

**Lao People's Democratic Republic: Joint Staff Assessment of the Poverty Reduction
Strategy Paper Preparation Status Report**

The attached Joint Staff Assessment (JSA) of the Poverty Reduction Strategy Paper Preparation Status Report for the **Lao People's Democratic Republic**, prepared by the staffs of both the World Bank and IMF, was submitted with the member country's Poverty Reduction Strategy Paper (PRSP) or Interim PRSP (IPRSP) to the Executive Boards of the two institutions. A JSA evaluates the strengths and weaknesses of a country's poverty reduction objectives and strategies, and considers whether the PRSP or IPRSP provides a sound basis for concessional assistance from the Bank and Fund, as well as for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative. The Boards then decide whether the poverty reduction strategy merits such support.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

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INTERNATIONAL MONETARY FUND AND
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LAO PEOPLE'S DEMOCRATIC REPUBLIC

Joint Staff Assessment of the PRSP Preparation Status Report

Prepared by the Staffs of the International Development Association
and the International Monetary Fund

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1. Lao P.D.R.'s Interim Poverty Reduction Strategy Paper (I-PRSP) was approved by the Government on March 20, 2001 and endorsed by the IMF and IDA Boards on April 23 and 24, 2001, respectively. The I-PRSP envisaged the completion of the full PRSP by August 2002. The first PRSP Preparation Status Report and Joint Staff Assessment (July 12, 2002) were considered by the IMF and IDA Boards on August 26 and 28, 2002, respectively.
2. While substantial progress has been made in the preparation of the National Poverty Eradication Program (NPEP) in the last year, the authorities have requested additional time for completing the full PRSP as indicated in the second PRSP Preparation Status Report (hereafter the "Status Report"). The latter describes progress and constraints in developing the full PRSP and proposes a revised work plan and associated timetable. The authorities intend to submit the NPEP based on the five-year Socio-Economic Development Plan for consideration of the IDA and IMF Boards as their PRSP by October 2003.
3. On May 30, 2003, during the round-table meeting based on the draft NPEP, the staffs of IDA and IMF suggested that the Government take into consideration the following comments in finalizing the NPEP: a) make progress in the prioritization and overall costing of the program, and in developing indicative sectoral envelopes in order to strengthen the link between policy intentions and the budget; b) consider increasing the share of social spending; c) consider broadening participation and consultation in the preparation of the NPEP with a view to enhancing ownership; d) explicitly address capacity constraints that may hamper implementation of the NPEP; and e) articulate more clearly the implications of the NPEP's focus on the selected poor districts, in particular with regard to government resource allocation. The Government has accepted these suggestions and is making efforts to address them in the final version of the NPEP. The Government plans to send out a final version of the NPEP in August, ahead of the Round Table Meeting with donors, scheduled for early September. Submission to the National Assembly for consideration and final approval would follow in September-October 2003.

4. The Status Report indicates that much headway has been made since the last Status Report on the preparation of the NPEP. Staffs recognize the great effort that has been made in integrating a more realistic macroeconomic framework into the NPEP, underlining the Government's commitment to macroeconomic stability. A draft chapter on the costing of the NPEP has now been completed, which reflects the Government's efforts at elaborating a medium-term expenditure framework. In the short term, relatively conservative projections, particularly with regard to growth and budget revenue, signal considerable progress in reconciling developmental priorities with a realistic budget resource envelope. However, medium term revenue projections appear optimistic, as they are based on generation of revenues from large hydropower and mining projects that are still subject to much uncertainty. Finally, it is unlikely that the Government will be able to provide a comprehensive costing of the NPEP even with the extended timeframe for the finalization of the document.

5. The Status Report pays much attention to the strengthening of the participatory process in developing the NPEP. Since the last Status Report, a series of consultations on sectoral and cross-sectoral issues linked to action plans has taken place. There have also been several national consultative workshops with the poorest districts and concerned provinces to identify poverty issues and suitable policy responses. Consultative meetings were also held with the private sector, international NGOs, and mass organizations. Staffs strongly welcome the intensified consultation effort of the Government and encourage further efforts to ensure a more systematic involvement of stakeholders and wider dissemination of the NPEP, including at the decentralized levels, to deepen ownership and oversight during the implementation and monitoring stages of the NPEP.

6. Staffs consider that the NPEP could benefit from a frank assessment of the capacity constraints, especially of cross-cutting issues, such as financial management, organizational incentives, and the communication of policy priorities through the administration.

7. The Status Report indicates that poverty analysis and monitoring have been improved considerably. In order to set-up a reliable, integrated, and comprehensive social data base, the government has launched important initiatives, which include the upgrading of the Lao Expenditure and Consumption Survey, the adoption of a consistent poverty line methodology, and the development of a district level monitoring system. In addition, staffs welcome the initiation of the data collection and evaluation of progress towards the Millennium Development Goals (MDG) in the context of the preparations of the MDG Report, but urge the consolidation of institutional arrangements for MDG monitoring and NPEP monitoring.

8. Staffs consider that progress has been made in preparing the NPEP and that the revised action plan and accompanying timetable for completion of the NPEP by September 2003 are achievable as evidenced by the timely completion of a number of the interim steps.

9. The staffs of the IDA and IMF consider that progress on the development of the NPEP, as evidenced by the Status Report, is satisfactory and provides a sound basis for continued access to IDA assistance and Fund concessional lending. The staffs recommend that the respective Executive Directors of the World Bank and the IMF reach the same conclusion.