



Poverty Reduction Fund (PRF)

Community Managed Subprojects (CMS)



EVALUATION REPORT

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ACCRONYMS

ADB	Asian Development Bank
CFA	Community Force Account (now CMS)
CMS	Community Managed Subproject
LAK	Laos Kip
OPWT	District Office for Public Works and Transport
PRF	Poverty Reduction Fund
PRF III-AF	Third Phase of the Poverty Reduction Fund – Additional Financing
VIT	Village Implementation Team

1. INTRODUCTION

1. **CMS approach.** Traditionally PRF subprojects were carried out by contractors hired by the Village Implementation Teams (VIT). The contractors were responsible for the implementation of the entire subproject, with the communities only involved in providing the community contribution and in making the payments to the contractor. The PRF procurement procedures also allow for a different implementation method referred to as Community Managed Subproject (CMS)¹. Here the community is involved directly in the implementation of the subprojects, with only material provision subcontracted to local suppliers. In the case of more complex subprojects, some activities may also be subcontracted to local contractors (e.g. compaction with rollers).

2. **CMS piloting.** Under the Third Phase of the Poverty Reduction Fund (PRF III) it was decided to pilot the CMS approach². A draft CMS Guide and Manual were prepared between June and December 2018. This identified that only certain subproject types were suitable for the CMS approach, including water & sanitation (gravity-fed water supply and shallow wells), roads & bridges (spot improvements and pipe culverts), and agriculture (fencing and small irrigation structures). Other subproject types required significant materials and skills and were more suitable to be executed by contractors. A total of 13 subprojects from PRF III Cycle XVI were selected for the pilot, covering road, water, irrigation and fencing subprojects in three provinces and 11 districts. This was followed by a CMS training-of-trainers workshop in Luangnamtha Province for PRF and Public Works and Transport staff in December 2018. PRF staff subsequently carried out the subproject surveys and the training of the Village Implementation Teams (VIT) in the 13 pilot subprojects between January and April 2019. The subprojects were implemented between March and September 2019. After all pilot subprojects had been completed, an evaluation workshop was carried out from 4-7 October 2019 in Oudomxay Province, with participation from all the pilot districts. This report provides the findings of the evaluation together with a number of recommendations for the replication of the CMS approach under the PRF III - Additional Financing (PRF III-AF).

Table 1 Timeline of the CMS Piloting

Date	Activity
June-December 2018	CMS Guide + Manual prepared
July 2018	CMS pilot subprojects selected from PRF III cycle XVI
December 2018	CMS training-of-trainers in Luangnamtha
January-March 2019	CMS subproject surveys
March-April 2019	CMS VIT training in 3 provinces
March-May 2019	CMS pilot subprojects started
May-September 2019	CMS pilot subprojects completed
October 2019	CMS evaluation

3. **CMS pilots.** The CMS pilot included 13 subprojects: 5 gravity fed water supply, 4 road spot improvements, 2 irrigation systems and 2 fencing subprojects. The details of the subprojects are provided in Table 2.

Table 2 CMS Pilot Subprojects

#	Province	District	Village	Location	Sector	Subproject	Number	Budget (LAK million)
1	ອຸດົມໄຊ Oudomxay	ຫລາ La	ສຳພັນໄຊ Samphanh	ຫ້ວຍຈຳຍ Ban Houychai	Road	ປັບປຸງເສັ້ນທາງຊົນນະບົດເປັນຈຸດ Spot improvement road	PT0009-16-040201035-01	379.6
2	ອຸດົມໄຊ Oudomxay	ແບງ Beng	ຟູໄຊ Phouxai	ບ້ອມ Ban Poum	Road	ປັບປຸງເສັ້ນທາງຊົນນະບົດເປັນຈຸດ Spot improvement road	PT0009-16-040509026-01	306.9
3	ອຸດົມໄຊ Oudomxay	ນາມໍ້ Namor	ປາງສາ Paksa	ຈອມແສນ Chom Saen	Road	ປັບປຸງເສັ້ນທາງຊົນນະບົດເປັນຈຸດ Spot improvement road	PT0009-16-040305010-01	332.8

¹ The approach was originally referred to as the Community Force Account (CFA) approach.

² An earlier pilot of the CMS approach under PRF II was not very successful.

#	Province	District	Village	Location	Sector	Subproject	Number	Budget (LAK million)
4	ອຸດົມໄຊ Oudomxay	ງາ Nga	ຫ້ວຍລວມ Huay Lom	ຄົກຟູ Kok Phou	Water	ສ້າງແປງລະບົບນໍ້າລົນ Gravity water repair	WS0003-16-040406051-04	48.1
5	ອຸດົມໄຊ Oudomxay	ຮຸນ Hoon	ໂຟນໄຊ Phoxai	ກະຕ່າງຍາ Katangyang	Water	ກໍ່ສ້າງລະບົບນໍ້າລົນ Gravity water construction	WS0011-16-040602147-01	281.3
6	ອຸດົມໄຊ Oudomxay	ປາກແບງ Pakbeng	ຈອມແລງໃຫຍ່ Chomlengngai	ຈອມແລງໃຫຍ່ Chomlengngai	Water	ສ້າງແປງລະບົບນໍ້າລົນ Gravity water repair	WS0003-16-040703053-02	68.6
7	ຫລວງນໍ້າທາ Louangnamtha	ລອງ Long	ຈົງກາ Chongka	ນ້ຳໂບ Nambo	Fencing	ກໍ່ສ້າງສະຖານທີ່ລ້ຽງສັດນອກບ້ານ Animal fencing	AF0034-16-030308067-01	136.3
8	ຫລວງນໍ້າທາ Louangnamtha	ວຽງຟູຄາ Viengphoukha	ທົ່ງລາດ Namsing	ທ່າຫຼວງ Talong	Irrigation	ກໍ່ສ້າງຝາຍນໍ້າລົນ Irrigation weir construction	AF0008-16-030407035-01	182.7
9	ຫລວງນໍ້າທາ Louangnamtha	ວຽງຟູຄາ Viengphoukha	ນ້ຳສິງ Namsing	ນ້ຳສິງ Namsing	Fencing	ກໍ່ສ້າງສະຖານທີ່ລ້ຽງສັດນອກບ້ານ Animal fencing	AF0034-16-030401030-01	130.3
10	ສາລະວັນ Salavanh	ຕຸມລານ Toumlan	ຕຸມລານ Toumlan	ນາກະເຈີມ Nakorcherm	Road	ປັບປຸງເສັ້ນທາງຊົນນະບົດເປັນຈຸດ Spot improvement road	PT0009-16-140304038-02	124.4
11	ສາລະວັນ Salavanh	ຕະໂອ້ຍ Taoy	ດູບ Kumdoo	ກະເປ Kape	Water	ສ້າງແປງລະບົບນໍ້າລົນ Gravity water construction	WS0003-16-140204053-02	117.3
12	ສາລະວັນ Salavanh	ສະໝ້ວຍ Samoy	ເທດສະບານ Kumthasaban	ອາຊິງໃຕ້-ອາໂມນ Asingtai	Water	ສ້າງແປງລະບົບນໍ້າລົນ Gravity water repair	WS0003-16-140801034-01	140.0
13	ສາລະວັນ Salavanh	ສະໝ້ວຍ Samoy	ຕະລໍ Kumtalor	ກະເລັງ Kaleng	Irrigation	ກໍ່ສ້າງລະບົບຊົນລະປະທານ Irrigation construction	AF0003-16-140804061-02	112.7

2. CMS EVALUATION WORKSHOP

4. **Evaluation workshop.** The CMS Evaluation Workshop was held in Oudomxay from 4-7 October 2019. Participants included PRF staff from the 13 pilot districts, the 3 pilot provinces and from the PRF central office in Vientiane. Representatives from the district Offices for Public Works and Transport (OPWT) and from Vocational Schools were also included.

5. **Agenda.** The workshop was opened by the PRF Deputy Director Mr. Pasonxay Insixiengmay. After an initial presentation providing an overview of the CMS pilots, each of the pilot districts made a presentation on the different CMS pilots. The second day a field visit was carried out to visit one of the CMS road sector pilots in Oudomxay. On day three, the participants were divided into five groups: PRF Engineering, PRF Finance & Procurement, PRF Community Development, PRF Monitoring & Evaluation, and the Sector and Vocational School representatives. An initial presentation discussed the findings from the CMS pilots and presented a list of questions for each group to answer. The groups presented their results on the morning of day four. The workshop ended with a presentation on the main conclusions and recommendations. These were discussed in plenary until an agreement was reached on the possible changes to be made to the CMS approach for implementation under the PRF III-AF. Closing remarks were provided by the Deputy Director of the Agriculture Department of Oudomxay Province, Mr. Phonepasith. Copies of the presentations are provided in a separate annex to this report. A copy of the agenda can be found in Appendix A.

3. CMS PROCESS

6. **CMS process.** The CMS process is linked to the standard PRF subproject process. The pilots demonstrated some issues in their implementation, with works starting before the training had been completed, accountability meetings carried out before financing instalments had been received (and payments had been made), etc. It also showed that the time between different steps was excessive in some cases (e.g. 10 weeks between the confirmation meeting and the VIT training, 10 weeks between the VIT training and receipt of the first financing instalment, 20 weeks from the start to the completion of the works). Based on the findings from the CMS pilots, the process and the individual steps and their timing was discussed

and amended as necessary. Target durations were defined as a guideline during implementation³. The different steps are listed below, together with the approximate duration.

Table 3 CMS Steps and Target Durations

Phase	Steps	Duration
Survey & Proposal	<ul style="list-style-type: none"> Community & Subproject Selection Survey & Design Subproject Proposal No Objection Letter Village Confirmation Meeting + Kick-off 	4-6 weeks
Preparation	<ul style="list-style-type: none"> VIT training (sign contract + request 1st instalment) Receipt of 1st instalment 	4-6 weeks
Implementation (Supervision by PRF)	<ul style="list-style-type: none"> Start of works Review Meeting Completion of works 	8-14 weeks
Accountability	<ul style="list-style-type: none"> Operation & Maintenance training 1st Accountability Meeting (request 2nd instalment) 	1-2 weeks
Finalization	<ul style="list-style-type: none"> Receipt of 2nd instalment Final Payments 2nd Accountability Meeting 	5-8 weeks

7. **CMS meetings.** The CMS process includes a number of meetings with the community to obtain approval and ensure transparency in the use of funds and the allocation of job opportunities. These are important moments in the CMS process and are therefore highlighted here. In the CMS pilots it was found that different subprojects applied different meetings at different times. It was therefore considered necessary to discuss and agree on the timing and nature of the different meetings. Each subproject starts with a Confirmation Meeting during which the subproject design is presented and the VIT members are confirmed, and the skilled and unskilled workers are selected. This meeting also serves to kick-off the subproject. This is followed by VIT Training during which the VIT members are trained in procurement, finance and supervision, the contract document is signed, and the first financing instalment is requested. Based on discussions with the participants, it was agreed to have the First Accountability Meeting after full completion of the works, as the basis for justifying expenditure of the first financing instalment and requesting the second instalment. A Second Accountability Meeting would be held after all payments were made to justify expenditure of the second financing instalment. To ensure that there was a possibility for review during the subproject implementation, it was agreed to include a Review Meeting approximately halfway the subproject implementation. This meeting would serve to allow the VIT to inform the community of progress and allow the community to voice any issues they may have regarding the subproject (land issues, access to employment opportunities, wage rates, quality of works, etc.). However, this would be a more informal meeting than the Accountability Meetings, with no formal documentation to be provided to PRF.

Table 4 CMS Meetings

Meeting	Activities
Confirmation Meeting + Kick-off (after finalization of the subproject design and proposal)	<ul style="list-style-type: none"> Approve subproject proposal Approve VIT members, skilled workers, unskilled workers
VIT Training (after confirmation by the community, before start of works)	<ul style="list-style-type: none"> Procurement Training - Sign contract with PRF Finance Training - Request 1st financing instalment Supervision Training
Review Meeting (after works 40%-70% completed)	<ul style="list-style-type: none"> Review progress, quality, use of materials, selection of workers

³ It must be noted that these are guidelines. Particular circumstances and characteristics of the subproject will affect the actual durations.

Meeting	Activities
1st Accountability Meeting (after works 100% completed)	<ul style="list-style-type: none"> • Justify use of 95% financing instalment • Request 2nd financing instalment • Discuss use of any left-over funds • Agree on operation and maintenance
2nd Accountability Meeting (after all payments have been made)	<ul style="list-style-type: none"> • Justify use of 5% financing instalment

4. CMS BENEFITS AND CHALLENGES

8. **Benefits and challenges.** The CMS approach has benefits for the community in the form of employment and income generation for skilled and unskilled workers from the community, as well as the strengthening of community skills in project management and implementation. Subproject costs also tend to be lower as contractor tax payments are avoided. However, the approach also introduces challenges in ensuring that construction quality and implementation progress are sufficiently high. To address these challenges, the CMS approach requires additional training of VIT members and skilled workers, as well as more intensive supervision to monitor quality and progress.

9. **Employment and incomes.** The CMS has clear benefits in terms of the creation of employment and incomes for community members. Employment and incomes were created in the CMS pilots (an average of 12% of the subproject amount was spent on local workers, with a further 4% going to VIT members), but could be significantly increased by ensuring that community contributions of labour are limited to a maximum of 10% of the subproject amount, with any additional work to be paid from the subproject budget. Use of labour-based technologies instead of heavy equipment, and the increased use of locally collected materials could also increase the amount of employment and incomes generated for community members. Employment opportunities for unskilled workers were targeted at the poorest and poor households, but sometimes there were more eligible households than employment positions.

10. **Skills development.** The CMS pilots spent considerable effort on skills development. Apart from the traditional training of the VIT members, the skilled workers were each given two weeks of vocational training as well as on-the-job training from the Community Supervisor, PRF staff and sector representatives. Unskilled workers also acquired skills from working alongside the skilled workers. These skills will help the community organize and manage projects in the future, as well as help individual community members gain access to future employment opportunities. The challenge faced is to avoid spending too much of the subproject budget on skills development, leaving insufficient funds for the implementation of the subproject. This will be an even greater challenge under PRF III-AF where the subproject grants are smaller.

11. **Subproject costs.** It was expected that the CMS subproject costs would be lower than when the subproject is implemented through contractors. According to assessments carried out by PRF district staff, the subproject costs were lower in the CMS approach by as much as 27% in some cases, mainly due to the fact that the communities do not need to pay 10% tax. This cost reduction is partly undone by the fact that more intensive supervision is needed to ensure quality and progress. Although the cost reduction of the CMS approach is a benefit, it is not the main objective of the approach.

12. **Quality.** Quality of works is a major challenge in the CMS approach, since skilled workers lack experience and skills. This has been addressed by providing vocational training to the skilled workers at the start of the subproject, as well as by increasing the level of supervision provided. Although quality was found to be adequate, it was agreed that overall quality was lower than when subprojects were implemented by contractors. Although training and supervision can be increased, this will involve a higher cost. Instead, a more focused supervision is recommended at key moments in the implementation process, when the quality is strongly influenced and works are difficult or costly to reverse (e.g. checking material volumes during concrete mixing, checking reinforcement and formwork before concrete pouring, checking ditch excavation before pipe laying and filling up, etc.). Ensuring the quality of work at such key moments will ensure higher performance without significantly increasing supervision costs.

13. **Progress.** Achieving an acceptable implementation progress is another challenge for CMS subprojects, with implementation often taking longer due to a lack of project management skills and experience. Despite this, all 13 pilots were completed within an acceptable timeframe, varying from 1-4 months. With the participants it was agreed that the duration should be limited to a maximum of 14 weeks where possible, avoiding that works continue into the rainy season.

5. CMS EXPENDITURE

14. **CMS expenditure.** The expenditure of the different CMS subprojects is presented by expenditure item in Figure 1 on the following page. This highlights a number of issues with the budgeting process and resulted in a set of guidelines being agreed upon regarding the budget preparation with target levels for the different expenditure items. These are discussed in further detail below.

15. **Contractors and suppliers.** Suppliers are subcontracted by the VIT to provide materials, while in some subprojects, contractors are subcontracted to provide equipment (with operators) where required. This forms by far the largest expenditure item, greater than expected. On average this formed approximately 70% of the expenditure, ranging from 50%-90%. This expenditure does not benefit the local community in terms of employment and incomes. It may be reduced by adapting designs, carrying out more work using labour-based technologies and using more local materials. Ideally this percentage would be reduced to a target of 50%-60% where possible. This will depend strongly on the type of subproject, however.

16. **Skilled workers.** The expenditure on skilled workers from the community or neighbouring communities amounted to an average of 5%, ranging from 1% to 16%. The use of labour-based approaches and suitable designs as well as the reduced use of suppliers and contractors may increase this percentage to a target of 5%-15%.

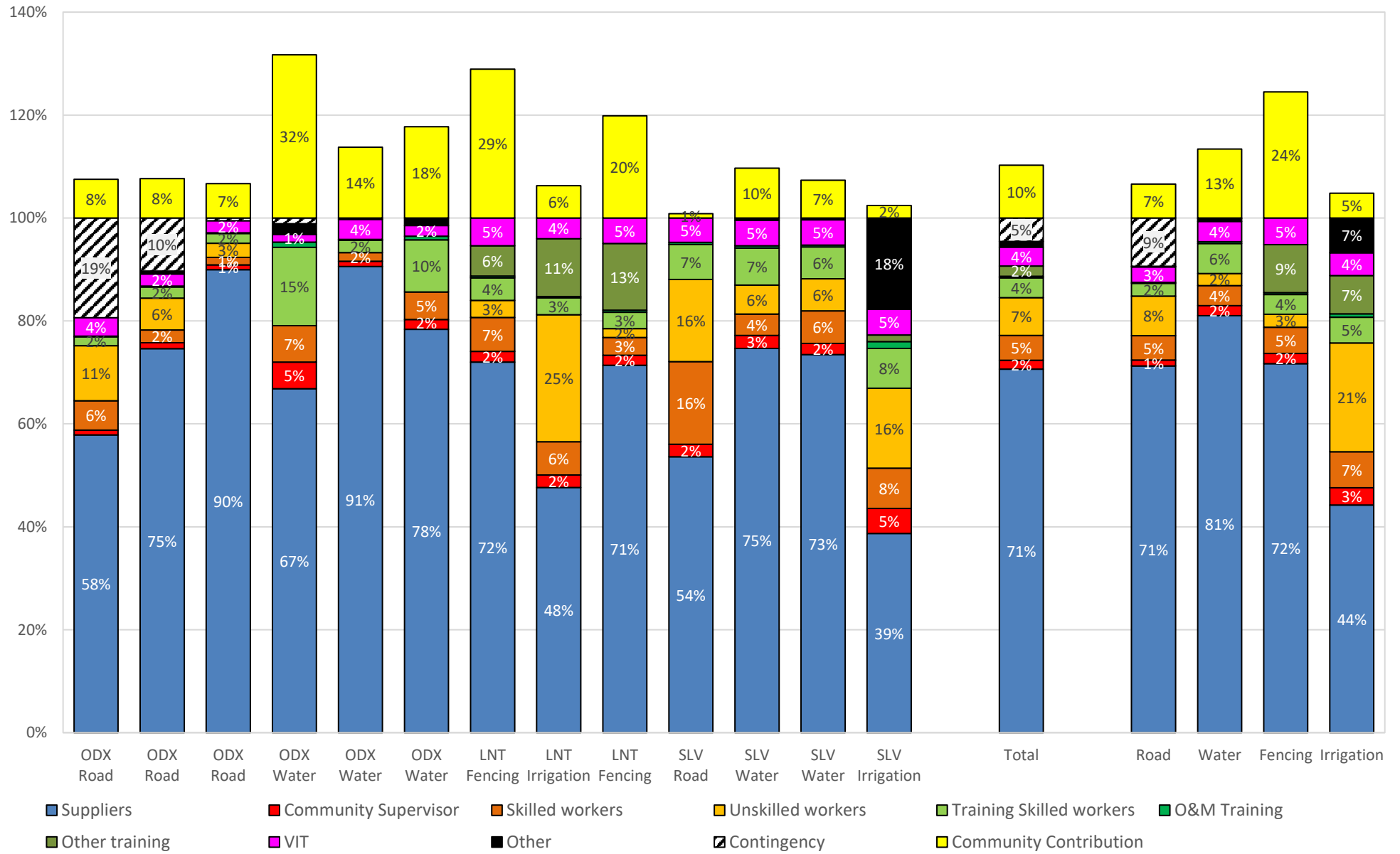
17. **Vocational training.** Vocational training of skilled workers was found to be very beneficial, leading to improved quality of works. However, the cost was found to be very high, averaging 4% of subproject expenditure (ranging from 2%-15%). As such the cost is similar to that of the wages paid to the skilled workers. It was agreed that the vocational training would continue to be included in future CMS subprojects, but with a maximum of 5% of the subproject amount.

18. **Unskilled workers.** The expenditure on unskilled workers was foreseen to average 15%-30% of total expenditure. In practice, however, the average was much lower at 7%, ranging from 0% to 25%. One of the major issues faced was that much if not all the unskilled worker inputs were classified as unpaid community contributions. If these unpaid unskilled worker inputs are added, they average 17% of total expenditure, ranging from approximately 10%-30%. This is more in line with expectations, and may be further increased through the use of labour-based technologies and local materials, as well as a better review of the Bill of Quantities and the included labour inputs. It was agreed that a greater portion of the unskilled labour contribution should be paid and that the unskilled workers should make up a minimum of 10% of the subproject cost, with a target of 20%-30%.

19. **Community contribution.** The community contribution was found to be very high in some subprojects. Although the community contribution averaged 10% of the subproject cost, it reached over 30% of the total subproject amount financed by PRF in some cases. To a large extent this was the result of unskilled labour being provided as an unpaid contribution (see above)⁴. As a result, the community contribution in the CMS approach tended to be larger than under the traditional contractor approach. The PRF Operational Manual sets a minimum of 10%, but this was considered to be excessive and in contradiction with the objective of the CMS approach of generating paid employment. It was therefore agreed that the target would be rephrased as a maximum of 10% for the CMS approach, with all other unskilled labour to be paid from the subproject budget. Some participants also suggested that all labour be paid to avoid problems.

⁴ This had been the practice in the contractor-based approach. However, in the CMS approach the local labour content is much higher and this practice is no longer suitable.

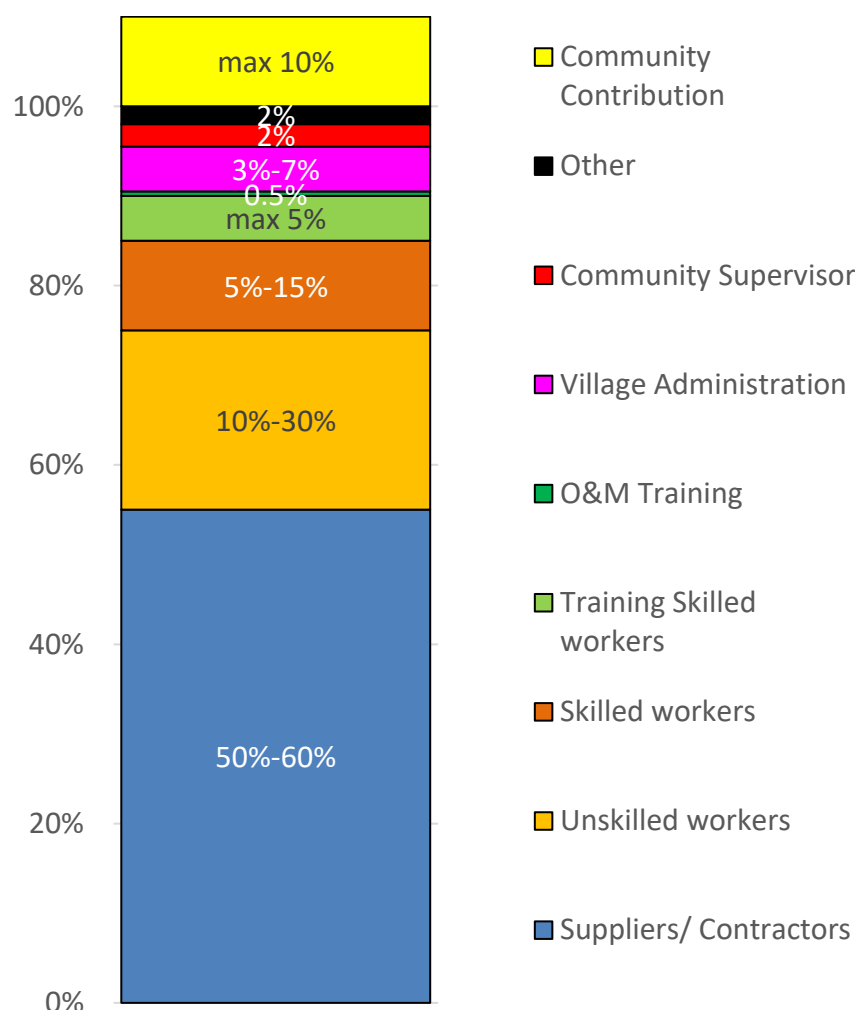
Figure 1 CMS Subproject Expenditure



20. **VIT admin fee.** The administration fee for the Village Implementation Team formed 4% of total expenditure on average, slightly less than the targeted 5%. The range went from 1% to 5%, reflecting the size of the subproject and the complexity of its management. It was agreed that greater flexibility was required for setting targets for the VIT Admin Fee, taking into account the size of the subproject and its complexity. The target was redefined as a target of 3%-7% of the total subproject amount, depending on the subproject size and complexity.
21. **Community Supervisor.** The costs of the Community Supervisor made up 2% of the expenditure on average, in line with the target. In some subprojects, however, the costs reached as much as 5% of the total expenditure. It was agreed to keep a target of 2% on average.
22. **Contingency.** Several subprojects included large contingencies that were not used. In the end the funds were reallocated to extensions of the subproject scope or to other activities (in Figure 1 the contingency is reflected under “Other” in some cases where the contingency has already been reallocated to other activities). It was agreed that PRF should instead have a central contingency fund to cover any contingencies in individual subprojects. No contingency should be included in the subproject budget. This central contingency fund should be in the order of 1% of the total subproject funding for a specific cycle and may be used to finance up to 10% of any specific subproject⁵. As such the contingency fund could support up to 10% of the subprojects in any given cycle. The contingency fund should only cover unforeseen activities or cost increases and should not be used to expand the scope of any subproject. Unused contingency funds should be transferred and allocated to the budget for the next cycle.
23. **O&M training.** The cost of the O&M training is a fixed amount of LAK 500,000, forming a very small portion of total expenditure. It was agreed to keep this as the standard amount for this training.
24. **Other training.** Several subprojects included other training related to crop cultivation and animal husbandry. In many cases this was funded from unused contingency funds or remaining subproject funding. These are activities that are covered under other PRF budget lines related to the Livelihood and Nutrition component of the PRF III-AF. Given the limited funding for subprojects under PRF III-AF, it was decided that no additional training should be included in the subproject budget and that this should be financed from other PRF budget lines.
25. **Sector differences.** A review of the different sectors shows strong differences. The irrigation subprojects show far greater expenditure on unskilled and skilled labour (average 28%), despite involving the construction of large concrete weirs. This percentage would be even larger without the expenditure on other training in Salavan. The road sector also shows higher labour content, but this could have been greatly increased by using labour-based technologies instead of contractor equipment (for compaction or transport of materials the use of equipment may be warranted from an economic or quality perspective). The small road project in Salavan shows a much higher labour content. In general, the smaller projects tend to have higher labour contents. This is promising for PRF III-AF where the subproject size will be reduced.
26. **Proposed budget targets.** The proposed make-up of the budget is reflected in the Figure 2 below. It must be stressed that the actual make-up of the budget will depend strongly on the total subproject amount and the type of subproject (and its suitability for labour-based technologies and local materials). In the CMS pilot it was striking that the subproject reviewed by the consultant as part of the training-of-trainers, resulted in the highest portion of paid workers of any of the pilot subprojects (over 30% of the subproject amount), strongly resembling the proposed targets below. For PRF III-AF it is therefore recommended that all budgets (BOQs) be reviewed by provincial or central level to ensure that they correspond to the degree possible to the proposed targets, thus ensuring that the secondary benefits of the subproject are maximized.

⁵ With approximately 90 subprojects per cycle in PRF III-AF, a 1% contingency fund could support up to 10% of the subprojects in any cycle, providing up to 10% additional contingency funding per subproject. With an average subproject cost of \$14,500, this would imply additional contingency funding for a specific subproject of up to approximately \$1,500.

Figure 2 Proposed CMS Budget Targets



6. CMS FINANCING AND PAYMENTS

27. **CMS financing.** For the CMS approach, PRF transfers the subproject funds to the VIT bank account in two financing instalments. This is a change from the traditional contractor approach where three instalments were used, in line with the interim (40%), completion (50%) and warranty period (10%) payments made to the contractor. With the community unable to pre-finance the works, the CMS approach includes a first financing instalment that covers 95% of the approved subproject amount and that is transferred upon request by the VIT at the beginning of the subproject, and a second financing instalment of 5% that is made after the works have been completed. This request for the first financing instalment is made after the Village Confirmation Meeting and the VIT training, once the contract has been signed (the contract and the request are generally prepared as part of the VIT training). The second financing instalment is requested once all works have been completed and the first Accountability Meeting regarding the use of the first financing instalment has been carried out. The VIT needs to submit the Financial Report to PRF as part of this request. This approach was found to work well, although additional attention is considered necessary to ensure that the payment schedule mirrors the available funding under each financing instalment.

28. **CMS payments.** The VIT may use the received financing instalments to pay for the implementation of the subproject. The pilot showed some differences in how these payments were made. This was discussed during the workshop and the following agreement was reached on the payments and their timing.

Table 5 CMS Financing Instalments and Payments

Type	1 st Financing Instalment (95%)	2 nd Financing Instalment (5%)
Unskilled workers	100% after <u>task</u> completion	-
Skilled workers	30% after 20% complete 65% after 100% complete	5% retention
Suppliers (materials)	95% on delivery	5% after warranty
Contractors (equipment)	95% on completion	5% after warranty
Community Supervisor	50% after 50% complete	50% after 100% complete

29. **Unskilled workers.** Payments to unskilled workers are to be made in full upon completion of the assigned task. No retentions are made to these payments. Although the CMS Guide describes the need to link these payments to the completion of certain tasks, this was not applied in all subprojects with many payments made according to the number of days worked. This has the disadvantage that the productivity of the workers needs to be continuously checked. Also, it means that the payment for a certain task or activity can exceed the budgeted amount, jeopardizing the completion of the subproject within the available budget. It is strongly recommended to organize the work of unskilled workers into tasks that are set to be completed in a maximum of 2 weeks, either by an individual or by a group of workers. Payment is made once the task has been completed. This avoids the need to continuously monitor the productivity of workers (just the completion of the task) and ensures that actual expenditure follows the budgeted amounts more closely.

30. **Skilled workers.** The pilot subprojects also demonstrated issues between the skilled and unskilled workers. Unskilled workers were paid by the VIT and did not always do what was required by the skilled workers. To address this issue, it was agreed that the certification of the payments to the unskilled workers was to be done by both the skilled workers and the VIT, thus ensuring greater control by the skilled workers over the unskilled workers. The payments to the skilled workers were generally lumpsum payments paid in 2 or 3 instalments. It was agreed to have three instalments, including an interim, completion and retention payment.

31. **Suppliers and contractors.** Where suppliers are subcontracted, the payments will be made in the same way as always, with 95% upon delivery and approval of the materials, and 5% after the defined warranty period. Materials should be supplied in batches to avoid them going bad due to problems with storage. As a result, there would be several payments against receipt of the materials and a single final payment after the warranty period. For the contractors the same 95%-5% payments will be applied. Since these subcontracts generally only involve equipment and do not include material provision, this is considered an acceptable arrangement. It is recommended to apply a warranty period that allows the final payment to be made from the second financing instalment, to avoid problems in cashflow for the VIT.

32. **Community Supervisor.** The payments to the Community Supervisor were supposed to be 40% at contract signing to cover per diems and transport, and 60% after completion of the works and receipt of the second financing instalment. However, in practice various options were used (40-60, 50-50, 70-30, 95-5, 0-100). After discussion it was agreed to have two equal payments of 50%, the first approximately halfway completion and the other after receipt of the second instalment.

33. **Payment retention.** It is important to note that some payments are retained and paid at a later date. This allows these retained payments to be made from the second financing instalment, avoiding problems in trying to make all the payments from the first financing instalment (100% of works cannot be fully financed from a 95% financing instalment). When the subproject is prepared, care should be taken to ensure that the retention payments exceed the amount of the second financing instalment, thus ensuring that all other payments can be made from the first financing instalment and payments are not delayed (especially for poor community members that are highly dependent on timely payments). A proper balance between the payments and the financing instalments should therefore be ensured during the subproject design and preparation of the BOQ.

7. CMS TRAINING AND SUPERVISION

34. **VIT training.** Training of the VIT members is carried out by PRF staff before the start of the subproject, after the confirmation meeting in which the VIT members are confirmed. The training includes a half-day training for the VIT Procurement Team and for the VIT Finance Team, as well as a full-day training for the VIT Supervision Team. Further capacity building is provided on-the-job by PRF staff and by the Community Supervisor. This approach appears to work well and will be continued.

35. **Vocational training.** Vocational training was provided for the skilled workers from the community, enhancing their skills and ensuring better quality works. This involved two weeks of training at a vocational training institute at the provincial capital. Training focused on concrete and masonry works. The training was found to be very beneficial and it was agreed that it will be continued. However, the training was found to be very theoretical, with insufficient practice. The focus on concrete and masonry works was also found to be less suitable for road and fencing subprojects as well as the pipe laying activities in water subprojects. For PRF III-AF the training will be organized at district level, with more practical exercises adapted to the specific subproject and part of the training possibly carried out at the subproject location. Follow-up visits by the teachers were also recommended to ensure quality of works. Although the benefits of the vocational training are clear, the costs are high, and care must be taken that these do not take up too much of the subproject budget. It was agreed that the cost of the vocational training should not exceed 5% of the subproject budget. With the smaller subproject amounts under PRF III-AF, this will severely limit the amount of training that can be provided.

36. **Community Supervisor.** Supervision of the works is provided by the Community Supervisor on a regular basis. The number of days that the Community Supervisor is present on site varies strongly from one subproject to the next, also depending on the duration of the works implementation. It was agreed that the Community Supervisor should be present at the works for at least 2 days a week during works implementation, ensuring that he/she is present during important activities such as concrete pouring. The Community Supervisor is the first line of quality assurance, and this needs to comply with certain minimum standards. The number and frequency of visits should be defined in the contract agreement with the Community Supervisor. The cost of the Community Supervisor is currently set at 2% of the subproject costs but may be increased slightly for complex projects or subprojects with a long duration.

37. **PRF district staff.** PRF district staff visit the subprojects regularly when works are ongoing, generally once a week (in some cases the frequency was lower at once every two or three weeks). It was agreed that the frequency should be at least once a week when works are ongoing with a focus on supervision and attention also given to on-the-job training of skilled and unskilled workers. It is estimated that under PRF III-AF, district staff would need to supervise 5-10 subprojects at any one time. Achieving weekly visits will be a challenge in districts with many subprojects.

38. **Sector staff.** Representatives from the sector (generally the district Office for Public Works and Transport) also visit the subproject regularly to check the quality and progress. They receive per diems and transport allowances to cover their costs, which are financed from a separate budget line (not from the subproject budget). The frequency of visits varies from once a week to once a month or even less. With proper supervision from the Community Supervisor and PRF district staff, the frequency can be reduced. However, it is recommended to ensure visits are carried out before important activities such as concrete pouring, which are difficult and costly to redo. It was agreed that sector staff should visit at least once every two weeks with a focus on supervision and some attention given to on-the-job training of skilled and unskilled workers.

39. **PRF provincial staff.** PRF provincial staff do not play a strong role in supervision but should play a role in auditing the quality and level of supervision of the subprojects. Provincial staff visited each of the CMS subprojects at least once, although this was partly because of the pilot nature. It was agreed that in PRF III-AF, provincial staff should visit each subproject at least once with a focus on auditing the quality and level of supervision.

40. **Supervision.** Supervision is an important element of any works. This is even more the case for CMS subprojects because any defects found later cannot be corrected by the community at their own cost as would be expected from a contractor. The CMS budget does not include any coverage for such risks. It is therefore important to ensure that supervision is carried out at specific moments of the implementation process when the risks of poor quality and the costs of correcting defects are greatest. This includes activities such as checking the materials and quantities used for concrete mixing, checking the reinforcement and formwork before concrete pouring, checking the depth of excavated ditches before the pipes are laid and covered, etc. By focusing the supervision activities at these moments, the quality can be ensured without excessive supervision costs. Day-to-day supervision can then be left to the Community Supervisor, as long as the work is checked before it is covered up or becomes irreversible.

8. CMS MONITORING

41. **CMS monitoring.** The CMS approach was introduced to achieve certain objectives, main of which is the generation of local employment and incomes as a secondary benefit of the subprojects. It is important that appropriate monitoring is carried out to see to which degree this objective is achieved. This means that certain data will need to be collected at the subproject level and made available to the provincial and central levels, in order that the results may be included in annual reports and may feed into plans for the following cycles.

42. **Expenditure data.** An important part of the data collection is regarding the budget and the expenditure. In line with the structure of the CMS Bills of Quantities, data should be collected by main expenditure item, distinguishing the following budget and expenditure items.

- Skilled workers
- Unskilled workers
- Materials (supplier)
- Materials (local)
- Equipment (contractor)
- Training skilled workers
- O&M training
- Community Supervisor
- VIT admin fee
- Other
- Community contribution

43. **Data analysis.** For the rest it is recommended to collect basic information on each subproject. This should include a short description of the works carried out (1-2 paragraphs, including lengths and volumes of works) so that the data can be understood in the context of the subproject characteristics. Collection of this data for each subproject will allow an analysis to be similar to that presented in section 5. It will show which portion of the budget or expenditure is spent on different budget items, and how this varies by district/province or type of subproject. This information can then be used to see how subproject design and implementation may be improved in future cycles, reducing costs and ensuring that greater benefits accrue to the community members.

44. **Workers and persondays.** Apart from data on the budget and expenditure, data also needs to be collected on the number of skilled and unskilled workers (how many people benefitted from the employment and income opportunities) and the number of persondays worked by these skilled and unskilled workers (how much did those people benefit). This information should be recorded by the VIT to ensure the data is available. This information allows the total number of persondays of employment generated to be calculated. It also allows the average wage rate per personday to be calculated, comparing this to the norm in the area and ensuring that payments are not too low or too high (indicating a problem in the design or with the productivity of the workers). Data may also be collected on the types of households receiving the employment, checking that the incomes are indeed benefiting the poorer households. Data should also be collected on the number of persondays provided as community contribution, ensuring that this is in proportion to the size of the subproject. To illustrate how such monitoring data could be used, the data from the CMS pilots is used in the following analysis.

45. **Skilled workers.** A total of 25 skilled workers were contracted for the 13 pilot subprojects, with 2 workers per subproject except in one of the fencing subprojects where only 1 skilled worker was hired. The skilled workers worked an average of 39 days, ranging from 11 to a maximum of 88 days. A total of 969 persondays of employment for skilled workers were created. Wage rates averaged LAK 115,000 per day, varying from LAK 70,000-155,000. In total LAK 114 million was spent on skilled worker wages.

46. **Unskilled workers.** A total of 208 unskilled workers were contracted for the 13 subprojects, with an average of 16 workers per subproject (ranging from 8 to 39). The unskilled workers worked an average of 33 days, ranging from 9 to 88 days (in line with the skilled workers). A total of nearly 6,300 persondays of employment were created for unskilled workers (approximately 6.5 unskilled workdays for each skilled workday). Wage rates ranged from LAK 40,000-60,000 per day depending on local market rates. However, the unskilled worker data did not make proper distinction between paid work and work provided as community contributions. The actual number of persondays of work provided is significantly higher when the community contribution is included. In total LAK 178 million was spent on unskilled worker wages.

47. **VIT members.** An analysis of the VIT members shows that there were a total of 111 VIT members (9 per subproject), working an average of 25 days each for the subproject. In total 2,250 persondays of paid employment were created for VIT members, with an average wage rate of LAK 65,000 per day (this does not take account of travel and other costs incurred by the VIT members). However, the restriction of the VIT admin fee to 5% of the subproject amount meant that wage rates were low in small projects (LAK 15,000-20,000 per day) and high in large projects (LAK 150,000-200,000 per day). This is why the variable VIT admin fee was introduced. In total LAK 116 million was spent on the VIT admin fee.

Table 6 Employment Generation in the CMS Pilots

	Workers	Persondays	Daily wage	Payment
Skilled workers	25	969	LAK 115,000	LAK 114 million
Unskilled workers	208	6,286	LAK 50,000	LAK 178 million
VIT	111	2,253	LAK 65,000	LAK 116 million
Total	344	9,508		LAK 374 million

48. **Employment generation.** In total the 13 subprojects with a total budget of LAK 2,360 million created 9,500 persondays of employment for 344 community members. A total of LAK 374 million was spent on incomes for local people, equivalent to 16% of the subproject budget on average.

9. CMS FORMS

49. **CMS forms.** As part of the CMS Guide and Manual, special forms were prepared for use in the CMS process. During the evaluation it became clear that some of these forms were not being used, either because they were not considered necessary or because alternative forms were already in use by PRF. Part of the evaluation therefore reviewed the use of the forms and an agreement was reached on reducing the number of forms to those of specific importance to the CMS approach, simplifying the approach.

50. **CMS Subproject Implementation Contract.** This is the contract document signed between PRF and the VIT. It is based on the version included in the PRF III Project Operation Manual with slight adjustments. This is being used in all subprojects and will continue to be used unchanged.

51. **CMS Bill of Quantities.** This version of the Bill of Quantities has been amended to differentiate different activities and tasks in the implementation of the subproject, facilitating understanding and organization by the VIT. It also shows the required materials and skilled and unskilled workers for each task, indicating how many workers are required and for how many days. This is an important document that clarifies the number of workers to be hired and volumes of materials to be procured. It has been used in all subprojects and will continue to be used unchanged. For PRF III-AF it is recommended that the prepared BOQs be reviewed at provincial or central level to ensure that there is a proper organization of the skilled and unskilled workers, and a suitable balance between paid work and community contributions.

52. **CMS Implementation Schedule.** The implementation schedule is a work program that is based on the same activities and tasks as defined in the BOQ, showing the timing of each task on a weekly basis. For each week the activity and task to be carried out are indicated together with the volume of work to be completed. The implementation schedule also indicates the number of skilled and unskilled workers to be hired each week. This facilitates the organization of the work by the VIT and allows for easy progress monitoring. This form was used in all subprojects and PRF staff were happy to continue using it.

53. **CMS Procurement Plan.** The procurement plan takes the information from the BOQ and bundles it into specific packages of materials, equipment and workers to be procured. It was meant as a simple overview for the VIT Procurement Team. However, it was not used in practice and it was decided that it was not necessary. It will be removed from the CMS Guide and Manual.

54. **CMS Payment Schedule.** The payment schedule is based on the BOQ format, showing for each budget item in the BOQ which portion would be paid from the first financing instalment and which would be paid from the second financing instalment. The main objective of the form was to ensure that there was a proper balance between planned payments and available financing, ensuring that the payments to be made up to the completion of the works did not exceed the amount of the first financing. This form was not used in practice and it was agreed to remove it from the CMS Guide and Manual. However, it must be stressed here that it is still important to ensure that the payments and financing instalments are balanced. A simple table will be added to the CMS Guide to guide this process.

55. **CMS Task Payment Receipt.** The task payment receipt was to be used as a proof of payment to an individual or group of workers after completion of a specific task. However, PRF staff explained that they were using existing PRF documents for this purpose. It was therefore agreed to remove the form from the CMS Guide and Manual.

56. **CMS Worker Registration Form.** The worker registration form was meant to be used to select unskilled workers interested in the subproject employment opportunities. Selection was made based on data regarding gender, poverty and ethnicity. However, this form was not used in practice and instead the worker selection was carried out during the Conformation Meeting (using similar criteria). This form will be removed from the CMS Guide and Manual.

57. **Subproject Monitoring Sheet.** The subproject monitoring sheet is the same as the implementation schedule but is used to record the progress made each week, including the numbers of persondays spent and payments made. This form was not used in practice. Since it is the same form as the implementation schedule, it will be left in the CMS Guide and Manual with a short reference as to how it may be used.

10. CMS IN PRF III-AF

58. **PRF III-AF.** Cycle XVI was the last cycle of PRF III. Additional Financing is currently being negotiated for another 4 cycles. It is expected that the budget for subproject grants will be significantly reduced, totalling just under \$5.2 million (approximately LAK 45 billion). The coverage of PRF III-AF will also be reduced to 4 provinces and 12 districts. As such, its coverage will be similar to that of the CMS pilot. The subprojects will cover an expected 360 villages (75% of the 481 eligible villages), with an average of 90 subprojects each cycle. With a budget for subproject grants of \$1.3 million per year, this results in an average subproject budget of \$14,500 (LAK 125,000), significantly less than the average subproject size in past cycles. The PRF activities will be supported by a total of 4 staff in each district, but staff levels at provincial and central level will be significantly reduced. The types subprojects have been limited to 3 sectors: roads, agriculture (fencing and irrigation) and water supply.

59. **Subproject scope.** The more limited number, type and size of subprojects and the reduced number of districts will make it easier and more suitable to apply the CMS approach. It has therefore been decided to apply the CMS approach to all subprojects in PRF III-AF. However, the smaller subproject size also poses a number of challenges. Although smaller subprojects lend themselves more to being implemented by the

community, certain costs such as the vocational training of skilled workers, the VIT admin fee, the Community Supervisor, etc. will tend to make up a greater portion of the subproject costs. The lower subproject amounts also mean that some infrastructure needs cannot be addressed. The average cost of the CMS pilots was just under LAK 200,000, significantly exceeding the average subproject cost under PRF III-AF of LAK 125,000. Interventions will therefore need to be more limited, focusing on spot improvements and lower standard solutions.

60. **Employment and incomes.** With a more limited impact in terms of the infrastructure to be constructed, it is even more important to ensure that secondary benefits such as employment and income generation are maximized. A simple extrapolation of the results of the CMS pilots to the PRF III-AF suggests that the total budget of \$5.2 million (nearly LAK 45,000 million) could easily generate 150,000 persondays of employment and LAK 9.0 billion in incomes. Applying the recommendations of the CMS evaluation and ensuring that suitable designs are used, that greater use is made of local materials, that subprojects are carried out in a more labour-intensive manner, and that the amount of labour provided as a community contribution is restricted, it is expected that the labour content could be increased significantly, potentially reaching 250,000 persondays of employment and LAK 15 billion in incomes. It is recommended that the PRF III-AF include a target of this type and that achievement is monitored each year.

PRF III-AF could create as much as 250,000 persondays of employment and generate LAK 15.0 billion in incomes for local people

APPENDIX A CMS EVALUATION WORKSHOP AGENDA

CFA Pilot Exchange Workshop

4-7 October 2019, Oudomxay Province

Date, Time	Agenda	Responsibility
DAY 1: Friday 4 October 2019 (Workshop in Oudomxay)		
08:00-08:30	Registration	All participants
08:30-09:00	Opening remarks	DoAF or ED
09:00-09:30	Overview of CFA Pilots	Hongngeun + Serge
09:30-10:00	Coffee Break	
10:00-10:30	Pilot implementation ODX – La District (road)	La District
10:30-11:00	Pilot implementation ODX – Beng District (road)	Beng District
11:00-11:30	Pilot implementation ODX – Namor District (road)	Namor District
11:30-12:00	Pilot implementation ODX – Nga District (water)	Nga District
12:00-13:00	Lunch	
13:00-13:30	Pilot implementation ODX – Hoon District (water)	Hoon District
13:30-14:00	Pilot implementation ODX – Pakbeng District (water)	Pakbeng District
14:00-14:30	Pilot implementation LNT – Viengphouka District (irrigation + fencing)	Viengphouka District
14:30-15:00	Pilot implementation LNT – Long District (fencing)	Long District
15:00-15:30	Coffee Break	
15:30-16:00	Pilot implementation SLV – Taoy District (water)	Taoy District
16:00-16:30	Pilot implementation SLV – Toumlan District (road)	Toumlan District
16:30-17:00	Pilot implementation SLV – Samoy District (water + irrigation)	Samoy District
17:00-17:15	Explaining logistics for field visit and groupwork	All participants
DAY 2: Saturday 5 October 2019 (Field Visit)		
08:00-10:00	Travel to Ban Houychai, La District	All participants
10:00-13:00	Visit road subproject in Ban Houychai, La District	All participants
13:00-14:00	Lunch	All participants
14:00-16:00	Back to Oudomxay	All participants
DAY 3: Sunday 6 October 2019 (Workshop in Oudomxay)		
08:00-08:30	Registration	All participants
08:30-09:30	Orientation on discussion topics	Serge + Hong
09:30-16:00	Group discussions and preparation of group presentations <ul style="list-style-type: none"> • Engineering Group • Finance & Procurement Group • Community Development Group • Monitoring & Evaluation Group • Sector & Vocational Training Group 	All participants
DAY 4: Monday 7 October 2019 (Workshop in Oudomxay)		
08:00-08:30	Registration	All participants
08:30-09:15	Engineering Group	TA
09:15-10:00	Finance & Procurement Group	Procure
10:00-10:30	Coffee break	
10:30-11:00	Community Development Group	CD
11:00-11:30	Sector & Vocational Training	Sector/Vocational
11:30-12:00	Monitoring & Evaluation Group	ME
12:00-13:00	Lunch	
13:00-15:00	Conclusions and Recommendations of Consultant	Serge + Hong
15:00-15:30	Coffee break	
15:30-16:00	Closing remarks	ED + DoAF