

The Lao PDR civil service is considered large but not very effective. Public employment and the associated wage bill are high compared to regional peers and countries with similar income levels. According to the Worldwide Governance Indicators, government effectiveness is below the average for upper-middle-income countries and the EAP average. There is limited data available to inform decision-making related to human resources and personnel issues, with most HR processes, including performance appraisal, still performed manually. While the Ministry of Home Affairs (MOHA) has rolled out an automated Personnel Information Management System (PIMS) at central and provincial levels, the system is not yet available at the district level.

Lao PDR has a Gender Inequality Index (GII) value of 0.463, ranking it 110 out of 162 countries in the 2018 index. 27.5% of parliamentary seats are held by women. The political representation of women in the National Assembly has grown by nearly 20% since 1990. It is among the highest in the region (27.5% in 2016). However, women continue to struggle to participate in equal numbers. Women are still under-represented in senior government positions (10% in 2018).

Official corruption is widespread and found at all levels of government, and it is acknowledged by government-controlled media. Transparency International's Corruption Perception Index ranked Lao PDR at 130th (index score 29/100 unchanged in 2020) out of 198 in its 2020 report. The country has ratified international conventions such as the United Nations Convention against Corruption and highly publicized anti-corruption activities are regularly taking place. As of September 2020, the country completed two cycles of its United Nations Convention Against Corruption (UNCAC) Review, both on criminalization/law enforcement and on prevention/ asset recovery. Nonetheless, The influx of foreign investment, the development of public-private initiatives and the implementation of mega-projects pose major corruption risks.

The main stakeholders of the Lao PDR PFM Reform Program Trust Fund are staff from the participating government entities. The direct stakeholders are the Ministry of Finance (MOF), the Ministry of Planning and Investment (MPI), the Ministry of Home Affairs (MOHA), the State Audit Organization (SAO), the Bank of the Lao PDR (BOL), the National Assembly (NA), the Provincial People's Assemblies and the Local Authorities. Under the present action, line ministries and especially ministries in charge of EU focal sectors education and nutrition (Ministry of Education and Sports, Ministry of Health, and Ministry of Agriculture and Forestry) are also involved. These beneficiaries are benefitting from on-the-job training and participation in capacity-building activities. The beneficiaries are expected to increase their knowledge and implementation capacity of core PFM topics and on specific PFM subtopics.

The MOF is the main ministry managing public finances and it will be the main beneficiary of the proposed programme. The different departments of the MOF will be direct targets of the present action. The Ministry formulates economic and financial policies, designs the medium- term fiscal framework, defines fiscal policy and prepares the national budget. Relevant departments for this Programme are: Fiscal Policy and Law, National Treasury, State Budget Department, the Institute for Finance and Information, the Tax Department, State Asset Department (including its Procurement Monitoring Division), Accounting Department, Organization and Personnel.

The MPI, responsible for economic and social policy and the execution of capital investment, is a key stakeholder in the public finance sector.

The MOHA is in charge of recruiting civil servants and managing civil servant salaries. MOHA is also in the lead for PAR and the Sam Sang decentralisation process. MOHA focuses on the competencies of sub-national government units and on supporting the effectiveness of service delivery. The Department of Civil Servant Management, the Department of Public Administration Development and the Department of Local Administration will be the direct targets of the present action.

The SAO is the oversight body which is mandated to undertake external audit and to scrutinize expenditure. The work of the SAO is limited to an examination of budget execution from a sample of ministries and provinces. Funding, number of staff, and capacity of staff hinder SAO's ability to perform its full mandate. Reporting to the National Assembly on the government budget is also weak and does not allow NA to ensure its oversight role.