

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: MKGF/ MKRD

TA No: 3309 - LAO		Amount Approved: \$700,000.00	
TA Name: Enhancing Government Accounting Regulations and Procedures		Revised Amount: -	
Executing Agency: Accounting Department, Ministry of Finance	Source of Funding: Japan Special Fund	TA Amount Undisbursed: US\$21,838.54	TA Amount Utilized: US\$678,161.46
<div> <div>Date</div> <div>Approval 25/11/99</div> <div>Signing 27/01/00</div> <div>Fielding of Consultants May 2000</div> </div>		<div> <div>Closing Date</div> <div>Original 31/03/01</div> <div>Actual 30/06/03</div> </div>	

Description (Background and rationale):

Commencement of the economic reform program in Lao PDR early in the 1990s accelerated economic growth, increased the level of foreign assistance and likewise increased the number of financial transactions of the government. To enable the Government to continuously monitor this progress, review the quality of its economic performance and provide donor agencies with the necessary financial feedback on the effective use of their resources, the need for timely and reliable financial reports on government activities became a matter of urgent priority. Among the accounting and financial management challenges faced by the Government of Lao PDR which this TA was designed to address, were the following: key financial reports were not readily available; accounting and internal control systems were weak; coordination between line ministries, provincial and central government agencies was slow mainly because accounting and financial staff did not have the required skills and Public Accounting Decree No. 20 of 1993, which was the main legislation for government accounting, lacked the appropriate regulations and procedures for its implementation.

Objectives and Scope:

The main objective of the TA was to assist the Government in its efforts to generate quality and timely financial reports on its fiscal activities and improve the capacity of its accounting and financial staff in performing these tasks. The TA had seven components: (i) draft accounting regulations to implement the Public Accounting Decree No. 20; (ii) develop accounting forms, a new set of financial statements and regular budget performance reports for the government; (iii) develop comprehensive accounting policies and procedures to accompany the accounting regulations and an accounting software for pilot-testing in four line ministries and one province; (iv) develop an in-depth training program for counterpart staff in MOF and NAO; (v) conduct training to establish and implement the new accounting regulations, procedures and software at the four pilot ministries (Agriculture, Education, Finance and Health) and Savannakhet province; (vi) develop an appropriate organizational framework for accounting functions of the pilot ministries and province; (vii) develop an inspection procedural manual for the Department of Inspection at MOF and train the staff on its use.

Evaluation of Inputs:

The TA commenced with a total estimated consultant input of 36 person-months to be served intermittently by three international experts and one local consultant. The inclusion of new tasks required the addition of a local consultant. At completion the consultant team comprised an Accounting Adviser/Team Leader (11 person months), an Accounting Expert (9 person months), an Accounting Training Specialist (21.66 person months), a Domestic Training Coordinator (19.5 person months) and a local consultant (12 person months), a total of 73.16 person months. Contract extension costs were within the original approved TA fund.

The TA also provided 27 computers, 24 printers, 1 server and a photocopier, all of which aided the modernization of the accounting functions of the pilot agencies and were found to be in good working order at the end of the TA. The TA commenced with an overseas study tour to Malaysia for key government officials, most of whom formed the core inter-ministerial steering committee. Counterpart staff have been actively involved throughout, although their number dropped from four to one near the end of the project due to further training overseas. The consultant team performed reasonably well and established excellent relationships with both counterpart staff and senior staff of the EA, the pilot ministries, province and other agencies. Decision making at the inter-ministerial steering committee and various levels within the Ministry of Finance slowed down the TA progress. Other reasons for the implementation delay are noted under the Lessons Learned section of this report.

Evaluation of Outputs:

The Minister of Finance approved the Government Accounting Regulations and Procedures on 28th June 2002 (MOF/1301). The Accounting Regulations comprise 14 sections ranging from revenue collection, control and management to expenditure control and management, with each section defining the requirements that must be observed by line ministries and provinces in initiating, processing and conducting financial transactions. The Accounting Procedures include revised accounting forms, budget monitoring reports and a new set of annual public financial statements plus the key internal control features that must be followed by those administering fiscal transactions. Comments from donor agencies were solicited before workshops and seminars were held with key government ministries to obtain their input. Training seminars were also conducted throughout Lao PDR to heighten awareness of the approved regulations and procedures and their application.

The seven new sets of financial statements will disclose additional details on the financial condition of the government in terms

of liquidity, revenue sources and their application. Training in this area will commence once the MOF decides on the extent of their use across government. The TA team has added to the Accounting Procedures a set of instructions detailing the steps that will need to be followed when compiling these statements at year-end. Thirty-nine new or revised accounting forms have been pilot tested and are included in the Accounting Procedures.

Accounting software and a user manual in Lao language have been developed to support the establishment and maintenance of the recurrent budget accounting system. The package has been installed and tested in the Finance Departments of the four pilot ministries Mahosot Hospital, National University of Lao and Savannakhet province and training in its installation and maintenance has been conducted at all locations with the new computer equipment provided. Additional developments include a local area network for Savannakhet province to capture accounting transactions from each division of the provincial treasury and a web-site application to enable on-line access to the recurrent budget performance of these pilot ministries and province by the national treasury.

The training component included more than 30 familiarization workshops and seminars throughout Laos and covered over 200 participants drawn from the accounting staff of line ministries, provincial governments and the inspection department of MOF. Funding was also provided for a one-week study tour of Malaysia to observe the government accounting system of that country by key government officials (12 officers including the Vice-Minister of Finance), most of whom formed the core inter-ministerial steering committee. An inspection procedures manual was also developed and a five-day workshop held to review its content and applicability. It has been translated to Lao and is being used by the Department of Inspection. The organization structure detailing the accounting functions within the pilot ministries and Savannakhet province has been revised by the TA team with new position descriptions prepared and the duties of each position in the Finance/Accounting Department re-grouped to ensure that sound internal controls are followed.

Overall the outputs were in line with what was initially expected of this TA. The TA has set the foundations for modernizing the accounting functions of the Ministry of Finance and on-line access to other key ministries of the government. This is a major improvisation to fiscal management. The final report of the Team Leader was discussed and endorsed by the EA and ADB Mission in April, 2003.

Overall Assessment and Rating:

This TA was implemented in close coordination with other ADB funded on-going TAs, and active donors (IMF, World Bank, JICA, SIDA and UNDP) in the Lao PDR. An understanding was reached in March 2002 for the IMF to provide a TA for the development of the Treasury and Budget Regulations, to be merged with the Accounting Regulations and Procedures. The output and impact of this TA are considered to be highly successful in that it has been able to establish, within the course of three years, and despite many initial setbacks, the establishment of a workable and sustainable accounting framework and systems for recording and reporting government recurrent budget transactions. Modernizing the accounting functions through the development of accounting software by local consultants in the Lao language effectively utilized local expertise, promoted EA ownership and enhanced the advancement towards on-line access by MOF and line ministries to up-to-date budget progress reports. The ADB is playing a lead role in this area and the government is keen to extend the accounting system to the remaining line ministries and provincial governments.

Major Lessons Learned:

The accounting and internal control concepts introduced by this TA were completely new to the Lao PDR. Understanding the intent and proper application of the regulations, financial statements, accounting systems and procedures required considerable discussions and training in their usage. The technical nature and the lack of comparable words in the Lao language made the task of translation extremely slow. Changes to the ADB project officer(s) during implementation did not help the supervision aspect. In hindsight, the 12 months time frame initially planned may have been too ambitious for a project of this complexity.

Recommendations and Follow-Up Actions

The progress made by this TA is noteworthy, but can only be viewed as a starting point. The Government recognizes the macro benefits to be reaped in the future as a result of this TA and is willing to extend the application of the accounting regulations, procedures and software systems to the remaining ministries and provincial governments. It is however hampered by limited resources and the lack of skills in these areas, which makes external donor support necessary. ADB has taken the lead in this area and is expected to maintain the momentum through a second phase ADB ADTA.

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Designation

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