

Technical Assistance

TAR: LAO 39120

**Technical Assistance to the
Lao People's Democratic Republic
for Public Expenditure Planning
for National Growth and Poverty
Eradication Strategy
(Financed by the Cooperation Fund
in Support of the Formulation and
Implementation of National Poverty
Reduction Strategies)**

August 2005

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 31 July 2005)

Currency Unit	–	kip (KN)
KN1.00	=	\$0.000092
\$1.00	=	KN10,850

ABBREVIATIONS

ADB	–	Asian Development Bank
CPI	–	Committee on Planning and Investment
CSP	–	country strategy and program
MOF	–	Ministry of Finance
MTEF	–	medium-term expenditure framework
NGPES	–	National Growth and Poverty Eradication Strategy
Lao PDR	–	Lao People's Democratic Republic
PEM	–	public expenditure management
PEMSP	–	Public Expenditure Management Strengthening Program
PFM	–	public financial management
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Law, economic management, and public policy
Subsector	–	Public finance and expenditure management
Themes	–	Sustainable economic growth; Governance
Subtheme	–	Capacity development

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 30 September. FY before a calendar year denotes the year in which the fiscal year begins, e.g., FY2005 begins on 1 October 2005 and ends 30 September 2006.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Government of the Lao People's Democratic Republic (Lao PDR) aims to achieve economic growth, reduce poverty, and graduate from its least-developed-country status by 2020. The National Assembly of the Lao PDR mandated the Government to implement the National Growth and Poverty Eradication Strategy (NGPES) in October 2003. The NGPES provides a broad strategic framework from which future growth and poverty reduction programs will be developed and implemented. Implementation of the NGPES will require public resources to be mobilized, allocated, and applied effectively in line with the Government's policy and development priorities. The NGPES emphasizes the need for capacity building for public expenditure management (PEM) at all levels of public administration.¹

2. On the Government's request to the Asian Development Bank (ADB), the proposed technical assistance (TA)² seeks to support the Lao PDR to improve its PEM. The proposed TA is in line with ADB's Country Strategy and Program (CSP) for the Lao PDR, which highlights good governance through policy and institutional development as key to achieving sustainable economic growth. A Fact-Finding Mission was fielded to Vientiane on 23–27 May 2005. The Mission and representatives from the Government held discussions and reached an understanding on the objective, scope, cost, and implementation arrangements of the TA. The TA design and monitoring framework is in Appendix 1.

II. ISSUES

3. The 2002 Public Expenditure Review and Country Financial Accountability Assessment jointly undertaken by the World Bank, the International Monetary Fund, and ADB identified weaknesses in the Lao PDR's PEM systems. Although some progress has been made in recent years, structural weaknesses in the PEM system remain and constitute a critical constraint on NGPES implementation. The weaknesses include (i) poor articulation of expenditures with policy priorities, and of the relationship between recurrent and investment spending; (ii) weak expenditure control leading to increase in arrears; (iii) delays in paying the salaries of public officials; (iv) incomplete remittance of central Government revenues by local authorities; (v) weak compliance with procurement and payment procedures; (vi) poor reporting; and (vii) lack of an effective independent audit. These challenges need to be addressed over the medium-term and will require external funding support.

4. **Public Expenditure Management Strengthening Program.** The Government's PEM reform strategy up to end-FY2009 is laid out in its Public Expenditure Management Strengthening Program (PEMSP), approved by the minister of finance in January 2005. The Government reiterated its commitment to implementing the PEMSP in the Implementation Policy Framework issued in relation to the Nam Theun 2 (NT2) Hydroelectric Project.³

¹ See also National Round Table Process Steering Committee. 2004. *Note on Progress Towards Implementation of the NGPES*. Lao PDR. In addition, a policy paper of the Government on governance issues also identified sound financial management as one of four priority areas to achieve macroeconomic stability and sustainable growth with equity. Government of Lao PDR Roundtable Process. 2003. *Priority Areas for Governance Reform: A Policy Paper of the Government of Lao PDR on Governance Issues*. Vientiane.

² The TA first appeared in *ADB Business Opportunities* (internet edition) on 16 June 2005.

³ *Nam Theun 2 Hydroelectric Project: Implementation Policy Framework*, issued by the Deputy Prime Minister of the Lao People's Democratic Republic to ADB, 7 March 2005. The Government's commitment to implementation of all activities required under the Public Expenditure Management Strengthening Program (PEMSP) is also included in the specific assurances given by the Government in the NT2 project, para. 83 (ix), ADB. 2005. *Report and Recommendation of the President to the Board of Directors on Proposed Loan to the Greater Mekong Subregion for the Nam Theun 2 Hydroelectric Project*. Manila. (Loan 2162 approved 4 April 2005).

5. The PEMSP is a 5-year program covering Government initiatives focusing on strengthening management systems and the capacity of the Ministry of Finance (MOF) and provincial finance departments with pilot interventions at the provincial and sector levels.⁴ Its strategic objective is to improve policy consistency, efficiency, transparency and accountability, and progress toward appropriate international financial management standards.

6. The program lays out the broad objectives for PEM reform, the intended outcomes and indicators to monitor improvements in system performance, and an implementation schedule. Moreover, the PEMSP serves as a framework for mobilizing and coordinating external assistance. Thus, the PEMSP constitutes a comprehensive, government-led program that ensures consistency of the technical approach with appropriate sequencing, and is intended to avoid duplication of external funding support.

7. The PEMSP has five components: (A) fiscal planning and budget preparation; (B) budget execution, accounting, and financial reporting; (C) local government financial management; (D) financial legislation and regulatory framework; and (E) capacity building. In consultation with the World Bank and other external funding agencies involved in the PEMSP, ADB will support the Government in addressing weaknesses identified under component (A), more specifically, in improving the quality of fiscal planning.

8. **Fiscal Planning.** Current practice in fiscal planning and budgeting does not provide a sound basis for aligning resources with NGPES policies. First, the budget formulation process lacks a coherent medium-term strategic framework. Articulation between capital and recurrent expenditures and between national policies and provincial budgeting is poor. This leads to inadequate provision for recurrent expenditures and significant variations in the overall level of spending and budget allocation to priority sectors among provinces. Second, budget allocation is essentially incremental and budgetary decisions are not policy- or program-driven. There is no effective forward planning of recurrent spending, making it difficult to accommodate phased adjustment in the structure of expenditures. Third, the National Assembly approves only broad expenditure allocations, providing little direction for resolving fiscal constraints. There is neither policy rationale in the Government's budget proposals nor policy consistency in proposed resource allocations.

9. Furthermore, the budget takes the form of aggregate allocations at the ministerial level with exhaustive detailed line item classifications, but provides little information on the purpose of spending. Finally, the capacity to undertake effective independent economic and fiscal forecasting is weak, with the tendency to adopt optimistic macroeconomic and revenue projections. There is an acute shortage of staff with adequate formal and informal training and experience in finance or accounting, particularly at the provincial and district levels.

10. The PEMSP objective for component A is to ensure that fiscal planning and budgeting systems effectively allocate public resources according to the Government's development and poverty reduction policy objectives. Among many objectives, the PEMSP envisions the

⁴ The PEMSP design builds on a substantial body of analytical work from extensive Ministry of Finance-World Bank-ADB program preparation missions during 2004 and the joint World Bank-International Monetary Fund-ADB Public Expenditure Review in 2002.

development of a consolidated medium-term expenditure framework (MTEF)⁵—covering recurrent and capital expenditures funded by both domestic and external sources—which will help the Government gradually shift resources in line with its policy goals.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The goal of the TA is to contribute to improved allocation efficiency of public resources according to the Government's development and poverty reduction policy objectives, approaching international good practice standards in public financial management.

12. The TA outcome would be (i) improved quality of fiscal planning, and (ii) improved capacity within the relevant MOF departments and government agencies involved in the fiscal planning process.

B. Methodology and Key Activities

13. **Improving the Quality of Fiscal Planning.** The TA will assess the present fiscal planning process and the progress thus far achieved by the Government in this area of the PEMSP. Challenges and opportunities will be identified and addressed in the development of a coherent MTEF. The MTEF will include guidelines on revenue estimations and costing of expenditures of key reforms under the NGPES policies and programs. The framework is envisioned to include clear linkages between expenditure funding allocations and resource availability, prioritization, and sequencing of budgetary expenditures (as well as between recurrent and capital expenditures). Mechanisms that will be put in place will allow comparison of aggregate expenditures with projected revenue to determine budget resource gaps. Provisions for annual reassessment of fiscal sustainability in the context of major fiscal risks will also be addressed in the framework. The TA is envisioned to implement the MTEF on a pilot basis at the central Government level, the specific areas (i.e., sectors or line ministries) to be determined in the course of TA implementation.⁶

14. **Capacity Building.** The TA will provide training on fiscal planning, budgetary systems, international public financial/expenditure management standards, and computer models and database systems to the relevant MOF departments such as the Fiscal Policy Department, Budget Department, External Financial Relations Department, Accounting Department, and the Committee on Planning and Investment (CPI). In addition, training workshops for MOF's provincial and local district offices will be conducted to build general awareness on standards of good practice in international public financial management. Computer equipment with increased speed and capacity will be provided to assist in the identified core areas of automation of fiscal planning and budgeting. The TA will develop and customize simple-to-use

⁵ A medium-term expenditure framework (MTEF) is a 3-year framework that focuses on policy priorities and supports decisions regarding the level and allocation of resources, both government-wide and within spending agencies. The MTEF consists of a top-down resource envelope consistent with macroeconomic stability and internal/external resource availability, and a bottom-up estimate of current and medium-term costs of existing national priorities. Decision makers can use the MTEF to analyze different scenarios to match aggregate expenditure with resource availability and assess the costs and benefits of policy options. Fozzard, A. and Foster, M. 2001. *Changing Approaches to Public Expenditure Management in Low-Income Aid Dependent Countries*. Helsinki: World Institute for Development Economics Research.

⁶ The current planning and budgeting processes are performed by functional line ministries rather than by sectors and/or programs. Although the Government recognizes that there should be a gradual shift to planning and budgeting on a sectoral basis, practical implementation concerns (such as staff capacity and data availability) are to be further considered in the final determination of areas for piloting the MTEF.

computer spreadsheets and database management models, adapted to the Lao context and in the Lao language, to facilitate the timely storage and transfer of data and comparison of actual data with projected data for trends and variance analysis.

15. Close consultation with stakeholders such as the different ministries and government agencies, provincial governments, and relevant departments within MOF will be held through participatory workshops to build consensus and Government ownership of the outputs of the TA. There will also be close coordination during TA implementation with external funding agencies involved in the PEMSP.

C. Cost and Financing

16. The total cost of the TA is estimated to be \$825,000 equivalent, comprising \$480,000 in foreign exchange and \$345,000 equivalent in local currency. The Government has requested ADB to finance \$700,000 equivalent, covering the entire foreign exchange cost and \$220,000 equivalent of the local currency cost. The TA will be financed on a grant basis by the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies. The Government will finance the balance of the local currency cost, equivalent to \$125,000 through the provision of counterpart staff, office space and utilities, administrative services, and physical facilities. Appendix 2 gives the cost estimates and financing plan.

D. Implementation Arrangements

17. The Department of Fiscal Policy of MOF will be the Executing Agency. Implementing agencies will include the Budget Department, the External Financial Relations Department, the Accounting Department of MOF, and the CPI. The TA will use the existing coordination mechanisms of the PEMSP to facilitate review of TA implementation progress in the overall context of the PEMSP.⁷

18. The TA will be implemented over 24 months from October 2005 to September 2007 (i.e., coinciding with the Government's FY2005 and FY2006), and will require a team of two international (14 person-months) and two domestic consultants (44 person-months). An international fiscal planning specialist (team leader) and an international budget management specialist will be recruited for 8 and 6 person-months respectively, to work intermittently over the TA period. A domestic fiscal management specialist and a domestic software development specialist will be recruited to work intermittently for 22 person-months each, over the TA implementation period. The consultant team will produce various reports as outlined in their terms of reference, each of which will be discussed in tripartite meetings. The consultants will be engaged through a firm following the quality- and cost-based selection process, and the simplified technical proposal will be used. The consultants will be engaged by ADB in accordance with its *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. All procurement under the TA will be in accordance

⁷ The PEMSP implementation arrangements include (i) a PEMSP Program Steering Committee, chaired by the vice minister of finance, with representatives of the relevant MOF departments, which reviews progress and approves MOF departments' work programs to implement PEMSP components; (ii) a PEMSP Program Coordination Committee, chaired by the minister of finance, with participation of contributing partners; and (iii) a program coordinator to support both committees, consolidate work plans and progress reports, and deal with the administration of the PEMSP. The PEMSP Program Coordination Committee is envisioned to meet twice a year to review and update the PEMSP in line with progress in program implementation and the Government's policy directives and programmed external funding support. Monitoring reports will also be produced on a semiannual basis to coincide with the above meetings. The design and monitoring framework in Appendix 1 reflects the sequencing and timing of activities, and performance indicators of the broader PEMSP implementation schedule committed by the Government (see also refer to footnote 3).

with ADB's *Guidelines for Procurement*. The terms of reference of the consultants are in Appendix 3. Various training seminars and workshops at the central, provincial, and district offices will be held to encourage participatory discussion of the improvement of the fiscal planning processes and increasing the capacity of all staff levels within the relevant government agencies. There will also be close coordination during TA implementation with external funding agencies involved in the PEMSP. The final report of the TA will be disseminated to all stakeholders.

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$700,000 to the Government of the Lao People's Democratic Republic to be financed on a grant basis by the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies for Public Expenditure Planning for National Growth and Poverty Eradication Strategy, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved and effective allocation of public resources according to the Government of the Lao PDR's development and poverty reduction policy objectives</p>	<ul style="list-style-type: none"> • Institutional systems strengthened • Progress toward international public financial management good practice standards 	<ul style="list-style-type: none"> • Review successive years' budgets, medium-term expenditure framework (MTEF), and National Growth and Poverty Eradication Strategy (NGPES) documents 	
<p>Outcome Improved quality of fiscal planning</p> <p>Improved capacity within the relevant Ministry of Finance (MOF) departments and government agencies involved in the fiscal planning process</p>	<ul style="list-style-type: none"> • Improved medium-term predictability and closer NGPES alignment of budget allocations by FY2006 (such as % expenditure on NGPES sectors and priority programs, % recurrent spending, and allocation volatility) • Improved quality of fiscal management and planning in MOF by FY2006 (such as use of MTEF to guide the annual budget process) 	<ul style="list-style-type: none"> • Review successive NGPES, MTEF, budget, and sector program strategies and plans • Public Expenditure Tracking Surveys (led by the World Bank) by FY2005 and FY2007 • Public Expenditure Review (led by the World Bank, jointly with the International Monetary Fund and the Asian Development Bank) by FY2006 • Semiannual reporting and monitoring of progress of the PEMSP by the government (refer to footnote 7 of TA paper) 	<p>Assumption</p> <ul style="list-style-type: none"> • Continued commitment by the Government to effective fiscal planning and budgeting, and implementation of the Public Expenditure Management Strengthening Program (PEMSP) and NGPES <p>Risk</p> <ul style="list-style-type: none"> • Changes in leadership and staff of central and sector ministries
<p>Outputs 1. Formulation and use (on a pilot basis) of the MTEF</p>	<ul style="list-style-type: none"> • MOF and Committee on Planning and Investment (CPI) update MTEF, including recurrent expenditure estimates for priority sectors, based on sector analyses by FY2005 • Computer equipment to run MTEF model, and other analytical tools available start of by FY2006 • Database management software developed by end FY2005, and pilot tested by FY2006 	<ul style="list-style-type: none"> • Review of MTEF, budget, and NPGES documents • Joint public expenditure review missions by the World Bank, International Monetary Fund and ADB • ADB consultants' TA progress and final reports; ADB review mission back-to-office reports • Data from Public Expenditure Tracking Survey and Public Revenue and Expenditure Review • Semiannual reporting and monitoring of 	<p>Assumption</p> <ul style="list-style-type: none"> • MOF committed to MTEF and budget frameworks linked to NGPES and sector/program planning <p>Risk</p> <ul style="list-style-type: none"> • Objective of increasing transparency and accountability of fiscal planning and budgeting, through improved NGPES planning and implementation not continued by future central and sector ministry staff

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks																				
<p>2. Capacity building within relevant MOF departments, and CPI (where appropriate) in the form of increased staff skills, increased computer equipment capacity, and automated database systems</p>	<ul style="list-style-type: none"> • Database linkages to recurrent expenditure allocation system managed by MOF by end–FY2006 • Expenditure budget document expanded to include fiscal policy objectives, macro-economic framework, statement of policy priorities, and fiscal risks by start of FY2007 • Number and breadth across different levels of MOF/CPI, provincial- and district-level finance department personnel trained in (a) fiscal planning, expenditure analysis, budget allocation, and budget preparation within the MTEF framework; (b) international public financial management good practice standards; and (c) use of computer software and database management systems 	<p>progress of PEMSP by the government (refer to footnote 7 of TA paper)</p> <ul style="list-style-type: none"> • Baseline data of government staff skills to be collected; improvement indicators to be developed and monitored over the TA implementation period 																					
<p>Activities with Milestones</p> <ol style="list-style-type: none"> 1. Timely Government signing of technical assistance (TA) letter (by August 2005) to commence TA effectiveness 2. Consultant selection achieved by September 2005, or within 1 month from date of TA letter signing 3. Inception mission fielded by October 2005 4. Inception plan (including inception report) finalized and formally adopted 1 month after inception mission 5. Regular semiannual progress reports by consultants. Regular ADB review missions fielded. Continued participation by ADB in joint external partners review missions throughout TA implementation period and PEMSP implementation schedule (FY2005 and FY2006) 6. Consultants' draft final report and final reported submitted, 1 month and two weeks, respectively, before end of TA period 7. Timely closure of TA implementation, 2 years from start of TA 			<p>Inputs</p> <ul style="list-style-type: none"> • ADB <table style="margin-left: 20px;"> <tr><td>Consultants</td><td>\$495,000</td></tr> <tr><td>Equipment</td><td>50,000</td></tr> <tr><td>Training</td><td>115,000</td></tr> <tr><td>Miscellaneous</td><td>11,000</td></tr> <tr><td>Contingency</td><td><u>29,000</u></td></tr> <tr><td>Total</td><td>\$700,000</td></tr> </table> • Government Office and transport counterpart staff <table style="margin-left: 20px;"> <tr><td></td><td>\$ 45,000</td></tr> <tr><td>Others</td><td><u>70,000</u></td></tr> <tr><td>Total</td><td><u>10,000</u></td></tr> <tr><td></td><td>\$ 125,000</td></tr> </table> 	Consultants	\$495,000	Equipment	50,000	Training	115,000	Miscellaneous	11,000	Contingency	<u>29,000</u>	Total	\$700,000		\$ 45,000	Others	<u>70,000</u>	Total	<u>10,000</u>		\$ 125,000
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COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	330.0	0.0	330.0
ii. Domestic Consultants	0.0	100.0	100.0
b. International and Local Travel	40.0	20.0	60.0
c. Reports	2.5	2.5	5.0
2. Equipment ^b	50.0	0.0	50.0
3. Training, Seminars, and Conferences ^c	25.0	90.0	115.0
4. Contract Negotiations for Executing Agency	5.0	0.0	5.0
5. Communication, Translation, and Administration	4.0	2.0	6.0
6. Contingencies	23.5	5.5	29.0
Subtotal (A)	480.0	220.0	700.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	45.0	45.0
2. Counterpart Staff	0.0	70.0	70.0
3. Secretarial Services	0.0	6.0	6.0
4. Others	0.0	4.0	4.0
Subtotal (B)	0.0	125.0	125.0
Total	480.0	345.0	825.0

^a Administered by the Asian Development Bank.

^b Other than computers and printers, includes data servers and other computer-related equipment to enable the sharing of a common database of fiscal and budget data across units within the Ministry of Finance as well as ministries and agencies included in the pilot test.

^c Includes cost of resource persons. Training for provincial government officials and staff will be in coordination with the Public Administration and Civil Service Authority to ensure timely implementation.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. Fiscal Planning Specialist/Team Leader (8 person-months)

1. The team leader will have extensive working knowledge and sound understanding of various aspects of public financial management (PFM) with demonstrated ability to develop and implement fiscal policy, budgeting and expenditure frameworks, in the context of international PFM standards. The team leader will also (i) have demonstrated experience with capacity development and change management in developing countries and transitional economies, preferably within the region; (ii) show a good understanding of the history and development of PFM reforms in the Lao People's Democratic Republic (Lao PDR); (iii) have demonstrated project management capabilities; and (iv) be responsible for all outputs of the technical assistance (TA) and will guide all consultants. The specific tasks will include

- (i) preparing an assessment of relevant current and planned activities of the Government of the Lao PDR and other major stakeholders, including external funding agencies, on the Public Expenditure Management Strengthening Program (PEMSP);
- (ii) conducting a detailed diagnostic review of the fiscal planning, budgeting, and expenditure allocation processes, identifying major challenges and opportunities related to the current fiscal planning and expenditure framework. The diagnostic review report (which will include the assessment defined in [i]) is due by the second month of TA implementation;
- (iii) formulating a simple operational model for the medium-term expenditure framework (MTEF), which will include
 - (a) subframeworks for estimating revenues and costing expenditures of key reform policies and priority sectors of the NGPES;
 - (b) clear linkages between policy priorities and actual resource allocation decisions;
 - (c) clear linkages between expenditure funding allocations and resource availability;
 - (d) mechanisms to support decisions on prioritization and sequencing of budgetary expenditures in the context of the 3-year rolling MTEF; and
 - (e) processes allowing comparison of aggregate expenditure with project revenue to determine budget resource gaps, as well as allowing annual reassessment of fiscal sustainability in the context of major fiscal risks identified;
- (iv) designing and implementing a series of extensive building-block training modules to enhance the capacity of government staff in (a) implementing the MTEF and the related annual budget exercise; and (b) creating a general awareness for government staff (at the central, provincial, and district levels) of international public financial/expenditure management good practice standards; designing capacity/skills improvement indicators at the start of the training programs and monitoring these throughout TA implementation; gathering baseline data of staff skills and levels to provide the starting point for tracking capacity improvement;

- (v) assisting the Government in implementing the MTEF (on pilot-test basis) and refining the frameworks prior to completion of the TA, including assisting in determining pilot areas;
- (vi) preparing manuals (in English) to guide the Ministry of Finance (MOF) staff in the objective and use of the frameworks and spreadsheet models developed (the manual to be translated into Lao by the domestic fiscal management consultant);
- (vii) taking direct responsibility for the development of automated simple-to-use fiscal planning models and database systems by the domestic software consultant;
- (viii) assisting in the general review of and providing general comments on the Government's revised budget law, presently being drafted by MOF's Budget Department, ensuring coherence between proposed MTEF processes and the revised budget law;
- (ix) conducting extensive participatory discussions and workshops with stakeholders to build consensus and ownership on the MTEF and related budget frameworks;
- (x) preparing the following reports and written outputs:
 - (a) TA inception report and implementation plan due within the first month from start of the TA. The detailed implementation plan should be a product of tripartite agreement between the Government, the Asian Development Bank (ADB), and the consultants, and can be further modified in light of the diagnostic assessments and midterm TA review;
 - (b) regular semiannual progress reports from start of the TA addressed to MOF and ADB; and
 - (c) draft final report submitted to the executing agency and ADB at least a month before the end of the TA, with the final report finalized by 2 weeks before the end of the TA.
- (xi) performing any other tasks required, including assisting ADB missions, to help achieve the objectives and goals of the TA within the approved budget.

2. International Budget Management Specialist (6 person-months)

2. The international budget management specialist will have extensive working experience in public budget management in the region, with demonstrated abilities in designing and implementing budgets in the context of current international PFM standards of a developing country, preferably within the region. The specialist will show a good understanding of the history and development of PFM reforms (as well as progress in budget preparation reforms) of the Lao PDR. The specialist will also have demonstrated abilities in capacity development and change management in developing countries. The specialist will report to the team leader and will perform the following tasks:

- (i) conducting a diagnostic review of the major issues and challenges in the public budgetary system of the Lao PDR. This diagnostic report will form part of the diagnostic report to be prepared by the team leader (refer to 1.ii of team leader's terms of reference [TOR] above). The diagnostic report is due by the second month of TA implementation;
- (ii) preparing simple operational guidelines (relating to the budget process) in support of the MTEF to include, among others the following:
 - (a) align budget structure and expenditure classifications (including recurrent and capital expenditures) with the chart of accounts. This activity includes

- (ii) collecting and analyzing information and data and translating these into English;
- (iii) conducting research on specific topics as assigned by the team leader;
- (iv) assisting the domestic software development specialist in performing user tests of developed computer spreadsheets, software and database systems, including analyzing users' needs and acting as users' liaison with the domestic software specialist;
- (v) acting as backup to the domestic software development specialist in providing troubleshooting assistance to users;
- (vi) participating in the design of capacity-building modules as assigned by the team leader; conducting training programs as assigned by the team leader; and
- (vii) organizing discussions and workshops and assisting the international consultants and ADB missions in preparing relevant materials, including translating documents and interpreting discussions.

2. Software Development Specialist (22 person-months)

4. The domestic software development specialist will have the required experience and qualification in developing computer software and database management systems, or customizing off-the-shelf software packages, preferably for PFM purposes. The specialist should have some knowledge of the computer and software market in the Lao PDR, be proficient in English, and have working experience with international consultants and the government. The tasks will include

- (i) consulting extensively with the relevant government stakeholders on automation needs to arrive at a good understanding of the critical areas of automation support to enhance fiscal planning and budgeting;
- (ii) designing automated spreadsheet/database models in the Lao language for the frameworks/tools outlined in the TORs of the international consultants (data architecture and file structures should be compatible, to the extent practicable, with existing home-grown systems of MOF's Department of Accounting and Department of Treasury);
- (iii) designing online database linkages (to the extent possible) to the various related departments within MOF in the area of fiscal planning and expenditure management;
- (iv) installing the computers and related equipment etc. to allow seamless use of automated models;
- (v) installing the developed spreadsheet models and automated database management systems, and assisting in pilot implementation;
- (vi) continuing the development of software, providing troubleshooting assistance based on regular discussions with MOF user departments during implementation to enhance computer systems' application;
- (vii) preparing user manuals to guide MOF staff in the objective and use of the software and/or spreadsheet models developed (in Lao and in English);
- (viii) assisting in the development of capacity building training materials as assigned by the team leader; conducting training programs as they relate to the use of automated models;
- (ix) preparing progress reports for inclusion in the team progress reports to be prepared by the team leader;
- (x) organizing discussions and workshops and assisting the international consultants and ADB missions in preparing relevant materials, including translating

documents and interpreting discussions as they relate to automation and software development.