

**INTEGRATED SAFEGUARDS DATA SHEET  
APPRAISAL STAGE**

**Report No.: ISDSA3047**

**Date ISDS Prepared/Updated:** 30-Mar-2013

**Date ISDS Approved/Disclosed:** 31-Mar-2013

**I. BASIC INFORMATION**

**1. Basic Project Data**

|  |  |                              |                          |
|--|--|------------------------------|--------------------------|
| <b>Country:</b>                            | Lao People's Democratic Republic   | <b>Project ID:</b>           | P128854                  |
| <b>Project Name:</b>                       | Lao Public Financial Management Project (P128854)  |                              |                          |
| <b>Task Team Leader:</b>                   | Leah April   |                              |                          |
| <b>Estimated Appraisal Date:</b>           | 25-Mar-2013  | <b>Estimated Board Date:</b> | 28-May-2013              |
| <b>Managing Unit:</b>                      | EASPT  | <b>Lending Instrument:</b>   | Specific Investment Loan |
| <b>Sector:</b>                             | Central government administration (100%)   |                              |                          |
| <b>Theme:</b>                              | Public expenditure, financial management and procurement (90%), Other accountability/anti-corruption (10%) |                              |                          |
| <b>Financing (In USD Million)</b>          |  |                              |                          |
| Total Project Cost:                        | 24.00  | Total Bank Financing:        | 22.00                    |
| Total Cofinancing:                         |  | Financing Gap:               | 0.00                     |
| <b>Financing Source</b>                    |  | <b>Amount</b>                |                          |
| BORROWER/RECIPIENT                         |  | 0.00                         |                          |
| IDA Grant                                  |  | 22.00                        |                          |
| Lao PDR - Free-standing Trust Fund Program |  | 2.00                         |                          |
| Total                                      |  | 24.00                        |                          |
| <b>Environmental Category:</b>             | C - Not Required   |                              |                          |
| <b>Is this a Repeater project?</b>         | No   |                              |                          |

**2. Project Objectives**

The objective of the new PFM Project (PFMP) is to (i) further strengthen the quality of information on budgetary allocations, (ii) improve compliance to budget execution and treasury management procedures, (iii) enhance the timeliness, reliability, coverage and quality of reports and financial statements (iv) strengthen external oversight of the allocation and use of public resources.

### 3. Project Description

#### Component A: Enhancements to Core Budget and Treasury Management Policies and Procedures

This overarching component aims to support the Ministry of Finance's efforts to bring further improvements to its core budget preparation, execution, reporting and accounting systems at the central, provincial and district level. These improvements will serve to enhance control and accountability over the raising and use of finances; facilitate responsiveness to changes in policy or the economic environment during budget execution; reduce financial irregularity and bring the government of Lao closer to international standards on fiscal transparency.

##### A1: Strengthened fiscal and debt management

This component will support government efforts to maintain fiscal stability and sustainable debt in a context of increasing reliance on resource-based revenues. Three activities will be financed: (i) a 3-year fiscal policy rolling paper will be prepared to frame preparations of the annual budget framework and State Budget Plan; (ii) capacity will be built to support debt sustainability analysis and the preparation of a debt strategy and legal framework and (iii) support provided to for improve recording and reporting of debt so that borrowing decisions and budget execution are better informed.

##### A2: Support for budget preparation

This component will support three main activities: (i) to show the linkages between policy and the annual budget, enhancements will be made to the preparation of the annual budget framework and State Budget Plan to show fiscal implications of major budget policy decision (ii) to improve control, transparency and accountability for the collection and use of resources, departmental revenue and expenditure budgets will be input in GFIS for large central ministries and provinces and (iii) to enhance the orderliness of budget preparation, a review of the schedule for budget preparation, budget legislation and budgetary processes will be undertaken. A budget manual to document processes would also be prepared.

##### A3: Enhanced budget execution.

This component will be aimed primarily at strengthening the ability of the Ministry of Finance to manage the in-year execution of the budget. This will require that (i) the policies and procedures for the processing of expenditures and revenues are strengthened. This includes establishing of reporting requirements, amendments to the budget classification and chart of accounts, improved procedures for bank reconciliation, standardized measures for the processing of payments and revised forms and processes for depositing of revenues. Further, (ii) to enhance controls, support will be given to the further consolidation of the Treasury Single Account and the completion of the modernization of banking arrangements.

##### A4: Enhancements to GFIS

A number of enhancements will need to be made to the GFIS in order that it better meets user requirements. This will (i) include program development, software enhancements, hardware and skills development of the FITC and users. In addition, (ii) in order that changes are made in a systematic way and well-documented, a provision will be also made for the oversight of enhancements to the GFIS.

##### A5: Improved accounting standards.

This component will be dedicated to support for the implementation of the roadmap for the conversion to International Accounting and Auditing Standards for the public and private sectors which will be led by the Accounting Department and the Accounting Council. A sequenced approach will be adopted for sustained implementation of the accounting and auditing reforms mandated by the new legislation. Support will be provided in three areas: (i) further institutional development of the Accounting Department and the Accounting Council to transition appropriate roles and responsibilities for self – regulation of the accounting profession to Council overtime; (ii) technical assistance to support the necessary policy and technical activities as outlined in the PRSO matrix; and (iii) the completion of a comprehensive needs assessment of accounting staff at the central, provincial and district levels to support the development and sequenced implementation of a comprehensive accounting and auditing training and development plan.

#### A6: Strengthening capacity.

Building on each of these components will be support to the Economics and Finance Institute (EFI) to enhance the institution's ability to develop and provide relevant, sustainable, and high-quality training for finance officers at all levels of the government. Through this component (i) materials and curriculum will be developed that outline standard operating procedures for budget preparation, execution, reporting and accounting; these will form the basis of a revised training syllabus and (ii) capacity building will also be provided to trainers at the institute.

#### A7. Program Management

In order to support the management of the reform process, support will also be provided to program management. This will include support for (i) revisiting the government's Public Financial Management Support Program (PFMSP) and the results framework for monitoring its progress and impact; (ii) the establishment of a challenge facility managed by the PCU which can make resources available to support implementation of smaller priority activities identified within the PFMSP on a demand-driven basis and (iii) support for overall project implementation and coordination. The specific arrangements for implementation are outlined further in Section IV.

### Component B: Strengthening External Oversight Function

The External Oversight component supports the institutional capacity development of the two key oversight agencies – National Assembly and the State Audit Organization. These agencies have an important role in monitoring the progress of the PFM reforms and enhancement of accountability and transparency in the public sector.

#### B1: National assembly

Assistance to the NA will be primarily targeted towards the Economy, Planning and Finance Committee given that a key part of their mandate is to oversee the socio-economic plan and budget. Policy support will be provided to enhance the awareness and capacity of NA Members in the areas of (i) the relationship between the Committee and the SAO through peer learning and networking, (ii) a series of awareness seminars for members on issues such as natural resource management, financial sector oversight and other policy issues, and (iii) participation in the annual global legislative audit program through the global and/or regional sharing of experience. Core technical skills of staff will be built by providing training/support for economic, financial and budget analysis in addition to other cross – capacity building opportunities provided under the new project.

#### B2: State Audit Office

Assistance to the SAO will support the implementation of the ongoing capacity development

program as outlined in the 10 year Action Plan and the more detailed implementation program to 2015. The primary sequenced capacity building activities will focus on (i) providing support for the NT2 audit; (ii) preparing a workforce development plan and subsequent implementation of its recommendations; (iii) implementing the ICT strategy including the establishment of a training center; and (iv) strengthening the professionalism of the SAO's audit process. This work directly supports the PRSO policy actions through 2014.

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

#### **5. Environmental and Social Safeguards Specialists**

Viengkeo Phetnavongxay (EASTS)

Sybounheung Phandanouvong (EASTS)

| <b>6. Safeguard Policies</b>                   | <b>Triggered?</b> | <b>Explanation (Optional)</b>        |
|--|-------------------|--------------------------------------|
| Environmental Assessment OP/ BP 4.01           | No                | No safeguard policies are triggered. |
| Natural Habitats OP/BP 4.04                    | No                | No safeguard policies are triggered. |
| Forests OP/BP 4.36                             | No                | No safeguard policies are triggered. |
| Pest Management OP 4.09                        | No                | No safeguard policies are triggered. |
| Physical Cultural Resources OP/ BP 4.11        | No                | No safeguard policies are triggered. |
| Indigenous Peoples OP/BP 4.10                  | No                | No safeguard policies are triggered. |
| Involuntary Resettlement OP/BP 4.12            | No                | No safeguard policies are triggered. |
| Safety of Dams OP/BP 4.37                      | No                | No safeguard policies are triggered. |
| Projects on International Waterways OP/BP 7.50 | No                | No safeguard policies are triggered. |
| Projects in Disputed Areas OP/BP 7.60          | No                | No safeguard policies are triggered. |

## **II. Key Safeguard Policy Issues and Their Management**

### **A. Summary of Key Safeguard Issues**

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| <p><b>1. Describe any safeguard issues and impacts associated with the Restructured project. Identify and describe any potential large scale, significant and/or irreversible impacts:</b></p>   |
| <p>The Project does not have any safeguard issues since it will only finance consulting services, goods, training and workshops. The project will not finance any civil works or any other activities that will have environmental implications. Given the nature of the project it also has no impact on social safeguards such as Involuntary Resettlement and Indigenous Peoples.</p> |

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| <b>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</b>   |
| None foreseen.   |
| <b>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</b>  |
| Not applicable.  |
| <b>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</b> |
| Not applicable.  |
| <b>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</b>    |
| Not applicable.  |

### ***B. Disclosure Requirements***

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|---|
| <b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b> |
| <b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>  |
|   |

### ***C. Compliance Monitoring Indicators at the Corporate Level***

|  |                                  |                                 |  |
|--|----------------------------------|---------------------------------|--|
| <b>The World Bank Policy on Disclosure of Information</b>  |                                  |                                 |  |
| Have relevant safeguard policies documents been sent to the World Bank's Infoshop?   | Yes [ <input type="checkbox"/> ] | No [ <input type="checkbox"/> ] | NA [ <input checked="" type="checkbox"/> ] |
| Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? | Yes [ <input type="checkbox"/> ] | No [ <input type="checkbox"/> ] | NA [ <input checked="" type="checkbox"/> ] |
| <b>All Safeguard Policies</b>  |                                  |                                 |  |
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?                  | Yes [ <input type="checkbox"/> ] | No [ <input type="checkbox"/> ] | NA [ <input checked="" type="checkbox"/> ] |
| Have costs related to safeguard policy measures been included in the project cost?   | Yes [ <input type="checkbox"/> ] | No [ <input type="checkbox"/> ] | NA [ <input checked="" type="checkbox"/> ] |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?                             | Yes [ <input type="checkbox"/> ] | No [ <input type="checkbox"/> ] | NA [ <input checked="" type="checkbox"/> ] |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?                           | Yes [ <input type="checkbox"/> ] | No [ <input type="checkbox"/> ] | NA [ <input checked="" type="checkbox"/> ] |

### **III. APPROVALS**

|                           |                              |                   |
|---------------------------|------------------------------|-------------------|
| Task Team Leader:         | Leah April                   |                   |
| <b><i>Approved By</i></b> |                              |                   |
| Sector Manager:           | Name: Mathew A. Verghis (SM) | Date: 31-Mar-2013 |