

Validation Report
April 2022

Lao People's Democratic Republic: Governance and Capacity Development in Public Sector Management Program (Subprograms 1 and 2)

Reference Number: PVR-859
Program Numbers: 46059-001/46059-002
Loan Numbers: 2905 and 3205
Grant Numbers: 0308 and 0309



Raising development impact through evaluation

ABBREVIATIONS

ADB	–	Asian Development Bank
Lao PDR	–	Lao People's Democratic Republic
MOES	–	Ministry of Education and Sports
MOF	–	Ministry of Finance
MOH	–	Ministry of Health
NCAW	–	National Commission for the Advancement of Women
PCR	–	program completion report
PFM	–	public financial management
PPP	–	public–private partnership
RRP	–	report and recommendation of the President
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars.

Director General	Emmanuel Jimenez, Independent Evaluation Department
Deputy Director General	Sona Shrestha, Independent Evaluation Department (IED)
Director	Joanne Asquith, Thematic and Country Division (IETC)
Team Leader	Eungji Kim, Senior Evaluation Specialist, IETC

The guidelines formally adopted by the Independent Evaluation Department (IED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of IED management, there were no conflicts of interest of the persons preparing, reviewing, or approving this report. The final ratings are the ratings of IED and may or may not coincide with those originally proposed by the consultants engaged for this report.

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, IED does not intend to make any judgments as to the legal or other status of any territory or area.

PROGRAM BASIC DATA

Program numbers	46059-001/46059-002	PCR Circulation Date	2 Nov 2021	
Loan and grant numbers	Loan 2905 and 3205 Grant 0308 and 0309	PCR Validation Date	Apr 2022	
Program name	Governance and Capacity Development in Public Sector Management Program (Subprograms 1 and 2)			
Sector and subsector	Public sector management	Public expenditure and fiscal management		
Strategic agenda	Inclusive economic growth			
Safeguard categories	Environment		C	
	Involuntary resettlement		C	
	Indigenous peoples		C	
Country	Lao People's Democratic Republic		Approved (\$ million)	Actual (\$ million)
ADB financing (\$ million)		Total program costs		
		Subprogram 1	16.50	16.22
		Loan 2905/Grant 0308/Grant 0309)		
		Subprogram 2	15.00	15.00
		Loan 3205		
	OCR: Subprogram 1	Subprogram 1		
		Loan 2905	2.50	2.50
	Loan 2905 - 2.50	Grant 0308	7.50	7.50
	Subprogram 2	Grant 0309	6.00	5.72
Loan 3205 - 15.00	Subprogram 2			
ADF: Subprogram 1	Loan 3205	15.00	15.00	
	Grant 0308 - 7.50 Grant 0309 - 6.00	Borrower		
		Grant 0309 (SP1)	0.50	0.50
		Beneficiaries	0.00	0.00
		Others	0.00	0.00
Cofinanciers		Total cofinancing	0.00	0.00
Approval Date Subprogram 1	27 Sep 2012	Effectiveness date Subprogram 1		
		Loan 2905/Grant 0308 Grant 0309	21 Jan 2013 21 Jan 2013	7 Dec 2012 14 Dec 2012
Subprogram 2	3 Dec 2014	Subprogram 2		
Loan 3205		Loan 3205	11 Mar 2015	23 Dec 2014
Signing Date Subprogram 1	23 Oct 2012	Closing date Subprogram 1		
		Loan 2905/Grant 0308 Grant 0309	31 Mar 2013 31 Jul 2016	31 Mar 2013 31 Oct 2018
	11 Dec 2014	Subprogram 2		
		Loan 3205	30 Jun 2015	30 Jun 2015
		Financial closing date Subprogram 1		
	Loan 2905/Grant 0308 Grant 0309		31 Mar 2013 15 Apr 2020	
	Subprogram 2		30 Jun 2015	
Loan 3205		Loan 3205		
Program Officers	P. Jenna S. Leangkhamsing A. Musa	Location ADB Headquarters Lao PDR Resident Mission ADB Headquarters	From Dec 2012 Nov 2015 Feb 2016	To Oct 2015 Jan 2016 (interim) Jan 2018

	J. Lam S. Schuster	ADB Headquarters ADB Headquarters	Feb 2018 Aug 2018	July 2018 Dec 2020
IED review Director Team Leader	J. Asquith, IETC E. Kim, Senior Evaluation Specialist, IETC*			

ADB = Asian Development Bank, ADF = Asian Development Fund, IED = Independent Evaluation Department, IETC = Thematic and Country Division, OCR = ordinary capital resources, PCR = program completion report.

* Team members: H. Hettige (quality reviewer), A. Morales (Senior Evaluation Officer), B. Hitchcock (consultant).

I. PROGRAM DESCRIPTION

A. Rationale

1. Limited capacity and weak public sector governance was constraining the achievement of Lao People's Democratic Republic's (Lao PDR) development objectives and negatively impacting service delivery. An underdeveloped fiscal framework and outdated budget policies and procedures, as well as an unconducive environment for private sector-led growth and investments, were also restricting progress. In this context, ADB partnered with the government to develop an extended program of institutional and policy reforms and capacity development aimed at improving the delivery of key public services.

2. ADB's support was formulated as a programmatic approach consisting of two subprograms supported by loans and grants and a grant-financed governance and capacity building project. Drawing on lessons learnt from public financial management (PFM) and broader public sector reform programs in capacity-constrained environments, the program design used a step-by-step approach to allow gradual introduction of changes and a relatively long timeframe given the realities on the ground.

3. The Governance and Capacity Development in Public Sector Management Program sought to improve overall public sector capacity and governance framework, strengthen PFM, and undertake public administration reforms with the aim of achieving sustained and inclusive economic growth.¹ Under subprogram 1, the government addressed the foundational reforms necessary to strengthen public sector management as a precursor to improving service delivery. Under subprogram 2, the government was expected to deepen the reforms by focusing on implementation and achieving tangible development targets.²

B. Expected Impacts, Outcomes, and Outputs

4. The planned impact of the program was improved delivery of key public services. The program's expected outcome was strengthened national and subnational public sector management by achieving three broad outputs: (i) multi-year budgeting and intergovernmental fiscal relations implemented; (ii) civil service capacity at the central and subnational levels, including gender responsiveness strengthened; and (iii) investment management capacity in the public sector for private sector investments and identification of potential public-private partnership (PPP) arrangements strengthened.

C. Provision of Inputs

5. Subprogram 1 was approved by the ADB Board of Directors in September 2012. Loan 2905 and Grant 0308 were declared effective in December 2012 (the target was January 2013). Grant 0309 was declared effective in December 2012 (January 2013). Loan 2905 and Grant 0308 were closed in March 2013, which was the target date. Grant 0309 was closed in October 2018 (target was July 2016) after four extensions and was not financially closed until April 2020. The program completion report (PCR) noted that disbursements were much slower

¹ ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan and Grant, and Grant Assistance to the Lao People's Democratic Republic for Governance and Capacity Development in Public Sector Management Program, Subprogram 1*. Manila.

² ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan to the Lao People's Democratic Republic for Governance and Capacity Development in Public Sector Management Program, Subprogram 2*. Manila.

than expected, causing a delay in program completion by more than 2 years.³ These delays were due largely to a lack of absorptive capacity in the government. Subprogram 2 was approved in December 2014 and declared effective about 3 weeks after (target was 3 months later). The loan was closed on target at the end of June 2015.

6. The amounts estimated for subprogram 1 were \$2.5 million for the policy-based loan and \$7.5 million for the grant. For the project grant (0309), the estimated amount was \$6 million, and the actual was \$5.7 million. For subprogram 2 loan, the amount was \$15 million. For both subprograms 1 and 2, the two loans and the two grants were provided from ADB's Special Fund resources. Both loans have a 24-year term, with a grace period of 8 years, an interest rate of 1.0% per annum during the grace period, and 1.5% per annum thereafter.

7. Consulting services were provided under subprogram 1 (Grant 0309). The PCR reported that a total of 84 person months of international and 114 months of national consultants were utilized. A firm was engaged for 5 months to conduct a feasibility study for a pilot PPP project. Planned inputs for consulting service months were not provided in the report and recommendation of the President (RRP) or the PCR. The cost estimate for consulting services under the grant project was \$3.3 million while the actual disbursed amount was \$3.6 million. In addition, a technical assistance (TA) grant was provided in December 2015 to support the post-program partnership framework.⁴

8. The program did not trigger ADB's safeguard policies and was classified category C for involuntary resettlement, impact on indigenous peoples, and impact on the environment, while both subprograms were classified as having effective gender mainstreaming. Four key gender issues were addressed by the program. The first was on gender gaps in education in poor, rural, remote, and ethnic group areas, and high maternal mortality due to a lack of access to emergency obstetric care and skilled attendants at birth. The other two were limited women's participation in decision making and a lack of gender awareness and gender-sensitive capacity of civil servants to support service delivery. The PCR found that the program achieved all 4 gender targets (100%) and 13 of the 14 gender activities (93%). The PCR rated the program successful in delivering gender equality results. Key outputs were (i) strengthening the National Commission for the Advancement of Women (NCAW) and its capacity for monitoring and reporting; and (ii) assistance to the Ministry of Home Affairs in building the capacity of civil servants for gender-sensitive planning, resource allocation, and service delivery, and in supporting gender sensitive human resource development at the provincial and district levels.

D. Implementation Arrangements

9. The executing agency was the Ministry of Finance (MOF). A program steering committee chaired by the vice-minister of finance oversaw implementation and provided overall guidance. The Ministry of Agriculture and Forestry, the Ministry of Natural Resources and Environment, the Ministry of Planning and Investment, the Ministry of Health (MOH), the Ministry of Home Affairs, the Ministry of Education and Sports (MOES), NCAW, the Economic Planning Finance Committee, and the State Audit Organization were the implementing agencies. The PCR stated that, while the government's monitoring systems were generally capable, they were unable to administer such a complex, wide-ranging engagement, and this likely limited the overall

³ ADB. 2021. *Completion Report: Governance and Capacity Development in Public Sector Management Program, Subprograms 1 and 2, in the Lao People's Democratic Republic*. Manila.

⁴ ADB. 2015. *Technical Assistance to the Lao People's Democratic Republic for Support for Governance and Capacity Development*. Manila.

achievements of the program. There were no changes in the implementation arrangements during the program.

10. Consulting services in support of the program were provided under the Governance and Capacity Development in Public Sector Management Project. The PCR claimed that the deliverables of the project grant were essential to achieving the program's performance targets. The project grant achieved both key outputs: (i) the assessment and improvement of the implementation and management of state concessions, and (ii) the establishment of the required enabling environment (e.g., policy, legal, and regulatory) for PPPs, including capacity development and project advisory. The government generally complied with the covenants of the program. That the MOF did not consistently submit detailed annual project financial statements on time was a major deviation (para. 36).

11. The RRP for subprogram 1 identified three broad risks to program implementation. The first was the prolonged global and regional economic downturn, deterioration in macroeconomic conditions, and inherent volatility in prices of key commodities. The second was the institutional and implementation risks from limited administrative capacity to implement new policies, PFM, and public administration reforms. The third was the institutional resistance to change, including the gap between legislation and the cumbersome procedures faced by the private sector. The mitigating measures identified were the commitment to focus on supply side investment and diversification from dependence on mining; sustained TA and capacity building; and strengthening regulation and supervision and improving ease of doing business and enforcing contracts. The RRP for subprogram 2 identified governance, implementation, and external risks to the program. Mitigation measures were the improvement of oversight of government agencies at all levels; adoption of a procurement audit framework and improved performance of budgetary processes; strengthened supervision and coordination among government agencies; further public management reforms and sustained training and capacity building; and commitment to sustained macroeconomic stability and diversification of the economy.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

12. The PCR rated the program less than relevant. It found that the program was well targeted and supported the government's objectives to improve the capacity to budget scarce resources over multi-year timeframes, strengthen the capacity of the civil service, and encourage greater participation by the private sector in long term investments.⁵ The program was also consistent with ADB's country partnership strategy, 2012–2016, which focused on inclusive and sustainable economic growth and poverty reduction.⁶ However, the PCR found that the program attempted to address too many complex challenges simultaneously when a sequenced approach would have been more effective. It noted that the three individual reform areas could have supported a stand-alone programmatic approach as the contemplated changes to the legal and operational frameworks were significant and did not account for the extended timelines required for government decision-making. While the project grant was strategically targeted and the tangible outputs were appropriate to the objectives, the scope of the grant also failed to recognize the extended timelines necessary to gain the formal approval and implementation of policy initiatives

⁵ Government of the Lao People's Democratic Republic, Ministry of Planning, and Investment. 2011. *The Seventh Five-Year National Socio-Economic Development Plan (2011–2015)*. Vientiane.

⁶ ADB. 2006. *Country Strategy and Program: Lao People's Democratic Republic, 2012–2016*. Manila.

and training programs. The PCR also maintained that capacity development should have preceded complex PFM reforms.

13. The validation notes that the program sought to address significant shortcomings in PFM and broad ranging public management reforms and facilitated the transition to an economy with a more dynamic private sector. The program identified resistance to reforms and limited administrative capacity as risks to the implementation of the reform program. Two key elements of the program design took account of these issues. The first was that the two subprograms required the reform measures to be undertaken prior to board approval, which provided appropriate incentives to government to undertake change. The policy reforms were broadly achieved with limited delays compared to the original timetable. The second key element was the substantial level of consulting services support provided by the project grant. The \$6 million grant provided considerably more assistance that could have been provided by attaching a TA to the program, enabling significant elements of training and capacity building to be included in the program.

14. The monitoring indicators for outputs and outcomes were generally appropriate and closely linked to the program's activities. The validation considers the impact indicators to be beyond the capacity of the program to achieve any significant impact, particularly in the timeframe under consideration. Reductions in poverty were the outcome of broad, economy-wide changes in employment, income, and investment, while changes in maternal mortality were more dependent on improvements in the primary health care system and improvement in the basic nutrition and living conditions of mothers. Likewise, the increases in expenditure on health and education were only one among numerous inputs contributing to improved health and education outcomes. In addition, doubling budget resources to health and education was dependent on factors beyond the scope of the program. A better set of indicators would have focused on measuring service delivery in health and education (e.g., the percentage of women who gave birth at a health facility), not the higher-level results flowing from better service delivery.

15. The program targeted key central agencies responsible for public management and the budget processes as well as line agencies in the social sector with a view to improving service delivery. The validation does not consider the delays in achieving milestones and the partial achievement of planned outcomes as sufficient reason to downgrade the relevance of the program design. In a developing country with limited capacity, achievement of results is often necessarily slower and less than planned. ADB recognized this in continuing to implement the project grant through four extensions until significant results were achieved. The PCR argued that the program was overly complex although a more narrowly focused program would just as likely have suffered from the same delays and partial achievements. Despite the program's consistent focus on the country's needs and alignment with ADB's partnership strategy for Lao PDR, the validation assesses the program less than relevant due to the overly complex and ambitious design, which did not take into account the local capacity mismatch.

B. Effectiveness in Achieving Program Outcomes and Outputs

16. The PCR rated the program less than effective. It found that the performance against output indicators was relatively successful as four out of six performance targets were achieved or substantially achieved while only two were not achieved. However, the program was not as effective in achieving the outcome indicators; one target was not achieved, one was substantially achieved, and one was achieved. In the first, a civil service training institute was to be established with 50% staffing, an adequate budget, and a well-formulated annual training plan (2011 baseline: civil service training institute established). The PCR found that the institute was not adequately

staffed or funded and could not function to the level planned. For the second, a civil servant management system was to be created (2011 baseline: draft civil service management system in place). While the legal framework governing the management and development of civil servants was completed and approved, a code of conduct and a gender action plan were drafted but not finalized. For the third, increased budget support was to be provided by MOF to at least 70 districts (2011 baseline: 35 districts receive block grants through the District Development Fund). This target was exceeded as a total of 88 districts received block grants.

17. The validation notes that the key deliverables of the project grant were completed. A government-wide medium-term budget framework (2010–2020) was prepared, and a medium-term budget framework was completed for two pilot ministries: the MOH and MOES. The Civil Servant Law was promulgated, and decrees were provided to bolster the competencies of civil servants. A civil service training institute was established (i.e., the Public Administrative Research and Training Institute, which included a course curriculum and training materials). A draft revised state land lease manual was completed, and a basic PPP framework was developed.

18. The PCR provides a detailed accounting of achievements against the policy matrix. Of the 17 broad reform areas the PCR assessed, 12 were achieved or substantially achieved, 2 were partially achieved and 3 were not achieved (relating to the civil service training institute, inter-governmental transfer mechanism, monitoring, and reporting capacity of the National Commission for the Advancement of Women). The PCR's assessment documents considerable achievements across the three major reform areas (multiyear budgeting and intergovernmental fiscal relations implemented; civil service capacity at the central and subnational levels, including gender-responsive capacity, strengthened; and investment management capacity in the public sector for private sector investments and identifying potential PPP arrangements strengthened). A notable instance of nonachievement related to gender equity was when institutionalizing both the action plan and the monitoring system at the NCAW was not done. The program nevertheless did help NCAW to strengthen its capacity to monitor and report on progress towards the targets of the National Strategy for the Advancement of Women. The PCR also noted that under the civil service reforms a code of conduct and a gender action plan were drafted but not finalized during the program period.

19. The validation notes that the program was not fully successful in meeting its targets, despite substantial progress made on a broad front, which would have laid the basis for further phases of reform, while the performance on intergovernmental fiscal relations remained an area of uncertainty. Limited administrative capacity was a factor in several areas of the program not achieving their intended outcomes. Considering all these, the validation assesses the outcome of the program as less than effective.

C. Efficiency of Resource Use

20. The PCR rated the program less than efficient. It noted that the policy-based loans and grant met the timeframes set out in the original program description. The project grant was considered less than efficient as it experienced substantial delays and required four extensions. The actual closing date was more than 2 years beyond the scheduled closing date in July 2016 and the financial closing was not completed until April 2020. These delays were due largely to a lack of absorptive capacity within the government and the lengthy approval processes.

21. The validation notes that, while subprogram 2 was closed in June 2015 thereby meeting the time frame outlined in the RRP for subprogram 2, such was later than the originally planned timeframe of August 2014 set out in the first RRP. Given the known challenges of working with a

government with limited administrative capacity, the program design could have allowed more time for program implementation. No problems were reported concerning the flow of funds or fiduciary issues relating to the program. The validation assesses the program less than efficient.

D. Preliminary Assessment of Sustainability

22. The PCR rated the program likely sustainable. It noted that the program provided a solid framework for strengthening PFM. The legal frameworks, including the revised Budget Law, Local Administration Law, and Civil Servant Law, were promulgated. The government also continued to build on the PPP framework. Moreover, clear lessons learned were informing ADB's ongoing engagements. Programs were more closely coordinated, and divisions of labor more clearly delineated between development partners. Programs were also being sequenced and were more narrowly focused to address foundational and pressing issues (e.g., contingent liabilities) before more complex concepts such as PPPs are introduced. This increased the impact of the programs, reduced the implementation burden on the government, and ensured that TA resources were adequate. The change in government in 2016 increased the level and quality of the engagement. The PCR noted several key initiatives were not fully implemented, which reduced the program's sustainability. The Public Administrative Research and Training Institute remained only partly operational, and the capacity of the civil service to implement and sustain the more complex multi-year budgeting and national–local funding transfers did not fully materialize. Similarly, the PPP legal and policy framework was not finalized and formally adopted during the program period. The PPP units were not established in the Ministry of Planning and Investment, MOES, or MOH, and a preparatory PPP project analysis was not fully completed.

23. The PCR provided a balanced summary of the factors favoring the program's sustainability and unfinished agenda. The validation maintains that the achievements attained under the program provide a basis for building further on the reforms. The key factor in not fully achieving the program was limited administrative capacity in government, not a lack of political commitment to pursue reforms. One area where ADB can strengthen its future support is in gender equity and mainstreaming. The PCR found that the gender targets in the Seventh National Socio-Economic Development Plan were not strong. For example, only 15% of important posts in government were to be held by women, and there were no specific targets for women in leadership and management development programs. The medium-term expenditure framework will only become firmly embedded in the budget cycle over time as both MOF and line agencies gain experience in implementing the process. Despite its accomplishments, the validation assesses the program less than likely sustainable, as ADB and other development partners will need to remain engaged over an extended period for the full benefits of the reform agenda to be realized.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

24. The PCR rated the development impact of the program satisfactory. It noted that the program had a positive longer-term impact on poverty and health outcomes and both impact indicators were achieved. The proportion of the population living below the poverty line was reduced to 8.6 % (baseline: 27.6% in 2007–2008, Target: 10 %), and the maternal mortality rate was reduced to 72 deaths per 100,000 live births (baseline: 580 per 100,000 in 2008; target: 150). The PCR noted that the program targeted a doubling of budget allocations to improve education and health outcomes (2008–2009 baseline: public spending on education and health totaled 4%–5% of gross domestic product. This target was partially achieved.

25. Budgetary reforms and broader public management reforms can clearly have an impact on development outcomes in the medium-term. However, development outcomes are the result of many factors that contribute to employment, growth, and social development. The PCR did not explain how a program that is rated less than relevant, less than effective, and less than successful could have had a significant influence on poverty reduction and maternal mortality and be rated satisfactory regarding development outcomes.

26. The validation rates the preliminary assessment of development impact less than satisfactory, as the program was overly ambitious with impact targets that were not clearly linked to it. Only if the government continues to implement the reforms initiated under the program while maintaining higher social sector expenditures and manages to achieve the planned budget allocation and expenditure efficiencies, could the program hope to achieve a satisfactory development impact.

B. Performance of the Borrower and Executing Agency

27. The PCR rated the performance of the borrower and executing agency less than satisfactory. The PCR noted that the program did not achieve some of its higher-order performance targets due, in part, to the slow and cumbersome review and approval processes, which led to delays in implementing policy reforms. It also noted that coordination across donors and between agencies was very difficult.

28. The validation notes that the factors cited by the PCR are symptomatic of the limited administrative capacity of the government, which the program was seeking to address through public management reforms. As the program did not achieve all its planned outcomes, and because the government achieved 12 of the planned actions in the policy matrix, partially achieved 2, and did not accomplish 3 actions, the validation notes that the government did not have the needed capacity and ownership to implement the program successfully. The validation assesses the performance of the borrower and the executing agency less than satisfactory.

C. Performance of the Asian Development Bank and Cofinanciers

29. The PCR rated the performance of ADB less than satisfactory. The PCR argued that the scope of the program was far too wide, thereby compromising its ability to achieve tangible and permanent reforms. In addition, the program could have more forcefully addressed program administration issues, such as coordination and staff rotation in implementing agencies. The PCR found that these issues were also exacerbated by a lack of continuity on the part of ADB. The program saw five different program officers over the 6-year implementation period.

30. The validation notes the lack of continuity in ADB supervision of the program. Greater continuity could have helped offset the administrative shortcomings, which slowed implementation and led to some missed targets. The performance of ADB is assessed less than satisfactory.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

31. The PCR rated the program less than successful with assessments of less than relevant, less than effective, less than efficient, and likely sustainable. The validation assesses the program less than relevant due to an overly complex and ambitious design, which did not take into account

the local capacity mismatch. It is less than effective because it was not fully successful in meeting its targets, despite substantial progress made on a broad front, which could have provided the basis for further reforms, while the performance on intergovernmental fiscal relations remained to be an area of uncertainty. Limited administrative capacity was a factor in several areas of the program not achieving their intended outcomes. The validation assesses the program less than efficient. Given the challenges of working with a government with limited administrative capacity, the program design could have allowed more time for program implementation and ADB could have provided better continuity in its support. The validation assesses the program less than likely sustainable as ADB and other development partners will have to remain engaged over an extended period to achieve the full benefits of the reform agenda. Overall, the PVR assessed the program less than successful.

Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Less than relevant	Less than relevant	
Effectiveness	Less than effective	Less than effective	
Efficiency	Less than efficient	Less than efficient	
Sustainability	Likely sustainable	Less than likely sustainable	ADB and other development partners will need to remain engaged over an extended period to realize the full benefits of the reform agenda.
Overall Assessment	Less than successful	Less than successful	
Preliminary Assessment of Impact	Satisfactory	Less than satisfactory	The program was overly ambitious with impact targets that were not clearly linked to it. Only under the most optimistic circumstances could positive impact be expected.
Borrower and executing agency	Less than satisfactory	Less than satisfactory	
Performance of ADB	Less than satisfactory	Less than satisfactory	
Quality of PCR		Satisfactory	Para. 37.

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = program completion report.
Source: ADB (IED).

B. Lessons

32. The PCR provided four lessons derived from the program. These concerned the scope of the program, which was considered far too wide and ambitious; the range of factors which contribute to the limited absorption capacity of the government; shortcomings in project management due to the absence of a formal coordination mechanism for project planning and implementation; and the need for better donor and interagency coordination. The validation endorses the lessons formulated by the PCR and offers two further lessons for consideration.

33. Country level lesson: Program design and implementation in least developed (and fragile) countries need to take account of the limited administrative capacity of the government. While ADB designed a program which supported the government in undertaking reforms and sufficient consulting services resources to help bridge capacity gaps, the timeframe for the

program was too ambitious and ADB did not provide adequate continuity in the staff providing project supervision. These deficiencies contributed to the underperformance in program outcomes.

34. DMF lessons: Impact indicators in the results framework need to have casual connection to the program's outputs and outcomes. The civil service and budgetary reforms supported by the program will contribute to more efficient public administration and budget expenditures over time. However, they can only contribute at the margin to poverty and maternal mortality reduction, which were the impact indicators for the program. These indicators were not aligned with the impact statement, which aimed for improved service delivery.

C. Recommendations for Follow-Up

35. ADB should continue to support public management reform and PFM in Lao PDR. The medium-term expenditure framework will become firmly embedded in the budget cycle over time as both MOF and line agencies gain experience in implementing the process. This is likely to require ongoing support. Continued support will also be required to strengthen civil service reforms initiated under the program.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

36. There were no major deficiencies in monitoring and reporting. The PCR noted that MOF did not consistently submit detailed financial statements on time. This was attributed to lack of administrative and reporting capacity within the ministry.

B. Comments on Program Completion Report Quality

37. The PCR generally met the requirements for the preparation of completion reports. It adequately described the context in which the operation took place and discussed in detail the design and implementation of the program. It provided a detailed accounting of the progress achieved in implementing the policy matrix and the supporting project grant. It also formulated several useful lessons, particularly the suggestions on how the program design could have been improved. The PCR could have undertaken a more critical evaluation of the impact indicators and their relevance to determine whether the expected program impact was achieved or not. The PCR also did not explain how a program rated less than effective and less than successful could achieve its expected development impacts. Overall, the quality of the PCR was satisfactory.

C. Data Sources for Validation

38. The data sources used to prepare this validation were the PCR, the RRP of the two subprograms, and back to office reports of ADB processing and monitoring missions.

D. Recommendation for Independent Evaluation Department Follow-Up

39. No specific recommendation is made for IED at present.