

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Prime Minister's Office

No.73/PM

**DECREE OF THE PRIME MINISTER
ON THE ESTABLISHMENT OF
THE POVERTY REDUCTION FUND**

- Referring to the law on the Government of the Lao People's Democratic Republic No.01/95 of March 8,1995
- Referring to the proposed letter of the President of the Committee for Planning and Cooperation No 723/CPC dated 12 May 2002,

The Prime Minister issues the Decree

PART I

OBJECTIVES, RIGHTS AND DUTIES

Article 1: Fund Establishment

- 1.1 The Poverty Reduction Fund hereafter called '**The Fund, in acronym PRF**' is established to address, prevent and reduce poverty of the pluri-ethnic people throughout the country, to eradicate and step out of the poverty above.
- 1.2 The hereby-established Fund is a financially autonomous organization and operates under the laws of the Lao People's Democratic Republic and under the guidance of the President of the Committee for Planning and Cooperation.

Article 2. Fund Objectives

The main objectives of the Fund are to finance small-scale investment and services and to strengthen local capacity in respect of village development.

Article 3: Rights of the Fund

- 3.1 Receive financial support which include, but not limited to, support in respect of assistance grants, loans, budget allocations, contributions from foreign sovereigns, international organizations, national institutes and juridical entities, whether local or foreign, to meet the above mentioned objectives
- 3.2 Obtain from external donors technical assistance consistent with all applicable laws, rules and regulations of the Lao PDR.
- 3.3 Provide funds for the implementation of projects consistent with the Fund's

objectives and enter into contracts with eligible implementing entities from public and non-public sector for the implementation of such projects at the local level.

Article 4: Duties of the Fund

- 4.1 Provide sufficient and efficient supply of assistance and community counterpart funds to eligible implementing units for the implementation of different projects.
- 4.2 Organize a supervision system of sub-project implementation and an annual audit of the Fund's accounts.
- 4.3 Monitor the progress, compliance, and implementation of on-going projects and in respect of the Fund's objectives.
- 4.4 Monitor and complete payments in due time and agreed conditions, and allocate funds in line with the actual requirements in each area.
- 4.5 Implementation procedure of regulations pertaining to procurement, contracting and disbursement process in accordance with the law and regulations of the Lao PDR and agreements with external agencies providing resources to the fund.
- 4.6 Materials and equipment in respect of projects funded through the proceeds of the Fund, that are produced domestically shall receive a procurement preference.
- 4.7 Conduct its activities based on principles of coordination, with the competent authorities concerned of the Government in relation to projects supported by the Fund.
- 4.8 Evaluate and report the performance of the fund activities in terms on inputs, outcomes, and impacts on annual basis or more often as required.
- 4.9 Implement other activities as provided under this Decree.

PART II

PROJECT SELECTION CRITERIA

Article 5: Guiding Principles and Criteria

- 5.1 To achieve the objectives as set forth in this Decree the Fund shall support projects designed, proposed and approved by village or Khet, which will use, as appropriate, the skills and participation of the eligible business and social entities. The Administrative Board of the Fund shall not participate directly in the implementation of any Fund's projects.
- 5.2 The selection criteria of eligible Fund projects shall include:
 - a. Small-scale projects, the objectives of which are consistent with the objectives of the Fund, and with a maximum value to be determined by the Fund.
 - b. Projects meeting efficient price standards, of adequate technical quality, of appropriate project design, and suitable to ease of operation and maintenance.
 - c. Implementing activities that involve the use of local capacity.
 - d. Projects that are located in isolated rural areas with high rate of poverty.

PART III

ORGANIZATION OF THE FUND

Article 6: Fund organization

The Fund Organization comprises of:

- 6.1 The Administrative Board
- 6.2 The Executive Director.

Article 7: Administrative Board Organizational Structure

- 7.1 The fund's Administrative Board includes the ministers, vice-ministers or representatives of each sector, as follows:
- President of Committee for Planning and Cooperation; as Chair,
 - Vice Minister, Ministry of Finance, as vice-Chair and Standing member,
 - As respected member of civil society as second vice Chair,
 - Vice-Governor of the Bank of Lao PDR; as member
 - Vice-President of the Lao Front for National Construction; as member,
 - Vice-President of the Lao Women's Union; as member,
 - Deputy Secretary General of the Lao Youth Executive Committee; as member
 - Representative of Civil Societies, as member
 - Vice-Governor of the targeted province, as member
- 7.2 The Fund Executive Director serves as Secretary of the Fund Administrative Board. If necessary, the Administrative Board may invite outsiders to participate in consideration of specific issues related to the Fund. Quorum will be achieved with at least 7 Board members present.
- 7.3 The Administrative Board has the duty to:
- Adopt the Fund's policies on the basis of the poverty reduction policies and programs of the Government of the Lao PDR;
 - Set policies in regard to staff selection and remuneration to ensure the efficient operation of the Fund;
 - Approve district poverty targeting strategy and methodology and the selection of participating districts in Fund operations;
 - Adopt the Fund's annual budget and assign the Executive Director to sign agreements with local and foreign donor agencies to fund the Fund of Lao PDR in accordance with external financial cooperation policies and the constitution of the Lao PDR.
 - Approve rules, principles, manual, and handbooks on the operation of the Fund.
 - Consider and adopt reports on the operation of the Fund submitted by the Executive Director on regular basis.
 - Ensure that the operation of the Fund complies with the Decree and with the rules and principles outlined in the Fund manuals.
 - The Administrative Board will be responsible for selection, recruitment and terminate the contract of the Executive Director of the Fund.
 - Consider and approve annual district allocations.
 - Upon termination of the Fund, the Board shall transfer the ownership and management of the Fund's activities to units or communities concerned

- based on laws of the Lao PDR and agreements signed with donors.
- Assume other tasks and responsibilities as necessary to meet its duties and the objectives of the Fund.

7.4 The Administrative Board shall meet and consider issues once in six months or more often as needed, based on the majority of vote, with seven members in attendance constituting a quorum.

Article 8: Duties and term of office of the Executive Director

- 8.1 The Executive Director has a term of office of 3 years from the signing of the contract. Such term may be extended for another term of no more than 2 years.
- 8.2 The Executive Director shall be a full time position and shall possess administrative skills and competence in handling all issues and acting as the secretary of the Administrative Board.
- 8.3 The responsibilities of the Executive Director include:
- Submission of program policies to the Administrative Board for consideration and adoption.
 - Drafting and submission programs, projects, annual budget, and work plan, handbooks on the operation of Fund for consideration and regular monthly reporting to the Administrative Board.
 - Guidance and administration of the Fund consistent with policies and regulations adopted by the Administrative Board.
 - Representative of the Fund in entering contracts or agreements with agencies and organizations based on the policies, regulations and responsibilities assigned by the Administrative Board.
 - Recruitment of personnel to the Fund Office on the basis of competition and transparent selection with the approval of the Administrative Board.
 - Management of the Fund Office and its personnel to improve budget management, project assessment and project execution evaluation, financial guidance and monitoring of projects, safekeeping of projects' financial data and documents.
 - Implementation of other tasks, which may be determined and assigned by the Administrative Board.

PART IV

BUDGET AND PRF FINANCIAL MOVEMENT

Article 9: Government Contribution

The Government builds favorable conditions for the allocation of the State budget, of the foreign assistance by grant to the Fund as budget to meet the requirements of communities in due time. The Government ensures an adequate initial funding for the establishment of the Fund.

Article 10: Duties and taxes exemption

All agreement under contracts signed for importing materials, equipment and vehicles with the support of assistance funds from the Fund shall be exempted from import taxes and fees

as mentioned in the Taxation Law. All other agreements and contracts signed for the implementation of the project shall be in line with the taxation law applicable at the present time and in the future.

Article 11: Fund's Account

To facilitate financial monitoring, the Fund shall maintain a special account at the Bank of Laos (BOL) and sub-account at business Bank as necessary. Any transfer of money shall be made through such an account.

Article 12: Transfer ownership

The Administrative Board has the duty to outline regulations governing the use of the Fund's resources and shall transfer all responsibilities over the projects to the Government or to communities once they are completed.

PART V

FINAL PROVISIONS

Article 13: Change of the Fund

The Fund may be terminated, modified, or suspended based on the proposal made by the Administrative Board.

Article 14: Logo of the Fund

The Fund has its own logo and Stamp

Article 15: Implementation

All governmental organizations, mass organizations from the central to the local level and the private sector have the duty to acknowledge and extend cooperation in the strict implementation of this Decree.

Article 16: Effectiveness

This Decree is effective from the signing date

Vientiane 31st of May 2002
Prime Minister

Signed and sealed

BOUNNHANG VORACHIT