



# Integrated Safeguards Data Sheet Identification / Concept Stage (ISDS)

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Concept Stage | Date ISDS Prepared/Updated: 04-Sep-2018 | Report No: ISDSC24864



**BASIC INFORMATION**

**A. Basic Project Data**

Project ID	Project Name Lao PDR Public Finance Management Reform Grant	Environmental Category C - Not Required (C)	Country Lao People's Democratic Republic
Team Leader(s) Fanny Weiner, Saysanith Vongviengkham	Estimated Date of Approval	Managing Unit GGOEP	Financing Instrument Investment Project Financing

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	1.79
<b>Total Financing</b>	1.79
<b>Financing Gap</b>	0.00

**DETAILS**

**Non-World Bank Group Financing**

Trust Funds	1.79
Free-standing Single Purpose Trust Fund	1.79

**B. Project Development Objective(s)**

The development objective is to support the Government of Lao PDR to improve the legal and institutional framework for public finance management, revenue management, and public procurement.

**C. Project Description**

The activities under each component are aligned with the action plans and sub-strategies of the MoF's PFM Strategy and have been agreed with the government counterparts and the donor.

**Component 1: Improved domestic revenue mobilization.** This component has two subcomponents to support the strengthening of the legal framework and improve tax administration processes, focusing on the LT segment.

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*Subcomponent 1.1: (i) Development of tax policies; (ii) drafting of tax legislation and secondary legislation; and (iii) consultations, dissemination, training, and outreach activities to relevant stakeholders.* The MoF's PFM Strategy foresees the drafting of new and updated legislation for a number of laws, including the general tax law, asset tax, land tax, income tax, housing tax, and environment tax law. This subcomponent will provide support to strengthen the MoF's capacity through local expertise for the drafting of the legislative initiatives and undertake consultations, dissemination, and training with the relevant stakeholders. These legislative initiatives will contribute to strengthen the current legal framework for taxation and to build a foundation for increasing revenue collection

*Subcomponent 1.2: Improvement of the Tax Department's organizational and administrative processes, including communication activities and services to tax payers with a specific focus on the large taxpayer segment.* Activities in strengthening tax compliance are focused on the LT segment and will enable the Tax Department's RCD to introduce a proactive and targeted compliance management, building on systematic, correct, and up-to-date taxpayer data; an improved audit approach; enhanced LT's industry expertise; and the introduction of taxpayer outreach and services. Specifically, this subcomponent will provide support to strengthen the capacity of the Tax Department through local expertise to support the implementation of a proactive compliance management approach and carry out training and capacity workshops and stakeholder dissemination events. These activities are expected to increase the share of tax revenues collected from the LT segment.

**Component 2: Improving the legal and institutional framework of PFM and public sector governance.**

*Subcomponent 2.1: Improvement of budget preparation and execution processes.* Activities under this subcomponent will support the Budget Department to organize capacity-building and dissemination events and hire local consultants for activities to prepare the State Budget for FY2020 in accordance with the requirements of the revised State Budget Law 2015. The preparation of a summary budget and dissemination of budget information will also be supported aiming to contribute to budget transparency and availability of budget information on time. The activities under this subcomponent are expected to contribute to more affordable and realistic budget plans, limit unaffordable commitments, and ultimately improve the achievement of sector performance targets.

This subcomponent will also support the NT in strengthening its capacity for the implementation of reforms to improve payment processes, cash management, and forecasting capacity. This will include to carry out workshops and trainings for the revision of the CoA, and improving cash balance consolidation. These activities are expected to result in faster and more secure payments, reduce costs, allow for reporting according to IPSAS and International Monetary Fund (IMF) Government Finance Statistics (GFS), and reduce out-of-budget spending.

Finally, this subcomponent will include activities supporting the readiness for a new FMIS (to be financed by the Public Finance Management Modernization Project [P167534]), such as the improvement of the MoF's overall ICT capacity and security, through training activities for the implementation of elements of the MoF's ICT Strategy, which are relevant for the FMIS implementation.



*Subcomponent 2.2: Strengthening governance capacity in the Ministry of Home Affairs (MoHA).* This subcomponent builds on work previously undertaken under the Governance Programmatic ASA for SEA Lower Middle Income Countries (P161155), which provided recommendations to the MoHA for the rollout of its Personnel Information Management System (PIMS) to the provincial level. While the technical rollout to all provincial departments of the MoHA has been completed, capacity building in the use of the PIMS for staff from the provincial departments of line ministries will be supported. Once the PIMS database is completed with provincial personnel data, automated payroll calculations and payment will be expanded to the subnational level. The expanded scope of the PIMS and automatization of the payroll process is expected to eliminate manual processes and speed up salary payments. This subcomponent will also provide support to the MoHA on capacity-building and dissemination activities on topics related to potential civil service reforms.

**Component 3: Strengthened public procurement.** This component aims to strengthen the MoF's implementation capacity for the new Public Procurement Law and to provide training to all relevant stakeholders.

*Subcomponent 3.1: The implementation of the Law, including the preparation of manuals and guidelines, the introduction of a training program for procurement staff of all procurement units, and strengthening of the procurement monitoring function.* This subcomponent will support the MoF in the adoption of the new procurement framework through the dissemination of the new law among public and private stakeholders and by strengthening PrMO's capacity through local expertise to support the update of standard bidding documents and the preparation of guidelines and manuals. These activities will set the foundations for the operationalization of the law.

This subcomponent will also support the setup of a staff training program and other capacity-building activities to strengthen the competency and skills of staff involved in procurement at all levels of government. To enhance the monitoring functions, the designated procurement department in the MoF (PrMO) will be strengthened, and capacity building will be provided to the State Audit Organization (SAO) to conduct procurement audits. This subcomponent will also provide for local expertise to support a spending analysis that will collect, classify, and analyze procurement expenditure to identify areas where new approaches, such as framework agreements, may be implemented to reduce costs of goods and services and transaction costs. These activities are expected to build the necessary capacity for the implementation of the law and provide input for informed decision making of public procurement approaches.

*Subcomponent 3.2: Establishment of an accessible public procurement website and an operational complaint mechanism.* This subcomponent will support the establishment of a procurement portal (website) for the publication of procurement information and the introduction of a procurement complaints mechanism. The website is expected to increase the transparency and accessibility of information of public tender opportunities.

**Component 4: Effective PFM reform coordination**



*Subcomponent 4.1: Implementation of the Government of Lao PDR's Public Financial Management Reform, including the establishment of a monitoring and evaluation (M&E) system, data collection and consolidation, preparation of progress reports, and coordination and dissemination activities, and the preparation and implementation of a change management strategy.* This subcomponent will provide support to the establishment of an M&E system, including data collection and consolidation, the preparation of reform progress reports, and coordination and dissemination activities of the MoF's PFM Strategy. Coordination between relevant government entities and other stakeholders is also foreseen under this subcomponent. This subcomponent will support the MoF to implement a change management strategy to accompany the implementation of the PFM Strategy and to communicate and facilitate the impact of the PFM reform transformations to the MoF staff.

*Subcomponent 4.2: Preparation and dissemination of Public Expenditure and Financial Accountability (PEFA) Assessments.* This subcomponent will include the finalization and dissemination of the PEFA Assessment 2018 and the local expertise for the preparation of a repeater PEFA Assessment in 2021. It is envisaged to use the PEFA 2018 assessment as the baseline for the repeater assessment to measure progress of the PFM reforms.

*Subcomponent 4.3: Management of the implementation activities and fiduciary oversight of the recipient executed activities by a Project Implementation Unit.* This subcomponent will provide support to the operational costs of the MoF's Project Implementation Unit (PIU).

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**SAFEGUARDS**

**D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The proposed Grant will mainly take place in Vientiane Capital, while some capacity-building activities to public servants will take place at the provincial level. As this Grant is supporting institutional reforms, activities are limited to consultants, workshops, and capacity building.

**E. Borrower’s Institutional Capacity for Safeguard Policies**

Not applicable as category C.

**F. Environmental and Social Safeguards Specialists on the Team**

Martin Fodor, Environmental Safeguards Specialist  
Martin Henry Lenihan, Social Safeguards Specialist  
Thiri Aung, Environmental Safeguards Specialist

**G. Policies that might apply**

Safeguard Policies Triggered by the Project	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	Based on environmental screening according to OP 4.01, the Grant is not anticipated to have any environmental safeguard issues.
Natural Habitats OP/BP 4.04	No	Based on environmental screening according to OP 4.01, the Grant is not anticipated to have any environmental safeguard issues.
Forests OP/BP 4.36	No	Based on environmental screening according to OP 4.01, the Grant is not anticipated to have any environmental safeguard issues.
Pest Management OP 4.09	No	Based on environmental screening according to OP 4.01, the Grant is not anticipated to have any environmental safeguard issues.
Physical Cultural Resources OP/BP 4.11	No	Based on environmental screening according to OP 4.01, the Grant is not

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		anticipated to have any environmental safeguard issues.
Indigenous Peoples OP/BP 4.10	No	There will be no adverse social impact from the Grant activities to indigenous people.
Involuntary Resettlement OP/BP 4.12	No	There will be no physical relocation of people or acquisition of private land.
Safety of Dams OP/BP 4.37	No	Based on environmental screening according to OP 4.01, the Grant is not anticipated to have any environmental safeguard issues.
Projects on International Waterways OP/BP 7.50	No	Based on environmental screening according to OP 4.01, the Grant is not anticipated to have any environmental safeguard issues.
Projects in Disputed Areas OP/BP 7.60	No	There will be no acquisition of private land.

**H. Safeguard Preparation Plan**

**Appraisal stage ISDS required?** No

**APPROVALS**

Team Leader(s):	Fanny Weiner
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**Approved By**

Safeguards Advisor:	Svend E. Jensby	01-Sep-2018
Practice Manager/Manager:	Fily Sissoko	04-Sep-2018

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) by the Bank and (ii) in country by the Borrower/Recipient, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.