

Annex 2

(Macro-Economic and Governance Matrices)

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Table 2.1 : National Development Framework – Development Target Areas and Main Reference Performance Indicators 2005

Priority Development Targets	Performance Indicators	Time Frame	Monitoring Source
Improving Living Standards			
◆ Overall poverty incidence reduced	• Overall poverty incidence declines (from 38.6%) to <25 %	2005	CPC – NSC
	• Poverty incidence in Northern region declines (from 52.5%) to 35%	2005	CPC – NSC
◆ Life expectancy increased	• Life expectancy increases (from 59 years) to 63 years	2005	NSC
◆ Access to clean water improved	• No of rural villages with access to clean water raises to 60 % (from 45%)	2005	MOH – NSC
◆ Child mortality under 5 reduced	• Under 5 child mortality declines (from 106) to 82 / 1000	2005	MOH – NSC
◆ Maternal mortality rates reduced	• Maternal mortality declines (from 530) to 350 / 1000	2005	MOH – NSC
◆ Vaccination coverage increased	•	2005	MOH – NSC
Improving Livelihoods through Rural Development, Access to Markets and Local Planning			
◆ Districts linked to provincial capital	• 80 % of rural districts linked with all-weather roads to provincial capital	2005	MCTPC – NSC
◆ Villages linked to district capital	• 60 % of rural villages with access to power (from 35%)		MCTPC – NSC
◆ Access to electricity increased	• Public spending on rural infrastructure increases by 2%/year in real terms	2005	MOIH – NSC
◆ Rural infrastructure improved	• Masterplan for rural credit developed and approved	Annual	MOF – CPC
◆ Access to rural credit extended	• Legal and regulatory environment for rural and micro finance clarified	2003	BOL
	• APB’s role clarified	2004	MOF – MOJ – BOL
	• Village funds extend to cover all 46 districts	2004	MOF – BOL
	• 15 districts out the 46 poor districts will have integrated district plans	2005	MOF – CPC
◆ District plans developed	• All 46 poor districts will have integrated districts plan	2003	CPC
	• Village development plans developed	2004	CPC
◆ Greater community participation	• Local planning takes coping strategies into account	2005	CPC
◆ People’s coping strategies enhanced	• Reduce unsustainable shifting cultivation to less then 30 per cent	2003-2005	CPC
◆ Reduce shifting cultivation	• Eliminate poverty-related opium production	2005	MAF
◆ Reduce opium-related poverty		2005	
Human Resource Development			
◆ Expenditure on Education increased	• Education expenditure will raise to 15 % of total budget	2005	MOE – MOF
◆ Access to education improved	• Net overall primary enrolment increased (from 77 %) to 85 %	2005	MOE
	• Proportion of female/primary enrolment > 45 %	2005	MOE
	• Proportion of female/lower secondary enrolment >40 %	2005	MOE
◆ Adult literacy rates increased	• Overall adult literacy increases (from 74 %) to 80%	2005	MOE
	• Female adult literacy increases (from 60%) to 65%	2005	MOE
◆ Expenditure on Health increased	• Health expenditure will raise to 10% of total budget	2005	MOH – MOF
Government Organisation, Central-local Relations, Capacity Building, Participation and other Governance Issues			
◆ Improve government organisation and civil service management	• Governance programme finalised and adopted	2003	DPACS
	• Public service streamlined	2003-2005	DPACS
◆ Central-local Relations redefined	• Legal texts finalised (Law on Government, Local administration, etc.) and adopted	2004	DPACS
◆ Enhance gender equity	• Gender mainstreaming undertaken by all sectors concerned	2003-2005	CPC – LWU
◆ Community participation enhanced	• Participatory planning re-enforced and capacity building programmes	2003-2005	

implemented

Table 25 : NDF – Main Performance Indicators (cont'd)

Growth with equity

<ul style="list-style-type: none"> ◆ Strong economic growth ◆ Price stability ◆ Budget revenues increased 	<ul style="list-style-type: none"> • Average annual growth of 6-7 per cent • Annual inflation less than 10 per cent • Revenues increase (from 12.8 %) to 14-15 % 	<p>Annual Annual 2005</p>	<p>NSC – CPC BOL – NSC – CPC (MOF – annual budgets published) MOF</p>
<ul style="list-style-type: none"> ◆ Expenditure better managed 	<ul style="list-style-type: none"> • Expenditure management action plan (regulation, procedures, reporting, etc.) implemented 	<p>2003-2005</p>	<p>MOF</p>
<ul style="list-style-type: none"> ◆ Fiscal deficit reduced and stabilised ◆ Financial sector becoming healthier 	<ul style="list-style-type: none"> • Budget deficit reduced to <4.5-5% of GDP • Banking sector reform programme on course (SOCB restructured) • Widening and deepening financial services outreach 	<p>2005 2003-2005 2003-2005</p>	<p>MOF – CPC BOL MOF – BOL</p>
<ul style="list-style-type: none"> ◆ External trade increased 	<ul style="list-style-type: none"> • Annual export growth rate at 10 % (by progressively removing trade barriers) 	<p>Annual</p>	<p>MOC – CPC – NSC</p>
<ul style="list-style-type: none"> ◆ Real economy adjusted to needs 	<ul style="list-style-type: none"> • Agriculture output growth steady at 4.0% year; industry growth rate increasing to 10%/2005; services sector growth increasing to 9%/2005 	<p>Annual</p>	<p>MAF/MIH/MOC – CPC</p>
<ul style="list-style-type: none"> ◆ Maintain high level of investment ratio 	<ul style="list-style-type: none"> • Overall investment ratio to GDP attains 34-35 per cent, with public investment at 12-13 percent and private investment at 22-23 per cent 	<p>2003-2005</p>	<p>BOL - CPC</p>
<ul style="list-style-type: none"> ◆ Private sector investment enhanced ◆ Business environment enhanced 	<ul style="list-style-type: none"> • Government saving increased to 4-5 per cent of GDP • FDI and domestic private investment increases steadily • Relevant laws and legal regulations revised and implemented 	<p>Annual Annual 2003-2005</p>	<p>NSC – CPC BOL – CPC Legal texts published by MOC CPC</p>
<ul style="list-style-type: none"> ◆ Environmentally sustainable growth 	<ul style="list-style-type: none"> • Regular consultation meetings held with private sector • Enacting and implementing regulatory framework regarding EIA, natural resource management, etc. 	<p>Annual 2003-2005</p>	<p>STEA and concerned agencies/ministries</p>
<ul style="list-style-type: none"> ◆ Land Management and Administration streamlined 	<ul style="list-style-type: none"> • National Master plan for integrated land use and land development planning discussed (policy dialogue), finalised and adopted 	<p>2003-2004</p>	<p>DONLUPAD</p>

Table 2.2 : Main Economic and Financial Indicators of Lao PDR from 1992-2002 and Projection for 2003-2005

Items	Actual Implementation											estimated		Proje	
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		
1. Total GDP Growth (%)	7.0	5.9	7.7	7.5	6.9	6.9	4.0	7.3	5.8	5.7	5.7	6.0			
of which:															
- Agriculture (growth/share)	8.3/58.0	2.7/56.3	8.3/56.6	3.1/54.3	2.8/52.2	7/52.2	3.1/51.8	8.2/52.2	4.9/51.8	3.8/50.8	4.1/50.1	4.5/49.4	4.5/4		
- Industry (growth/share)	7.5/16.7	10.3/17.4	10.7/17.8	13.1/18.8	17.3/20.6	8.1/20.8	9.2/21.9	8/22.0	8.5/22.6	9.7/23.4	6.2/23.5	8/24.0	9/24		
- Services (growth/share)	3.9/25.3	7.7/26.3	3.9/25.6	12.0/26.9	8.5/27.2	7.5/27	5.5/26.3	6.7/25.8	4.9/25.5	5.7/25.8	8.3/26.4	7/26.6	8/24		
2. GDP at constant prices (billion of kip)	681.80	721.84	777.72	835.69	893.26	955.01	993.16	1,065.45	1,127.35	1,191.38	1,258.72	1,334	1,		
3. GDP at current prices (billion of kip)	844.35	953.29	1,107.75	1,430.36	1,725.69	2,200.71	4,240.20	10,328.60	13,671.3	15,669.99	18,259.46	20,452	22,		
GDP in Dollar	1,179.26	1,329.55	1,542.83	1,747.54	1,863.60	1,746.60	1,286.47	1,453.50	1,742.45	1,766.43	1,815.06	2,045.2	2,17		
4. Inflation (average annual rate) (%)	9.9	6.3	6.8	14.35	18.8	14.2	61.38	134	26.98	7.84	10.6	7.0			
5. Growth of money supply - M2 (%)	49	64.59	31.9	16.43	26.76	65.76	113.3	78.36	45.53	20.06	26.8	18.0	1		
6. Exchange rate (Kip/ one of US Dollar)	716	717	718	819	926	1,260	3,296	7,106	7,846	8,871	10,060	10,000	10,		
7. Total government revenue (Billion of Kip)	130.5	156.0	208.7	241.1	283.7	334.9	822.9	1,403.3	2,484.9	2,317.1	2,858.3	3,121.4	3,74		
- excluding grant	90.5	117.8	140.5	171.1	223.1	237.9	442.8	1,071.8	1,729.0	2,011.0	2,270.5	2,671.4	3,27		
8. Total government expenditure(Billion of kip)	175.0	188.6	266.0	310.1	374.7	463.1	1,145.7	1,708.7	3,016.2	3,054.6	3,748.7	4,336.2	4,82		
of which:- Current expenditure (Billion of Kip)	93	130.2	147.6	166.4	172.7	199.5	299.1	541.4	1,094.8	1,295.6	1,419.3	1,755.3	2,14		
9. Overall budget deficit (As percentage of GDP)	-0.6	-3.8	-5.2	-4.8	-5.3	-5.8	-7.6	-3	-3.9	-4.7	-4.9	(5.9)	(-		
- Deficit excluding grant (As percentage of GDP)	-1.0	-8.3	-11.3	-9.7	-8.8	-10.2	-16.6	-6.2	-9.4	-6.7	-8.1	(8.1)	(-		
10. Total value of exports (Million of US Dollar)	133	240.5	300.4	307.6	317.2	312.7	336.8	301.5	330.3	309.8	321.0	331.0	34		
11. Total value of imports (Million of US Dollar)	165	265.6	431.9	564.1	588.8	689.6	647.9	552.8	535.3	523.1	513.6	542.0	57		
12. Current account balance (Million of US Dollar)	-52	-41.2	-96.7	-132.8	-229.6	-177.6	-33.6	-75.7	-8.5	-78.6	-41.5	(33.3)	(3-		
Deficit as % of GDP	(4.41)	(3.10)	(6.27)	(7.60)	(12.32)	(10.17)	(2.61)	(5.21)	(0.49)	(4.45)	(2.29)	(1.63)	(1.		
13. Official gross reserves (in months of imports)	2	2	2	3	2	2	3	2.3	3.2	3.9	5.7	4.8			
14. National savings (as % of GDP)	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	19.4	17.0	18.1	20.1	2		
of which: - government savings (as % of GDP)	-0.3	-1.5	-0.6	0.3	2.9	1.7	3.4	5.1	4.6	4.6	4.7	4.5			
15. Total Investment (Billion of kip)	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	2,857.30	3,275.03	3,706.67	4,581.2	6,47		
of which:															
- Government-PIP (Billion of Kip)	86.0	101.9	118.0	166.1	205.5	248.7	290.5	1,295.1	1,914.0	2,115.4	2,136.4	2,515.6	2,85		
as % of GDP	10.2	10.7	10.7	11.6	11.9	11.3	6.9	12.5	14.0	13.5	11.7	12.3	1		
- Private (Billion of Kip)	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	943	1,160	1,570	2,066	3,		
as % of GDP	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	6.9	7.4	8.6	10.1	1		
16. Total FDI approved (Million of US Dollar)	335.1	347.8	2598.3	804.9	1292.65	138.78	122.3	116.8	20.4	42	493.8	550.0	65		
Real FDI inflow through Bank (Million of US Dollar)	7.8	35.8	59.2	88.4	128	86.3	45.3	51.6	6.3	2.6	n.a				
17. ODA (Million of US Dollar)	n.a	n.a	n.a	n.a	416.6	370.9	240	354.5	331.45	385.7	378.4	438.7	42		

of which: grants	n.a	n.a	n.a	n.a	241.3	200.4	148.3	252.2	227.8	285.2	236.3	213.9	25
18. Total foreign debt service (M \$US)	9.6	9.4	9	13.3	15.5	19	21.3	28.4	28.8	34.9	37.4	37.5	3
19. Population (Th.persons)	4,360	4,474	4,591	4,605	4,723	4,847	4,975	5,108	5,245	5,380	5,520	5,660	5
20. GDP per capita (\$/person)	270.47	297.17	336.06	379.49	394.58	360.35	258.59	284.55	332.21	328.33	328.81	361.34	37

1/. Updated data provided by NSC, MoF, BoL, CPC annual and 5-year socio-economic reports

2/. Projection of main indicators are according to government commitment to PRGF proposal report. These consist of real and nominal GDP, inflation targets, savings and investments (with some adjustments)

Table 2.3: Matrix of Policies / Strategies for Revenue collection

Policy Area (s)	Objectives / Targets	Measures (Strategies)	Planned Timetable	Monitoring Indicators	Reporting Frequency	Reporting Agency
<ul style="list-style-type: none"> ◆ Ensure fiscal stability and budget healthy through the control of inflation single digit level. 	<ul style="list-style-type: none"> - Increase revenue by 14 to 16% of GDP (increase on average by 0.5 –1% annually). In FY 2004/2005, revenue must be not less than 15% of GDP. (Based on Baseline Scenario) - Reducing fiscal deficit by 0.5 to 1% of GDP annually. 	<ul style="list-style-type: none"> - Centrally and strictly manage foreign exchange revenue; ensure that foreign reserve is strengthened; strictly implement national saving policy in all areas, in order to gradually eradicate unnecessary subsidies and reduction of fiscal deficit in accordance with the target. - Stop or cancel direct policy lending. - Stop or reduce accumulated debt of state-owned enterprises (SOEs). - Stop the continuous credit to inefficient SOEs. - Prepare the Medium Term Expenditure Framework including demand for foreign financing - Mobilise all resources to ensure the requirement of total expenditure and poverty eradication. - Improve fiscal policy in line with creating favour condition for economic growth; actively enhance commercial production to provide basis for labour, goods and money market expansion. - Improve fiscal and credit regulation to enhance and facilitate the expansion of sound economic activities of medium and small-scale enterprises. - Reapply 5 % for turnover tax on petroleum products (as stated in Tax Law) - Increase excise duties on luxury goods - Study exemptions in order to reduce them - Start improvement of custom-tax management and administration including LTUs, and reduce exception range. - Continue collection of lose loans. - Continue to implementation of decentralisation policy accordingly to Decree 192/P.M - Introduction VAT to supersede turnover tax 	<ul style="list-style-type: none"> Immediate Immediate Immediate Under way On-going FY 2002/03-2004/05 NA 2003 NA 2003 2005-2006 2006-2007 	<ul style="list-style-type: none"> - Change in Consumer Price Index - Percentage of Revenue, expenditure and fiscal Deficit to GDP - Debt service Ratio - Capacity of revenue from tax increasing 1.5% of GDP yearly 	<ul style="list-style-type: none"> - Monthly - Quarterly - Every 6 months - Annually 	<ul style="list-style-type: none"> National Audit Agency Budget Department Fiscal Policy Department Tax Department

<p>II. Ensure continuous socio-economic growth; improve economic structure in accordance with sectors- agriculture, industry/handicraft and service; facilitate those sectors to flexibly active in view to achieve the 5 year socio-economic development target.</p>	<ul style="list-style-type: none"> - Increase saving to GDP from 4% in FY 2000/2001 to 6-7% in FY 2004/2005, or increase by 0.5%-1% on average each year, in order to achieve investment from public saving at 6-7% of GDP in the end of this 5 year budgeting plan. This means that we must mobilise external fund of 5-6% of GDP in order to totalise public investment at the level of 12% -13% of GDP. - Solve vague debt, particularly the debt occurred between the budget and the bank, between the budget and enterprises, and treasury's dept. - Ensure appropriate spending structure in line with the direction of salary payment, bonus payment for official staffs, solders, polices, recurrent expenditure, maintenance cost of equipment and government assets, expenditure on national defense, cultural and social expenditure, and appropriate public investment. There- ... 	<ul style="list-style-type: none"> - Arrange a reasonable investment structure in each sector, region and economic sector in order to rapidly increase investment efficiency; upgrade productivity, quality and efficiency in production; strengthen competitiveness of Lao products in domestic, regional and global market. - Develop fiscal policy that is consistent with enhancement and protection of production, and closely related to poverty reduction for Lao people, and create social balance in every aspect. - Create a reasonable expenditure policy (including production and individual expenditure) to ensure the promotion of production in accordance with economic capacity in each period; strictly economise spending in order to increase saving. - Maintain relationship with foreign countries and increase international economic co-operation for regional integration purpose and for mobilisation of fund, technology and management skill on the self mastery, self dependent and self strengthening basis, in order to avoid risk and achieve meaningful co-operation. - Promote foreign direct investment; increase management and mobilisation of foreign grant. - Develop information system; use advanced technology to ensure effective collection of budget revenue and create transparency in budgeting sector in order to determine direction/policy and fiscal plan in accordance with reality in each period. <hr style="width: 20%; margin-left: 0;"/> <p>...fore, from now to 2005, recurrent expenditure in total public expenditure framework will be 49% and investment spending will be 51%.</p>	<p>FY 2000/01-2004/05</p>	<ul style="list-style-type: none"> - Change in sectoral investment to GDP - Increase in saving to GDP - Number of prioritised projects - Successfulness of business operation 	<ul style="list-style-type: none"> - Monthly - Quarterly - Every 6 months - Annually 	<p>Budget Department</p> <p>Treasury Department</p> <p>Fiscal policy Department</p> <p>Investment Department</p> <p>The Committee for Planning and Cooperation</p>
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Table 2.4 : Matrix of Action Plan for Improving Public Expenditure Management

Policy Area	Objectives/ Targets	Measure (Strategies, Policies)	Planned Timetable	Monitoring indicators	Reporting Frequency	Reporting Agency
<p>Enhance the role of the National Treasury to more effectively record revenues, expenditures, and bank and non-bank financing of the budget</p>	<p>A. Regulation and procedure</p>	<p>1. Decide/clarify on key strategic issues in the design of the Treasury system and the role of commitment controls. (Short term technical assistance could facilitate discussion of the option)</p> <p>2. Complete draft of treasury Regulations and manual of procedures, consistent with the agreed detailed approach to treasury reform. (Peripatetic technical assistance may be required)</p> <p>3. Integrate the treasury and Accounting Regulations in a single set of regulations, while resolving any inconsistencies with the various accounting regulations, based on the board guidelines and subsequent experience. (Technical assistance may be required).</p> <p>4. Integrate Treasury staff engaged within the Ministry of Finance, to be accountable to the head of the central Treasury, especially regarding central government bank accounts. As appropriate, have the central Treasury provide management services for treasury operations in provinces and districts</p>	<p>2003</p>		<p>Monthly</p>	
	<p>B. Fiscal Reporting</p>	<p>1. Every district to transmit data on revenue, expenditure and treasury balances to provinces within 10 days after month-end (with a longer time frame, such as 15 days, for specified remote districts), to enable provinces to produce consolidated monthly reports and transmit them to the central treasury within 15-20 days after month-end, to allow the production of a preliminary consolidated fiscal report, fully reconciled with banking data, within 25-30 days after the end of each month (Training of district staff needed)</p> <p>2. Close monthly accounts at end-month uniformly for all levels of the government, instead of closing them in some districts on the 20th of the month. (Substantial training required)</p> <p>3. Identify all extrabudgetary funds and require financial reporting and accounting similar to that required for the budget (e.g for the Road Fund, the Environmental Fund,</p>	<p>2003</p>	<p>Ministerial order issued</p>	<p>Monthly</p>	<p>Treasury Department</p>
			<p>2004</p>		<p>Monthly</p>	
			<p>2004-2005</p>		<p>Annual</p>	
			<p>2003</p>		<p>Annual</p>	
			<p>2004</p>			<p>All provinces</p>
			<p>2003-2004</p>			
	<p>2004-2005</p>					

		the Unexploded Ordinance Fund, and Poverty Fund)				
		4. Publish the budgets of all extrabudgetary funds at the same time as the annual budget plan. Progressively integrate into the budget framework all retained revenues and their corresponding expenditures.	2003			
			2003			
	C. Government Banking	1. Introduce a register of all government accounts operated with the authority of the Ministry of Finance. Update the register of government bank accounts as new accounts are opened and old accounts are closed.	2002-2003	Register completed in March 2003		Treasury Department of MOF/BOL
		2. Continue process of closing bank accounts established without treasury authorisation.				
		3. Minimise the delays in provincial transfers of central government revenues by establishing central government bank accounts at commercial banks located in large revenue centres without BOL branches, and promptly sweep those balances into BOL accounts.	2003-2004	Bank accounts closed by Sept.		
		4. Establish a system of daily consolidation of data on key treasury bank balances.	2003-2004			
		5. Consolidate government bank accounts for each of government.	2004-2005			
		6. Link all treasury accounts (with adequate communications links into a single network of treasury accounts (Technical assistance may be required)	2003			
		1. Complete a census/survey conducted jointly by Treasury Department and Budget Department of expenditure arrears as at September 30, covering all type of expenditure nation wide, including all enterprises' balances with the treasury.	2003	Reports being reviewed		
	D. Arrears	2. Formulate a time bound action plan of measures to : (1) clear arrears accumulated up until September 30 (including revenue sources); and (2) ensure that no new arrears are accumulated.	2003			Treasury/Bud get Departments
		3. Monitor accounts payable, enterprises' balances at the treasury, and other arrears on a monthly basis	2003-2005			
		4. Gradually eliminate the stock of arrears revealed in census. This could be partly achieved through issuance of treasury paper.	2003			
		5. Update the census of expenditure as of September including any new arrears accumulated during fiscal years				

Continue improvements in the accounting system by extending the nomenclature system and applying these systems as computerisation continues	Budget classification	<ol style="list-style-type: none"> 1. Revise the budget classification for expenditures to : (1) simplify the present classification by type of expenditure; (2) identify administrative units within ministries; and (3) introduce a level of government classification (central, provincial, and district) 2. Harmonise the accounting codes with the proposed revised budget nomenclature 3. Utilise the classification of expenditure by administrative units in the education and health sectors (Technical assistance may required) 4. Extend use of revised classification to other sectors in line with computerisation (Technical assistance may be required) 5. Adopt a multi-module budget and accounting classification system in line with the computerisation of all central ministries' and provinces' budgets, and budget execution systems. In particular, introduce the functional classification of expenditure (as defined in the IMF's GFS Manual) and " cost centres " 6. Introduce a single system of coding for budgeting and accounting to be used in the computerised system being developed. 	<p>2003</p> <p>2003</p> <p>2003-2004</p> <p>2004-2005</p> <p>2004-2005</p> <p>2005-2006</p>			Accounting Department
Budget preparation procedure should be revised to bring forward the budget preparation cycle to provide a more specific expenditure framework early in the fiscal year. Comment controls should be reviewed or effectiveness and efficiency	Budget Improvement	<ol style="list-style-type: none"> 1. Clarify the various regulation and instructions on expenditure control, especially the implementation of pre-disbursement controls, (including on commitment) and its degree of centralisation in conjunction with line ministries and provinces 2. Experiment with streamlining expenditure controls by the Budget and the External Financial Relations Departments for selected line ministries and provinces, while preserving overall fiscal management. 	<p>2002-2003</p> <p>2003-2004</p>			<p>Budget Department</p> <p>Budget and External Financial Relations Departments</p>

	Audit and Control	<ol style="list-style-type: none"> 1. Transmit to the State Authority (SAA) the budget outcome 2. The SAA to report to the National Assembly on the consolidated fiscal account 3. Review the role and responsibilities of the various internal control and audit agencies in the MOF, the Prime Minister's Office, and in spending ministries 4. Rationalize the various inspection and internal audit agencies. 	<p style="text-align: center;">2003</p> <p style="text-align: center;">2003</p> <p style="text-align: center;">2004 2004-2005</p>			National Audit Authority
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Table 2.5 : Consolidated Matrix regarding policy priorities for the financial sector

Policy Area	Objectives/ Targets	Measure (Strategies, Policies)	Planned Timetable	Monitoring indicators	Reporting Frequency	Reporting Agency
Promote sustainable growth through a viable financial sector and Strengthen macro-economic stability	Control of domestic asset net through managing money supply indicated as M2/GDP. M2 growth should not be increased by 18% in annual average	- Implementation of multi policy measures by using more indirect instrument (open market, reserve requirement, credit ceiling)	2003-2005	- Percentage change of M2 and M2/GDP - Change of reserve requirement rate - Volume and value of Bonds issued	Monthly, quarterly and annual report on Monetary survey and BOL official report	BoL and IFIs review mission report
Bank Credit Allocation	- The credit should not increase more than 21% as an annual average. - Induced credit culture by ensuring that formal governance structure are applies - Ensure greater access to financing by creditworthy private sector borrowers	- All Credits allocation to meet commercial basis to support - Use an appropriate interest rate according to the money demand and supply - Improved Credit Risk management and commercial analysis for credit generation, - Improved financial disclosure by borrowers The exchange rate determined by daily interbank rate market mechanism	2003-2005	- Growth of credit for 2003 will be limited to 18% - Interest rate monitoring report BOL prudential Supervision reports and compliance on asset quality and risk management by on site and off- site audits. Financial reports and audited accounts.	- Monthly, quarterly an annual report on Interest rate monitoring statistics report, Monetary survey, supervision report Quarterly Quarterly	BoL, MOF , SOCB and IFIs review mission report BOL BOL, MOF

Exchange rate policy	Floating managed exchange rate	<ul style="list-style-type: none"> - To limit the gap between Bank and parallel market rate under 2 per cent - BoL will intervene when its necessary - Promotion and used Lao kip as a main instrument for domestic transaction 	2003-2005	<ul style="list-style-type: none"> - Nominal exchange rate change and level of fluctuation - Increase of months for reserved import 	Daily, Weekly, and Monthly	Commercial Banks and BoL
Banking Sector Reform programme	<ul style="list-style-type: none"> • Provide for an efficient financial intermediation and sound banking system to support economic growth and extend banking services and outreach; • Improvement the commercial environment for all financial institutions; • Consolidation of SOCBs and undertake operational restructuring to improvement performance • More effective banking environment, improvement competition 	<ul style="list-style-type: none"> - SOCB undertake operational restructuring against performance targets , reduce NPL through collection and effective resolution process; - Improve Governance – appointment or boards and board committee and board to institute controls , prudent management and operational improvements - Financial restructuring (recapitalization) is to be phased subject to meeting governance and operational improvements - Reduce NPL situation, through a disciplined credit risk management ,collection and by improving creditor-debtor informal arrangements. - The reduction of three SOCBs to two - Shrinking of SOCBs’ balance sheet - Strengthening asset quality <ul style="list-style-type: none"> • Improvement financial disclosure by private sector firms; • Better spread of banking business and exposure • Expansion of private banks’ and foreign banks’ branches outside of Vientiane 	2003-2005	<ul style="list-style-type: none"> • Number of NPL cases resolved through court system courts and informal resolution • Appointed of new board , and higher oversight by BOL • Signed Governance agreement • Performance targets under the governance agreement • Cash collection and reduction of NPL ratio • Governance Agreement • Reduction of NPL ratio and improvement of SOCB’s balance 	<ul style="list-style-type: none"> Quarterly and Annually Quarterly reports Quarterly Quarterly Yearly Results of court decision Quarterly Quarterly Quarterly BOL compliance reports Quarterly Quarterly Quarterly 	<ul style="list-style-type: none"> SOCB, MOJ BOL MOF, BOL< SOCB MOF, BOL & SOCB MOJ, BOL MoF and BoL BOL, SOCBs SOCB and BOL BOL and SOCB MOJ , BOL SOCB

<p>-</p> <p>Final Services for Rural and Micro-finance for poverty reduction</p>	<ul style="list-style-type: none"> - Diversify financial services into grassroots through establish micro-credit institutions - Restructuring APB aims to enable management autonomy, market orientation and self-sustainable under an appropriate prudential regulation framework 	<ul style="list-style-type: none"> • Strengthening of prudential regulation and oversight • Strengthening of legal environment and judicial enforcement and oversight. - Prepare a vision statement for the rural and microfinance sector; identify impediments to sustainable, market-oriented rural and micro-finance - Prepare a strategy and a corresponding action plan for micro-finance - BoL to license three commercially oriented member-owned pilot savings and credit unions (SCUs) - Prepare legal and regulatory framework - Diagnostic review, financial audit, corporate vision and operational restructuring plan consistent with the corporate vision for APB. - APB will phase out policy lending from policy lending 	<p>2003-2005</p> <p>2003-2005</p> <p>2003-2004</p>	<p>sheet</p> <ul style="list-style-type: none"> • SOCB and BOL reports <p>BOL and SOCB reports</p> <p>Court cases , MOJ reports</p> <ul style="list-style-type: none"> - Increase proportion of rural people with access to formal financial services - Adopted and implemented regulatory framework for microfinance institutions and enhance SCU regulation based participatory process - Adopted vision by Prime Minister - All necessary instruction to allow APB freeing set interest rate on loans and deposits to be subject to commercial criteria 	<p>Quarterly</p> <p>yearly</p> <p>According to Bank reform framework and output result</p> <p>BOL , MOF Quarterly reports</p>	<p>BoL and IMF TA</p> <p>MOJ and BOL</p> <p>BOL MOF</p>
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Table 2.6 : Matrix of Main Priority Governance Initiatives 2003-2010

(Selected NPEP related elements)

Governance Programme Component 1: Public Service Improvements

1. Strategic objective: Development of a cost-effective and people’s centered public administration and development of a productive, highly motivated, professional and ethical public service;

- Staff attitudes shifted from compliance into commitment to citizen’s satisfaction
- Personnel expenditures reduced and under control, more rational and efficient use of CS human resource
- Enhanced motivation, involvement and productivity of civil servants
- Promotion of examples of good customer service, creativity and innovation in the CS
- Reduced corruption and more honest, transparent and accountable the Civil Service
- Development of the civil service ethos and civil servant involvement in high quality governance
- Implementation of citizens’ right to complain;

Priority governance Initiative	Expected products (outputs)	Indicative time table ¹	Responsible agency
Approval of the Law on Local Administration and review of laws, decrees and regulations on the organization and functioning of the government	Law on Local Administration adopted Laws and regulations on the organization of the government revised	2003-2004	DPACS, MoJ, all ministries
Functional reviews and process improvements (organizations playing a key role in the poverty alleviation)	Missions, objectives, functions, structures and processes of pilot offices and organizations revised and their needs of HR assessed	ST (2003) ST (2004)	DPACS and organizations concerned
Civil service rightsizing & redeployment (from central to local levels) and accompanying measures	Number of civil servants reduced about 5%	2005	DPACS and all O&P Dep.
Study on possible transfer to non governmental sector of certain public service delivery functions	Report identifying transferable public services	MT	DPACS and BDO
Establish service standards, and ensure broader public access to the government organizations’ performance reports	Service standards for selected service delivering offices	M<	As above

¹ ST – Short Term (1-2 years), MT – Medium Term (2-3 years), M< – Medium-Long Term (3-5 years), LT – Long Term (more than 5 years), PA- permanent activity

Promotion of improved service delivery through administrative innovation	Pilot initiatives to be defined, developed, tested , assessed and best practices disseminated	S&MT	As above
Publication of manuals and information brochures on the organization and mandates of governmental organizations	Manuals, brochures and directories of services published and disseminated	S&MT	As above
Development of more service oriented public servant training programs	Revised training programs	2004	DPACS and NOSPA
Implementation of the new salary scale	New salary scale adopted and implemented	MT	MOF (DB) & DPACS
Improvement of the National Award system for organizational units and individuals	Renewed Award system implemented and largely publicized	S&MT	DPACS
Upgrading PM anticorruption decree to the level of Law	Draft anticorruption Law	MT	MOJ, PMC
Prepare a Code of Ethics for political leadership and other priority targets groups (tax and customs)	Codes of ethics for priority targets groups drafted, largely discussed and adopted	MT	DPACS
Improve the system of handling grievances and procedures protecting whistleblowers	Department of Public Grievances of the State Inspection Authority created and operational	S&MT	SIA
Disseminate provisions of the new Civil Service Statute related to ethics, conflict of interests and abuse of office	New Civil Service Statute largely disseminated	S&MT	DPACS
Promote and reward ethical conduct in the management of the public service, conduct regular training on anti-corruption in government agencies	Training sessions on anti-corruption	PA	DPACS, NUL NOSPA other agencies concerned

Governance Programme Component 2: People's Participation

1. Strategic objective: Promoting a dynamic, more open, transparent and participatory society

- Legal framework facilitating further development of the CSA
- Increased participation of women in national and local governance
- Increased opportunities for Lao youth to express their concerns, expectations and ideas
- Increased citizen knowledge of government policies and programs
- Greater public awareness of critical social and economic issues
- Public administration more transparent, accessible and understandable for public

Priority Governance Initiative	Expected products(outputs)	Indicative time table	Responsible agency
Development of legal framework for civil society associations (CSA)	Transparent rules for approval and cooperation with civil society associations	MT	MOJ, National Assembly,
Development and implementation of Gender Mainstreaming	Gender Mainstreaming Strategy adopted	ST	Lao Women's Union

Strategy	Seminars for government officials;	S&MT	
Enhancement of knowledge of governance among youth	Project conceived and launched	S&MT	Lao Youth Union, MIC
Regulations opening access to information on public administration activities for the public	PM decree drafted and adopted	M-LT	PMO
Increase availability and dissemination of laws and regulations, government policies and programs	Regularly updated legal data base in the Internet website informing about government policies	ST M<	POM, MÓJ,
Establishment of “Information Centers” for the public in district administration office	Information Centers progressively established, equipped, staffed and operating	M<	MIC
Use of village meetings to inform population about development programs, budget allocation and service delivery	Village meetings with government officials organized periodically and on specific occasions when necessary	PA	CPC

2. Strategic objective: Redefining central-local relations – bringing services closer to the people

- Progressive poverty alleviation through delivery of cost effective and easy accessible basic services for rural poor
- Improved legal framework for decentralized governance
- Development and empowerment of larger and more viable local communities
- Development of participatory municipal administration in urban areas
- Improved development planning and management at provincial, district and *Kum Ban* level
- Improved Human Capacity at the local level, attracted qualified personnel to work in rural district administration
- Increased gender equality in participation and control over local development

Priority Governance Initiative	Expected products (outputs)	Indicative time table	Responsible agency
Develop capacity of provincial level as strategic unit responsible for macro-management at local levels able to formulate their own socio-economic plans	Functional and organizational reviews, process re-engineering, staffing plans and job descriptions, process and job oriented training,	S&MT	CPC, DPACS, Governors
Transform district with high economic potential into separate budgetary units and benefit districts with low capacity of provincial level support	Identification and classification of the districts with high economic potential, definition of the legal framework and progressive implementation	M<	MOF, DPACS, concerned governors
Develop districts’ capacity as main level of development project implementation,	Development of Guidelines for Planning and Management of Development Project	M<	Provincial authorities DPACS, CPC
Promote development of <i>kum ban</i> and project planning and implementation on <i>kum ban</i> level	<i>Kum Ban</i> promoted and developed , guidelines for selection of villages in view to create <i>kum ban</i>	S&MT PA	CPC
Develop new organizational and institutional modalities for urban management, expand development of UDAA	Institutional model and new organizational methods for urban management tested and progressively expended	S&MT	DPACS, MOF
Implement of pilot projects at central and local level to support new decentralization policy	Pilot projects supporting decentralization implemented	S&MT	DPACS, CPC
Ensure data and statistics on local development	Data and statistics available	S&MT PA	CPC, NSC
Develop legal framework for farther development of Local	Law on Local Administration adopted	2003-4	National Assembly

Administration and creation of municipalities	Instruction 01/PM reviewed and upgraded as decree Municipal Law drafted and approved		CPC, DPACS, MOF & MOJ
Mainstream gender issues in local level planning, Introduce gender monitoring in local governance	Women promotion activities, Conception and pilot experiences, GRID training program for gender sensitive planning at the local level	PA	LWU
Develop a comprehensive capacity building program addressing decentralization management	Training programs on planning, budgeting and management for local staff,	S&MT	DPACS, NOSPA
Further dissemination of laws and regulations targeted at the local administration and local population, using popular, accessible language	Laws and regulation largely disseminated	PA	MOJ, MIC, DPACS
Exchange of experiences with the ASEAN neighbors and organizations specialized in the local governance	Exchange of experience periodically organized	PA	DPACS
Improve working conditions and create incentives for staff of rural districts	Improved working conditions and new incentives developed and implemented	S&MT	DPACS, MOF District authorities
Make appointments in remote districts compulsory during probation period	Compulsory appointment during probation period introduced	S&MT	DPACS
Link the monitoring of local governance development and capacity building programs with the NPEP	Link established (procedures to define)	MT	DPACS, CPC Local authorities
Develop mechanisms adjusting local government development activities to local constraints, needs and priorities, analyze impact of decentralization policy on poverty	Built-in adjustment mechanisms Periodic (annual) reports on the impact	MT	DPACS, local authorities
Develop civic education programs on decentralization, accountability and transparency in local government	Civic education programs on decentralization and local government developed, approved and implemented	MT	MOE, DPACS
Ensure involvement of the local populations in project monitoring and evaluation of the projects	Pilot testing of public hearings, workshops	MT	Local authorities
Create dissemination mechanisms for successful initiatives and projects	Best practices identified and replicated in other provinces and districts	MT	DPACS, CPC, MIC, Media
Recognize and award activities successfully addressing poverty alleviation and improvements in local governance.	Improved National Award System	MT	DPACS, CCOP and local authorities

Governance Programme component 3: Rule of Law and Access to Justice

1. *Strategic objective*: Establishment of a complete, clear and coherent legal framework, ensuring predictable and transparent mechanisms for legal enforcement

- Increased public awareness of laws and the role of the legal sector
- Increased transparency in court decisions

- Better qualified judges giving consistent and transparent decisions
- Improve effectiveness and efficiency of courts
- Increased awareness of laws among the population at large

Strengthen the capacity of the National Assembly to propose, evaluate and approve sound legislation	Legislative skills training, policy research and impact assessment support	S M LT	NA
Continue the comprehensive compilation and regular updating and large dissemination of legislation	More frequent publication and wider distribution of the Official Gazette CD-Rom containing legal data base of all decrees and laws	2004 S M LT	MOJ
Establish manual of legal guidelines for ministries and justice official at provincial and district levels.	Manual produced Training on use of manual prepared and presented	2003/4	MOJ/MOF
Continue to enhance co-operation with other agencies in order to ensure improvements in the legal enforcement of court decisions.	Regulations concerning division of responsibilities between different agencies approved, Law on Economic Dispute Resolution approved by NA	ST	MOJ/ PSC/ OPP/ Ministry of Public Security
Systematic publication of law books and manuals and supply them to public facilities across the country	Books in each area published and distributed Publication of practical manual for legal dissemination Establish law journal	2003 PA, MT	MÓJ
Strengthen knowledge of the law through the local schooling system	Legal awareness components in secondary school curriculum established	S MT	MOJ/ MOE
Provide legal training for legal staff at central and local levels	Action plan and curriculum for training of trainers, short and long term training plan for judges	S MT	MOJ/PSC/OPP
Speed up case resolution and improve decision-making.	Progressive reduction in number of district courts to ensure sufficient number of qualified judges at each court	2003/4 MT	MOJ/PSC

2. Strategic objective: Improving the ability of all the peoples of Lao PDR to access the justice system.

Strengthening the informal and formal mechanisms for dispute resolution

- Easier access of the public to the legal services, streamlining of their delivery, facilitation of the training for public officials
- Better access to justice for disadvantaged groups
- Better understanding on the part of officials of the needs of priority groups
- More efficient and cost-effective alternatives to the formal court system
- Increased public confidence in the court system

Priority Governance Initiative	Expected products (outputs)	Indicative time table	Responsible agency
Create appeals courts and people's courts at the provincial level, as well as mediation and military courts. Strengthen mediation units at the village level.	Establishment of appellate court with trained judges, infrastructure and supporting staff appointed	MLT	NA/PSC
Improve capacity of village mediation units	Training of mediators and establishing district justice officers that facilitate and supervise the work of mediators	MT	MOJ
Strengthen the Bar Association to enable it to better provide legal services to disadvantaged group	Build management structure and capacity, establish regulations for collecting and disbursing own revenue	S MT	MOJ
Implement the policy of free legal assistance provided by justice departments and district level to those in need	Regulations on priority assistance drafted and approved	S MLT	MOJ
Develop translation services for people of different language background	Feasibility study completed	ST	MOJ
Restructure and update the office responsible for providing legal advice to women	Office upgraded	ST	Lao Women's Union
Research, enhance and monitor the implementation of measures to ensure the respect of women and children's rights	Reports on the fulfillment of Lao PDR's international commitments Collaborate with regional neighbors in monitoring of trafficking in women and children	PA	Lao Women's Union / MOJ/ Min Labor and Social Welfare/ MOFA

Part 4: Sound Financial Management

Accountability and Transparency in Financial Management

1. Strategic objective: Development of a sound fiscal policy and implementation of equitable revenue collection

- Planned national revenues ensured and remitted to the central treasury on a timely basis
- Increased tax base
- Rationalize fairly the incomes between various strata of society
- Taxpayers identified and treated in a fair and equitable fashion across all provinces
- Effective decentralisation of revenue collection

Priority Governance Initiative	Expected products (outputs)	Indicative time table	Responsible agency
Revise definition of national, provincial, and district taxes and	New tax laws in place	MT	MoF

Priority Governance Initiative	Expected products (outputs)	Indicative time table	Responsible agency
monitor implementation at the provincial and district level, draft and approve new laws (e.g. Tax Law)	Decree #192 amended Monitoring system developed and in place	ST	DPACS
Review performance of the existing tax rates	Development of review methodology Implementation of review	PA	MoF
Consider the strengthening of the personal income tax system	Review and revision of personal income tax system	LT	MoF
Review policy to promote growth of SMEs	Ongoing review of SME growth support policy	PA	MoF
Introduce more efficient and transparent procedures for collecting taxes from the small taxpayer community.	New procedures/guidelines for small taxpayer collection	PA	MoF
Develop a comprehensive training program. Includes establishment of a tax and customs training center	Needs assessment completed, training program developed Training center opened	ST	MoF

2. Strategic objective: Development of transparent and accountable practices for expenditure planning and management and modernisation of the accounting system

- Spending patterns reflecting local priorities
- Budget preparation based on decentralized and bottom-up process
- Timely central government transfers to deficit provinces
- Application of new public sector procedures across the country at ministry and provincial level
- More effective revenue collection, more realistic, rational expenditure planning

Priority Governance Initiative	Expected products (outputs)	Indicative time table	Responsible agency
Take steps to control or prevent new expenditure arrears. If resources are available, take steps to clear stock of existing arrears	Guidelines on prevention of expenditure arrears Reduced level of expenditure arrears	ST	MoF
Start to report expenditure arrears on a monthly basis	Monthly report on arrears	ST	MoF
Develop a plan and secure donor support for extending public accounting regulations, procedures and system to all ministries and all provinces.	New accounting regulations, procedures and systems in all ministries and provinces	MT	MoF, and other ministries

3. Strategic objective: Ensuring accountable and transparent management of ODA

- Improved project management at local level
- More harmonised project documentation, accounting, procurement and reporting system
- Co-ordination of monitoring and evaluation capacity across CPC and line ministries
- All ODA to have a capacity-building component
- All projects and programs designed taking into account past experience

Priority Governance Initiative	Expected products (outputs)	Indicative time table	Responsible agency
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Strengthen the capacity of the CPC and the line ministries for the monitoring and evaluation of projects:	Needs analysis and resultant training programs Revised M&E procedures, regular impact evaluation reports	ST MT	CPC
Develop and implement training program for improving project planning and project management at the local levels	Training materials and program	MT	CPC
Streamline and harmonise project planning, budgeting and monitoring procedures and methodologies, in concert with the donors:	Projects incorporated in ledgers and monthly reports, all disbursements of donor-supported projects included in treasury ledgers and all project accounts are transferred to the national treasury	ST	CPC
Promotion of government-donor partnerships related to the governance program and the NPEP,	Streamlined co-ordination and reporting procedures.	ST	CPC
Streamline the distribution of responsibilities between government agencies involved in the management and co-ordination of aid.	Clearly documented delineation of responsibilities	MT	CPC

4. Strategic objective: Improving efficiency in land management and administration

- Full harmonisation of all laws and regulations
- Alternative approaches for land use allocation

Priority Governance Initiative	Expected products (outputs)	Indicative time table	Responsible government agency
Harmonize the different laws with a view to improving the coherence of the various laws. Draft and approve related regulations	Regulations in place	MT	MoF
Take steps, over time, to finalize land use rights in the country.	To be defined	MT	MoF
Examine methodology used for land allocation, and given the problems experienced, develop alternative approaches	Research document presenting alternatives	ST	MoF
Carryout planned policy dialogue to review policies and strategies for land administration	Policy dialogue meeting	ST	MoF