase to improve the quality and the sustainability of the investment:

- World Bank Mid-Term Review Aide-Mémoire: *The mission discussed the possibility of increasing overall allocations to districts (which would result in increased investments) as well as the possible increase in subproject size (to allow for bundling of projects to form more comprehensive support, e.g. primary school projects might include support for books, furniture, latrine and water point and also to allow for inclusion of maintenance funds for road projects) (p 3).*

- 7<sup>th</sup> PRF Administrative Board meeting: *The PRF must increase allocation to districts to raise the efficiency of the investments and ensure the quality of the built infrastructure.*

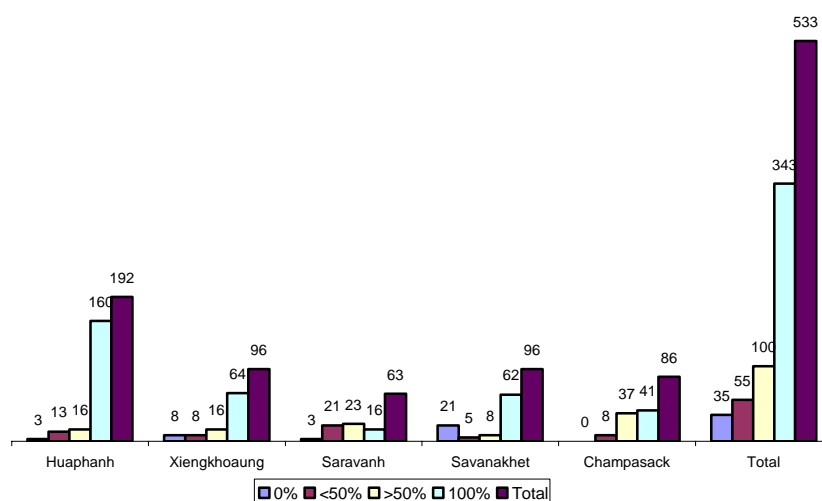
### 3. IMPLEMENTATION OF CYCLE III

#### 3.1. Sub-project implementation in Cycle III

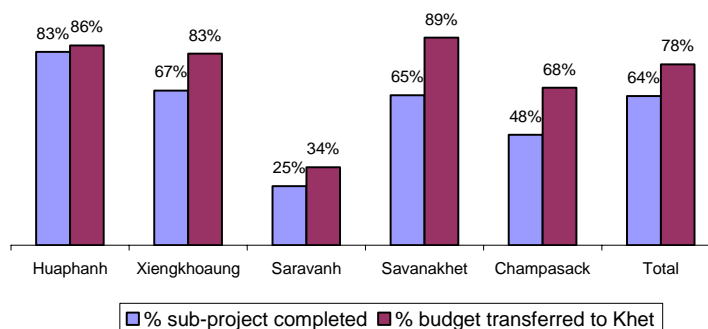
##### 3.1.1. General overview

For Cycle III, 533 sub-projects were planned at the end of 2005, for a budget of almost 44 billion kip<sup>10</sup>. At the end of June 2006, 343 sub-projects (64%) have been completed, 100 sub-projects more are about to be achieved and approximately 34 billion kip (74%) has been transferred by the PRF to the khet bank accounts<sup>11</sup>.

**Figure 12: Progress of Cycle III sub-project implementation per province**



**Figure 13: Implementation and disbursement progress (30/6/2006, Cycle III)**



<sup>10</sup> 43,696,024,828 kip or 4,163,000 USD.

<sup>11</sup> Completion and disbursement of Cycle III are detailed in Annex 1.

**Table 4: Sub-projects progress and disbursement per district (Cycle III, 10/07/2006)**

	0%	<50%	>50%	100%	Total	% completed	PRF Budget	Transf. to Khet	% transf.
Sobbaeo	0	2	2	16	20	80%	2,309,989,000	1,985,426,000	86%
Add	0	3	2	21	26	81%	2,078,809,000	1,779,982,000	86%
Xiengkhor	2	0	3	26	31	84%	2,141,975,000	1,852,011,000	86%
VX	-	3	4	26	33	79%	2,619,413,000	2,257,288,000	86%
Huameuang	1	1	4	27	33	82%	2,453,626,000	2,113,703,000	86%
Xamtay	0	4	1	44	49	90%	5,207,949,000	4,480,596,000	86%
	3	13	16	160	192	83%	16,811,760,000	14,469,006,000	86%
Nonghet	3	2	5	22	32	69%	3,139,500,000	2,615,834,000	83%
Khoun	5	3	8	24	40	60%	3,149,406,000	2,535,426,000	81%
Kham	-	3	3	18	24	75%	2,055,119,000	1,741,145,000	85%
	8	8	16	64	96	67%	8,344,025,000	6,892,405,000	83%
Samoi	1	10	6	1	18	6%	1,146,115,000	393,680,000	34%
Toumlan	1	6	9	6	22	27%	1,978,915,000	625,748,000	32%
Taoey	1	5	8	9	23	39%	2,258,025,000	790,672,000	35%
	3	21	23	16	63	25%	5,383,055,000	1,810,099,000	34%
Sepou	10	1	1	20	32	63%	2,803,000,000	2,617,940,000	93%
Nong	1	1	2	10	14	71%	1,775,685,000	1,709,030,000	96%
Vila	2	3	2	16	23	70%	1,827,000,000	1,497,019,000	82%
Phin	8	0	3	16	27	59%	2,667,000,000	2,291,703,000	86%
	21	5	8	62	96	65%	9,072,685,000	8,115,693,000	89%
Moon	0	3	8	13	24	54%	1,585,500,000	1,178,507,000	74%
Khong	0	1	10	10	21	48%	777,000,000	571,049,000	73%
Suku	0	2	6	11	19	58%	1,071,000,000	622,604,000	58%
Pathoum	0	2	13	7	22	32%	651,000,000	401,026,000	62%
	-	8	37	41	86	48%	4,084,500,000	2,773,187,000	68%
<b>Total</b>	<b>35</b>	<b>55</b>	<b>100</b>	<b>343</b>	<b>533</b>	<b>64%</b>	<b>43,696,025,000</b>	<b>34,060,389,000</b>	<b>78%</b>

Local progresses in implementation display some differences from one province to another one (Cf. Figure 12, Figure 13 & Table 4): if in Huaphanh almost all the sub-projects are completed (83%) and two-third in Xiengkhouang and Savannakhet, less than the half are achieved in Champassack and only a quarter in Saravanh. Delays in implementing some sub-projects in came from:

- difficulties in bidding process in some provinces;
- difficulties to find local contractors for roads in areas with several streams to cross (especially in Saravanh);
- weak community involvement in some regions (especially in Champassack).

### **3.1.2. Some delays in Saravanh because of especially difficult local conditions**

For Saravanh, the delay could be deplored, but it is easily explainable. It is a province newly involved in PRF – the communities and the PRF staff are acquiring their experience and skill in managing the process – and the local conditions are especially difficult: poor communication network<sup>12</sup>, lack of banking facilities, etc. Combined, these factors explain the delay in launching implementation, but the work progressed normally after an initial wavering start.

Working in Saravanh is very challenging for the PRF due to not only transportation problems, but also communication problems. Most villagers speak minority languages, thus some districts teams and most of the khet ones do not understand Lao, especially in Samoy district. It is a major day-to-day challenge for PRF staff to communicate with villagers for socialization and cycle planning. That explains misunderstanding in sub-project implementation, notably some delays for community contribution.

<sup>12</sup> It is notably difficult for the village communities to find contractors able and interested in building the selected infrastructures.

Despite of these difficulties, the PRF has received good collaboration from the local authorities and the communities in the three target districts. Almost all sub-projects have been initiated and will be completed by the next dry season<sup>13</sup>.



*On the way to Samoy district in Saravanh Province*

*On the road between  
Taoy and Samoy Districts*



### ***3.1.3. Some delays in Champassack linked to the economic level***

In Champassack, the situation is more paradoxical. The two first cycles were implemented smoothly and, despite the communities and local PRF staff experience, difficulties have come out for Cycle III: *lack of community involvement in the VNPA process, strong delays for the work progress, anomalous implementation of some sub-projects, persistent tensions between district and provincial PRF teams.* The PMT identified different causes: a limited investment budget in a relatively better-off region, a lower community involvement, local economic opportunities that compete with the villagers' participation in PRF sub-projects.

#### ***A low community involvement due to low PRF investment in Champassack***

With only 345,000 USD (Cycle I), 454,000 USD (Cycle II), and 388,000 USD (Cycle III), Champassack is at the last rank for the PRF investment in sub-projects: it represented only 32% of the budget for the Cycle I, 15% for the Cycle II, and 9% for the Cycle III. Since the launch of the PRF, the investment in the four districts of the Champassack province has counted for 14% of the total.

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<sup>13</sup> More details will be provided in the next quarterly report.

As Champassack is a populated region, the PRF investment per capita is logically lower there, compared to other provinces: less than 2 USD per inhabitant, while more than 6 USD (and even 12 USD) are expended in the other regions.

The relatively low level of PRF support may explain the low and declining involvement of the communities in implementing the PRF, which require a lot of time and energy for meetings and decisions, while the expectations are often not satisfied. For example, a village that has already organized two VNPA without getting any sub-project may be reluctant in participating in a new round.

A low PRF investment for a relatively better-off province

The budget invested by the PRF in each district is allocated from their level of poverty, derived from the Decree 010/PM criteria. The district allocation is computed from a basic allotment of 5 USD per capita, multiplied by:

- The population, based on 2005 census.
- The *District Poverty* factor, based on Decree 010/PM.
- The *Province Poverty* factor, based on LECS 3.
- The *NGPES poverty* factor, based on Government’s district investment priorities.
- The *past "Championship-of-the-poor"* factor, based on the share of the budget district invested in the poor villages. It shows the involvement of the local authorities in implementing the poverty alleviation policy.
- The *community past spending capacity* factor, based on the rate of disbursement for the former cycle. It shows the involvement and the capacity of village and khet representatives to manage PRF activities.
- The *past good management* factor, based on the past capacity of communities to follow good procurement, disbursement practices, and quality control.
- The *environment* factor, based on the past capacity of communities to follow good conservation area and environmental management practices.

**Figure 14: Principle for Budget allocation**

<p><b>District budget allocation</b></p> <p>=</p> <p><i>District population</i><sup>14</sup> x <i>Per capita allotment</i></p> <p>x</p> <p><i>LECS 3 factor</i> x <i>NGPES factor</i> x <i>Championship-for-the-poor factor</i></p> <p>x</p> <p><i>Spending capacity factor</i> x <i>Good management factor</i> x <i>Environment factor</i></p>
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A district composed of a large population of poor people and that has been identified as a Government priority will logically receive more from the PRF than a district that is wealthier or represents a lower priority for the Government.

According to the official statistics, Champassack is one of the better-off provinces in the Lao PDR; even the four poorest districts of the province are in relatively better economic conditions than the 16 other districts where the PRF invests.

<sup>14</sup> Corrected according to decree 010/PM poverty criteria.

Logically, in applying the same rational and approved method to the 20 districts, the Champassack ones benefit of a lower allocation than the others do. The lower PRF investment in Champassack results from the not-so-low poverty level in the province, not from a PRF decision penalizing these districts.

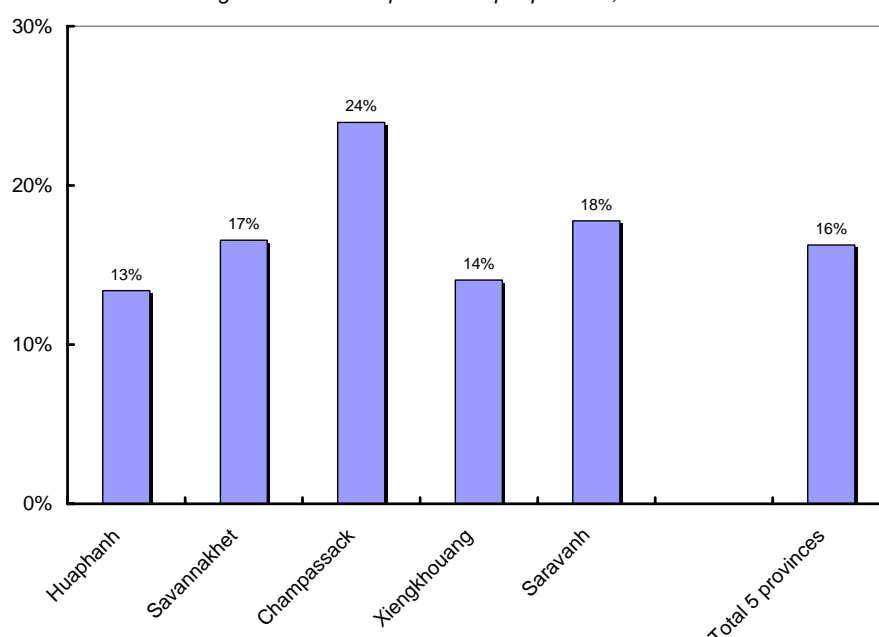
In corollary, the Operating costs are proportionally higher in Champassack<sup>15</sup> than in other provinces, because the PRF had to set up a complete organization<sup>16</sup>: 20 staff are employed in the province (17% of the PRF field staff in the five provinces).

In average, the PRF investment portfolio in Champassack is lower than 20,000 USD per employee, while it is over 32,000 USD in all the other provinces. For the same cost, a PRF employee in Huaphanh implements 2.3 times higher investment than in Champassack.

From the launch of the Fund, the Operating costs for the Champassack provincial and district teams have counted for a quarter of the total PRF expenditures in the province, while it is only 15% in average in the four other provinces (Cf. Figure 15).

**Figure 15: Share of Operating costs per province**

*Percentage of total PRF expenditures per province, 7/2002-4/2006*



### Economic factors that lower the villagers' participation

Organize the community contribution and work in Champassack appears to be more difficult cycle after cycle and more laborious than in other provinces. A higher socio-economic differentiation in relatively better-off villages can make the community more arduous to mobilize durably on a project. For example, in some villages, the late community contribution delayed the implementation.

Moreover, villagers in Champassack had more work opportunities in dry season than in the other provinces, with fishing and seasonal employment in Thailand; it increases the opportunity cost for the family labor, so it contributes to delay the village contribution in work or in kind.

<sup>15</sup> Almost 10,000 USD per month in average.

<sup>16</sup> Provincial team, office and equipment; four district teams, offices and equipment.



### 3.2. Community contribution for Cycle III

In average, the community contribution reaches 21% of the total cost of the sub-projects for Cycle III.

The community contribution for Savannakhet province has sharply increased from 6% in Cycle II to 19% in Cycle III, tending to confirm that local natural conditions were not an issue, contrary to awareness and ownership in the stakeholders. PRF activities in this province focused even more on those issues, with success.

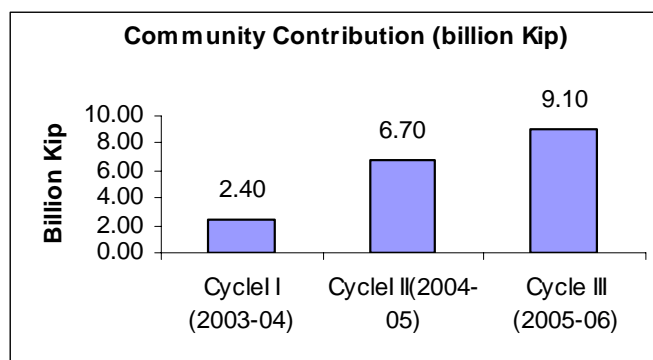
**Table 5: Community Contributions in 20 districts (Cycle III)**

District / Province	PRF planned budget (kip)	Community contribution (kip)	% Community Contribution (kip)
Sobbaeo	2,309,988,507	503,649,900	22%
Add	2,078,809,387	650,755,438	31%
Xiengkhor	2,141,974,752	620,594,140	29%
Viengxay	2,619,413,310	1,230,982,338	24%
Huameuang	2,453,625,521	341,495,736	14%
Xamtay	5,207,948,807	674,794,574	26%
<b>Huaphanh Sub total</b>	<b>16,811,760,284</b>	<b>4,022,272,126</b>	<b>24%</b>
Sepone	2,803,000,000	372,175,105	13%
Nong	1,775,685,000	261,696,003	15%
Vilabury	1,827,000,000	240,408,992	13%
Phin	2,667,000,000	815,273,200	31%
<b>Savannakhet Sub total</b>	<b>9,072,685,000</b>	<b>1,689,553,300</b>	<b>19%</b>
Mounlapamok	1,585,500,000	164,674,808	10%
Khong	777,000,000	108,665,415	14%
Sukuma	1,071,000,000	209,772,284	20%
Pathoumphone	651,000,000	220,684,914	34%
<b>Champassack Sub total</b>	<b>4,084,500,000</b>	<b>703,797,421</b>	<b>17%</b>
Nonghaed	3,139,500,000	527,568,367	17%
Khoun	3,149,405,749	658,526,594	21%
Kham	2,055,118,799	937,290,479	46%
<b>Xiengkhouang Sub total</b>	<b>8,344,024,548</b>	<b>2,123,385,440</b>	<b>25%</b>
Samoy	1,146,115,000	103,105,335	9%
Toumlan	1,978,915,000	200,589,017	10%
Taoy	2,258,025,000	254,384,506	11%
<b>Saravanh Sub total</b>	<b>5,383,055,000</b>	<b>558,078,858</b>	<b>10%</b>
<b>Grand Total</b>	<b>43,696,024,832</b>	<b>9,097,087,145</b>	<b>21%</b>

Although Xiengkhouang was a new province in Cycle III, the community contribution is at the highest rank. On the contrary, the other new province, Saravanh, stayed behind, partly due to the high incidence of poverty there but probably moreover to access and communication difficulties that limit the impact of PRF awareness.

Overall community contributions (in kind and cash) for the Cycle I was approximately 2.4 billion kip, *i.e.* 20% of the sub-project cost. It was higher than the feasibility study estimates. The community contribution has continued to rise with the PRF expansion – 3,101,000 USD for Cycle II and 4,163,000 USD for Cycle III – still counting for 20% of the investment (*Cf. Figure 16*).

Figure 16: Relative community contribution in each cycle



### 3.3. Procurement for Cycle III

#### 3.3.1. Procurement at central level

By midyear, the procurement plan for 2006 is almost achieved, with purchase of computer equipment, motorcycles, Audio-visual/media equipment, furniture, field equipment and high speed internet connection. The only difficulties faced in the process were (i) collecting a minimum number of quotations and (ii) get tax-exemption proof documents from the providers<sup>17</sup>.

#### 3.3.2. Procurement under sub-projects

In accordance with the manual of operations, the PRF proceeded to procurement for some sub-projects, because technical goods (medical equipment, hand-pumps, educational material, etc.) were requested by communities but cannot be purchased locally.

By end of June 2006, all ordered products were received and dispatched (or are in dispatching process), except for the hand-pump ordered to UNICEF and expected in July.

During the PRF Annual Review and Strengthening meeting (Cf. p. 31), group discussion about procurement for sub-projects raised the main following issues:

- *Community contract with the contractor*  
The group discussion pointed out that the standard contract was not tight enough for securing the purchase, especially in lacking to precisely define and cover the contractor's duties. The PMT will revise the model.
- *Fake or modified bidding documents*  
In some cases, the contracted companies provided fake documents for the bid or tried to modify unilaterally their proposals after winning the tender, without the community or PRF approval. This will systematically lead to the withdrawal of their bids or to breach the contract, and the company will be recorded into the PRF blacklist (to be excluded from further bidding), despite the lost of time that may imply for the concerned sub-projects.
- *The bid applicant is not the company owner*  
In the bid process, the name's applicants should be the same than for the business registration or license papers. If the applicant is not the supplier' owner, he/she must present a letter of attorney from the holder of the business license.

<sup>17</sup> Time-consuming customs and taxation clearances, requiring multiple and often delayed official authorizations.

### 3.4. Training

Training is a key activity for the PRF, aiming to enhance capacity of poor communities to autonomously plan and manage their own development. PRF involvement in training concerns both rural communities, for capacity building, and PRF staff for insuring an efficient support. One of the main training topics is the sub-project maintenance and management course, which is dispensed to communities and local authorities timely with an infrastructure sub-project completion, to ensure a smooth hand-over.

#### 3.4.1. Capacity building training for PRF staff and community

**Table 6: Training courses implemented during Cycle III**

Title	No of participants			Duration (days)	Place
	PRF staff	Community	including Females		
Computer maintenance	12		1	5	Vientiane
MIS Database installation	12			3/province	Provincial
Advance course in Poverty Analysis	1			5	Thailand
Training of Trainers course on New enterprise creation	8	0	1	10	Savannakhet
Southern Microfinance management workshop	4	0	0	2	Savannakhet
Training of trainers	6				Savannakhet
Exchange of experience on Budget planning, for Khet team	9	60			Saravanh
Capacity enhancement for local authorities	13	395	49		Champassack
Exchange of experience among Khets	18	160	6		Champassack
Capacity enhancement for local authorities		230	26		Huaphanh
Exchange of experience among Khets		298	79		Huaphanh
Financial enhancement for Khet team		154	55		Huaphanh

### 3.4.2. Training on sub-project maintenance and management

Table 7: Cycle III training courses on sub-project maintenance

Title	# Sub-Projects	Participants	
		Total	Females
<b>Savannakhet</b>			
Gravity fed water supply system	2	68	28
Rural road	12	227	57
Primary school	13	300	88
Dug well	2	46	10
Electricity generator	4	76	23
Irrigation system	2	36	12
<b>Champassack</b>			
Primary school	43	469	82
Drill well	74	163	21
Dispensary	3	74	6
Clean water	18	95	37
Rural road	7	107	33
Bridge	5	49	5
<b>Xiengkhouang</b>			
Gravity fed water supply system	3	110	41
Rural road	3	138	42
<b>Huaphanh</b>			
Gravity fed water supply system		1766	757
Irrigation System		1270	461
Rural road		1372	467
Primary school		408	212
Electricity supply		53	14

When the courses are completed, local communities are more aware of managing and maintenance issues and processes for PRF-supported sub-projects, and show usually a greater involvement in: to ensure the sustainability of the infrastructure and the benefits they take from, many communities set up regulations for sub-project maintenance.

However, the PRF has still encountered some difficulties and limits in implementing such maintenance training, particularly the numbers of attending women remained lower than one-third of all participants. The PRF staff should persevere in encouraging women to involve themselves into the process.

### 3.5. Overall achievement since 2003

Since the beginning, the PRF has carried out investment in more than 1,300 villages; 1,212 sub-projects have been planned and 1,017 completed or 84% of total by the end of June 2006 (Cf. Table 8).

**Table 8: Summary of sub-projects implementation since 2003**

	Cycle I	Cycle II	Cycle III <sup>18</sup>	Total
Number of Districts	10	14	20	<b>20</b>
Number of Villages with VNPA	913	1,431	1,913	<b>1,913</b>
Number of Direct Beneficiary Villages	558	849	1,283	<b>1,233</b>
Number of Indirect Beneficiary Villages <sup>19</sup>	...	Approx. 1,050	Approx. 1,350	<b>(approx) 1,350</b>
Number of Sub-projects planned	249	431	533	<b>1,212</b>
Number of Sub-projects initiated	248	431	498	<b>1,177</b>
Number of Sub-projects completed	248	426	343	<b>1,017</b>
Funds Planned	Kip 11 billion	Kip 32 billion	Kip 44 billion	<b>Kip 87 billion</b>
Funds disbursed to Khet bank accounts	Kip 11 billion	Kip 31 billion	Kip 34 billion	<b>Kip 76 billion</b>

After three annual cycles of activities, more than 1,200 sub-projects have been completed in the 20-targeted districts, for an investment of 8.6 million USD (*Cf. Table 9*), touching more than 700,000 people in 1,000 villages.

**Table 9: Progressive increase in power of the PRF**

PROVINCE	Cycle I 2003-2004	Cycle II 2004-2005	Cycle III 2005-2006	Cycle IV 2006-2007	Cycle V 2007-2008	TOTAL
Huaphanh	3	6	6	7	7	7
Savannakhet	3	4	4	4	4	4
Champassack	4	4	4	4	4	4
Xiengkhouang	-	-	3	3	3	3
Saravanh	-	-	3	4	4	4
<b>Total Districts</b>	10	14	20	22	22	22
<b>Sub-projects</b>	248	431	533	<i>not yet determined</i>	<i>not yet determined</i>	1,212 (6/2006)
<b>Grants (USD)</b>	1,070,000	3,101,000	4,164,000	4,580,000	1,862,000	14,777,000

More than 900 villages have now access to clean water. More than 400 schools have been built in the remote villages; almost 2,000 km of upgraded roads and more than 40 bridges contribute to open up them. More than 400 training courses were provided to farmers (*Cf. Table 10*).

**Table 10: PRF achievements up to June 2006**

PRF outcomes	Quantity
Schools built	432
Roads upgraded	1,950 km
Bridges built	41
Dispensaries built	59
Village water supply built	928
Irrigation schemes built	73
Training & IGA activities	440 sessions

According to these temporary results, the PRF is one of the most effective programmes to implement the governmental policy of rural development to improve the livelihood of the poor villagers.

<sup>18</sup> Within the 1,913 villages in the 20-targeted districts for Cycle III, 52% were directly involved in implementing a sub-project. 80% of them are poor villages, according to PM/010 conditions, with some variations from one province to another one: 100% of the beneficiary villages are poor in Saravanh, 85% in Xiengkhouang, 84% in Savannakhet, 73% in Huaphanh and only 59% in Champassack.

<sup>19</sup> One village can receive more than one sub-project or one sub-project can benefit more than one village.



***School in a village of Saravanh: before and after PRF support***

To acknowledge such outcomes, the Lao Government has recommended the PRF for international awards in rural development<sup>20</sup>.

## **4. ASSESSMENTS AND PROSPECTS**

### **4.1. Technical assessment**

#### ***4.1.1. Technical issues during Cycle III***

During the technical design of sub-projects, the PRF staff have to modify some initial drawing to match the required quality level:

- the design of an earth dam in Kham district (Xiengkhouang province) was modified, due to insufficient data collected during the pre-survey and design phases;
- some of the gravity feed water supply scheme designs in Huaphanh and Xiengkhouang were revised and improved;
- three suspension bridges in Xiengkhouang, Saravanh, and Champassack were downsized<sup>21</sup> to increase the cost/benefit ratio, in accordance with the expected traffic;
- Some plans for semi-permanent schools in Savannakhet and Champassack provinces were upgraded to permanent schools, in accordance with population level.

#### ***4.1.2. Construction design***

In Cycles I and II, the district and provincial PRF offices were responsible for designing construction sub-projects. In Cycle III, the PRF had reviewed the different local experiments and developed standard designs to apply in the five provinces, which seem to be of better quality<sup>22</sup>. For Cycle IV, the PRF plans to review the standards and co-operate with involved government sectors on survey and design with emphasis on the quality of construction.

According to the annual workshop meeting 2006, all the PRF team agreed upon improving design and drawing to increase the efficiency of the investment: *e.g.* survey design of subproject,

<sup>20</sup> Nomination for the King Baudoin Foundation 2006-2007 awards, international rural development sector.

<sup>21</sup> Cable diameter reduced from 80 mm to 60 mm; the life load reduced from 5 or 3.5 tons to 2.5.

<sup>22</sup> However, the PRF TA team has still some concerns about designing complex infrastructures, like bridges that require local survey for sizing the foundations, while local staff lack of skills and equipment.



reference to Unit Cost database (UCD) for appraising the sub-project cost, suppression of unnecessary components, colors, community supervisor, and community contribution.

#### **4.1.3. Quality control**

To anticipate difficulties in building process and solve them as they arise, the PRF had noticed to five provinces to recruit community supervisors to follow-up construction sub-projects. Each contracted supervisor has been trained briefly on PRF principles and regulations.

Regularly inspecting the work, the community supervisors certify the progress or the completion of the sub-projects into the field inspection forms and at the khet accountability meetings. The last quality control step is the final inspection, carried out by a mixed team consisting in the district PRF technical advisor, the khet facilitator, the khet team, representatives of concerned officers of local administration services, and the community supervisor.

The quality control was useful for the PRF by improving standard designs and adapting them to local conditions, as well as to measure the quality, efficiency and sustainability of the construction.

For example, in Toumlan district (Saravanh province), the quality control led to improve the design of the Sekone submerged bridge. The initial design did not paid enough attention to soil structure issue, with no test scheduled for sand. At the beginning of the implementation, the quality control proceed to more detailed survey and concluded to a risk for the sub-project. Thus, the design was modified to ensure the sustainability of the investment. Moreover, the PRF procedures have been revised and laboratory tests for concrete and soil have been included in the contractual obligations for the next cycle.

#### **4.1.4. Final sub-project inspection**

The PRF organized a final inspection of sample of sub-projects from May to June 2006, after the completion of the investment and just before their hand-over. It aims to appraise the quality of the sub-projects, but also the process of implementation (community involvement, transparency, accountability and procurement procedures). The inspections were carried out by multi-sectoral teams (TA, CD, M&E and FA) from central and provincial levels, to appraise the following points:

- Technical issues,
- Sub-project financial issues,
- Community development issues,
- Khets monitoring and evaluation issue.

For each province, the team consisted of PRF technical advisor (national, province or district levels for TA, FA, CD and M&E), khet facilitators, a khet teams, local authorities for concerned sectors and community supervisors. The sample of sub-projects was randomly selected by PRF at national office.

## **4.2. Monitoring System for ITE**

So far, the PRF has not yet set up specific and synthetic monitoring forms for ITE activities. CD and M&E units consulted together to design and draft the procedures (*Cf. annex 5*), which were implemented in June to monitor the five kinds of ITE sub-projects (*Cf. p. 12 & Annex 6*).

### **4.3. The seventh PRF Administrative Board meeting**

The seventh PRF Administrative Board meeting took place on 6-9 February 2006 at Xamneua District Huaphanh Province. More detail was mentioned in the Quarterly Report January – March 2006.

The meeting was chaired by Mr. Somdy DUEANGDY, Deputy Minister of Finance, Vice-President and Standing Member of PRF Administrative Board. Mr. Phankham VIPHAVANH, Provincial Governor of Huaphanh, welcomed the participants and Mr. DUEANGDY opened the meeting. The Executive Director of PRF presented the achievements and problems of the PRF and proposed recommendations at the meeting. On the second day, all participants visited some sub-projects implemented in Sobbao district, including a road upgrading, the newly built Namterb Dispensary, the Sobbao school construction and community environmental management of the Mark River's catchment area.

#### **4.3.1. PRF Administrative Board**

1. *Approval of new membership to the Board:*
  - *Mr. Sonexay SIPHANDONE, Vice-Governor of Champassack Province, instead of Mr. Sengkham PHOMKHEH;*
  - *Dr. Khampheuy PHANTHACHONE, Vice-Governor of Savannakhet Province, instead of Mr. Souckaseum PHOTHISANH;*
  - *Mr. Tamla AMKHATHONGKHAM, Vice-Governor of Huaphanh Province, instead of Mr. Phonekeo LATSACHANH.*
2. *Approval of the extension of Mr. Sivixay SAYSANAVONGPHET as the Executive Director of the PRF, to ensure the efficiency and continuity in the PRF progress.*
3. *The Eighth PRF Administrative Board Meeting is set to be held in August 2006 in Saravanh province.*

After the Party Congress and election of a new National Assembly, the GoL composition changed as well as many positions within provincial and district administrations. Thus, the list of the PRF Administrative Board is about to evolve in the coming weeks, with official approval during the next meeting.

#### **4.3.2. PRF activities**

1. *The PRF will develop Income Generating Activities (IGA) and promote gender-balanced activities for the remaining cycles.*
2. *The village saving group activity should be extended to about 100-120 groups, with a budget of 870,000,000 kip for Cycle III.*
3. *The PRF will set up an integrated IGA pilot experiment in Phin District, Savannakhet province, in collaboration with local authority, monitor the test, and prepare an extension to at least one district in each province.*
4. *The PRF will cooperate with Ministry of Foreign Affairs for collecting information about the German Cooperation and Raiffeisen Confederation (DGRV) to present a more detailed proposal of cooperation to the next board meeting.*
5. *The PRF can cooperate with Lao universities and other related bodies to develop the quality control of sub-projects.*

6. *For Cycle IV (2006-2007), the PRF may extend to Viengthong District (Huaphanh Province). The Board strongly recommends to also expanding to Saravanh District (Saravanh Province). The PRF will develop a well-argued proposal to submit to the World Bank. In Cycle V (2007-2008), the PRF will extend to the two remaining districts. The PRF will negotiate with the provincial authorities in Sekong and Saravanh to find a reasonable solution for the PRF provincial offices.*
7. *The PRF should reformulate the calculation on district allocation and sub-project cost and submit to the Administrative Board for approval. The PRF must increase allocation to districts to raise the efficiency of the investments and ensure the quality of the built infrastructure. The administrative cost per sub-projects must be recalculated and modulated according to the variable cost of access to the villages. Altering sub-project administrative costs from 2% to 4% should be considered according to the circumstances.*
8. *The training costs should be considered as an investment and excluded from the operating costs. The PRF will develop a well-argued proposal to submit to the World Bank.*

In accordance with the Administrative Board recommendation (number 6), the PMT attempted to negotiate with the World Bank an agreement on funding the expansion of activities to two districts for Cycle IV (Viengthong in Huaphanh province, Saravanh). Due to the restrained available budget to end the current PRF phase and to the difficulties met in expanding during Cycle III, the World Bank did not change its position and maintain an expansion to only one district (Viengthong).

## **4.4. World Bank missions**

### **4.4.1. In the first quarter of 2006**

A World Bank Mission took place in March 27-30, 2006. The mission was composed of Ms. Jennica LARRISON (from Washington), with Ms Emiko NAKA (from Vientiane office). The main objectives of the mission were *"to review concerns and issues faced by the Monitoring and Evaluation units at the provincial and national level, analyze progress made on the MIS system, review procedures for the district allocation report, and discuss constraints in the hiring of a monitoring and evaluation unit head for the national office"*<sup>23</sup>.

The report's conclusion stipulated *"While operating for an extended period of time without a unit head, the M&E unit is progressing. The leadership provided by Mr. Sivily has allowed the unit to continue in a forward-looking manner. The issues faced today are far less severe than 2 years ago, and once the database is up and running properly, the M&E unit should be able to begin analyzing the available data properly. As the project has passed the mid-way point, it is important to begin focusing on the outcomes of the various subprojects on the villages, and ultimately the impact PRF has made"*<sup>24</sup>.

### **4.4.2. In the second quarter of 2006**

According to the urgent need to raise funds for extending and expanding the PRF, but also to the tight schedule for a comparative survey on social funds impact in different countries, the World Bank proposed in June to bring forward the Final survey to the first quarter of 2007, instead of end of 2007.

<sup>23</sup> Jennica Larrison's Back to Office Report, page 1.

<sup>24</sup> Jennica Larrison's Back to Office Report, page 3.

The uniqueness and magnitude of the PRF require a solid monitoring and evaluation system to document the PRF experience and lessons learned. The program includes regular reporting from field PRF staff and monitoring by various stakeholders, as well as independent external monitoring by consultants and the media. One important aspect of overall evaluation of the PRF is to ensure the measurement of PRF impact on poverty and welfare. To that purpose, the PRF designed a two-steps process<sup>25</sup>:

- A *Baseline survey*, carried out in November-December 2003. By interviewing 1,500 households across all 10 PRF start-up districts (treatment group), and 1,500 households in non-PRF areas (comparison group), the Baseline Survey data and report are the image of the situation before/without PRF, to be compared with the result of the Final Survey (after/with PRF).
- A *Final survey*, to be carried out in 2007 within the same sampling than for the Baseline survey, and with the same methods.

The evaluation of PRF impact on poverty is based on the comparison between baseline and Final Surveys. To combine a "*with and without*" approach and a "*before and after*" one, — allowing an in-depth assessment of the evolution of household welfare and how the PRF has impacted on it — the Final survey will follow the method and the sampling used for the Baseline survey in 2003, for both "*treatment*" area (where the PRF has implemented activities) and "*control*" one (without PRF investments).

To launch the process of the Final survey, a World Bank Mission came to Vientiane the 19-20 June 2006, composed of Ms. Jennica LARRISON, Mr. Jemele REGOLINI (from Washington DC), and Mrs. Emiko NAKA (from Vientiane office). The main objectives of the mission were "*To discuss with the representatives of National Statistic Center (NSC) for the insight and cooperation especially to design how to organize the PRF final following-up survey which would be started at the beginning of 2007 and address any concerns the Monitoring and Evaluation Unit had in regard to the progress made on the MIS system and general activities*".

The principle and the schedule<sup>26</sup> of the Final survey were agreed between the different parties (NSC, PRF, World Bank). In July and August, the PRF will finalize the contract with the NSC.

## **5. FINANCIAL AND ADMINISTRATIVE ISSUES**

### **5.1. Staffing issues**

#### **5.1.1. Capacity building**

##### *PRF staff, Khet Facilitator and Community Technical Assistant Training*

In March 2006, the PRF national team provided six days of training to PRF provincial and district staff, Khet Facilitators, and community supervisors from three districts: Kham, Nonghaed, and Khoun (Xiengkhouang Province). The objectives of training were (1) to improve the ability of PRF staff at provincial and district levels to train, monitor, and report the

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<sup>25</sup> Originally, the PRF worked on a three-step process, including a Follow-up survey, supposed to be carried out by the end of 2005. According to the PRF work load and the little time interval between the three surveys, it was decided to downsize the process to the Baseline and Final surveys only.

<sup>26</sup> The Final survey data collection and entry will be implemented by NSC from December 2006 to March 2007; The World Bank team will supervise the data entry during a mission in March 2007 and analyze them for May 2007.

implementation of sub-projects; (2) to explain SPIM, PKPVS, and K-SVR forms to Khet facilitators and community supervisors; and (3) to develop the training tools and methodologies for data collection forms. For the three old provinces (Huaphanh, Savannakhet, and Champassack) the training was conducted by provincial PRF staff because of a long and shared experience between PRF staff and community representatives. In Saravanh, the Champassack PRF provincial staff provided the training to local people.

#### Training for expanding the PRF into one new district

For Cycle IV, the PRF will expand its investments in the district of Viengthong (Huaphanh province), one of the NGPES priority 47 poor districts; the region comprises 13 khets, 71 villages where live 25,433 people (12,874 females).

The district socialization meeting was held in Viengthong on 4 April 2006; 130 people attended the meeting, including 37 women: Representative of all GoL's organization of Viengthong district, representative from 5 villages around the town, PRF national and provincial staff.

In early June, the three-staff PRF district team was recruited and trained by the provincial team instead of the national one, because Huaphanh is one of the PRF start-up provinces, with an experienced and efficient team. As usual, the training covered the PRF objectives, principles, processes, procedures, and other issues related to implementing PRF activities at district level. In August 2006, the district team will receive more training on specific skills, including financial management, use of MIS forms, technical assistance for survey and design of sub-projects.

The initial training of the Khet Facilitators was organized in Viengthong from 15 to 17 June by the PRF provincial and district teams, with the support of the Executive Director. 39 people attended to the training focusing on carrying out the VNPA and Khet prioritization meetings.

Training of the PRF district team, district services, khet facilitators, khet representatives, and villagers on planning and implementing PRF sub-projects will continue on an on-the-job basis, along the Cycle IV.

#### Monitoring and Evaluation Unit workshop

In March 2006, the M&E unit organized a three-day workshop in Vientiane aiming to review process and issues in monitoring and evaluation. All PRF M&E at national and provincial attended the workshop (12 people, 2 women). Ms. Jennica LARRISON and Ms Emiko NAKA, from the World Bank, also participated to the exchanges. During the workshop, the participants reviewed the concerns and issues they faced in their work at the provincial and national levels, analyzed progress made on the MIS system, reviewed procedures for the district allocation report and discuss the issue of hiring a head for the M&E unit.

#### Annual Review and Strengthening Workshop 2006 for PRF staff

From 26 to 30 June 2006, the PRF organized the third annual *Review and Strengthening Workshop* in Thalat (Vientiane province). 177 people attended the meeting, including government and local administration representatives, PRF board members and the complete PRF team from the different offices (142 people). The Annual Meeting aimed to:

- review the annual achievement; constraints and challenges of PRF implementation,
- discuss and design improvements for Cycle IV,
- strengthen staff capacity and skills by sharing experience and lessons learned.

The participants discussed successes and issues of PRF implementation, and then gave recommendations to improve the execution. It was a good opportunity for all PRF staff (national,

provincial and district levels) to meet each other, exchange experience and strengthen the team. The participants self-appraised (147 questionnaires) the meeting very positively.

### 5.1.2. Staffing changes

From January to June 2006, the PRF continued to sustain a high rate of staff turnover, with 6.4% of change in six months. The PRF faced major difficulties in attracting and keeping qualified staff due to work overload and compensation slightly lower than the employment market references.

**Table 11: PRF staff turnover from January to June 2006**

Positions		Gender	Reasons for Leaving	Replaced	%
National	Training officer	Female	agreed separation	yes	4%
<b>National office Total staff: 24</b>					
Savannakhet	DCD Vilabouly	Female	To be Provincial Finance	yes	12%
	DCD Sepone	Female	agreed separation	yes	
	DCD Accountant	Male	agreed separation	yes	
<b>Savannakhet office Total staff: 25</b>					
Champassack	DCD Soukhouma	Male	Position terminated	yes	10%
	DCD Pathoumphone	Male	Position terminated	yes	
<b>Champassack office Total staff: 20</b>					
Huaphanh	PCD	Male	Position terminated	yes	6%
	DTA	Male	agreed separation	yes	
<b>Huaphanh office Total staff: 36</b>					
Xiengkhuang	Pro Accountant	Male	agreed separation	yes	5%
<b>Xiengkhuang office Total staff: 19</b>					
Saravanh					0%
<b>Saravanh office Total staff: 16</b>					
<b>Grand Total:</b>			<b>140 staff</b>		
<b>Average change (%)</b>					<b>6.4%</b>

DCD: District Community Development staff ; PCD: Provincial Community Development staff  
DTA: District Technical Advisor staff

### Changes in the monitoring and Evaluation Unit

The PRF tried many times to fulfill the position of Head of M&E, vacant at national office, without success: none of the candidates met the minimum requirements. After the M&E workshop and in coordination with the World Bank, the PRF decided to (1) launch a new round for the process of selecting (newspaper advertisement, contacts with projects that recruited for a similar position) and (2) appoint Mr. Sivilay VORACHACK, currently MIS officer, as the acting Head of M&E for the duration of the recruitment process.

From April to June, the PRF completed the process to seek for a Head of M&E Unit replacement. After a round of advertisement, nine candidates applied for the position. Three were short-listed, but the PMT recruiting committee interviewed only two of them, while the third already found a new employment. None of the nine applicants showed abilities to improve the PRF's current capacity in M&E, *i.e.* a superiority over the acting Head. Despite interesting curriculum vitae, the two interviewed applicants showed limited capacities or behavior uncertainties during interviews.

Hence, the PMT decided to not recruit any of the external applicants; and formally entitle Mr. Syvilay VORACHACK, currently acting Head, as the Head of the Monitoring and Evaluation Unit.

This internal promotion freed the MIS Officer position. To take over the post, The PMT decided to:

- Promote Ms. Mockham XAIYAPHAYA, PRF MIS assistant since January 2003, to the position.

- Recruit Ms. Alounvilai KEOBOUALAPHA for the MIS assistant post. With a background in English and administration, she entered the PRF in November 2005 as a volunteer to help the M&E unit in managing data (keying and basic processing).

These internal promotions were motivated by the recent history of the M&E national unit, which missed a head since October 2005 to June 2006; thus, the team was reorganized and the tasks reallocated to carry out the monitoring and evaluation duties during that period. Mr. Syvilay VORACHACK worked as acting head of the unit, informally first and more officially since last April; Ms. Mockham XAIYAPHAYA, formally MIS assistant, has *de facto* carried the responsibilities of MIS Officer; and the PRF took on in December 2005 Ms. Alounvilai KEOBOUALAPHA, 24-years old and recently graduated in English and Administration, to help the team. Even if she has got a volunteer status (no salary, limited allowances), she assisted Ms. Mockham in collecting M&E data from the provinces, keying them and preparing the base tables for monthly updates: *de facto*, she has acted efficiently as the MIS assistant for the last seven months. She has shown good qualities in terms of capacity, availability, willingness to learn, and reactivity. That based the PMT decision to promote them and officially entitled them in the positions, instead of advertising for candidates to train for months, with all the risks and incertitude inherent to new recruitments.

### Training officer

In March, the PRF selected a new training officer, Ms Piengngern XAYSONGKHAM, who was recruited and begun in April.

### Senior Technical Advisor

The STA appointed in March 2005, left in September 2005 during the probation period because he did not suit the position. In November and December, the PRF re-advertised for external candidates to the position; after interviewed the applicants in December, a new STA, Dr Olivier DUCOURTIEUX, was recruited in March and begun in April 2006.

## **5.2. Financial report**

### **5.2.1. Audit of the 2005 fiscal year (01/10/2004 – 30/09/2005)**

The third financial audit for the PRF began in March 2006 and the contracted company, Price Waterhouse Coopers (Lao) *Ltd* finalized its report beginning of April. The main findings of the audit stated that the accompanying financial statements gave a true and fair view of the financial position for the fiscal year 2005. The audit report found PRF's financial processes to be acceptable. They saw no major accountability or internal control issues and proposed some specific and minor improvements.

### **5.2.2. Monitoring and internal audit**

During the second quarter of 2006 (March to June), the FA unit carried out internal audit of accounting process at community and district level, during the final inspection of sub-projects (*Cf. p. 27*). The monitoring showed that the PRF's financial processes are well implemented and mastered, but some improvements are required in some provinces and will be promoted for the Cycle IV.



### 5.2.3. Project expenditures

From 01/01/2006 to 31/05/2006, the credit amount from IDA Replenishment Application No. 00023 to 00025 is 2,699,100.76 USD and the Replenishment No. 00026 of period 01/01/06 to 31/05/06 in amount of 1,143,955.37 USD was processing at that time and transferred by the World Bank to BOL in 19 June 2006 (*Cf. Table 12*).

**Table 12: IDA fund expenditure**

	<b>01/01/06 to 31/05/06</b>	<b>From start PRF to 31/05/06</b>
Credits to PRF A/C	2,699,100.76	10,774,912.03
Expenditure	3,007,419.25	9,633,145.15
Advance		18,839.25

From January to May 2006, the PRF office in Vientiane transferred Cycle III budget allocation to the provinces (*Cf. Table 13*), and project expenditure Use of Fund by category (*Cf. Table 14*).

**Table 13: Budget transferred for sub-project implementation**

No.	USD	<b>01/01/06 to 31/05/06</b>	<b>From start PRF to 31/05/06</b>
1	Savannakhet	736,693.03	1,978,701.40
2	Huaphanh	1,245,845.47	3,121,344.36
3	Champassack	175,860.30	904,510.22
4	Xiengkhouang	313,471.50	313,471.50
5	Saravanh	148,261.80	148,261.80
<b>Total</b>		<b>2,620,132.10</b>	<b>6,466,289.28</b>

**Table 14: Categories of expenditure**

No.	Category	<b>01/01/06 to 31/05/06</b>	<b>From start PRF to 31/05/06</b>
1	Sub-grant	2,620,132.10	6,466,289.28
2	Consultant's Service	234,717.91	1,702,136.54
3	Goods	8,168.43	395,775.91
4	Work	854.04	66,049.33
5	Incremental Operation Costs	128,979.32	848,703.20
7	Training	14,567.45	154,190.89
<b>Total</b>		<b>3,007,419.25</b>	<b>9,633,145.15</b>

## 5.3. Budget issue: forthcoming shortage for Cycle V

### 5.3.1. PRF budget

The PRF is mainly funded by an IDA credit<sup>27</sup> of 15.3 million XDR, *i.e.* 19.3 million USD at the initial exchange rate, signed in August 2002 and effective in February 2003.

<sup>27</sup> Hereafter, only the IDA credit budget is considered, unless explicit mention.

**Table 15: Budget from IDA credit<sup>28</sup>**

	Budget XDR	Budget USD (2002 rate)
Sub-Grants	11,690,000	14,776,771
Operating Costs	3,610,000	4,563,229
<b>TOTAL</b>	<b>15,300,000</b>	<b>19,340,000</b>

### 5.3.2. Sub-grants expenditures and commitments

The initial budget for Sub-Grant (sub-projects) operations is 14.8 million USD. By the end of May 2006, the PRF has spent 6.5 million USD (44% of the budget), and committed 1.9 million USD (13% of the budget) in contracting sub-projects with village communities that are under implementation. For next cycles (Cycles IV & V), a budget of 6.4 million USD is available for Sub-Grants (*Cf. Table 16*).

**Table 16: Sub-Grant budget balance**

USD, 6/2006	Expenditures	Balance
<i>Sub-Grant budget</i>		14,776,771
Cycle I	1,069,934	13,706,837
Cycle II	3,101,000	10,605,837
Cycle III	4,163,909	6,441,928
Cycle IV ( <i>projected</i> )	4,580,000	1,861,928
Left for Cycle V	1,861,928	

### 5.3.3. Operating costs

The initial budget for the PRF Operating Costs is 4.6 million USD. By end of May 2006, the PRF has spent 3.5 million USD (76% of the budget) and 1.1 million USD are left for the forthcoming activities.

With the remaining budget, the current rhythm of routine expenditure and important occasional expenses (Final Survey, Beneficiary and Technical assessments<sup>29</sup>), the PRF may cover its Operating costs only until June 2007. The budget is not enough to execute a complete Cycle V.

### 5.3.4. Conclusion: limited funds available for the PRF

At the end of May 2006, the PRF has spent (or committed) 8.3 million USD for Sub-Grants and 3.5 million USD for Operating Costs, *i.e.* almost two thirds of the total budget (11.8 million USD, 61%).

With 8.3 million USD expended for Cycles I to III and 4.6 million USD planned for Cycle IV, less than 1.9 million USD would be left over for investment in July 2007. The Cycle V will not be a normal cycle; even without considering the lack of budget for Operating costs, only a third of the Cycle IV investment budget would be available for the last cycle.

The available budget for the forthcoming cycles does not allow the PRF to set up complete set of activities. Therefore, with the current budget, the PRF will be short of budget beginning of 2008 and will not be able to carry through investment in the already five provinces (21 districts) involved, nor to expand to new districts or provinces.

The PRF seems to reach a budget impasse, but a potential solution may lie in the evolution of the XDR/USD exchange rate. From 1.27 USD per XDR in 2002, the rate has raised to 1.48 in May

<sup>28</sup> IDA, credit no. 3675 LA.

<sup>29</sup> NSC revised proposal for Final Survey: 68,791 USD; BA & TA projection from the bid opening: 40,000 to 50,000 USD.

2006 and would probably continue to increase in the coming months. With the current exchange rate, the PRF budget situation appears less critical.

Thus, the budget left after Cycle IV would reach 4.9 million USD, including 4.37 million USD for Sub-Grants and 0.53 million USD for PRF running costs: it is then possible to envisage an effective Cycle V, but a reallocation of budget from Sub-Grant to Running Costs will be necessary.

Based on the first six-month of FY2006 rate of expenditure<sup>30</sup>, the PRF would spend about 1.1 million USD for running costs in Cycle V after completing the Cycle IV (1/08/2007-31/07/2008). *Based on the current XDR/USD exchange rate*, after completing the Cycle V (7/2008), the PRF would have spent the whole IDA credit (22.6 million USD), including 16.7 million USD for Sub-Grants (73.9%) and 5.9 million USD for running costs (26.1%). The ratio virtually ranks with the objectives, despite the gap from the beginning, when designing and setting up the PRF required high running costs before the progressive raise of investments in the villages.

Although the PMT puts forward a solution dealing with on the XDR/USD exchange rate, it is based on assumption that the dollar will remain at a low level for the next two years, hypothesis somehow optimistic and impossible to guarantee. The PRF would be in extensive trouble if the trend reverses and the dollar rises. Expecting favorable XDR/USD exchange rate is not a sufficient strategy and the budget shortage for PRF Operating costs and Sub-grant investment will be the leitmotiv for managing the PRF until 2008. The PMT set up strict guidelines to reduce unnecessary operating costs and prepares initiatives aiming to reduce expenditures in Cycles IV and V, but with limited success in convincing the PRF regulatory authorities until now.

However, the needs remain huge to achieve the Government aims of eradicating mass poverty by 2010 and freeing the country from the status of least-developed country by 2020. It requires continuous efforts and investments in the poorest rural districts of the country, where the PRF action has shown some efficiency.

At mid-term, the Government plans to mobilize resources from the Nam Theun 2 exploitation to fund the public poverty-alleviation programmes. Nevertheless, external support is required on a temporary basis, until the operating of the hydroelectric infrastructure will generate benefits on a routine basis. Therefore, the PMT proposes to engage the thinking and decision process about designing and funding a new phase for the PRF, aiming to start beginning of 2008: 18 months for decisions, feasibility studies, fund raising, and agreements do not leave much time for maneuver.

## **6. WORK PLAN JULY TO SEPTEMBER OF 2006**

### **6.1. Community development**

During the next quarter (7-9/2006), the Community Development unit plans to carry out the following activities:

- Continuing the sub-project maintenances training;
- Make a VCD about PRF implementation in target districts;
- Conduct the dialogue programme between PRF and the other organizations involved in rural development and poverty alleviation;

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<sup>30</sup> 1/10/2005 – 31/03/2006.

- Find appropriate training courses for the PRF staff, in accordance with the annual training plan;
- Assist provincial/district staff to continue the implementation of four sub-projects dealing with ITE (Natural Resource Conservation, Village Saving Group, IGA Training, and Local Authority Enhancement) in five target provinces;
- Supervise and facilitate Khet prioritization Meetings;
- Supervise and facilitate District Prioritization Meetings;
- Organize Provincial Exchange Workshops (Between PRF and GoL's concerned organizations);
- Monitor and assess the pilot Village saving Group system, to base prospective decisions.

## **6.2. Technical assistance**

During the next quarter, the Technical Assistance unit plans to carry out the following activities:

- Update the UCD and dispatch it to provincial and district offices;
- Improve technical specifications of sub-projects;
- Conceive and distribute improved standard designs and drawings;
- Review the technical guidelines;
- Supervise and facilitate District Prioritization Meetings;
- Sub-projects survey and design for Cycle IV.

## **6.3. Monitoring and evaluation**

During the next quarter, the Monitoring and Evaluation unit plans to carry out the following activities:

- Follow-up the sub-project implementation and disbursement for Cycle III;
- Carry out computer maintenance and database use training courses;
- Install the new database at national and provincial offices;
- Data checking and monitoring with provincial staff involved in data entry;
- Experiment the PRF Outcome survey with sub-projects completed more than one year ago;
- Monitor and process data for Cycle IV planning.
- Prepare quarterly newsletter and semi-annual progress report;

## **6.4. Finance and administration**

During the next quarter, the Finance and Administration unit plans to carry out the following activities:

- Monitoring sub-project accounting in all provinces;

- Internal audit of provincial offices;
- Arrangement of Viengthong district office;
- Replenishment SOE No.00028 to 00033;
- Complete Financial monitoring report;
- Close annual accounting for fiscal year 2006;
- Appraise district allocation budget for Cycle IV.
- Preparing financial processing for Cycle IV;

# Annex 1

## Completion and disbursement of Cycle III

Summary Disbursement and Completion Progress of sub-projects, Cycle III (2005-2006) for 20 districts

Type (and target numbers) of sub-Projects / activities	Unit	Quantity		No. of villages benefiting		No. of sub-projects		% of work progress as of	No. Sub-projects completed	% completion	PRF Total planned expenditure (USD)	PRF Total planned expenditure (KIP)	PRF Fund transferred to date (USD)	PRF Expenditure Changed (KIP)	PRF Fund transferred to date (KIP) from VTE-Prov.	as %	PRF Fund transferred to date (KIP) from Prov.-Khet	as %
		Plan	Actual	Plan	Actual	Plan	Actual											
<b>HUAPHANH</b>																		
<b>Sobhao: 70 villages</b>																		
												<b>Sobhao</b>						
Spring gravity fed system	site	9		2		2		2 sub 100%	2			2,309,988,507	219,999		1,985,426,179	86%	1,985,426,179	86%
Clean water upgrade	site	1		2		1		100%	1									
Rural road upgrade	km	8		15		4		3 sub 100%, 1 sub 75%	3									
Continue irrigation channel renovation	site	1		2		1		100%	1									
Primary school construction	room	3		7		2		2 sub 100%	2									
Lower ISecondary school construction	room	2		17		2		2 sub 100%	2									
Learning-teaching material	set	2		6		2		2 sub 100%	2									
Main electrical line access	site	1		2		1		100%	1									
Wier ( irrigation system construction )	site	1		2		1		100%	1									
Capacity enhancement for local authority						1		25%	0									
Village saving group						1		20%	0									
Natural and envi. Protection training						1		100%	1									
Income generation activities						1		50%	0									
<b>Total:</b>				<b>55</b>		<b>20</b>			<b>16</b>	<b>80%</b>								
												<b>Add</b>						
<b>Add: 78 villages</b>																		
Spring fed gravity system	site	7		10		7		7 sub 100%	7			2,078,809,387	197,982		1,779,981,894	86%	1,779,981,894	86%
Main electrical line access	site	1		21		1		100%	1									
Continue Rural road upgrade	km	5		4		5		5 sub 100%	5									
Lower Secondary school construction	site	1		1		1		100%	1									
Learning-teaching material	set	1		1		1		100%	1									
subspension bridge construction	site	1		1		1		40%	0									
Continue Irrigation channel renovation	site	3		9		3		3 sub 100%	3									
Wier	site			3		3		3 sub 100%	3									
Capacity enhancement for local authority						1		10%	0									
Village saving group						1		20%	0									
Natural and envi. Protection training						1		80%	0									
Income generation activities						1		10%	0									
<b>Total:</b>				<b>50</b>		<b>26</b>			<b>21</b>	<b>81%</b>								
												<b>Xiengkhor</b>						
<b>Xiengkhor: 63 villages</b>																		
Spring gravity fed system	site	3		3		3		100%	3			2,141,974,752	203,998		1,852,011,485	86%	1,852,011,485	86%
Clean water upgrade	site	1		1		1		100%	1									
Continue Rural road upgrade	Km	5.0875		37		8		100%	8									
Rural road upgrade	Km	6.15		35		6		100%	6									
Learning-teaching material	set	3		13		3		2 sub 100%, 1 sub 90%	2									
Nurse upgrading	person	2		6		2		100%	2									
Primary school construction	site	1		1		1		100%	1									
Irrigation survey	site	1		5		1		100%	1									
Irrigation system construction	site	1		1		1		100%	1									
Irrigation system maintenance	site	1		1		1		100%	1									
Capacity enhancement for local authority						1		25%	0									
Village saving group						1		20%	0									
Natural and envi. Protection training						1		56%	0									
Income generation activities						1		50%	0									
<b>Total:</b>				<b>103</b>		<b>31</b>			<b>26</b>	<b>84%</b>								

Summary Disbursement and Completion Progress of sub-projects, Cycle III (2005-2006) for 20 districts

Type (and target numbers) of sub-Projects / activities	Unit	Quantity		No. of villages benefiting		No. of sub-projects		% of work progress as of	No. Sub-projects completed	% completion	PRF Total planned expenditure (USD)	PRF Total planned expenditure (KIP)	PRF Fund transferred to date (USD)	PRF Expenditure Changed (KIP)	PRF Fund transferred to date (KIP) from VTE-Prov.	as %	PRF Fund transferred to date (KIP) from Prov.-Khet	as %	
		Plan	Actual	Plan	Actual	Plan	Actual												
<b>Viengxay: 130 villages</b>											<b>Viengxay</b>		<b>Viengxay</b>						
Spring gravity fed system	site	8		8		8		8 sub 100	8			2,619,413,310	249,468		2,257,287,748	86%	2,257,287,748	86%	
Continue Rural road upgrade	Km	6.625		4		1		100%	1										
Rural road upgrade	Km	6.6024		27		7		6 sub 100%, 1 sub 90%	6										
Over flooded bridge construction	site	1		8		1		100%	1										
Primary school construction	room	1		1		1		100%	1										
Learning - teaching material	set	4		19		4		4 sub 100%	4										
Lower Secondary school construction	site	1		9		1		90%	0										
Imigation system construction	site	4		4		4		4 sub 100%	4										
Kindergaten construction	site	1		3		1		75%	0										
Main electrical line access	site	1		2		1		100%	1										
Capacity enchancement for local authority						1		43%	0										
Village saving group						1		20%	0										
Natural and envi. Protection training						1		50%	0										
Income generation activities						1		50%	0										
<b>Total:</b>				<b>85</b>		<b>33</b>			<b>26</b>	<b>79%</b>									
<b>Huameaung: 85 villages</b>											<b>Huameaung</b>		<b>Huameaung</b>						
Spring gravity fed system	site	9		10		9		9 sub 100%	9			2,453,625,521	233,679		2,113,703,125	86%	2,113,703,125	86%	
Clean water system upgrade	site	3		3		3		3 sub 100%	3										
Rural road upgrade	km	5.78		17		4		4 sub 100%	4										
Agriculture and handicraft market	site	1		1		1		100%	1										
Continue Primary school renovation	site	1		10		1		100%	1										
Learning material	set	1		1		1		100%	1										
Village medicine box	set	1		2		1		100%	1										
Imigation system construction	site	1		1		1		100%	1										
Continue ingation channel renovation	site	2		1		1		100%	1										
Latrine	site	2		2		2		1 sub 100%, 1 sub 98%	1										
Continue Irrigation system maintenance	site	1		1		1		95%	0										
Teacher stippend	pers.	2		2		2		2 sub 100%	2										
Primary school construction	site	1		1		1		95%	0										
Dispensary construction	site	1		10		1		100%	1										
Capacity enchancement for local authority						1		0%	0										
Village saving group						1		20%	0										
Natural and envi. Protection training						1		50%	0										
Income generation activities						1		100%	1										
<b>Total:</b>				<b>62</b>		<b>33</b>			<b>27</b>	<b>82%</b>									



Summary Disbursement and Completion Progress of sub-projects, Cycle III (2005-2006) for 20 districts

Type (and target numbers) of sub-Projects / activities	Unit	Quantity		No. of villages benefiting		No. of sub-projects		% of work progress as of	No. Sub-projects completed	% complete than	PRF Total planned expenditure (USD)	PRF Total planned expenditure (KIP)	PRF Fund transferred to date (USD)	PRF Expenditure Changed (KIP)	PRF Fund transferred to date (KIP) from VTE-Prov.	as %	PRF Fund transferred to date (KIP) from Prov.-Khet	as %
		Plan	Actual	Plan	Actual	Plan	Actual											
<b>Xamtay: 172 villages</b>																		
												<b>Xamtay</b>						
Spring gravity fed system	site	11		11		11		10 sub 100%,1sub 90%	10			5,207,948,807	495,995		4,480,595,561	86%	4,480,595,561	86%
Clean water system upgrade	site	1		1		1		100%	1									
Rural road upgrade	km	8.16		43		10		10sub 100%	10									
Primary school construction	unit	5		10		5		5 sub 100%	5									
Village medicine box	set	1		9		1		100%	1									
Learning - teaching material	set	6		9		6		6sub 100 %	6									
Teacher stipend	pers.	1		1		1		100%	1									
Continue Irrigation channel renovation	site	1		1		1		100%	1									
Culvert	site	1		1		1		100%	1									
Continue Rural road upgrade	Km	9.894		14		4		4 sub 100%	4									
Cable fo water pipe	site	1		1		1		100%	1									
Continue Primary school renovation	site	1		1		1		100%	1									
Continue Irrigation construction	site	1		4		1		100%	1									
Lower Secondary school construction	site	1		4		1		100%	1									
Capacity enhancement for local authority						1		50%	0									
Village saving group						1		20%	0									
Natural and envi. Protection training						1		50%	0									
Income generation activities						1		50%	0									
<b>Total:</b>				<b>110</b>		<b>49</b>			<b>44</b>	<b>90%</b>								
<b>Total HUAPHANH:</b>																		
				<b>465</b>	<b>0</b>	<b>192</b>			<b>160</b>	<b>83%</b>		<b>16,811,760,284</b>	<b>1,601,120</b>		<b>14,469,005,992</b>	<b>86%</b>	<b>14,469,005,992</b>	<b>86%</b>
<b>XIENGHOUANG</b>																		
												<b>Nonghet</b>						
<b>Nonghet: 110 villages</b>																		
Spring gravity fed system	site	7		16		7		7 sub 100%	7			3,139,500,000	299,000	3,149,388,023	2,615,834,420	83%	2,615,834,420	83%
Rural road upgrade	km	5.2157		54		11		10sub 100%,1sub 70%	10									
Primary school construction	site	1		1		1		100%	1									
Agriculture and handicraft market	site	1		14		1		100%	1									
Nurse's stipend	Person	2		3		1		0%	0									
Dispensary construction	site	1		9		1		90%	0									
Community water supply construction	site	1		1		1		100%	1									
Medical equipment+furniture	set	1		3		1		0%	0									
Teacher's stipend	Person	2		2		1		100%	1									
Animal raising Training	course	3		3		3		2 sub 20%, 1 sub 0%	0									
Capacity enhancement for local authority		1				1		100%	1									
Village saving group		1				1		65%	0									
Natural and envi. Protection training		1				1		50%	0									
Income generation activities		1				1		50%	0									
<b>Total:</b>				<b>106</b>		<b>32</b>			<b>22</b>	<b>69%</b>								
<b>Khoun: 90 villages</b>																		
												<b>Khoun</b>						
Gravity fed water systems	site	17		28		17		17 sub 100%	17			3,149,405,746	299,943	3,159,065,746	2,535,426,090	81%	2,535,426,090	81%
Rural road upgrade	km	3		8		3		1sub100%,1sub 95%,1sub 75%	1									
Primary school construction	site	3		5		3		2 sub 100%,1sub 98%	2									
Village medicine box	set	1		1		1		50%	0									
Learning - teaching material	set	3		26		3		0%	0									
Teacher upgrading	Person	2		2		2		1 sub100%,1sub 0%,	1									
Concrete steel wooden bridge	site	3		10		3		2sub 100%,1sub 40%	2									
Medical equipment+furniture	set	1		4		1		0%	0									
Culvert	site	1		2		1		100%	1									
Village health volunteer Training	person	4		5		1		90%	0									
Agriculture and handicraft market	site	1		5		1		65%	0									
Capacity enhancement for local authority		1				1		50%	0									
Village saving group		1				1		17%	0									
Natural and envi. Protection training		1				1		17%	0									
Income generation activities		1				1		83%	0									
<b>Total:</b>				<b>96</b>		<b>40</b>			<b>24</b>	<b>60%</b>								

Summary Disbursement and Completion Progress of sub-projects, Cycle III (2005-2006) for 20 districts

Type (and target numbers) of sub-Projects / activities	Unit	Quantity		No. of villages benefiting		No. of sub-projects		% of work progress as of	No. Sub-projects completed	% completion	PRF Total planned expenditure (USD)	PRF Total planned expenditure (KIP)	PRF Fund transferred to date (USD)	PRF Expenditure Changed (KIP)	PRF Fund transferred to date (KIP) from VTE-Prov.	as %	PRF Fund transferred to date (KIP) from Prov.-Khet	as %
		Plan	Actual	Plan	Actual	Plan	Actual											
<b>Kham: 120 villages</b>																		
												<b>Kham</b>			<b>Kham</b>			
Gravity fed water systems	site	5		5		5		5 sub 100%	5			2,055,118,800	195,726	2,065,709,841	1,741,144,531	85%	1,741,144,531	85%
Latrine	site	1		1		1		100%	1									
Rural road upgrade	km	7.655		31		7		7 sub 100%	7									
Primary school construction	site	1		6		1		100%	1									
Dam	site	1		5		1		2%	0									
Cropping & animal raising Training	Person	1		1		1		70%	0									
Teacher upgrading	Person	2		2		1		100%	1									
Wier	site	2		7		2		2 sub 100%	2									
Teacher stipend	pers.	2		3		1		100%	1									
Capacity enhancement for local authority		1				1		58%	0									
Village saving group		1				1		20%	0									
Natural and envi. Protection training		1				1		42%	0									
Income generation activities		1				1		77%	0									
<b>Total:</b>				<b>61</b>		<b>24</b>			<b>18</b>	<b>75%</b>								
<b>Total Xiengkhouang</b>				<b>263</b>	<b>0</b>	<b>96</b>			<b>64</b>	<b>67%</b>		<b>8,344,024,546</b>	<b>794,669</b>	<b>8,374,163,610</b>	<b>6,892,405,041</b>	<b>83%</b>	<b>6,892,405,041</b>	<b>83%</b>
<b>SARAVAN</b>																		
												<b>Samoi</b>			<b>Samoi</b>			
<b>Samoi: 58 villages</b>																		
Spring gravity fed system	site	2		4		2		1 sub 90%,1 sub 70%	0			1,146,115,000	109,154	1,192,673,977	393,679,608	34%	393,679,608	34%
Dispensary construction	site	4		20		4		2 sub 83%,1 sub 30%,1 sub 50%	0									
Primary school construction	site	1		2		1		38%	0									
Learning - teaching material	set	1		2		1		40%	0									
hand pump dug well construction	site	1		1		1		30%	0									
Medical equipment+furniture	set	5		23		5		40%	0									
Capacity enhancement for local authority						1		0%	0									
Village saving group						1		75%	0									
Natural and envi. Protection training						1		40%	0									
Income generation activities						1		100%	1									
<b>Total:</b>				<b>52</b>		<b>18</b>			<b>1</b>	<b>6%</b>								
<b>Toumlan: 67 villages</b>																		
												<b>Toumlan:</b>			<b>Toumlan:</b>			
Dormitory for patients construction	site	1		11		1		100%	1			1,978,914,999	188,468	1,986,583,000	625,703,984	32%	625,747,710	32%
submerge brigde construction	site	2		14		2		2 sub 100%	2									
Rural road upgrade	km	5		16		3		2 sub 95%,1 sub 80%	0									
Learning - teaching material	set	2		7		2		2 sub 40%	0									
Primary school construction	site	2		4		2		2 sub 95%	0									
brigde maintenance	site	1		3		1		50%	0									
Medical equipment+furniture	set	3		20		3		40%	0									
Dispensary construction	site	3		16		3		1 sub 100%, 1 sub 90%,1 sub 30%	1									
Delivery house construction	site	1		3		1		95%	0									
Capacity enhancement for local authority						1		0%	0									
Village saving group						1		75%	0									
Natural and envi. Protection training						1		100%	1									
Income generation activities						1		100%	1									
<b>Total:</b>				<b>94</b>		<b>22</b>			<b>6</b>	<b>27%</b>								
<b>Ta oey: 56 villages</b>																		

Summary Disbursement and Completion Progress of sub-projects, Cycle III (2005-2006) for 20 districts

Type (and target numbers) of sub-Projects / activities	Unit	Quantity		No. of villages benefiting		No. of sub-projects		% of work progress as of	No. Sub-projects completed	% completion	PRF Total planned expenditure (USD)	PRF Total planned expenditure (KIP)	PRF Fund transferred to date (USD)	PRF Expenditure Changed (KIP)	PRF Fund transferred to date (KIP) from VTE.Prov.	as %	PRF Fund transferred to date (KIP) from Prov.-Khet	as %
		Plan	Actual	Plan	Actual	Plan	Actual											
<b>Ta oey: 56 villages</b>																		
Hand dug well	site	2		2		2		1 sub 80%, 1 sub 75%	0		Ta oey: 2,258,025,000		215,050	2,266,583,000	790,656,716	35%	Ta oey: 790,671,549	35%
Rural road upgrade	km	8.8		6		2		2 sub 80%	0									
submerge brige construction	site	1		3		1		100%	1									
Primary school construction	site	4		4		4		2 sub 100%, 1 sub 70%, 1 sub 60%	2									
Medical equipment+furniture	set	3		14		3		3 sub 40%	0									
subspension brige construction	site	1		3		1		100%	1									
Electricity network	site	1		1		1		100%	1									
Dispensary construction	site	3		12		3		2 sub 100%, 1 sub 70%	2									
Learning - teaching material	set	2		2		2		2 sub 40%	0									
Capacity enchancement for local authority								0%	0									
Village saving group								75%	0									
Natural and envi. Protection training								100%	1									
Income generation activities								100%	1									
<b>Total:</b>				<b>47</b>		<b>23</b>			<b>9</b>	<b>39%</b>								
<b>Total Saravan:</b>				<b>193</b>		<b>63</b>			<b>16</b>	<b>25%</b>		<b>5,383,054,999</b>	<b>512,672</b>	<b>5,445,839,977</b>	<b>1,810,040,308</b>	<b>34%</b>	<b>1,810,098,867</b>	<b>34%</b>
<b>SAVANNAKHET</b>																		
<b>Sepone: 159 villages</b>																		
Spring gravity fed system	site	3		3		3		3 sub 100%	3		Sepone 2,803,000,001		266,952	2,810,975,000	2,617,939,879	93%	Sepone 2,617,939,879	93%
Rural road upgrade	km	6.5		4		2		2 sub 100%	2									
Primary school construction	site	12		27		12		100%	12									
Primary school renovation	site	2		2		2		2 sub 100%	2									
Teacher's stipend	Person	8		8		8		0%	0									
main electrical line access	site	1		1		1		100%	1									
Capacity enchancement for local authority								0%	0									
Village saving group								80%	0									
Natural and envi. Protection training								2%	0									
Income generation activities								0%	0									
<b>Total:</b>				<b>45</b>		<b>32</b>			<b>20</b>	<b>63%</b>								
<b>Nong: 79 villages</b>																		
Hand dug well	site	1		1		1		100%	1		Nong 1,775,684,998		169,113	1,783,110,000	1,709,030,410	96%	Nong 1,709,030,410	96%
Dam renovation	site	1		1		1		100%	1									
Rural road upgrade	km	8.837		34		7		100%	7									
Primary school construction	site	1		2		1		100%	1									
Capacity enchancement for local authority								50%	0									
Village saving group								20%	0									
Natural and envi. Protection training								50%	0									
Income generation activities								0%	0									
<b>Total:</b>				<b>38</b>		<b>14</b>			<b>10</b>	<b>71%</b>								

## Summary Disbursement and Completion Progress of sub-projects, Cycle III (2005-2006) for 20 districts

Type (and target numbers) of sub-Projects / activities	Unit	Quantity		No. of villages benefiting		No. of sub-projects		% of work progress as of	No. Sub-projects completed	% completion	PRF Total planned expenditure (USD)	PRF Total planned expenditure (KIP)	PRF Fund transferred to date (USD)	PRF Expenditure Changed (KIP)	PRF Fund transferred to date (KIP) from VTE-Prev.	as %	PRF Fund transferred to date (KIP) from Prov.-Khet	as %
		Plan	Actual	Plan	Actual	Plan	Actual											
<b>Vilabury: 102 villages</b>																		
											<b>Vilabury</b>				<b>Vilabury</b>			
Hand dug well construction	site	5		15		5		5 sub 100%	5		1,827,000,000	174,000	1,834,770,000	1,497,018,803	82%	1,497,018,803	82%	
Rural road upgrade	km	6,033		17		6	5	5 sub 100%	5									
Concrete steel wood bridge construction	site	1		4		1		60%	0									
bridge maintenance	site	1		1		1		30%	0									
Primary school construction	site	5		16		5	6	5 sub 100%, 1 sub 90%	5									
furniture	Set	1		1		1		100%	1									
Capacity enhancement for local authority		1				1		0%	0									
Village saving group		1				1		25%	0									
Natural and envi. Protection training		1				1		25%	0									
Income generation activities		1				1		0%	0									
<b>Total:</b>				<b>54</b>		<b>23</b>			<b>16</b>	<b>70%</b>								
<b>Phin: 116 villages</b>																		
											<b>Phin</b>				<b>Phin</b>			
Rural road upgrade	km	6,46		13		5	4	4sub 100%	4		2,667,000,000	254,000	2,673,600,000	2,291,703,421	86%	2,291,703,421	86%	
Primary school construction	site	3		12		3	5	5 sub 100%	5									
Lower Secondary school construction	site	1		9		1		100%	1									
Dam	site	2		3		2	1	100%	1									
Teacher's stipend	pers	7		6		7		3sub 70%,4sub 0%	0									
main electrical line access	site	5		8		5		5 sub 100%	5									
Capacity enhancement for local authority		1				1		0%	0									
Village saving group		1				1		0%	0									
Natural and envi. Protection training		1				1		0%	0									
Income generation activities		1				1		0%	0									
<b>Total:</b>				<b>51</b>		<b>27</b>			<b>16</b>	<b>59%</b>								
<b>Total SAVANNAKHET:</b>				<b>188</b>		<b>96</b>			<b>62</b>	<b>65%</b>	<b>9,072,684,999</b>	<b>864,065</b>	<b>9,102,455,000</b>	<b>8,115,692,513</b>	<b>89%</b>	<b>8,115,692,513</b>	<b>89%</b>	
<b>CHAMPASACK</b>																		
											<b>Mounlapamok</b>				<b>Mounlapamok</b>			
Drilled well	site	5		18		5		1 sub 100%,4 sub 60%	1		1,585,500,000	151,000	1,593,210,000	1,178,506,663	74%	1,178,506,663	74%	
primary school renovation	site	1		1		1		100%	1									
Primary school construction	site	7		7		7		4sub 100%, 1 sub 85%, 1 sub 30%,1 sub 75%	4									
Continue Primary school construction	site	2		2		2		2sub 100%	2									
Lower Secondary school construction	site	1		10		1		40%	0									
Bridge construction	site	2		9		2		2sub 100%	2									
Dispensary construction	site	1		4		1		100%	1									
Village health volunteer Training	person	1		3		1		10%	0									
Capacity enhancement for local authority		1				1		90%	0									
Village saving group		1				1		100%	1									
Natural and envi. Protection training		1				1		40%	0									
Income generation activities		1				1		100%	1									
<b>Total:</b>				<b>54</b>		<b>24</b>			<b>13</b>	<b>54%</b>								

Summary Disbursement and Completion Progress of sub-projects, Cycle III (2005-2006) for 20 districts

Type (and target numbers) of sub-Projects / activities	Unit	Quantity		No. of villages benefiting		No. of sub-projects		% of work progress as of	No. Sub-projects completed	% completion	PRF Total planned expenditure (USD)	PRF Total planned expenditure (KIP)	PRF Fund transferred to date (USD)	PRF Expenditure Changed (KIP)	PRF Fund transferred to date (KIP) from VTE-Prov.	as %	PRF Fund transferred to date (KIP) from Prov.-Khet	as %
		Plan	Actual	Plan	Actual	Plan	Actual											
<b>Khong: 136 villages</b>											<b>Khong</b>			<b>Khong</b>				
Continue Primary school construction	site	3		3		3		3 sub 100%	3			777,000,000	74,000	785,070,000	571,049,451	73%	571,049,451	73%
Primary school construction	site	7		7		7		2 sub 100%, 5 sub 85%	2									
Concrete steel wood bridge construction	site	4		18		4		1 sub 100%, 1 sub 75%, 2 sub 70%	1									
primary school renovation	site	2		2		2		1 sub 100%, 1 sub 85%	1									
Dispensary	site	1		1		1		70%	0									
Capacity enhancement for local authority		1				1		100%	1									
Village saving group		1				1		100%	1									
Natural and envi. Protection training		1				1		40%	0									
Income generation activities		1				1		100%	1									
<b>Total:</b>				<b>31</b>		<b>21</b>			<b>10</b>	<b>48%</b>								
<b>Sukuma: 62 villages</b>											<b>Sukuma</b>			<b>Sukuma</b>				
Primary school construction	site	5		5		5		1 sub 100%, 1 sub 85%, 1 sub 80%, 2 sub 75%	1			1,071,000,000	102,000	1,079,200,000	622,604,347	58%	622,604,347	58%
upper Secondary school construction	site	1		8		1		85%	0									
Dispensary construction	site	1		6		1		25%	0									
Lower Secondary school construction	site	1		1		1		75%	0									
Continue Primary school construction	site	3		3		3		3 sub 100%	3									
Learning-teaching material	set	1		1		1		100%	1									
Rural road upgrade	km	1		1		1		100%	1									
Concrete steel wood bridge construction	site	1		1		1		100%	1									
bridge maintenance	site	1		8		1		100%	1									
Capacity enhancement for local authority		1				1		100%	1									
Village saving group		1				1		100%	1									
Natural and envi. Protection training		1				1		40%	0									
Income generation activities		1				1		100%	1									
<b>Total:</b>				<b>34</b>		<b>19</b>			<b>11</b>	<b>58%</b>								
<b>Pathoumphone: 93 villages</b>											<b>Pathoumphone</b>			<b>Pathoumphone</b>				
Drilled well	site	5		10		5		5 sub 60%	0			651,000,000	62,000	660,660,000	401,026,207	62%	401,026,207	62%
repair Drilled well	site	1		1		1		10%	0									
Rural road upgrade	km	3		3		3		1 sub 100%, 2 sub 95%	1									
Primary school construction	site	2		2		2		1 sub 85%, 1 sub 70%	0									
Continue Primary school construction	site	1		1		1		95%	0									
Learning-teaching material	set	2		2		2		2 sub 100%	2									
Continue Lower Secondary school construction	site	1		10		1		100%	1									
Concrete steel wood bridge construction	site	2		16		2		1 sub 90%, 1 sub 60%	0									
Latrine of lower secondary school construction	site	1		10		1		85%	0									
Capacity enhancement for local authority		1				1		100%	1									
Village saving group		1				1		100%	1									
Natural and envi. Protection training		1				1		40%	0									
Income generation activities		1				1		100%	1									
<b>Total:</b>				<b>55</b>		<b>22</b>			<b>7</b>	<b>32%</b>								
<b>Total CHAMPASACK:</b>				<b>174</b>		<b>86</b>			<b>41</b>	<b>48%</b>		<b>4,084,500,000</b>	<b>389,000</b>	<b>4,118,140,000</b>	<b>2,773,186,668</b>	<b>68%</b>	<b>2,773,186,668</b>	<b>68%</b>
<b>Grand Total:=</b>				<b>1283</b>		<b>533</b>			<b>343</b>	<b>64%</b>		<b>43,696,024,828</b>	<b>4,161,526</b>		<b>34,060,330,522</b>	<b>78%</b>	<b>34,060,389,081</b>	<b>78%</b>

### Summary Progress of Cycle III (30/06/2006)

Total sub-projects competed:	<b>343</b>	<b>64%</b>
Total sub-projects > 50%	<b>100</b>	<b>19%</b>
Total sub-projects < 50%	<b>90</b>	<b>17%</b>
<b>Grand Total:</b>	<b>533</b>	<b>100%</b>

	0%	<50%	>50%	100%	Total
Sobbao	0	2	2	16	20
Add	0	3	2	21	26
Xiengkhor	2	0	3	26	31
VX	-	3	4	26	33
Huameuang	1	1	4	27	33
Xamtay	0	4	1	44	49
	<b>3</b>	<b>13</b>	<b>16</b>	<b>160</b>	<b>192</b>
Nonghet	3	2	5	22	32
Khoun	5	3	8	24	40
Kham	-	3	3	18	24
	<b>8</b>	<b>8</b>	<b>16</b>	<b>64</b>	<b>96</b>
Samoi	1	10	6	1	18
Toumlan	1	6	9	6	22
Taoyey	1	5	8	9	23
	<b>3</b>	<b>21</b>	<b>23</b>	<b>16</b>	<b>63</b>
Sepon	10	1	1	20	32
Nong	1	1	2	10	14
Vila	2	3	2	16	23
Phin	8	0	3	16	27
	<b>21</b>	<b>5</b>	<b>8</b>	<b>62</b>	<b>96</b>
Moon	0	3	8	13	24
Khong	0	1	10	10	21
Suku	0	2	6	11	19
Pathoum	0	2	13	7	22
	-	<b>8</b>	<b>37</b>	<b>41</b>	<b>86</b>
<b>Total</b>	<b>35</b>	<b>55</b>	<b>100</b>	<b>343</b>	<b>533</b>

## Annex 2

### Summary of PRF achievements (up to June 2006)

	Unit	Cycle I			Cycle II			Cycle III			TOTAL		
		Sub-projects	Quantity	Budget	Sub-projects	Quantity	Budget	Sub-projects	Quantity	Budget	Sub-projects	Quantity	Budget
<b>Education</b>		<b>72</b>		<b>2,922,817,736</b>	<b>142</b>		<b>9,472,647,831</b>	<b>143</b>		<b>10,832,405,964</b>	<b>357</b>		<b>23,227,871,531</b>
school construction & renovation	site	57	57	2,627,767,382	95	101	8,283,871,078	91	274	9,860,590,729	243	432	20,772,229,189
teaching material		0		289,964,580	38	419	1,085,966,507	29	279	831,473,955	67	698	2,207,405,042
teacher support	person	15	20	5,085,774	9	13	102,810,246	23	33	140,341,280	47	66	248,237,300
<b>Access &amp; Energy</b>		<b>39</b>		<b>2,367,060,613</b>	<b>92</b>		<b>13,084,323,028</b>	<b>133</b>		<b>18,994,226,493</b>	<b>264</b>		<b>34,445,610,134</b>
road upgrade	km	31	270	2,045,847,503	75	610	11,570,783,291	101	1060	14,863,847,152	207	1,940	28,480,477,946
bridge construction	m	8	260	321,213,110	11	340	1,205,824,380	22	910	3,287,252,721	41	1,510	4,814,290,211
electric line	m	0	0	0	6	40	307,715,357	10	20	843,126,620	16	60	1,150,841,977
<b>Health</b>		<b>107</b>		<b>4,543,215,499</b>	<b>130</b>		<b>5,954,078,665</b>	<b>142</b>		<b>9,064,889,295</b>	<b>379</b>		<b>19,562,183,459</b>
dispensary construction & equipment	site	7	7	227,909,712	10	14	598,547,390	29	38	2,150,231,140	46	59	2,976,688,242
Village Health Volunteer & Nurse training	session	1	2	4,000,000	5	11	62,701,667	5	69	83,314,941	11	82	150,016,608
Village medicine box	village	1	1	13,699,008	4	7	30,215,436	3	3	21,177,790	8	11	65,092,234
latrine	unit	0	0	0	4	245	87,529,832	4	149	154,935,385	8	394	242,485,217
village water supply scheme	site	98	386	4,297,606,779	107	203	5,175,084,340	101	339	6,655,230,039	306	928	16,127,921,158
<b>Agriculture</b>		<b>29</b>		<b>873,617,734</b>	<b>49</b>		<b>2,224,724,508</b>	<b>32</b>		<b>2,245,644,740</b>	<b>110</b>		<b>5,343,986,982</b>
irrigation scheme		19		806,494,029	26		1,688,904,779	28		2,108,260,155	73		4,603,658,963
agricultural training	session	10	10	67,123,705	23	59	535,819,729	4	111	137,384,585	37	180	740,328,019
<b>Other Income Generating Activities</b>		<b>1</b>		<b>4,318,680</b>	<b>9</b>		<b>335,004,985</b>	<b>43</b>		<b>1,591,379,344</b>	<b>53</b>		<b>1,930,703,009</b>
market construction	site	0	0	0	1	1	210,210,985	3	3	374,946,831	4	4	585,157,816
Village saving groups	group	0	0	0	6	6	120,000,000	20	26	871,690,795	26	32	991,690,795
IGA training	session	1	2	4,318,680	2	5	4,794,000	20	20	344,741,718	23	27	353,854,398
<b>Environment &amp; management</b>		<b>0</b>		<b>0</b>	<b>9</b>		<b>899,217,444</b>	<b>40</b>		<b>1,004,225,427</b>	<b>49</b>		<b>1,903,442,871</b>
Village environment management	site	0	0	0	8	7	856,654,128	20	26	671,422,376	28	33	1,528,076,504
training for local human resources	session	0	0	0	1	1	42,563,316	20	20	332,803,051	21	21	375,366,367
<b>TOTAL</b>		<b>248</b>		<b>10,711,030,262</b>	<b>431</b>		<b>31,969,996,461</b>	<b>533</b>		<b>43,732,771,263</b>	<b>1,212</b>		<b>86,413,797,986</b>



## Annex 3

### Performance indicators and village need assessment for Cycle III

all data updated as at 20 June 2005

	Huaphanh						Xiengkhang				Savannakhet					
	Xiengkhor	Sobbae	Add	Xamtay	Huameuang	Viangxay	Total	Khoum	Kham	Nonghet	Total	Sepone	Nong	Vilabury	Phin	Total
<b>Household Composition:</b>																
Population	25,986	25,195	26,414	54,213	27,324	35,234	194,366	31,535	46,040	35,915	113,490	42,497	27,194	29,106	49,626	148,423
Khets	12	7	12	22	11	19	83	8	10	13	31	20	10	16	15	61
Total Villages	63	70	78	172	85	130	598	90	120	110	320	159	79	102	116	456
Poor Villages	56	65	65	170	81	101	538	65	72	65	202	144	75	77	76	372
Villages Selected	22	16	20	43	24	39	164	27	25	29	81	21	11	39	25	96
% of Villages Selected	35%	23%	26%	25%	28%	30%	28%	30%	21%	26%	26%	13%	14%	38%	22%	22%
Poor Villages Selected	13	10	13	41	21	26	124	27	19	23	69	20	10	31	18	79
% of Selected Villages are Poor	59%	15%	65%	95%	88%	67%	65%	100%	76%	79%	85%	95%	91%	76%	72%	84%
<b>Needs Assessment:</b>																
Adults Attending VIIPA Meeting	12,711	13,855	13,568	23,423	11,198	15,141	89,896	10,707	21,341	11,627	43,675	15,218	16,836	11,228	21,624	64,906
% Total Adult Population Attending	88%	98%	92%	77%	73%	77%	84%	61%	83%	58%	67%	64%	91%	60%	78%	73%
<b>Females Attending VIIPA Meeting <sup>1</sup></b>																
% of Females Attending <sup>2</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Village Priorities (3)	182	180	228	515	241	387	1,733	266	343	319	928	458	240	274	348	1,320
Khet Priorities	72	34	62	131	65	108	472	48	64	74	186	113	60	72	90	335
Sub-projects Selected at District Meeting	31	20	26	49	33	33	192	40	24	32	96	32	14	23	27	96
Sub-projects implemented	31	20	26	49	33	33	192	40	24	32	96	32	14	23	27	96
Village Contribution (kip)	620,594,140	503,649,900	650,755,438	674,794,574	341,495,736	1,230,982,338	4,022,272,126	658,526,594	937,290,479	527,568,367	2,123,385,440	372,175,105	261,696,003	240,408,992	815,273,200	1,689,553,300
PRF Fund Contribution (kip)	2,141,974,752	2,309,988,507	2,078,809,387	5,207,948,807	2,453,625,521	2,619,413,310	16,811,760,284	3,149,405,749	2,055,118,759	3,139,500,000	8,344,024,546	2,803,000,000	1,775,685,000	1,827,000,000	2,667,000,000	9,072,685,000
Total Cost of Sub-Projects (kip)	2,762,568,892	2,813,638,407	2,729,564,825	5,882,743,381	2,795,121,257	3,850,395,648	20,834,032,410	3,807,932,343	2,992,409,278	3,667,068,367	10,467,409,988	3,175,175,105	2,037,381,003	2,067,408,992	3,482,273,200	10,762,238,300
% of Total Budget Given to Poor Villages	15%	46%	55%	76%	66%	32%	48%	100%	85%	91%	92%	77%	84%	76%	47%	71%

	Champasack					Saravan				Total
	Pathoumphone	Sukuma	Mouilapamok	Khong	Total	Tomlan	Taoy	Samoy	Total	
<b>Household Composition:</b>										
Population	51,101	46,929	38,142	70,170	206,342	21,785	22,520	11,781	56,086	718,707
Khets	10	10	10	14	44	7	5	8	20	239
Total Villages	93	62	67	136	358	67	56	58	181	1,913
Poor Villages	44	32	51	46	173	66	55	58	179	1,464
Villages Selected	23	16	35	18	92	12	17	7	36	469
% of Villages Selected	0	0	1	0	0	0	0	0	0	3
Poor Villages Selected	13	10	28	7	58	12	16	7	35	365
% of Selected Villages are Poor	1	1	1	0	1	1	1	1	1	1
<b>Needs Assessment:</b>										
Adults Attending VIIPA Meeting	17,800	15,617	15,080	25,360	73,857	8,997	7,423	5,077	21,497	293,831
% Total Adult Population Attending	1	1	1	1	1	1	1	1	1	1
<b>Females Attending VIIPA Meeting <sup>1</sup></b>										
% of Females Attending <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
Village Priorities (3)	276	186	198	414	1,074	201	168	168	537	5,592
Khet Priorities	60	60	60	83	263	42	30	48	120	1,376
Sub-projects Selected at District Meeting	22	19	24	21	86	22	23	18	63	533
Sub-projects implemented	22	19	24	21	86	22	23	18	63	533
Village Contribution (kip)	220,684,914	209,772,284	164,674,808	108,665,415	703,797,421	200,589,017	254,384,506	103,105,335	558,078,858	9,097,087,145
PRF Fund Contribution (kip)	651,000,000	1,071,000,000	1,585,500,000	777,000,000	4,084,500,000	1,978,915,000	2,258,025,000	1,146,115,000	5,383,055,000	43,696,024,832
Total Cost of Sub-Projects (kip)	871,684,914	1,280,772,284	1,750,174,808	885,665,415	4,788,297,421	2,179,504,017	2,512,409,506	1,249,220,335	5,941,133,858	52,793,111,977
% of Total Budget Given to Poor Villages	43%	29%	66%	26%	41%	100%	94%	97%	97%	70%

Notes: <sup>1,2</sup> Females attending at VNPA meeting we are still missing data

## Annex 4

### *PRF procurement in 2006*

Description	Price US\$	Component 2	Component 3	Total price	Procurement starting date	Targeted delivery date	Remarks
		QTY	QTY				
<b>National Shopping, Pior Review</b>							
<i>Computer equipment</i>							
Laptop (Celeron)	1,400		2	2,800.00	February	April	
Computer	750	7	1	6,000.00	February	April	
UPS	80	7	1	640.00	February	April	
Printer B&W laser A4 >10 p/m	400	1		400.00	February	April	
USB 512 MB (HANDY DRIVE)	70		4	280.00	February	April	
RAM 512	70		1	70.00	February	April	
Tablet	70		1	70.00	February	April	
External hard drive	700		2	1,400.00	February	April	
Scanner for A3	500		1	500.00	February	April	
Toshiba notebook Battery	100		3	300.00	February	April	
<b>Total</b>				<b>12,460.00</b>			
<b>National Shopping, Post Review</b>							
<i>Vehicle</i>							
Small Motorbike (Yamaha DT 125cc)	1,200	1		1,200.00	February	March	
Small Motorbike 100 cc	850	2		1,700.00	February	Mrach	
<b>Total</b>				<b>2,900.00</b>			
<b>National Shopping</b>							
<i>Audio-visual/media equipment</i>							
Handycam battery	100		1	100.00	March	March	
Microphone connected from Handycam	70		1	70.00	March	March	
Standing leg for Handycam	150		1	150.00	March	March	
Handycam battery's charger	200		1	200.00	March	March	
Cassette for Handycam	20		1	20.00	March	March	
Portable loud speaker	80	18		1,440.00	March	March	
<b>Total</b>				<b>1,980.00</b>			
<b>National Shopping</b>							
<i>Furniture</i>							
Bookshelves	50	6		300.00	March	March	
Table	60		1	60.00	March	March	
Plastic chairs	8	9		72.00	March	March	
2 desks metallic filing cabinet	150	2		300.00	March	March	
4 desks metallic filing cabinet	200	1		200.00	March	March	
Telephone set & connection		2		720.00	March	March	Viengxai 400, Nonghaed 320
Refrigerator	300		1	300.00	March	March	
<b>Total</b>				<b>1,952.00</b>			
<b>National Shopping</b>							
<i>Field equipment</i>							
Accountant calculator	20	2	1	60.00	April	April	
TA calculator	40	6	1	280.00	April	April	
Altimeter	170	4		680.00	April	April	
Abney level	200	1		200.00	April	April	
Compass	40	1		40.00	April	April	
Helmet	15	57		855.00	April	April	
<b>Total</b>				<b>2,115.00</b>			
<b>National Shopping</b>							
<i>Speed internet connection</i>							
Speed internet connection	400		1	400.00	March	March	
<b>Total</b>				<b>400.00</b>			
<b>Total of year 2006=</b>				<b>21,992</b>			

## Annex 5

### *ITE Progress Monitoring*

Form: VSG_M&E
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#### Form: Physical Progress Monitoring of Village Saving Group

**Province:**

**Sub-project Code:** \_\_\_\_\_

**Responsible person:** Mr. Lianphone      **Date of filling this form:** 30 June 2006

**The total of Village Saving Group in the Khet:**



 (A)

No	SP Location		(% ) of Work progressing						(% ) of Progressing of each group
	Name of village	Nam of khet	Have been trained to group's committee		Has been conducted assessment after 3-6 months start the group		PRF had been provided the grant to the group		
			date	If yes 20%, if not 0%	Date	If yes 50%, if not 0%	date	If yes 30%, if not 0%	
<u>Example:</u>									
1	C	2		0%		0%			0%
2	D	5	10/2/06	20%	30/5/06	50%	15/6/06	30%	100%
3	E	7	30/5/06	20%	30/5/06	50%	30/5/06	0%	70%
<b>Total score: (B)</b>									<b>170</b>
<b>Average of percent (%) progress of this sub-project = (A) : (B)</b>									<b>56.6%</b>

## Annex 6

### *ITE Review Report*

#### **INTRODUCTION: *background***

The Poverty Reduction Fund (PRF) is an initiative effort of the Lao Government<sup>31</sup>, to contribute to social and economic development towards poverty alleviation for all, especially among the ethnic minorities living in remote areas. The PRF was established by a Prime Minister decree<sup>32</sup>. The objectives of the PRF are to build capacity and empower poor villagers to plan, manage, and implement their own public investments to develop community infrastructure and gain improved access to services and to strengthen local institutions to support participatory decision-making and conflict resolution processes.

By design, the PRF focuses on community infrastructures. However, since the first Cycle, many village demands related to Income Generation Activities (IGA) were presented, leading the PRF Administrative Board to introduce some IGA in the PRF menu of options, in line with the Government priorities in the poverty alleviation strategy, and in accordance with the NGPES.

For Cycles I and II, the PRF proposed only IGA training courses to address the villager demands. Various assessments showed a limited impact of such training, because of the lack of capital for the beneficiary villagers to implement the new knowledge, quickly lost without practice.

Thus, mid 2005 the PMT designed a new type of sub-project, the village saving groups, to open opportunities for farmers to access to capital. The idea was submitted to the PRF Board, which approved it, and to the World Bank, which agreed in February 2006 to test the concept during a pilot phase in Cycle III, with one group per district in the three provinces involved with the PRF since 2003 (Huaphanh Savannakhet and Champassack).

To that end, the PRF prepared an Action Plan to seek the support of the social organizations in the Lao PDR<sup>33</sup>, which has been agreed by the President of the PRF Board on December 2005 and non-objected by the World Bank beginning of 2006. This plan has organizes the coordination between the social organization and the PRF to implement village saving groups, IGA training courses and environment conservation sub-projects.

During the latest months, the PMT has received recurrent messages and questions inferring that the PRF was implementing IGA over the approved pilot experiment. The current report aims to clarify the PRF positions and actions. The PMT guesses that the issue lies on a misunderstanding, coming from an abusive use of the term "IGA" that we made in former reports.

The PRF's sub-projects are classed in five categories:

- *Health*, including water supply systems, dispensaries, medical equipment for primary health care, nurse (re)training and fees, *etc.*
- *Education*, including school building or renovation, teaching furniture and material, teacher (re)training and fees, *etc.*

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<sup>31</sup> Supported by the World Bank (IDA, credit no. 3675 LA – USD 19,345,000).

<sup>32</sup> Decree 073/PM on 31 May 2002, effective in February 2003 for a period of five years.

<sup>33</sup> Lao Woman's Union (LWU), Lao People's Revolutionary Youth (Lao PRY), Lao National Front for Reconstruction (LNFC).

- *CTPC*, including road and bridge building/upgrade/maintenance, electricity main-line supply, *etc.*
- *Agriculture* infrastructures, including irrigation scheme and fishpond building.
- *IGA*, including vocational trainings (Income-generating activities general training, Cropping and animal raising special requested training, Capacity enhancement for local authorities, Khet financial volunteer training and support), IGA strictly speaking (market building, Village saving groups) and environment management (Natural resources environment protection).

Obviously, the PRF uses the term "*IGA*" in a much wider sense than commonly; it is much more an open "*other than infrastructure (and related)*" sector than a precise definition.

To more clearly define the sector and avoid any future misunderstanding, the PRF decided to change the sector title from IGA to ITE, meaning: *IGA, Training, and Environment*, where "*IGA*" refers to Village saving groups and any forthcoming sub-projects aiming to directly input fund in the community or family economy, "*Training*" to vocational training courses (in agriculture, handicraft, accounting or management), and "*Environment*" to Natural resources environment protection sub-projects.

## 1. TRAINING ACTIVITIES

### 1.1. ITE Activities: Awareness training

#### Objectives

- Raise awareness, knowledge, and skills of villagers for economic activities likely to increase family income.
- Support the village saving groups (*Cf. p. 56*) in enhancing the management capacity of the community and the investment opportunity awareness of the villagers.
- Support the community to implement *Natural resources environment protection* sub-project by raising awareness on environmental issues.

#### Principles of PRF investment & support

The IGA training course is implemented in parallel with the *village saving group* or *Natural resources environment protection* sub-projects to the same communities, as an embedded package.

The course mainly deals with techniques, skills and tricks for animal raising (cattle, buffalo, pig, poultry, fish), mushroom cultivation, vegetables and other commercial plants cropping, handicraft (weaving). The training is provided by freelance consultants, locally hired by the PRF through the usual procurement procedures.

The training method has evolved since Cycle II. Instead of khet training sessions with participants from every village, too larges, the PRF organized training for smaller groups of trainer families, in charge of dispatching information in their community.

Sub-projects in Cycle III

During Cycle III, 20 IGA training course sub-projects were implemented, at a rate of one sub-project per district, for a total budget of 327,514,000 kip (32,500 USD).

Provisional assessment

According to the first reviews from the PMT, the ITE awareness training courses appear much appreciated by beneficiaries, because they are focused on practical practices.

## **1.2. Specially requested training courses: Cropping and Animal raising**

Objectives

- Answer community requests to increase family income and promote their creativity;
- Upgrade the farmer knowledge of community on animal raising techniques.

Principles of PRF investment & support

Each training sub-project was designed to address the specific community demand, even if it was at the origin a request for funding animal raising. Provincial and district PRF teams have discussed with the communities to identify and specify their needs fitting into the PRF menu of options. Two topics were finally retained: animal disease care and prevention, animal feeding for buffalo and cattle. No fund was provided by PRF excepted training costs. The training is provided by freelance consultants, locally hired by the PRF through the usual procurement procedures.

Sub-projects in Cycle III

During Cycle III, five sub-projects were implemented: four courses in Xiengkhouang Province (three in Nonghaed District and one in Kham District) and one in Champassack province.

Provisional assessment

The participants to the training courses self-appraised them after their completion and declared them interesting to raise awareness in technical issues for animal raising.

However, the villagers felt unsatisfied after the training, because of their lack of capital to put into practice the new skills and develop their herds. The PRF is now working on designing new sub-project possibilities aiming to support community investment in animal raising. New activity proposal will be available for discussion in August.

### 1.3. Local Authorities Capacity Enhancement

#### Objectives

The *Local Authorities Capacity Enhancement* sub-projects aim to enhance the capacity of local authorities at khet and village levels for community development, administration, and management. In line with the GoL decentralization policy, these sub-projects contribute to community capacity building and to smooth the PRF implementation.

#### Principles of PRF investment & support

The principle of this training came out from some weaknesses noticed in the PRF implementation by village communities. For Cycles I and II, the PRF trained only khet and village teams on its process, but the lack of understanding from the village committees hinder the capacity building at village level.

Organized as a single district sub-project with a set of courses for all village leaders, it focuses on principles, policy, and working process of decentralization and PRF, especially: PRF principles, implementation process, menu of options, participatory planning methods, *etc.* The courses are provided by joint teams of district and PRF staff.

#### Sub-projects in Cycle III

During Cycle III, 20 sub-projects were implemented (one per district), for a budget of 327,514,000 kip (32,500 USD).

#### Provisional assessment

After the implementation, the village authorities have a better understanding about PRF process and procedures. The PMT guesses it will smooth the Cycle IV implementation.

### 1.4. Khet Financial Volunteer Support

#### Objectives

Financial operations are carried out by khet teams in each district. Their limited skills with formal procurement procedures and accounting hampered sub-project implementation, while the PRF support to them to improve their skill was too limited, due to: (i) there is no financial specialist in PRF district teams (only CD and TA); and (ii) to the work overload of the district CD officers.

For Cycle III, the PRF invited the khet teams to select four of them per district, in charge of training and supervising their homologues for accounting operations in order to smooth, insure, and accelerate financial operations and reporting, especially for disbursement. Two supervision missions per khet team are scheduled per cycle. These Khet Representatives have to be trained and supported by PRF to be efficient: it is the object of the *Khet Representative Financial Training* sub-projects.



### Principles of PRF investment & support

In each district, the PRF provincial accountant and the district CD trained and provided support to four Khet Representatives to visit and supervise all khet teams, and train them on how to carry out PRF accounting: filling of disbursement sheet, book keeping especially, *etc.* The course consists mainly in on-the-job training, dispensed by PRF staff.

### Sub-projects in Cycle III

At the rate of one sub-project per district, twenty were implemented during the Cycle III for a total budget of 182,050,000 kip (18,000 USD), consisting mainly in transportation costs and allowances.

### Provisional assessment

During Cycle III, the selected Khet Representatives have trained and supervised khet teams, with the PRF support, to improve the financial follow-up of PRF sub-projects by the beneficiary communities. According to the assessment of financial documents and timing at provincial and national level, the operation appears successful and will be renewed for Cycle IV.

## **2. INCOME-GENERATING ACTIVITIES, *strictly speaking***

### **2.1. Marketing**

The PRF support to marketing consists mainly in market building. Even the PRF has not yet implemented any training for communities to strengthen marketing of local produce, some awareness were provided to promote commercial agriculture or crafting in link with the communication network funded by the PRF.

### Objectives

- Build market places for communities.
- Create suitable places for sharing skills and ideas between communities (khet to khet, village to village) about agricultural production and income-generating activities.

### Principles of PRF investment & support

Building a market is a classical infrastructure sub-project, following the PRF usual procedures.

### Sub-projects in Cycle III

During Cycle III, three sub-projects were implemented, following villager requests, for a total budget of 374,946,000 kip (37,100 USD).

### Provisional assessment

The built markets had initiated some changes for communities especially by enhancing meeting between sellers and buyers, expanding opportunities for marketing of village produce, allowing villagers to develop commercial productions.

## **2.2. Village saving groups**

### Objectives

- Raise awareness of communities in saving to promote and manage their self-help development
- Promote the learning process and building capacity on finance management.
- Give opportunity for villagers to access to capital through credit to increase their assets and enhance their productive potential.

### Principles of PRF investment & support

For the Cycle II, the PRF Administrative Board approved the proposition to launch microfinance sub-projects while the World Bank gave a non-objection to the Fund for implementing a pilot operation in 14 districts (one test per district).

The Village Saving Group approach is widely implemented throughout the Lao PDR with the support of the Lao Women's Union (LWU). With limited means and experience, the PRF decided to lean on the LWU skills to implement and monitor the activity in target areas selected by the Fund.

A saving group is implemented in five sequential steps:

- Preparation and initial training, to explain concept and principles of the Village Saving Group (VSG) system;
- Establishment of the Village Saving Group, including design and community approval of the regulations, family applications and membership registration;
- Training of group committees on their role and responsibilities, on accounting techniques (accounting, keeping of the saving books, the loan books, the cash in-out books).
- Initial saving period (3-6 months), followed by an assessment<sup>34</sup>;
- With a positive evaluation of the saving period, the PRF grants capital to the VSG for launching credit process.

Credit duration is 6 months maximum; it may increase in the future with the members' experience and the growing capital of the VSG. A VSG member can borrow a maximum of five times the amount he/she deposited for saving. Depending on capital level, not all the members may get a loan. The VSG committee gives priority to the poorest members and takes into account the relevance of the business plan submitted by each member requesting a credit.

The interest rate for loan is fixed by the VSG members, but should remain lower than two percents per month. The savings are not remunerated, but the members receive an

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<sup>34</sup> When establishing a SVG, the Khet representatives hire a local advisor — usually, one of the trainers of the group committee — to supervise the VSG implementation; the advisor appraises the VSG after 3 months of running.

annual dividend by in sharing the VSG benefits. A loan is secured by a mutual group guarantee, provided by 5 to 10 join members committed in a signed contract.

Before to grant capital to a VSG, the PRF and the LWU provide vocational training on potential productive activities to invest in, according to the local conditions and village opportunities.

The PRF supports the VSG with training and capital. The PRF contribution is a grant to the community, depending on an assessment based on (i) ability of the group committee to manage finance, (ii) membership rate to the VSG and amount of saving, (iii) villagers credit requests. For Cycle II, the PRF contribution ranged between 500 to 1,000 USD per VSG. For Cycle III, the VSG were set up only in March<sup>35</sup>, so the new VSG have not yet reach the point of the PRF contribution, which will remain at the same level.

### Sub-projects in Cycle III

During Cycle III, the PRF has expanded the activity to other villages in the district and to other district in new province (Xiengkhouang and Saravanh provinces). Therefore, there are 20 sub-projects implemented, one per district, with several groups included in each, according to the community demand, and the support/monitoring skills of district facilitator team.

	District	Province	# of VSG
1	Sobbao	Huaphanh	6
2	Xiengkhor	Huaphanh	11
3	Add	Huaphanh	6
4	Viengxay	Huaphanh	11
5	Xamtay	Huaphanh	7
6	Huameuang	Huaphanh	4
7	Sepone	Savannakhet	2
8	Nong	Savannakhet	2
9	Vilabury	Savannakhet	3
10	Pin	Savannakhet	2
11	Mounlapamok	Champassack	3
12	Khong	Champassack	6
13	Pathoumphone	Champassack	4
14	Sukuma	Champassack	3
15	Kham	Xiengkhouang	4
16	Nonghaed	Xiengkhouang	6
17	Khoun	Xiengkhouang	4
18	Toumlan	Saravanh	3
19	Taoy	Saravanh	3
20	Samoy	Saravanh	3
		<b>TOTAL</b>	<b>93</b>

### Provisional assessment

First provisional assessment after the Cycle II shows that the system started well but needs some improvements to ensure its efficiency and sustainability: enhance training of group committees, complementary trainings and technical support for IGA funded with the loans.

Further assessments will be carried out by the PMT in August 2006.

<sup>35</sup> Following the February 2006 non-objection from the Work Bank to expand the pilot experiment.

### **3. ENVIRONMENTAL ACTIVITIES: *Natural Resources Environment Protection sub-project***

#### Objectives

- Aware communities on environment conservation issues and sustainable management of natural resources.
- Boost sustainable management and conservation of natural resources by the communities relying on them for their livelihood.

#### Principles of PRF investment & support

The concept of "environment" has a wide meaning and the PRF does not intend to get involved in a two wide range of activities to keep its efficiency. Thus, the supported sub-projects focus on forest conservation and fish management.

The sites for forest conservation are selected by the village community according to guidelines provided by the PRF during initial training: old and unaltered forest, watershed area surrounding the village catching for spring water supply, *etc.* Sites for fish management are suitable areas along natural rivers within the village territory.

The PRF support for this type of sub-project consists in providing awareness and initial training to the whole community on conservation and management of natural resources in forest and/or river, followed by the establishment and the training of khet/village<sup>36</sup> committee in charge of monitoring the protection and the management of natural resources in the target areas. The PRF also financially supports the committee activities in monitoring. Moreover, to enhance the commitment of the communities, the PRF organizes a yearly competition: the communities with the best environment management get awards (certificates) from the Fund.

#### Sub-projects in Cycle III

During Cycle II, this activity was implemented on a pilot basis in 14 districts of the three PRF-targeted provinces, with three to six areas per district.

During Cycle III, 20 sub-projects were implemented (one per district), with 233 sites (99 sites for forest conservation, 134 sites for fish management area) covering 645 km<sup>2</sup>, for a total budget of 655,028,000 kip (64 800 USD).

#### Provisional assessment

From provisional assessment of Cycles II and III, the activity seems to have positive effects; the village communities involved in forest conservation area and fish management have shown a strong commitment in implementing the sub-projects. Especially, the village communities are satisfied with the quick successful results with fish management areas.

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<sup>36</sup> Depending on the protected area managed: if it is included in only one village territory, the committee is set up at village level; if it expands over several villages, the committee is set up at khet level, with representatives from the concerned villages.

## CONCLUSION

Income-Generating Activities were on the fringes of the PRF during its design but they quickly appear as a recurrent and strong requests from the poor communities as well as a strong demand from the Government: they are a direct tool to alleviate poverty, with immediate effects, unlike the small-scale infrastructures — *necessary but with mid or long-term impact* — on which the PRF focuses by design.

To answer the demand, the PRF has experimented different kind of activities dealing with vocational training courses and support to microfinance. The portfolio needs to be extended, especially with support to animal raising for the poor households. To that end, a proposal for a new type of sub-project will be soon submitted to the PRF regulatory authorities.