



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

**Prime Minister's Office
National Leading Committee for
Rural Development and Poverty Eradication
Poverty Reduction Fund (PRF)**

No. 1509 /PRF.11

**Memorandum of Understanding on Cooperation and Coordination between
the Poverty Reduction Fund and the Ministry of Public Works and Transport**

With a view of building rural road infrastructure to the best available standards regarding sustainability and safety in the kumbans where the PRF is active, the Ministry of Public Work and Transport (MPWT) and the Poverty Reduction Fund (PRF) are entering, under the aegis of the National Leading Committee for Rural Development and Poverty Eradication, into an agreement on technical standards and coordination to ensure adequate standards regarding basic access roads and thus to ever better contribute to the country's rural poverty eradication priorities.

The PRF is essentially concerned with basic infrastructure access within kumbans (road, health, education, irrigation, water) and this, on the basis of community-identified priorities. Linking villages to other villages, villages to kumban and kumban with villages, and enabling villages to communicate within themselves are road linkages identified as basic access (equivalent to what is known as roads Class 8 to 11). As MPWT has presently no official definitions or references yet regarding such roads, MPWT and PRF agree to jointly define these basic access roads as 'Low Volume Rural Roads' whose carriageway does not exceed 3 (three) meters.

This MoU covers design and survey, implementation arrangements, monitoring and evaluation, maintenance and training. It also deals with cooperation, coordination and reporting at central, provincial and district/kumban levels.

1. MPWT will designate Local Road Division, Roads Department as a focal point at central level to work with PRF on rural access roads development under the framework of PRF. LRD will collaborate with and support the PRF in development of rural access roads. MPWT will finalize a rural transport strategy, under which maintenance of PRF-funded rural access will be included.
2. To ensure *coherence in cooperation and coordination* at the **central** level, MPWT will strive to establish official norms for rural access roads to enable provincial and district PWT Offices to effectively cooperate with PRF at the kumban level. The MPWT will be informed on the rural road projects in the kumban, prepared through the PRF community-based kumban planning process as soon as they have been approved by the District Validation Meeting. The central level endorses the principle of close coordination between PWT and PRF and encourages its provincial and district offices to seek optimal cooperation with the PRF. The central level will facilitate this cooperation by providing, when possible, central resources, incl. through donor projects, to district/kumban rural roads where PRF is involved. The MPWT, being already a standing member of the NLCDRPE Board, will be represented at the NLCDRPE in all meetings regarding cooperation and coordination in matters of rural development. Based on the outcome of the District Validation Meeting, PRF will compile proposed rural access roads in all districts and share it with DPWTs and MPWT.

3. To ensure coherence in cooperation and coordination at the **provincial** level (DWPT), representatives of the provincial DPWT will attend district planning meetings to ensure the proposed rural access roads are properly designed and ultimately connected to the provincial and district road network. DPWT will provide technical support to PRF, its district offices and Kumban in contract management, quality control, and environmental and social safeguards following Environmental and Social Operational Manual approved by MPWT during project implementation. DPWT will also take part in jointly monitoring the handing over of completed road projects at the kumban level. They will also actively support their district offices (OPWT) in their efforts to seek optimal cooperation with the PRF and assist them in supervision of the road projects ensuring the technical standard specification in the contract is fully met. The DPWT will designate one of its members as Focal point for PRF financed road projects. Bidding documents prepared at district level will be shared with the DWPT before they are published. Provincial representatives will attend training conducted by the PRF and DWPT will ensure that turn-over of trained officials will be minimal. PRF and OPWTs will compile all road projects and send them to DPWT, which will use it as an input for preparing annual and three year rolling road maintenance plans.
4. To ensure cooperation and coordination at the **district/kumban** level, the district OPWT will participate in relevant planning meetings at the kumban level conducted by PRF and actively contribute to the kumban discussions on basic road access priorities and possible design, surveys, costs and other useful information. The district OPWT with support from DPWT is responsible for the design of the planned basic access roads. The OPWT will countersign the contract with the construction firm, signed first by the kumban representative and the contractor. District OPWT are also responsible for the monitoring of the road construction to ensure agreed standards are met. Once the road projects have been approved, their representatives will jointly with kumban representatives and PRF monitor the implementation as well as the handing over, in presence of the DPWT, of completed road projects. District OPWT with support from DPWT are also responsible for road maintenance training in kumban communities.
5. The **PRF's** approach to community-based development will define kumban planning regarding access infrastructure. Once kumbans have decided upon their access-investment priorities over the next 4 years, a District Validation Meeting (DVM), presided by the Deputy District Governor, in presence of kumban representatives, representatives from the National Leading Committee, provincial and districts officials from various sectors concerned, including PWT, as well as representatives from the private sector, will adopt the final list of kumban access road projects. Once the list of access-investment projects has been finalized, PRF and OPWT will support Kumban in preparing work plan, including survey & design, preparation of bidding documents, procurement, supervision, handing over and maintenance. The PRF will provide capacity building to local authorities and related sectors, especially, with regard to the road sector in matters of monitoring and sustainably maintaining kumban road projects. Regarding training, the PRF will provide per diem, cover the transportation cost and the cost of teaching material. The PRF will also cover per diem and transportation cost for monitoring and project-related meetings.

Other Points of Agreements

6. Adequate information and a clear reporting system are an integral part of this Cooperation Agreement. The PRF will report to the NLCRDPE immediately upon the conclusion of the District Validation Meeting (DVM) on all the projects approved in all sectors, incl. the road sector, as these projects will be part of the following years' SE Plans of the district.
7. District OPWT will inform the provincial level of all the kumban projects approved at the DVM (with copy to the central level and the NLC) to have them included in the provincial SE Plans. The Provincial DPWT office will inform the MPWT on the projects approved to have them

included in the National Road Plan. The district OPWT will provide the DPWT with 3 monthly reports on implementation progress, in addition to the reports of the monthly district OPWT meetings.

8. The information on the projects approved at the DVM will include projected costs, timeframe, available resources, proposals on how to bridge gaps (in case) as well a summary table and other useful information.
9. As for the time being MPWT does not have yet any official definition of roads Class 8 to class 11, the two parties agree that the basic access roads built by the PRF (carriageway not exceeding 3m) must respond to commonly agreed norms in order to ensure that they are as safe and as sustainable as possible (appropriate culverts, water drainage, etc.).
10. Although the PRF is not involved in district roads, 'spot' improvements on district roads (Class 7), in case they can be justified to value kumban/villages access-investments of the PRF, can be accepted in exceptional cases, but must conform to Class 7 standards.
11. To achieve the objective to ensure highest standards for PRF built basic access roads, the two parties will adhere to the following sequence:
 - a. The district OPWT and PRF will meet to discuss possible design and survey activities, refine cost estimation and assess whether the district office has the capacity to do the basic access surveys and designs; if not, OPWT will request technical support from DPWT. A letter from PRF will confirm covering of per diem and transportation costs for provincial expertise needed for survey and design activities.
 - b. Once the district OPWT has finalized the designs of the identified basic access road(s), in observance with the agreed standards, it will send them, together with the cost estimate, to the PRF district office, which will in turn send them to the PRF's national office. The PRF at the national level will analyse the road designs proposed and evaluate the costs, on the basis of the MPWT defined unit cost. The unit cost will be updated from time to time to take into account market conditions.
 - c. Once the design and cost estimation is done, a Kumban meeting with OPWT and PRF representatives, will evaluate the result and assess funding possibilities for the proposed basic access roads, on the basis of the prepared design and cost estimates.
 - d. The discussions among OPWT, PRF and Kumban representatives must be satisfactorily concluded before the District Validation Meeting.
 - e. The PRF's PMT will prepare procurement plans including all projects approved by the DVM. A procurement plan is then sent to the World Bank for no objection.
 - f. PRF and OPWT will assist the Kumbans in preparing bidding documents and contract documents, following standard bidding and contract documents of Procurement Monitoring Office, Ministry of Finance.
 - g. The procurement process will start with the bidding process, launched, according to NCB methods of procurement, by PRF and Kumban, announcing the projects open for public bidding, the criteria to be respected and where project documents for the bidding can be obtained as well as the date and the venue of the Bidding Committee where the bids will be opened.
 - h. At the date and time fixed for submitting the bids, which is also the date and time when the bids are opened, the Bidding Committee, chaired by the District Vice-Governor, will meet. The Kumban representative will open the bids, in the presence of officials from all sectors, incl. the road sector, the PRF and the submitting firms. He/she will also register whether all required documents are included in the bids (i.e. bid security, if required). These indications will be registered on a board, together with the name of the bidding firm and the project number as well as the costs. This will also clearly be mentioned in the minutes of the meeting. The minutes of the meeting must be signed by the bidding firms.
 - i. At the same meeting, the vice-governor welcomes the bidding firms, gives them some information on the district, and invites those which will be successful to present

themselves at his office, once they have signed the contract, and before starting working in the kumbans in order to enable him/her, among other things, to put the firms in contact with the sectors responsible for monitoring, supervision and inspection.

- j. An Evaluation committee, comprising OPWT, the sectors, kumban representatives, local authorities and PRF will rank the bids according to their cost but also according to their technical merits and qualifications, following World Bank procurement guidelines. The list of the final ranking of the bids will be sent to the PRF's PMT in Vientiane, which in turn will forward it to its procurement unit for verification.
 - k. Except in cases of 'prior review' projects, as soon as the PMT endorses the selected bid(s), by sending a letter to the kumban (with copy to the district vice-governor), the contract(s) with the construction firm(s) will be signed by the kumban representative and the contractor, and then countersigned by the district OPWT office, with the kumban community retaining overall control over contract management. (Note: two projects by province are selected at the outset by the provincial PRF office as 'prior review' projects to be analyzed by World Bank specialists. Once these latter approve these two 'prior review' projects, the kumban representatives will be authorized to sign the contracts with the contractors. All projects, once implemented will be inspected by World Bank specialists – 'post-review' - on a random basis ('post-review').
 - l. Payment requests from the contractor must be certified by OPWT, PRF and Kumban representative, according to the recorded quantity/quality of work done. Payment requests should include back up sheet on detail of quantity and quality of works.
 - m. The payment of taxes by the contractor will follow the agreements between PRF and Ministry of Finance (MoF).
12. Supervision and O+M being essential components of any PRF funded project, capacity building needs regarding this aspect will be assessed jointly by the PRF, OPWT and kumban representatives.
 13. During project implementation, the key body for supervision and inspection is the district OPWT, which will regularly inspect work progress and work quality. The PRF will support the kumban representative in following-up the inspection reports from the OPWT office. A team for quality assessment will be formed and trained. Following standard specification in the contract document, OPWT and PRF will perform quality control of road work. The constructor is responsible for ensuring highest quality of material, incl. laboratory and field testing. OPWT and PRF will keep all documents related to laboratory and field testing, quantity survey and strip map in a secure place for later inspection.
 14. A final inspection will take place in the presence of the provincial DPWT, accompanied by kumban representatives and the PRF. The DPWT will include the new access road(s) in the Provincial Maintenance Plan.
 15. The PRF will support capacity building through the OPWT, and the training of district officials on road guidelines, survey and design, provided that the officials trained stay in their function at the district for at least three years, in order to strengthen district capacities.

This MoU is a first, and will be revised and improved, in case the need arises. The National Leading Committee, the Ministry of Public Works and Transport, and the Poverty Reduction Fund commit themselves to do their best to honour this agreement and to constantly try to enhance cooperation and coordination at all times at the national, provincial and district levels.

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