



**Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity**

Prime Minister's Office

No. 168 / PM
Vientiane, 22 November 2004

**Decree Pertaining to the Management and Use
of Official Development Assistance**

- With reference to the Constitution of the Lao People's Democratic Republic no. 32/OPR dated 28 May 2003
- With reference to the Law of the Government of the Lao People's Democratic Republic no. 34/OPR dated 30 May 2003.

The Prime Minister decrees that:

**Chapter I
General provisions**

Article 1. Official development assistance, hereafter abbreviated as "ODA", is comprised of two categories, namely grant-aid and concessional loans granted to the Lao People's Democratic Republic by external sources, e.g. foreign governments, international financial institutions, international organisations, non-governmental organisations, overseas funds, foundations, individuals and others.

Article 2. The Lao PDR obtains ODA with due respect for its independence, sovereignty and laws and regulations, and will use ODA to promote national socio-economic development in accordance with the Government's priority programmes, in order to achieve the objectives of national growth and poverty eradication strategy, thus freeing the country from the status of least development. In order to reach the said target, the Government will use ODA in an effective and efficient way.

Article 3. ODA consists of the following forms:

1. Programme grant-aid/loans
2. Project grant-aid/loans
3. Non-project grant-aid/loans
4. Technical assistance
5. Other forms of assistance

Article 4. The Lao PDR considers ODA in the form of grant assistance as its highest priority and will use it in the implementation of plans, programmes and projects in the fields of socio-economy, science, technology and the environment.

The Lao PDR will use ODA in the form of concessional loans in order to construct and upgrade socio-economic infrastructure and production of goods, defined in the National Socio-Economic Development Plan.

Article 5. The mobilisation of ODA resources shall be based on the national growth and poverty eradication strategy as well as priority programmes/projects included in the National Socio-Economic Development Plans.

Chapter II

Approval, preparation, negotiation and signing of agreements on official development assistance

Article 6. The authority for approving the plans, programmes and projects for ODA funding is as follows:

- 6.1 The Government will consider and approve:
 - a. Co-operation strategies and plans with foreign counterparts, covering programmes and projects, which are included in the National Socio-Economic Development Plans as proposed by the Committee for Planning and Investment.
 - b. Loan agreements, programmes and projects that are in accordance with the proposals of the Committee for Planning and Investment and on the basis of concurrence of the Ministry of Foreign Affairs and the Ministry of Finance.
 - c. The final appraisal of loan projects according to the proposals of the Ministry of Foreign Affairs and on the basis of

concurrence of the Committee for Planning and Investment in order to authorise the Ministry of Finance to negotiate with the donors.

- d. Approve the results of negotiations on loan projects as proposed by the Ministry of Finance.
- e. Approve grant-aid projects that fall outside the National Socio-Economic Development Plan, as proposed by the Ministry of Foreign Affairs through the Committee for Planning and Investment.

6.2 The Ministry of Foreign Affairs will consider and approve: Grant-aid projects from abroad that conform to the National Socio-Economic Development Plan as approved by the Government and the National Assembly.

Article 7. The approved programmes/projects that conform to the contents of Article 6 of this Decree will form the basis for the negotiations, including the mobilisation and signing of ODA agreements.

Article 8. Preparation of co-operation strategies/plans, programmes/projects and the negotiation and signing of ODA agreements with foreign counterparts:

8.1 Preparation of co-operation strategies/plans and programmes/projects:

- a. Grant-aid:
 - In co-ordination with the Committee for Planning and Investment and the concerned ministries, organisations and localities, the Ministry of Foreign Affairs will undertake the formulation of co-operation strategies/plans and agreements with the foreign donors in order to integrate them into the National Socio-Economic Development Plans of the Government and submit them to the National Assembly for its approval.
 - On the basis of the said strategies/plans and agreements, the concerned ministries, organisations and localities take initiatives in the formulation of programmes and projects in close co-ordination with the Committee for Planning and Investment and submit them to the Ministry of Foreign Affairs for its consideration and approval.

b. Loans:

- In co-ordination with the Committee for Planning and Investment, the Ministry of Finance, and the concerned ministries, organisations and localities, the Ministry of Foreign Affairs will undertake the formulation of strategies/plans and agreements on external loans in order to integrate them into the National Socio-Economic Development Plan of the Government and submit them to the National Assembly for its approval.
- In co-ordination with the Ministry of Foreign Affairs and the Ministry of Finance, the Committee for Planning and Investment will review annually and confirm the loans requirements and inform the concerned ministries, organisations and localities.
- In co-ordination with the Committee for Planning and Investment and the concerned ministries, organisations and localities, the Ministry of Foreign Affairs will coordinate the preparation of loan projects according to the procedures starting from the preparation of initial data to the final appraisal of the projects and submit these to the Government for its approval.

8.2 Negotiations:

a. Grant-aid:

- The Ministry of Foreign Affairs acts as the central co-ordinating body of the concerned ministries, organisations and localities in the negotiations for the conclusion and signing of umbrella agreements or general agreements on programmes/projects.
- The concerned ministries, organisations and localities shall take initiatives in conducting the negotiations for the signing of specific programme/project agreements.

b. Loans:

- The Ministry of Foreign Affairs acts as the central co-ordinating body in cooperation with the Committee for Planning and Investment, the Ministry of Finance and other concerned parties in conducting the negotiations with foreign counterparts on the issues related to loan strategies/plans.
- On the basis of loan strategies/plans and upon the Government's approval, the Ministry of Finance, in co-ordination with the concerned ministries, organisations and localities, is assigned the task of conducting the negotiations on specific loan programmes/projects.

- The Ministry of Finance will appoint loan negotiation committees and report on the results of the negotiations to the Government for its consideration and approval. Following approval by the Government, the Ministry of Finance will inform the Committee for Planning and Investment and the Ministry of Foreign Affairs.

8.3 Agreement signing:

a. Grant-aid:

- The Ministry of Foreign Affairs is responsible for the signing of umbrella agreements or general agreements on grant-aid programmes/projects covering many sectors or agencies and technical assistance funds to be provided in conjunction with external loan projects.
- The Ministry of Foreign Affairs entrusts the concerned ministries, organisations and localities to sign specific grant-aid agreements with their foreign counterparts.
- The Ministry of Foreign Affairs entrusts the Ministry of Finance to sign agreements on programme/project preparatory technical assistance intended to design external loan projects.

b. Loans:

The Government entrusts the Ministry of Finance or those entrusted by it to sign external loan agreements on its behalf.

Chapter III

Rights and duties of the Government, the concerned ministries, organisations and localities related to the management of ODA

Article 9.

The Government is responsible for the centralised management of ODA and its efficient use according to the National Socio-Economic Development Plan; setting the direction for the attraction and mobilisation of ODA; making decisions on the negotiations and conclusion of ODA agreements as well as their amendments or annulments; allocating ODA among sectors and areas and providing Government's contribution (including funds) for the implementation of ODA programmes/projects within the framework of annual socio-economic development plans and state budgets; and supervising ODA implementation and evaluation of the results of ODA utilisation.

Article 10. The Committee for Planning and Investment has the following rights and duties:

- 10.1 Take initiatives in the formulation of the national strategy and plan for long, medium and short-term socio-economic development, including the identification of detailed grant-aid and loan programmes/projects for each period, and submit these to the Government for its consideration and approval.
- 10.2 In co-ordination with the concerned ministries, organisations and localities, take initiatives concerning the annual allocation of Government contribution funds for the implementation of ODA programmes/projects in accordance with the obligations defined in the agreements signed with foreign counterparts.
- 10.3 In co-ordination with the concerned ministries, organisations and localities, take initiatives on the formulation of specific priority programmes/projects in order to implement the National Growth and Poverty Eradication Strategy.
- 10.4 Coordinate with the concerned ministries, organisations and localities, the monitoring, supervision, fostering and assessment of ODA programs/projects, including the conduct of technical training on project monitoring and evaluation.

Article 11. The Ministry of Finance has the following rights and duties:

- 11.1 Coordinate with the concerned ministries, organisations and localities, the preparation of loan programs/projects.
- 11.2 In coordination with the concerned ministries, organisations and localities, take initiatives in the preparation of the contents of the draft loan agreements.
- 11.3 Coordinate with the concerned ministries, organisations and localities, the allocation of Government's contribution funds for the projects according to the State Budget Plan approved by the National Assembly.
- 11.4 In coordination with the concerned parties, take initiative in compiling comments on legal issues to formulate effective loan agreements.
- 11.5 Take initiative in the funds withdrawals from the donor accounts, and manage the accounting and bookkeeping requirements of ODA projects.
- 11.6 In coordination with the donors and the concerned parties, take initiative in the conduct of training courses on the regulations related to ODA funds disbursements, financial management, procurement and the hiring of experts.

- 11.7 Coordinate with the concerned ministries, organisations and localities in the periodic monitoring, supervision and evaluation of the implementation of loan projects.
- 11.8 Take initiative in the management and monitoring of the use of the assets deriving from ODA projects, including vehicles and other equipment.
- 11.9 Take initiative in the preparation of plans for foreign currency required for servicing the external debt.
- 11.10 Take initiative in the study of the terms and conditions of on-lending agreements to the state-owned enterprises and other economic entities.
- 11.11 Take initiative in the monitoring and consolidation of financial transactions of the enterprises that make use of ODA resources.
- 11.12 Coordinate with the concerned ministries, organisations and localities, the collection of data and preparation of summary reports on the implementation of ODA programs/projects, and report to the Government.

Article 12. The Ministry of Foreign Affairs has the following rights and duties:

- 12.1 Take initiative in the coordination and mobilisation of ODA resources.
- 12.2 In coordination with the concerned ministries, organisations and localities, take initiative in the formulation of policies and directives for mobilisation of ODA resources.
- 12.3 Together with the donors, take initiative in the formulation of cooperation strategies/plans under ODA framework for each period, and mobilise ODA resources in concordance with the National Socio-Economic Development Plan approved by the Government.
- 12.4 Coordinate with the concerned ministries, organisations and localities, the consolidation of plans related to domestic Government contribution funds requirements, and propose to the Committee for Planning and Investment to allocate such funds for the ODA programs/projects in the annual State budget plans, in conformity with the obligations defined in the agreements signed with foreign counterparts.
- 12.5 Take initiative in the coordination of the concerned ministries, organisations and localities in the monitoring, supervision, fostering and evaluation of ODA programs/projects.
- 12.6 Take initiative in the conduct of quarterly and annual meetings with ODA donors.

- 12.7 Coordinate with the concerned ministries, organisations and localities, the conduct of technical training to the staff involved in the implementation of ODA programs/projects.
- 12.8 Take initiative in making proposals on the commendation of foreign organisations and individuals for their excellent efforts in providing assistance to the Lao PDR.
- 12.9 In coordination with the concerned ministries, organisations and localities, take initiative in the collection of data and make summary reports on the results of implementation of ODA programs/projects, and report to the Committee for Planning and Investment and the Government.

Article 13. The Bank of the Lao PDR has the following rights and duties:

- 13.1 Coordinate with the concerned ministries, organisations and localities, the preparation and negotiation of the International Monetary Fund's Macro-Economic Adjustment Loan Programme.
- 13.2 Take initiative in the management of accounts according to the Government's loan programs/projects.

Article 14. The Ministry of Justice has the following rights and duties:

- 14.1 Coordinate with the concerned ministries, organisations and localities, the participation in the preparations and negotiations for loan programs/projects.
- 14.2 Take initiative in the review and make comments on legal issues concerning the contents of loan agreements/ programs/ projects.
- 14.3 Take initiative in the review of the contents of loan/program/project agreements, comment on legal issues, and make proposals on these to the Office of the President of the Republic, as required.

Article 15. The Science, Technology and Environment Agency has the following rights and duties:

- 15.1 Take initiative in the study and assessment of the reports on the environmental effects of ODA programs/projects proposed by the concerned ministries, organisations and localities.
- 15.2 Coordinate with the concerned ministries, organisations and localities, the monitoring and supervision of the implementation of the environmental aspects of ODA programs/projects.

Article 16. The concerned ministries, organisations and localities have the following rights and duties:

- 16.1 Take initiative in providing guidance to each of the concerned departments and divisions that are responsible for planning and investment in order to effectively manage ODA programs/projects.
- 16.2 Take initiative in the appointment of appropriate steering committees and management committees of the programs/projects.
- 16.3 In coordination with the concerned ministries, organisations and localities, take initiative in the approval of the work plans, budget plans and human resource plans of the projects.
- 16.4 Take initiative in the appointment and authorization of the subordinate staff to sign the proposal letters for funds disbursement for ODA projects.
- 16.5 Take initiative in providing guidance within their respective sectors on the preparation of programs/projects that require ODA resources, from among those to be included in the overall plan and the list of priority ODA programs/projects, for each period.
- 16.6 In coordination with the concerned ministries, organisations and localities, take initiative in the conduct of training courses to the staff involved in the management of ODA programs/projects on the regulations of the Government and donors.
- 16.7 Take initiative in setting up priorities and requesting the Government to provide domestic contribution funds in accordance with the contents of ODA programs/projects in order to ensure their implementation.
- 16.8 Take initiative in providing guidance to the steering committees and management units of ODA programs/projects in the preparation of their work plans and expenditure (including withdrawal of funds) plans, within the scope of the approved programs/projects and the related ODA agreements signed with the foreign counterparts.
- 16.9 Take initiative in preparing monthly, quarterly and annual summary reports on the progress of implementation of the programs/projects; and send these regularly to the Ministry of Foreign Affairs, the Ministry of Finance and the Committee for Planning and Investment.

Chapter IV

Implementation of programs and projects that make use of ODA funding

Article 17. The management and the use of ODA resources in various projects should be in conformity with this Decree and the financial regulations and principles of the Lao PDR.

Article 18. The concerned ministries, organisations and localities that are responsible for the programs/projects assume the task of directly managing the actual implementation, while the sectors in charge of macro management have the tasks of monitoring, supervision, fostering and providing guidance and facilitation to ensure the successful and highly efficient implementation of ODA programmes/projects.

Article 19. The termination of projects:

- Within three months before the termination of the programs/projects, the concerned ministries, organisations and localities that are responsible for the programs/projects report to the Ministry of Foreign Affairs, the Ministry of Finance and The Committee for Planning and Investment on the assessments of the results of implementation of the projects, including the reports on the projects' fixed assets lists.
- The Ministry of Foreign Affairs, The Ministry of Finance and the Committee for Planning and Investment should convene meetings for the consideration of the said reports to formulate unified guidance on the said evaluation reports. Then, the meetings between the Projects' concerned parties and the donors should be convened.
- Upon the termination of the projects, the concerned ministries, organisations and localities that are responsible for the projects should make summary reports and hand-over the projects' vehicles and equipment to the Ministry of Finance for its management, with proposals for redistribution of the said items, subject to the Government's approval.

Chapter V

Final provisions

Article 20. The Ministry of Foreign Affairs is entrusted to issue detailed instructions for the implementation of this Decree and the Ministry of Finance is responsible for the issuance of the regulation pertaining to the management and utilisation of ODA resources.

Article 21. All ministries, organisations of ministerial rank and localities have the task to strictly implement this Decree.

Article 22. This Decree supersedes Decree no 208/PM, dated 30 October 2002, and is effective within 30 days after its signing.

The Prime Minister of the Lao PDR
(Signed and sealed)

Bounnhang Vorachith