



Lao People's Democratic Republic
Prime Minister Office

Poverty Reduction Fund

INTRODUCTION TO PRF:
Background, results and prospect



Community building a primary school with PRF support

Project Management Team
Vientiane, February 2007

TABLE OF CONTENTS

INTRODUCTION.....	2
1. AIMS, RATIONALE AND DESIGN OF THE POVERTY REDUCTION FUND	3
1.1. Aims and objectives of the Poverty Reduction Fund.....	3
1.2. Establishment and design.....	3
1.3. Methods for action	3
2. IMPLEMENTATION AND OUTCOMES OF THE PRF.....	4
2.1. Progressive expansion of the PRF.....	4
2.2. Up-to-now achievements (1/2007).....	5
3. ASSESSMENT OF THE PRF.....	6
3.1. Encountered difficulties and found solutions.....	6
3.2. Strong points of the PRF	6
3.3. Limitations of the PRF	7
4. PROSPECTS: <i>HUGE NEEDS FOR POVERTY ALLEVIATION IN THE LAO PDR REQUIRE CONTINUATION AND EXPANSION OF THE PRF</i>	8
4.1. Budget issue: a limit to geographic and temporal expansion.....	8
4.2. Prospects: <i>request for support toward continuation and expansion</i>	8
4.3. Why supporting the Poverty Reduction Fund?	9
CONCLUSION	9

Table of Tables

Table 1: the PRF's menu of options	4
Table 2: Progressive expansion of the PRF	5
Table 3: PRF achievements up to January 2007	6

Table of Annexes

Annex 1: The PRF's principles.....	10
Annex 2: The PRF's cycle of activities	11
Annex 3: PRF pictures from the field	12
Annex 4: Prime Minister Decree establishing the Poverty Reduction Fund	17

INTRODUCTION

The Lao PDR is one of the least-developed countries¹, the second poorest nations of ASEAN and at the rank 133 in the UNDP index of human development, out of 177 States. More than 38 percents of the population live below the poverty line (2002)². Social indicators in the Lao PDR are among the worst in the region: child mortality rate is extremely high (91‰), as is illiteracy one³. As rural poverty rates are two to three times higher than urban poverty ones, the rural poor count for 90 percents of all poor.

The Lao State set the objective to free the country from the status of least-developed country by 2020, especially in eradicating mass poverty by 2010. Since 1996, the Government has focused on mobilizing the national resources to achieve these objectives, in designing and implementing policies of poverty alleviation.

The first effects are noteworthy, with a poverty incidence reduced from 45 percents in 1997 to 38 percents in 2002, but there were considerable variations in poverty reduction. Rural areas are not only the poorest regions; they have experienced the slowest rate of reduction in poverty. In contrast, Vientiane Municipality, the wealthiest province, experienced a 50 percents drop in poverty in five years.

To alleviate poverty, the Government stresses on improving livelihoods, focusing on people-centered, participatory development. The Government believes that, in order to overcome poverty, individual households must be responsible for taking self-help initiatives, within an enabling context that is the State's responsibility.

Launched in 2004, the *National Growth and Poverty Eradication Strategy* (NGPES) is the comprehensive framework to design, implement, and coordinate all public programmes in line with the policy of poverty alleviation. The NGPES emphasizes the promotion of sustainable growth, coupled with continuous social progress and equity. In this manner, the material conditions and quality of life of the multi-ethnic population will be improved and basic poverty eradicated, notably in the 47 priority poorest districts and in the 72 poor districts in the Lao PDR (out of 141 districts).

The *Poverty Reduction Fund* (PRF) is a governmental programme to effectively and efficiently deliver resources to poor villages. The PRF is expected to enable poor communities to assess their own needs and priorities and to determine how best to use resources to maximize social and economic development on a sustainable basis. The PRF is engaged in assisting the development of small scale, community-based infrastructure and other activities in the water, transport, education, health, agriculture, and other sectors to reduce poverty in rural villages. By its wide coverage (5 provinces, 21 districts and 1,984 villages with 742,000 people in January 2007), the PRF is nowadays one of the main tool to implement in the field the NGPES.

¹ GDP of 460 USD per capita in 2005 (1,420 USD per capita in average for East Asia and Pacific).

² In 2004, 71% of the population earn less than 2 USD per day and per capita and 23% less than 1 USD.

³ 31% of the population over 15 (2003).

1. AIMS, RATIONALE AND DESIGN OF THE POVERTY REDUCTION FUND

1.1. Aims and objectives of the Poverty Reduction Fund

The PRF's aims lie in a vision: *Strong, capable communities, in even the most remote rural areas, working together and finding solutions to meet their present and future needs in response to the government's directions.*

The main objective of the PRF is to support the Government in its efforts to reduce poverty, through empowering local communities:

- assist villagers to develop community infrastructure and gain improved access to services;
- build capacity and empower poor villages in poor districts to plan, manage and implement their own public investments in a decentralized and transparent manner;
- in line with the decentralization policy, strengthen local institutions to support participatory decision-making at the local level, involving a broad range of villagers, including women, the poor and ethnic minorities.

The PRF is designed around seven key principles that provide the basis for sub-project implementation (*Cf. annex 1*): *simplicity, menu of options, participation, ownership, transparency, wise investment, and empathy ("siding with the poor")*.

1.2. Establishment and design

Launched with the support of the World Bank, the Poverty Reduction Fund was legally established by a Decree of the Prime Minister in 2002 (amended in 2006), as an autonomous organization attached to the Prime Minister Office and overseen by an Administrative Board, composed of Government members.

From 2003 to 2008, the PRF budget mainly comes from an IDA credit⁴ of 15,300,000 XDR (slightly more than 20 million USD), signed in August 2002 and effective since February 2003 until March 2008, with a probable extension⁵ to September 2008.

In January 2007, the PRF mobilizes 140 agents in five provinces and the national office, but also more than 3,800 villagers selected by their communities to facilitate, implement or monitor the activities at the village level.

1.3. Methods for action

The PRF invests on an annual basis: a cycle of activities (*Cf. annex 2*). The Fund promotes its principles and methods in all the villages of the targeted districts, to incite the villagers to express their needs, to prioritize them at village, khet⁶, and district levels, and then organize themselves to carry out the investments. For each community-selected sub-project, the village signs a contract

⁴ IDA credit no. 3675 LA, 2/2003; duration: 40 years.

⁵ In order to complete the Cycle V (7/2007-6/2008).

⁶ Group of neighboring villages.

with the PRF; then, the community is responsible for carrying out the work, maintains the investment, manages the contractors and the bookkeeping, with support from the local authorities, along with the PRF district and provincial teams.

Seventy-five percents of the PRF budget is directly invested at village level. Each participating district receives an annual grant allocation based on their level of poverty. All investments proposed by the villagers must stay within the limits of a menu of options (*Cf. Table 1, p. 4*), to ensure they are conformed to the PRF objectives, and are limited to the equivalent of 25,000 USD per sub-project.

Table 1: the PRF's menu of options

Sector	Eligible sub-projects
Education	Schools buildings, furniture, teaching material, training for teachers
Access and Energy	Bridges, access road upgrade, footpaths, culvers, ramps, piers, mini-hydro generator, electric lines
Health	Dispensary building, equipment, furniture, supplies and medicines; training for nurses/midwives, etc. Village water supply (wells, gravity schemes), latrines
Community Irrigation and Drainage	Weirs, canals and other structures, ponds, etc.
Markets	Building, drainage, and furnishing
Environment	Water or forest natural resources protection areas
Income-Generating Activities	Vocational training courses; microfinance and animal raising (limited basis)

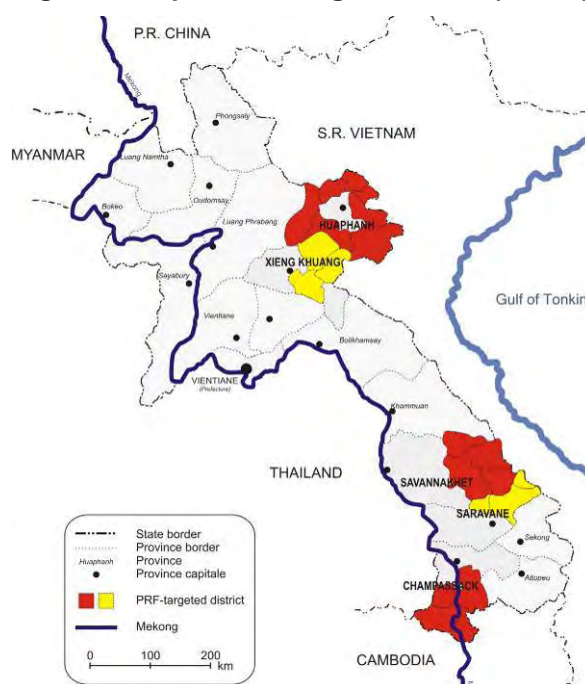
On the contrary, there is list of prohibited activities, which cannot be funded by the PRF:

- New roads, road resurfacing and sealing (laterite, asphalt, etc.);
- electrical, gasoline or diesel generators/pumps for irrigation;
- individual household water hook-ups;
- equipment or materials that can be paid for from other fund;
- chain saws, pesticides and other dangerous chemicals, or other investment detrimental to the environment;
- acquisition of land;
- construction, rehabilitation, or maintenance of any government office buildings; payment of salaries to government servants or the salaries of the staff of government subsidized organization;
- any activity unacceptable to a large number people (regardless of their ethnic background), including forced (involuntary) resettlements.

2. IMPLEMENTATION AND OUTCOMES OF THE PRF

2.1. Progressive expansion of the PRF

In 2002, the Government assigned three provinces to launch the PRF activities: *Huaphanh*, *Savannakhet*, and *Champassack*. Two more provinces were added in 2005: *Saravanh* and *Xiengkhouang*. In these provinces, the PRF operates in the poorest districts, ranked according to the criteria of the Prime Minister Decree 010/PM. For the Cycle I (2003-2004), the PRF invested in 10 districts, and then progressively expanded to 21 districts for the current cycle (IV, 7/2006-6/2007). The coverage raised from 238,000 villagers potentially involved in Cycle I (913 villages) to 742,000 people (1,984 villages), *i.e.* more than 200% increase, for Cycle IV.

Figure 1: Map of PRF Target Districts (1/2007)

Even the needs are huge in the 72 poorest districts, the PRF expansion is mainly limited by the available budget, but also by the required time to set up new structures, train local authorities, PRF staff, and villagers to implement the process.

2.2. Up-to-now achievements (1/2007)

In April 2003, the PRF began to invest in poor villages. 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 2, p. 4*).

Table 2: Progressive expansion 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	3	3	3
Total Districts	10	14	20	21	21	21
Sub-projects	248	431	533	546 <i>implementing</i>	<i>not yet determined</i>	1,748 (1/2007)
Grants (USD)	1,070,000	3,101,000	4,164,000	4,580,000	3,553,000	16,734,000

More than 900 villages have now access to clean water. More than 240 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 villagers (*Cf. Table 3, p. 4*).

Table 3: PRF achievements up to January 2007

PRF outcomes	Quantity
Schools built	242
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 probably the most effective and efficient programmes to implement on a large scale the governmental policy of rural development, aiming to improve the livelihood of the poor villagers.

3. ASSESSMENT OF THE PRF

3.1. Encountered difficulties and found solutions

In implementing the activities, the PRF faces some difficulties:

- Accessing to some villages in target districts is very difficult; that delays the work progress, makes difficult to find contractors to carry out the work and increases the costs.
- Village communities and PRF teams lack of local skilled human resources for community development, sub-project implementation, and follow-up; it implies a huge and lasting investment in training to build local capacities at village and district levels.
- The lack of public services, especially banking services, in some districts delays and makes more difficult the PRF support and the work implementation.

Nevertheless, these difficulties were expected. They are normal issues for a programme that aims to work with the poorest farmers in the remote and poor villages of the Lao PDR. It is the responsibility of the PRF team to deal with such field problems and override them.

3.2. Strong points of the PRF

3.2.1. Quick outcomes on a large scale and surface

After only three years, more than 1,200 sub-projects have been completed in 20 districts within five provinces, for an investment of more than 8.5 million USD; more than 742,000 people from almost 2,000 villages participate to the PRF process. Few development programmes may show such outcomes on a large scale so quickly.

Two factors may explain those results:

- The scope of PRF investment is restricted to a limited "menu of options". That has allowed the PRF team to focus on few key types of sub-projects, without dissipation, and to gain a quick experience to implement activities with efficient procedures and standards, after limited experiments.

- Led by the Government, the PRF is a small autonomous institution with contractual staff. It gives to the PRF team a high reactivity, without inertia, to address met difficulties and special local conditions. The staff, recently hired, are selected according to their qualification and local needs; they are managed according to their results and to local requirements only, without any other reasons interfering with the PRF efficiency.

3.2.2. Empowerment of village communities in managing their development: an implementation of the State decentralization policy

Trained to select, plan, design, implement, and manage sub-project investments, the 2,000 village communities involved into PRF activities are more aware of development processes, but also Government policies. The villagers acquire enhanced capacities to manage their own development. They are evolving from passive to active partners for local authorities to implement and achieve objectives of the development policy. The enhanced participatory approach set up by the PRF is an application of the decentralization policy; it is a way to assure the ownership of the communities on the funded public infrastructures, towards their sustainable use and maintenance.

3.2.3. An efficient programme

75% of the PRF budget are allocated to field investment in the villages, while 25% are used for operating costs (including monitoring and evaluation). The Fund presents a low cost level compared to most of the projects and programmes, where the running costs often absorb more than 40% of the budget.

3.3. Limitations of the PRF

3.3.1. The PRF does not address all the needs for poverty alleviation

By initial design, the PRF focuses on improving access to services for poor rural communities. Thus, the Fund has developed approaches and methods to work efficiently with village communities: in a sequential process of meetings and public discussions and debate, the village communities and then their representatives at khet and district levels select the sub-projects according to their needs before to collectively implement and manage it. The PRF is nowadays experienced and efficient in dealing with communities to meet their requirement in collective needs, like small-scale infrastructures.

If providing services (education, water supply, road access, *etc.*) is essential to poverty alleviation in rural communities, economic development, especially family income rising, is another side of the livelihood improvement. Up to now, the PRF has a limited commitment into family income increase, even if some activities at community level have direct impact: irrigation, microfinance, and animal raising on pilot basis (village saving groups), market building or road access for example.

To enhance income generation activities, support must be given directly to the household, the basic economic unit with self-governed management. Dealing with individual families requires much different approaches, methods, and means than dealing with communities: for households, the support must focus on addressing the issue of the multitude and diversity, while for village communities the means (time, staff, and budget) are mobilized for reaching compromise in participatory process. Thus, developing income-generating activities within the PRF would lead to reform the Fund approach and methods to cope with a wider range of activities in the menu of options. It exposes the PRF to the risk of upset a working process, without knowing for a certainty

that a wider tool would be as efficient as the PRF is currently now to address specific needs for social and basic infrastructures.

3.3.2. *The PRF spatial coverage is still limited*

Effectively working in each of the 2,000 targeted villages, the PRF is without a doubt the most expanded poverty alleviation programme in the Lao PDR. Nevertheless, the Fund is still far away to meet the needs in basic and social infrastructures of all poor households in the country. With 21-targeted districts, the PRF covers only 15% of the 141 districts in the Lao PDR, 28% of the 72 poor districts identified by the NGPES. Limited budget is nowadays the limitation to PRF expansion. However, the PRF approach and methods are easily and quickly expandable to new regions, according to the Government requirement and the poor population needs, if an adequate budget is provided.

4. PROSPECTS: *Huge needs for poverty alleviation in the Lao PDR require continuation and expansion of the PRF*

4.1. Budget issue: a limit to geographic and temporal expansion

By the end of Cycle III (September 2006), the PRF has spent 11.0 million USD. Whereas the PRF invested 4.4 million USD for sub-projects in Cycle III and planned 4.6 million USD for Cycle IV (7/2006-6/2007), only 3.5 million USD will be available for new sub-projects in the Cycle V, to end the current phase of the PRF. The whole budget will be expended by mid 2008.

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.

4.2. Prospects: *request for support toward continuation and expansion*

To carry on improving the livelihood in the current five provinces and to expand the operations to new provinces to the benefit of the Lao rural poor population, the Government aims to continue the PRF and expand it throughout the Lao PDR. It will require new funds, to mobilize.

Continuing the PRF, moreover expanding to new provinces, requires an extension of the Fund, *i.e.* new source of budget. At mid-term, the Government should mobilize resources from the Nam Theun 2 exploitation to fund the PRF and other State 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 (over 2010-2012).

4.3. Why supporting the Poverty Reduction Fund?

The first interest in supporting the extension and expansion of the PRF lies in contributing to the poverty alleviation in the Lao PDR, in accordance with the *Millennium Development Goal* Declaration and the *Least Developed Countries* Brussels Summit.

Furthermore, going along with the PRF may fit in the agenda of bilateral or multilateral donors:

- As an official governmental institution, the PRF is eligible to sector programme support, with the advantages related to this type of aid (simplicity to set up, relatively low operating costs, and efficiency compared to project aid).
- The PRF is also an autonomous body, executed by villagers and contract agents, with an accounting system separated from national budget's one; that allow an easy monitoring of the fund flows, with very limited risks of misuse. For example, the PRF contracts every year an independent certified public accountant for an audit of financial statements.

To ensure each contribution visibility, especially for bilateral co-operations, custom-tailored solutions will be designed, according to the donor's requirements.

CONCLUSION

The future of Lao people is jeopardized by the still high level of poverty that affects especially the livelihood of rural families. To improve their standard of living, the Government of the Lao PDR commits itself in a voluntary policy aiming to eradicate mass poverty by 2010 and freeing the country from the status of least-developed country by 2020. Although some progress is noteworthy, a continuous and intensive effort must endure to achieve the objectives.

The Poverty Reduction Fund is one of the most efficient governmental tools to implement the NGPES at the village level. For the last three years, it has shown a quick effectiveness in funding more than 1,200 sub-projects of investment in rural infrastructure, selected and implemented by poor communities in 5 provinces, 21 districts, and almost 2,000 villages. An extension over 2008 and an expansion of the PRF over the country are required to contribute to the aimed large-scale poverty alleviation.

Annex 1: The PRF's principles



POVERTY REDUCTION FUND PRINCIPLES AND OBJECTIVES



Villagers can question project decisions and disbursements.



A record of all important decisions and information should be displayed on the Khet Information Board.



PRF investigates and addresses complaints appropriately.



Villagers will decide on priority needs and will propose sub-projects to meet their needs, according to PRF guidelines.



Villagers show responsibility, ownership and commitment. They plan, manage, implement and maintain their sub-projects obtained through the PRF grant.

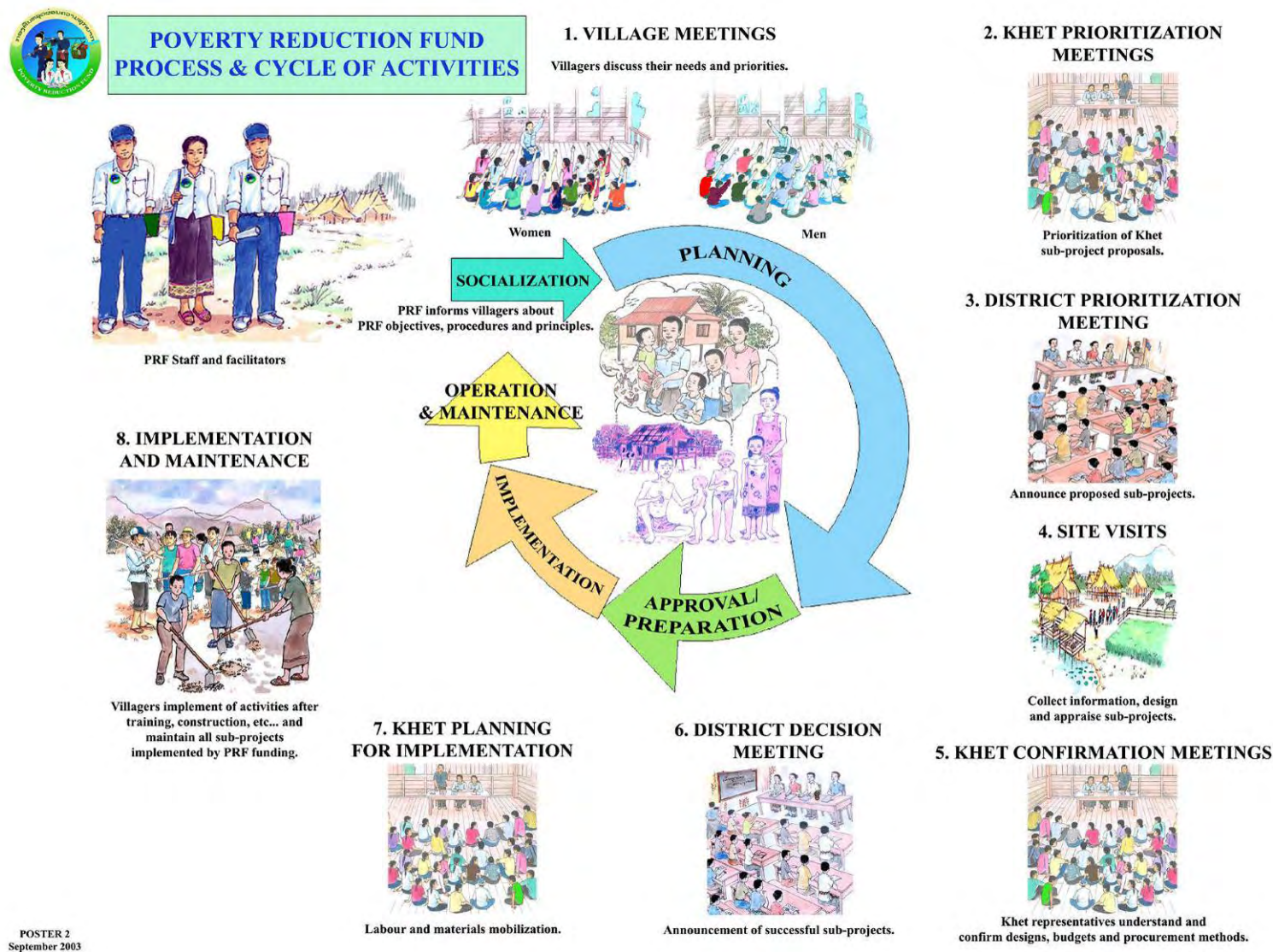


PRF staff and GOL technical departments provide assistance and information to villagers.



The whole village should make decisions and should work together to reduce poverty.

Annex 2: The PRF's cycle of activities



Annex 3: PRF Pictures from the field



Sub-project selection at village level



Villager requesting a sub-project at district meeting



Village representatives at district decision meeting



Villager proposing a sub-project for his community



Village water supply sub-project



Pupils going to village school



Village primary school before PRF support



Inside old school



Village primary school built with PRF support



Inside a new school



Pupils in their new school



PRF team facing difficulties in accessing remote villages



Village access road upgraded with PRF support



Village-made temporary crossing



Upgraded crossing, with PRF support



Upgraded crossing, with PRF support



Villager on new bridge



Poor family from an ethnic minority village



Health care center built with PRF support



Village market built with PRF support



Meeting of a Village Saving Group supported by PRF

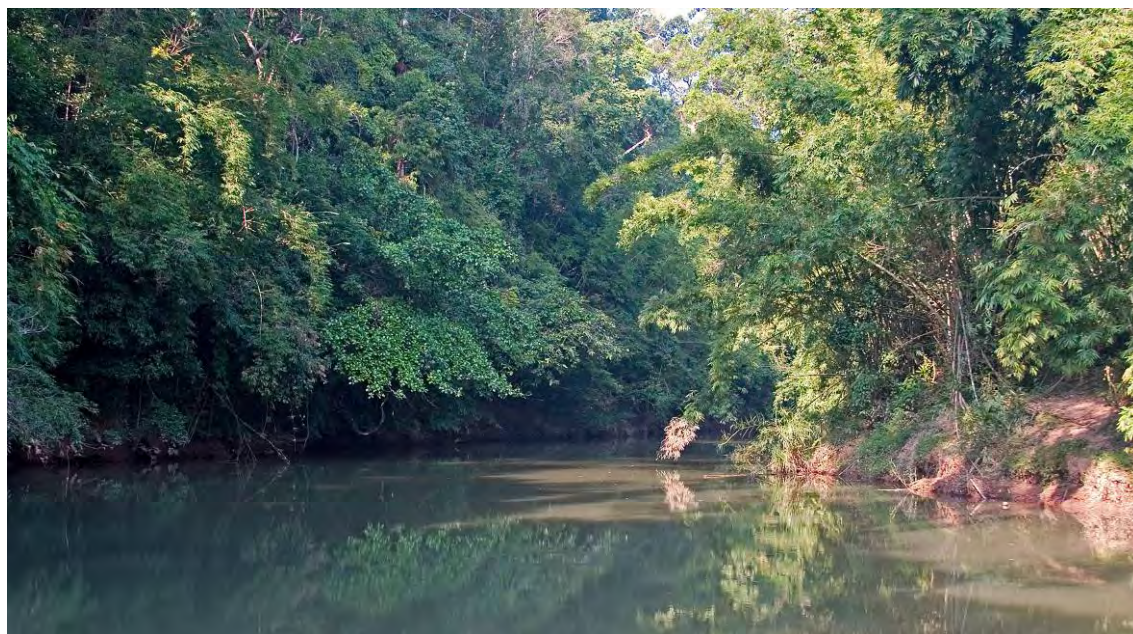


Vocational training on growing mushroom technique





Young fish PRF-supported stocking in a Water Natural Resource Conservation village area



Water and Forest Natural Resource Conservation village area, supported by PRF

Annex 4

***Prime Minister Decree
222/PM 9/2006***

Establishing the Poverty Reduction Fund

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Prime Minister's Office

No. 222/PM

**DECREE OF THE PRIME MINISTER
ON THE POVERTY REDUCTION FUND**
(unofficial translation from Lao version)

- Referring to the law on the Government of the Lao People's Democratic Republic No02/NA dated May 06, 2003;
- Referring to the proposed letter of the Chairman of the Poverty Reduction Fund No 006/PRF-AB dated September 18, 2006;

The Prime Minister issues the Decree

PART I
OBJECTIVES, RIGHTS AND DUTIES OF THE POVERTY REDUCTION FUND

Article 1: Fund Establishment

- 1.1 The Poverty Reduction Fund hereafter called '**The Fund, in acronym PRF**' is established to address, prevent and reduce poverty of the pluri-ethnic people throughout the country, to eradicate and step out of the poverty above.
- 1.2 The hereby-established Fund is a financially autonomous organization and operates under the laws of the Lao People's Democratic Republic and under the guidance of the Deputy Prime Minister, Standing Member of the Cabinet.

Article 2: Fund Objectives

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

Article 3: Rights of the Fund

- 3.1 Receive financial support which include, but not limited to, support in respect of assistance grants, loans, budget allocations, contributions from foreign sovereigns, international organizations, national institutes and juridical entities, whether local or foreign, to meet the above mentioned objectives.
- 3.2 Obtain from external donors technical assistance consistent with all applicable laws, rules and regulations of the Lao PDR.

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

Article 4: Duties of the Fund

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

PART II PROJECT SELECTION CRITERIA

Article 5: Guiding Principles and Criteria

The Fund shall support projects designed, proposed and approved by Cluster of villages or Khet, which will use, as appropriate, the skills and participation of the eligible business and social entities. The Administrative Board of the Fund shall not participate directly in the implementation of any Fund's projects.

Article 6: Selection Criteria

The selection criteria of eligible Fund projects shall include:

- a Small-scale projects, the objectives of which are consistent with the objectives of the Fund, and with a maximum value to be determined by the Fund.
- b Projects meeting efficient price standards, of adequate technical quality, of appropriate project design, and suitable to ease of operation and maintenance.
- c Implementing activities that involve the use of local capacity.
- d Projects that are located in isolated rural areas with high rate of poverty.

PART III

ORGANIZATION OF THE FUND

Article 7: Fund organization

The Fund Organization comprises of:

- The Administrative Board
- The Executive Director.

Article 8: Administrative Board Organizational Structure

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

- Deputy Prime Minister, Standing Member of the Cabinet, as Chair,
- Minister to the Prime Minister Office, Vice President of the National Committee for Rural Development and Poverty Eradication, as vice-Chair and Standing member,
- A respected member of civil society, as second vice Chair,
- Vice Minister, Ministry of Finance, as member,
- Vice President of the Committee for Planning and Investment, as member,
- Vice-Governor of the Bank of Lao PDR; as member,
- Vice-President of the Lao Front for National Construction; as member,
- Vice-President of the Lao Women's Union; as member,
- Deputy Secretary General of the Lao Youth Executive Committee; as member,
- Representative of Civil Societies, as member,
- Vice-Governor of the targeted province, as member.

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

8.3 The Administrative Board has the duty to:

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

- Ensure that the operation of the Fund complies with the Decree and with the rules and principles outlined in the Fund manuals.
- The Administrative Board will be responsible for selection, recruitment and terminate the contract of the Executive Director of the Fund.
- Consider and approve annual district allocations.
- Upon termination of the Fund, the Board shall transfer the ownership and management of the Fund's activities to units or communities concerned based on laws of the Lao PDR and agreements signed with donors.
- Assume other tasks and responsibilities as necessary to meet its duties and the objectives of the Fund.

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

Article 9: Duties and term of office of the Executive Director

- 9.1. The Executive Director has a term of office of 3 years from the signing of the contract. Such term may be extended for another term of no more than 2 years.
- 9.2 The Executive Director shall be a full time position and shall possess administrative skills and competence in handling all issues and acting as the secretary of the Administrative Board.
- 9.3 The responsibilities of the Executive Director include:
 - Submission of program policies to the Administrative Board for consideration and adoption.
 - Drafting and submission programs, projects, annual budget, and work plan, handbooks on the operation of Fund for consideration and regular monthly reporting to the Administrative Board.
 - Guidance and administration of the Fund consistent with policies and regulations adopted by the Administrative Board.
 - Representative of the Fund in entering contracts or agreements with agencies and organizations based on the policies, regulations and responsibilities assigned by the Administrative Board.
 - Recruitment of personnel to the Fund Office on the basis of competition and transparent selection with the approval of the Administrative Board.
 - Management of the Fund Office and its personnel to improve budget management, project assessment and project execution evaluation, financial guidance and monitoring of projects, safekeeping of projects' financial data and documents.
 - Implementation of other tasks, which may be determined and assigned by the Administrative Board.

PART IV

BUDGET AND PRF FINANCIAL MOVEMENT

Article 10: Government Contribution

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

Article 11: Duties and taxes exemption

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

Article 12: Fund's Account

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

Article 13: Transfer ownership

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

PART V

FINAL PROVISIONS

Article 14: Change of the Fund

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

Article 15: Logo of the Fund

The Fund has its own logo and Stamp.

Article 16: Implementation

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

Article 17: Effectiveness

This Decree is effective from the signing date and supersedes the Decree No. 073/PM dated May 31, 2002

Vientiane, September 29, 2006

Prime Minister of the Lao PDR

Signed and sealed

Bouasone BOUPHAVANH