

INTERNATIONAL LABOUR
ORGANISATION

**LAO PDR SOCIAL SECURITY PROJECT,
2002-2007**

**FUNDED BY THE GRAND DUCHY OF
LUXEMBOURG (LAO/01/01M/LUX)**

FINAL EVALUATION REPORT

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VOLUME II: ATTACHMENTS

SUMMARY OF RECOMMENDATIONS

The ILO "Social Security Project" (ILOSSP) is funded by the Grand Duchy of Luxembourg and executed by the ILO. It commenced in May 2002 and will conclude in August 2007. The final evaluation was commissioned by a team of three experts and conducted over the period January to May 2007.

- **Recommendation 1:** ILO support for social security development in the Lao PDR should continue. A future project should identify, acknowledge and establish the macro level objectives of the program, which go beyond the specific schemes it is supporting. A future program should incorporate activities not currently covered by the project document that promote knowledge and acceptance of social security principles among policy makers and improved coordination with other donors.
- **Recommendation 2:** Any future project design should establish realistic performance indicators and objectives that are within the control of the program.
- **Recommendation 3:** Consolidating and building the civil servant and private enterprise schemes and the institutions to administer them should remain a central component of any future project. The principles adopted by these schemes should continue to be promoted as a model for related schemes, so that coverage can be expanded in a consistent and efficient manner.
- **Recommendation 4:** The Civil Servant's Scheme pilot project should be subject to an evaluation before the scheme is implemented more widely.
- **Recommendation 5:** Addressing institutional issues will be a priority for the civil servant's scheme. Amalgamating the administration systems of the SSO and SSD schemes should be a priority. There are economies of scale to expanding on the core competencies of the SSO, particularly as it extends to the provinces. It is wasteful for the project and the Government to develop separate systems and train staff in two separate organisations. Amalgamating the administrative schemes will be more cost effective for the project when providing urgently needed technical assistance to the SSO, particularly in the IT area.

- **Recommendation 6:** The project should help address institutional weaknesses in Government and encourage a clearer division between the administrative and policy functions relating to social security. The SSO should have more autonomy to implement and administer the schemes. The project should help the MoLSW to develop capacities to analyse social security issues, draft legislation and regulations and promote concepts within government and the community.
- **Recommendation 7:** A future project should seek a greater commitment from its Lao Government partners before pursuing certain activities. When designing the next phase, program planners could consider building an incremental or progressive monitoring approach to project implementation. In this way, implementation steps could be linked more closely to project outcomes.
- **Recommendation 8:** Activities currently undertaken in support of implementing health insurance need to be identified and incorporated into any new project design. Objectives in the health sector need to be realistic given the modest size and budget of the project and its other objectives. A future project should examine the provider/purchaser relationship and help classify the division of roles and responsibilities between the MoPH and MoLSW. A formal agreement with the MoPH should be considered in future.
- **Recommendation 9:** The project should continue to develop synergies and cooperate with other projects that build the capacity of health service delivery, particularly those that aid implementation of health insurance. It should also cooperate with other projects funded by Lux-Dev.
- **Recommendation 10:** Service quality will need to be monitored closely to ensure that providers are meeting their obligations to members. The use of district hospitals as primary care facilities should be reviewed over time.
- **Recommendation 11:** Extension of the SSO scheme to the provinces should be based on a realistic assessment of the scheme's viability, rather than driven by any high-order goal of achieving a national scheme. In addition to the size of the private sector, the level of participation, representation and support from Provincial Governments should also be considered when extending the scheme. There are economies of scale to extending the scheme together with the Civil Servant's scheme.
- **Recommendation 12:** Training supported by the project should be subject to more systematic evaluation in order to determine the effectiveness and efficiency of activities. A future project should develop a workforce plan that links training to skills shortages and also addresses retention issues.

- **Recommendation 13:** Future activities in support of implementing the “Road Map” for extending social coverage should be focused and practical. As an intermediary step, the ILOSSP should aim to build an institutional policy capacity within the MoLSW that can promote and coordinate social security policy across Government. This unit could also perform the functions identified in Recommendation 6 and possibly include officials from the MoPH.
- **Recommendation 14:** The project should capitalise on its comparative advantage in the field of health insurance when establishing priorities for future social security extension activities.
- **Recommendation 15:** Resolving the motor vehicle insurance issue is not a natural extension of the project’s other activities. Institutional weaknesses and lack of leadership in Government have prevented progress on this issue. A future project should only address motor vehicle insurance in a general sense, as part of its core social security and health insurance activities. It should not aim to resolve this issue and it should not be continued as a separate aspect of a future project.

INTRODUCTION

Project Background

The ILO "Social Security Project" (known as the ILOSSP) is funded by the Grand Duchy of Luxembourg and executed by the ILO. It commenced in May 2002 and was scheduled to conclude in December 2005. It has been extended on two occasions and will now conclude in August 2007.

Phase I: 1997 – 2001

The project is regarded as phase two of a jointly funded UNDP/Government of Belgium project on social security, which operated from April 1997 to December 2001 (LAO/97/006). This first phase was linked to the UNDP project on "Governance and Public Sector Reform". The ILO began supporting social security development in the Lao PDR in 1995 and this led to the Preparatory Assistance Project on Social Security (LAO/96/01), which provided technical support to the phase one project.

The core objective of the Phase I project was very broad: "a comprehensive social protection system for all people, which includes social security schemes providing protection against loss of earnings and for medical treatment." The original intention of this project was to reform existing public sector arrangements while developing a modest scheme for the private sector. However, at this time the Lao PDR was making the transition from a centrally planned to a market economy and these changes required a redefining of the role of the state and its responsibility to individuals, particularly in terms of employment and welfare. The Government therefore requested that the Phase I project give priority to developing social security institutions required for expansion of a free market system.

Considerable progress was achieved on the private sector scheme under the first phase project. Decree 207/PM on a Social Security Scheme for Enterprise Employees was adopted in December 1999. This Decree established a social security scheme based on social insurance principles for workers employed in the private sector. It also helped launch the Social Security Office (SSO) to administer the scheme under the supervision of an 11-member Board of Directors and general responsibility of the Minister of Labour and Social Welfare (MoLSW). The private sector scheme commenced in June 2001.

Phase II: 2002 - 2007

The Phase II project was developed as a continuation of Phase 1. It aimed to build on progress achieved in the first phase, particularly the establishment of the SSO and private enterprise scheme. It also aimed to reform social security arrangements for civil servants by introducing changes that would bring this

scheme into line with the private enterprise scheme. Merging these two social security schemes has always been a long-term objective. The Social Security Reform Steering Committee took a decision to this effect in July 1997. Technical assistance for these two schemes comprised the two first objectives of the project.

Designers of this Phase II project also recognised that broader social protection mechanisms were necessary to reach Lao people not covered by two social security systems, particularly those in the informal sector: the self-employed, those engaged in subsistence agriculture and ethnic groups. They identified a role for this project in developing alternative social protection systems, but recognised that a gradual approach was necessary in line with administrative capacities. Objective 3 of the project focused on social protection mechanisms for populations not covered by the SSO or the public sector scheme.

The project planners also recognised a need to address the issue of medical treatment for victims of motor vehicle accidents, which is not covered under the existing social security schemes. This was objective 4 of the project.

In summary, the four objectives of the second phase project (known as ILOSSP) were to:

1. Strengthen the capacity of the MoLSW and SSO to meet its obligations as stated in Decree 207/PM and help expand the scheme for enterprise workers
2. Restructure the public sector social security scheme
3. Explore other social insurance options for Lao PDR
4. Resolve policy issues surrounding insurance for victims of motor vehicle accidents.

Evaluation Purpose and Objectives

The project document requires that mid-term and final reviews will be conducted on behalf of the donor and the executing agency. The mid-term review was conducted in June-July 2004. The project document specifies that the final review will be conducted four months before the scheduled termination of the project.

The Terms of Reference (TOR) and evaluation plan of this final evaluation were guided by the project document and ILO policy on evaluations¹. The Terms of Reference are attached (Attachment B). Final project evaluations serve an important purpose in terms of transparency and accountability of the ILO to the donor, ensuring the project has been implemented responsibly, efficiently and along agreed lines. However, the ILO regards evaluation as more than a

¹ "ILO Evaluation Guidance: Concept and Policies of Project Evaluations", draft April 2006.

formality, but also an important aspect of results-based management. The evaluation design sought to apply the ILO's concept of "managing for impact" approach, which aims to ensure that projects are implemented with a clear understanding of the cause and effect relationship between inputs, activities and outcomes. The evaluation team regarded the review as an opportunity to take stock of a program and bring together corporate knowledge and other factors to determine whether the project has achieved its goals and how it could be improved in future. It was guided by the need to inform policy makers and aimed to produce a document that looks to the future, not just the past.

When designing this review the evaluation team identified a variety of stakeholders and aimed to address their interests and perspectives. Stakeholders identified for this review can be divided into two groups: primary and secondary.

i. Primary Stakeholders

Government of Luxembourg: not only has an interest in seeing that its funds have been used effectively and in accordance with its development assistance policies, but will also use the findings of this evaluation to help shape decisions and directions for future social security projects in Laos. This review will also help identify opportunities to link the ILO Social Security Project with other health sector projects funded by Luxembourg, as recommended in the "Evaluation of cooperation project in the Lao PDR Health Sector"².

The ILO: adheres to high standards in project management and sees evaluation as a management tool in all phases of the project cycle. The findings will be used at many levels:

- Vientiane project team: Chief Technical Advisor (CTA) and staff
- ILO Sub-regional office for East Asia, Bangkok
- ILO Head Office and Governing Body

The GOL: As a partner in this project, the Government also has an interest in understanding how this technical project has contributed to its goal of establishing social security in Laos. Many aspects of this project design rely on Government policy decisions and are beyond the control of the ILO team. Government interest in this evaluation is wide-ranging – from policy to practical implementation level:

- Line agencies: MoLSW, SSO
- Other key agencies: Ministry of Public Health (MoPH); Provincial Governments of Savannakhet, Vientiane and Khammoune; Hospitals

² Ernst and Young; "Evaluation of Cooperation Projects in the Lao PDR Health Sector: Final Report, April 2005.

Others: Ministry of Finance, Ministry of Defence, Ministry of the Interior, Department of Public Administration, Central Committee of Organisation and Personnel, other Provincial Governments, Committee for Planning and Investment

ii. Secondary Stakeholders

Lao agencies with an interest in Social Security: Employee and industry groups that participate in the Project Steering Committee have a stake in the program. Many of their members participate in the social security schemes.

Employers: Lao Chamber of Commerce and Industry (LCCI)

Workers: Lao Federation of Trade Unions (LFTU)

Scheme members: Existing and future beneficiaries of schemes also have an interest in seeing that funds have been used effectively and efficiently to create well managed social security funds that protect them against social risks.

Evaluation Team

The final review was conducted by an independent team of three consultants selected and contracted separately by the ILO Regional Office in Bangkok. None of the evaluation team had any prior involvement in the program. The team offered a combination of technical, analytical and policy skills necessary to evaluate the project:

- Ms Lucy O'Connor, Independent Consultant, Vientiane, Lao PDR (evaluation expert and in-country expertise) – Team Leader
- Mr Raymond Wagener: General Inspectorate of Social Security, Luxembourg (social security expert)
- Dr Pongpisut Jongudomsuk, Director of the Policy and Planning, National Health Security Office, Thailand (social health insurance expert)

The evaluation was conducted over the period January to May 2007. Dr Pongpisut undertook three one-week missions to Laos during January to March. Mr Wagener undertook a two-week review mission from 20 February to 2 March. Ms O'Connor was resident in Vientiane throughout the review period.

Evaluation Methods

The team developed a series of evaluation questions to help assist stakeholders understand the scope and objectives of the review. As a final review, an important part of the evaluation was to consider progress achieved against the objectives set out in the original program document and recommendations of the mid-term review.

However, in keeping with ILO guidelines, the team approached the review as more than a performance report card: it aimed to make recommendations for the future by understanding:

- how well the project design worked and how it could be improved
- whether the intervention is still appropriate and relevant
- the feasibility of the delivery and implementation processes
- what unanticipated issues emerged and how they could be managed in future
- what were challenges to this project and how they could be overcome.

The data collection methodology relied primarily on qualitative assessment:

- Desk review of reports: project generated, GOL publications, UN and other donor documents
- Interviews: stakeholders, project staff, project consultants, other donors
- Field visits: to Savannakhet, Khammoune and Vientiane Province, including SSO branch offices and hospitals
- Questionnaires/focus groups/seminars: SSO staff and practitioners in health insurance delivery
- Tabulated summaries: listing major project activities

Deliverables

The key deliverable is this report. However, the team has taken opportunities to keep stakeholders abreast of developments presenting its preliminary findings at:

- a full day seminar held at the Lao Plaza Hotel in Vientiane on Friday 2 March attended by Government officials, health workers and hospital representatives, SSO management and members of the SSO Board and Project Steering Committee.
- the Annual Project Tripartite Meeting Thursday 15 March.

FINDINGS

Section I. Project Relevance

1.1 Development objective

1. Over the five years of this project, many new documents have emerged that shape the policy direction of the three major stakeholders. The evaluation therefore assessed the relevance of the intervention against policy developments that have taken place over the life of the project.

Lao Government objectives

2. The project design is based on the premise that the establishment of a national social security system is complementary to Government programmes aimed at reforming the public administration and economic reforms based on market oriented policies³. The project document referred to the New Economic Mechanism adopted in 1986 and the national development objectives promulgated during the 2001 Party Congress. In keeping with the Government's commitment to "develop a comprehensive social protection system" the overall development objective for this project was:

"to contribute to improved health conditions and increased protection against economic adversity of the people in the Lao PDR."

3. The mid-term review suggested that changes in national priorities over the course of the program had implications for the relevance of the project design.⁴ Referring to Lao endorsement of the Millennium Goals in September 2000 and the National Growth and Poverty Eradication Strategy of 2003, the review concluded the project's focus on the relatively privileged few engaged in the formal economy was at odds with current development priorities of poverty eradication. It recommended that priorities be changed and greater emphasis be given to Objective 3. Similarly, an assessment of cooperation projects in the health sector in the Lao PDR completed in April 2005⁵ concluded that the project was not contributing to poverty reduction as activities were not reaching the poorest and most vulnerable.

³ Development of Social Security Phase II: 2002–2005, Project Document p. 17

⁴ L.R Heron; Lao PDR: Social Security Project: Mid Term Review, July 2004 p. 11

⁵ Ernst and Young; *op cit*, April 2005.

4. The review team concluded that the assumptions underpinning the program were soundly based and the project design is still valid. While the team agreed there was a need to find ways to expand social protection mechanisms to those in the informal sector, it did not agree that those who were not members of the specific social security schemes were untouched by the project. Not all projects that benefit the poor focus on the poor at implementation level. The team identified important indirect benefits of this project that benefited the broader population:

- Requiring and assisting wage earners to save for their own retirement and fund their own health care will ensure that the portion of the population with the capacity to pay will not rely on government assistance to meet their needs. This will enable government funds to be redirected at the most needy.
- Reform of the civil servant scheme improved fiscal management by introducing accountability, capping pension rates and allocating funds to cover future liabilities.
- Establishing health insurance for wage earners provides an important source of revenue for health providers and helps fund improvements in medical services that will benefit the wider population.
- This project is establishing a national policy framework for social protection. It is developing a model that can be expanded to include other sectors of the economy. The scale of this project therefore has long-term benefits for the majority of Lao citizens that cannot be compared with smaller localised interventions or equated to its specific activities in support of social security schemes.

5. The program goals are still relevant and valid with regard to the current Government priorities as established within multilateral and regional frameworks. The goals are consistent with the National Growth and Poverty Eradication Strategy (NGPES) adopted in September 2003, which reflect the UN Millennium Development Goals.⁶ The NGPES advocates strengthening and extending the social security system and endorses the scheme for private sector employees as one component of efforts to improve social protection. The program is also consistent with the objectives of outcome 2 of the United Nations Development Assistance Framework (UNDAF) 2007-2011⁷: “increased and more equitable access to and utilisation of quality and prioritised social services”. Specifically, output 2.2.4 relates to improving healthcare financing by introducing systems based on pre-payment, risk pooling and equity in financing. The Sixth National

⁶ Lao PDR National Growth and Poverty Eradication Strategy, 2003.

⁷ United Nations Development Assistance Framework: Lao PDR 2007-2011. June 2006

Social and Economic Development Plan 2006-2010 (NSEDPlan), approved by the National Assembly in June 2006,⁸ also recognises the importance of social security systems and the contribution that private sector growth and development can make to poverty reduction.

6. The program is also consistent with Government of Laos's responsibilities as a member of the Association of Southeast Asian Nations (ASEAN). The Vientiane Action Plan, adopted at the ASEAN summit in Vientiane in November 2004, identifies building strong and functional systems of social protection as one of the four strategic thrusts of the socio-cultural community goals⁹. To this end, the Plan establishes a goal of strengthening systems of social protection at the national level and adoption of measures at the regional level to provide minimum uniform coverage for skilled workers in the region.

7. When reviewed against these documents, the ILOSSP can be regarded as a unique and important program in Laos. While there are many related projects contributing to aspects of social security and health sector development or localised welfare interventions, this is the only project promoting and supporting social security development at a policy and national level. A list of related foreign donor funded projects is attached at C.

8. However, this role and contribution, while consistent with the project's broad objectives, are not fully reflected in the project document. This will be discussed in further detail later in this report.

Donor objectives

9. Luxembourg established diplomatic ties with the Lao PDR in 1997. Laos is one of 10 priority countries for Luxembourg development assistance. It has sought to be a strong partner in development cooperation, and is now the second most important bilateral donor in the health sector after Japan.¹⁰

10. The development cooperation program between Luxembourg and the Lao PDR is governed by the General Agreement of Cooperation of February 2000. The second Indicative Cooperation Program (PIC) under this agreement covers the period 2007 to 2010. This agreement will see the development cooperation budget expand over the next four years to a total of 35 million EUR and will strengthen the cooperation in the sectors where successful cooperation already exists:

- Health,
- Rural development,

⁸ National Socio-Economic Development Plan 2006-2010, June 2006.

⁹ The Vientiane Action Plan, Association of Southeast Asian Nations, November 2004. See pages 16 f.f and p 48.

¹⁰ "Lao-Luxembourg Cooperation". Lux-Development Cooperation Publication.

- Human resources.

11. The Social Security Project remains consistent with the donor's priorities. With its focus on health financing and capacity building in the MoLSW and health sector, the project accords with priorities established under the PIC for 2007 to 2010. Those most closely associated with the project, particularly project managers at the Embassy in Hanoi, regard it as one of the most valuable contributions to Luxembourg's efforts in Laos. They value the project's potential to bring sustainable and widespread health and other benefits when compared to more localised assistance provided to individual hospitals or the rural development projects. They recognise that building social security systems is a long-term prospect that will require ongoing support and cannot be quantified against shorter-term performance indicators.

ILO objectives

12. The project document refers to ILO Convention No 102 on Minimum Standards for Social Security. These standards have been expanded in recent policy documents, including "Reducing the Decent Work Deficit: A Global Challenge"¹¹, "Social Security: Issues, Challenges and Prospects"¹² and the "2005 World Summit Outcome Document"¹³. The policy direction of the ILO regards narrowing the social protection gap as an integral part of the development process. It also identifies capacity building through technical assistance as a key objective in the ILO's social security program¹⁴. The evaluation team considers that the Social Security Project remains consistent with these objectives.

¹¹ Report of the Director General; "Reducing the Decent Work Deficit: A Global Challenge", International Labour Conference 89th Session, 2001.

¹² ILO; Social Security: "Issues, Challenges and Prospects", Report VI, International Labour Conference 89th Session, 2001.

¹³ ILO; "2005 World Summit Outcome Document"

¹⁴ ILO; Social Security, *op cit*, p 74

1.2 Needs-based assessment

1.2.1 Macroeconomic factors and social protection

13. Economic indicators show that this project is still relevant and appropriate. With an estimated per capita income of USD 390 in 2004, the Lao People's Democratic Republic is one of the poorest countries in South East Asia. It is classified as a Least Developed Country (LDC) and is ranked 133rd out of 177 countries according to the UN Human Development Index.¹⁵ Lao morbidity and mortality rates are high, and well above the average in comparison to regional and other low-income countries.

14. In 2004, 71 percent of the population lived on less than USD2 per day and 33 percent less than USD1.50 per day. Families living in such dire poverty are particularly vulnerable. There are few barriers to protect them from unexpected events such as crop failure, accidents, injury and illness or disability. They also have few options to manage or plan for changed circumstances brought by unemployment, pregnancy and old age. The ILOSSP is the only project in the Lao PDR addressing social protection issues at a policy level. Other projects tend to be more locally-project based interventions, such as support to street children, victims of people trafficking and mobility aids for people with disabilities. Donors also provide emergency relief such as food distribution and assistance with health costs through equity funds. A list of related programs is attached at C.

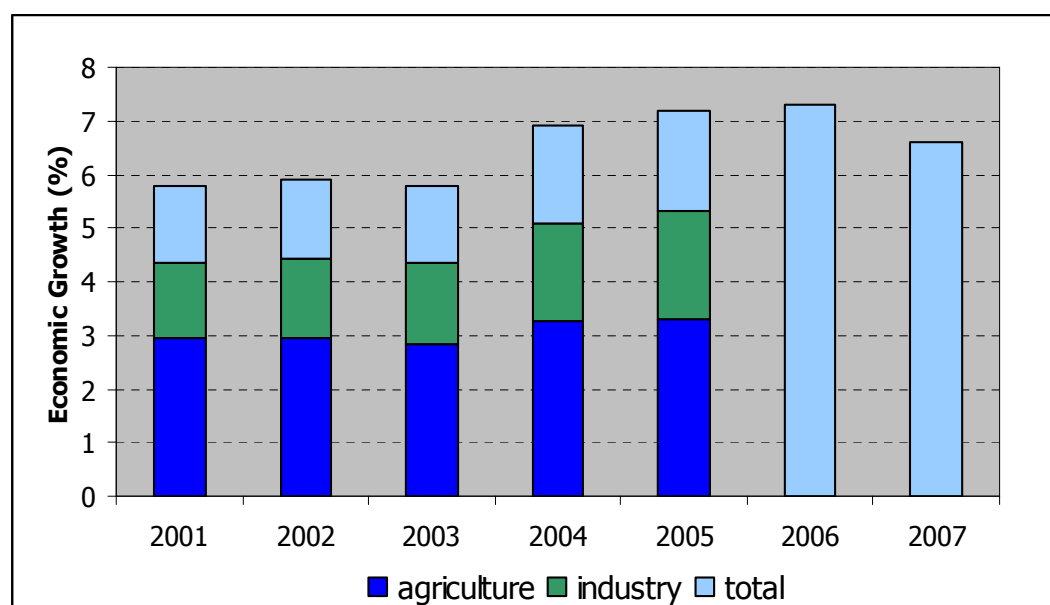
15. Although still very poor, economic outlook has improved since the start of the project when Laos was still recovering from the Asian currency crisis. Economic growth in 2005 was seven percent and it is expected to remain in this range in the next few years¹⁶. Inflation has been reduced although there is still continuing pressure on the budget due to weak revenue collection. Any new project will span a period of improved macroeconomic outlook as revenue is expected to increase with the completion of large-scale mining and hydro projects. The World Bank is encouraging the GOL to use projected future revenue to increase spending in health and education sectors.¹⁷ Future project design should aim to support wider donor efforts to encourage the GOL to increase its budget allocation to the health sector and social protection programs.

¹⁵ "Lao-Luxembourg Cooperation", Lux-Development Cooperation Publication, p 3.

¹⁶ IMF Article IV Consultation with Lao PDR, IMF Public Information Notice No 06/31. March 2006.

¹⁷ World Bank; Lao PEDR Country Economic Memorandum: Realizing the Development Potential of the Lao PDR, December 2004.

Figure I Lao's economic growth with projection from the year 2001 to 2007



Source: ADB, WB and IMF (2006-7 is projected by IMF without detail of share)

1.2.2 Health sector

16. The ILOSSP provides much needed support to the health sector. The Lao public healthcare system is characterised by inadequate government funding, poorly trained and motivated staff, inefficient management and inadequate supervision. Healthcare financing is in a perilous state and the Lao PDR is still highly dependent on Official Development Assistance (ODA). In 2003 health expenditure per capita, including donor assistance was USD 12 – the lowest of all 10 ASEAN countries. Health funding ranks very low in Government priorities: Government health spending is estimated to be less than one percent of GDP per annum. Government spending supports capital investment, salaries and administration.

17. The sector is poorly coordinated and the standard of health care varies considerably throughout the country. Health care is provided at four levels modelling government administration: central, provincial, district and sub-district levels. Hospitals are usually overstaffed by poorly motivated and underpaid personnel who lack appropriate training and skills. Doctors earn less than USD40 per month and only 30 to 40 percent of those who graduate from medical school pursue a career in hospitals. More highly trained personnel tend to concentrate in cities and wealthier provinces, where they have greater opportunities to subsidise their income from user fees and personal businesses. Medical doctors represent only 6 percent of district level staff and many districts hospitals do not have a medical doctor. The Government has extended the health system through the use of village health volunteers without any medical training. These volunteers are supplied with village drug kits and disperse the most frequently requested drugs.

18. Fee for service provides the majority of hospital funding. User fees in public health facilities were introduced in 1995 through Decree 52. Until recently, hospitals were permitted to levy fees on patient registration and ancillary services, but not on consultations with health personnel. The new Curative Law (2006) permits hospitals to charge for professional services. Monks, children and some poor are exempt, although providers implement the exemption arbitrarily. Public health facilities are permitted to keep up to 80 percent of their revenues and 20 percent is returned to the Ministry of Finance. User fees play a vital role in financing, particularly for provincial hospitals and wealthier centres. Provincial hospitals generate an estimated 70 percent of revenue from user fees.

19. The structure of health care financing burdens individuals and households, a situation which is inequitable and untenable in such a poor country. It also encourages ad hoc pricing schedules, over-servicing and contributes to the growing disparity in hospital standards across the country. The introduction of user fees has triggered a surge in out of pocket household expenditure on health care, now estimated to be over USD10 per person per year. As a result of the cost and poor quality of service, Lao hospitals outside urban areas are poorly utilised and people tend to rely on traditional treatments and self-prescribed medication. A WHO study shows that the majority of out-of-pocket expenditure is for drugs (92 percent), with 4.4 percent of expenditure dedicated to user fees and consultation services. The burden of health costs can force families into debt. Most foreigners and Lao with sufficient means seek medical care in neighbouring Thai cities.

20. The health sector attracts considerably less donor funds than other sectors. Slightly less than eight percent of foreign funds are allocated to health and this represents 31 percent of total health expenditure¹⁸. Most donor assistance comprises small-scale localised interventions, such as: maintaining and up-grading buildings and facilities; purchasing diagnostic equipment and medical supplies; providing foreign technical assistance and funding equity funds which provide medical services to the poor. At the other end of the spectrum, macro level assistance can overwhelm the bureaucracy. For example, a five volume Japanese funded “Health Master Plan”, completed in 2002 largely remains unimplemented. Donor funding to the sector can also become skewed by international priorities, such as SARS prevention and more recently Avian Influenza.

21. Recent policy documents have attempted to address these problems including: Health Strategy 2020 and Health Development Plan toward Year 2020. However, despite these documents, the health sector still lacks a vision of improved and equitable health services and a strategy for addressing its systemic problems.

22. In this environment, the ILOSSP plays a unique role. It is the only foreign assistance project working at a macro level to address health-financing issues.

¹⁸ United Nations Common Country Assessment for the Lao PDR, June 2006.

The risk-pooling approach is establishing an alternative and sustainable model of health financing which is appropriate for Laos's stage of development. It also distributes the burden of health care financing more evenly across the population. Capitation payments provide a regular source of funding and help establish sound financial management practices in hospitals. Participating in health insurance schemes also provides a disciplined structure for hospitals and improves accounting and management systems, increases utilisation and encourages more appropriate services and treatment.

1.3 Summary of Section I

- The objectives of the ILOSSP program are still relevant and consistent with current development priorities of the Government of the Lao PDR. It is also consistent with the objectives of the Government of Luxembourg's development assistance program and ILO priorities.
- The intervention is relevant and justified in terms of the macroeconomic situation in Laos and needs of the social welfare and health sectors.
- The ILOSSP is the only donor-funded project addressing social security at a national level. It also fills a niche role by providing leadership on health financing issues and driving institutional change in the health sector.

Section II: Performance against objectives

2.1. Objective 1

2.1.1 Overview Matrix

Objective 1: Development of a social security scheme for enterprise workers in private and SOE sectors	
Performance Indicators: <ol style="list-style-type: none">1. The SSO will be administering a social security scheme covering the large majority of enterprise workers employed in the private and SOE sectors of Vientiane Municipality with 10 or more employees.2. The SSO will have established branch offices in the provinces selected by the Board of Directors which will be providing similar coverage.3. An extensive training programme for the SSO staff of the central and branch offices will be operating so as to support the extension plans of the SSO.	
Output 1.1 <p>An operating social security scheme for enterprise workers of larger employers of 100 employees and more in the private and SOE sectors in Vientiane Municipality.</p>	<p>The project has provided ongoing capacity building to assist the SSO with implementing Decree 207/PM. Technical assistance to help the SSO implement short-term benefit provisions, particularly health insurance, has been a major undertaking. This has required computerisation of registration, claims processing and accounts as well as training for staff in health insurance administration and policy management. The project has also assisted the SSO to build up the regulatory framework for its operations, to harmonise the Decree with related legislative provisions and to establish a financial accounting structure for all funds.</p> <p>ILOSSP completed most activities under this output by June 2004, but implementation of the technical inputs provided by the project has still not been realised, particularly relating to compliance.</p>

<p>Output 1.2</p> <p>Extension of the SSO scheme in Vientiane Municipality to smaller employers</p>	<p>The SSO scheme was extended to enterprises employing 10 or more people in Vientiane Municipality in 2002.</p>
<p>Output 1.3</p> <p>Extension of the scheme to the other provinces of Lao PDR where larger industrial bases are found and adequate health facilities are in place to deliver SSO health insurance benefits – tentatively: Savannakhet City, Pakse City, and specific areas of Thakek Province and Luang Prabang City.</p>	<p>The ILOSSP conducted assessments of district and provincial health facilities and surveys of employers in support of expansion options. SSO operations began in Savannakhet on 24 October 2005. Preparation to open in Khammoune Province began in early 2006 and registrations began on 19 December 2006. Office fitout in Savannakhet was supported by the BTC project and in Khammoune by ILOSSP.</p>
<p>Output 1.4</p> <p>SSO staff, management and Board of Directors trained in the general SSO tasks and in their specific assignments through in-house training, external training, job placement studies in tertiary institutes and study visits.</p>	<p>The ILOSSP has supported training at all levels and equipped SSO staff with the skills necessary to administer the social security scheme. However, the SSO has not established a staff-training unit as specified under this output in the project document. The project trained three staff to become trainers and has recently engaged a consultant to review training materials and prepare a training curriculum.</p>

2.1.2 Background

23. The institutional and legislative framework for the private sector scheme had been established under the previous project. Decree 207/PM had been passed in 1999, the SSO established and Board appointed in June 2001. When designing the Phase II project, planners assumed the hard political decisions had been taken and ILOSSP activities under this objective would be more routine: building the capacity of the SSO and providing technical support to expand the scheme.

24. The final report of the first phase project¹⁹ identified two key risk factors for the future: the professional capacity of the SSO and the quality of health care offered to members. The major institutional challenge was to ensure the SSO had the technical skills necessary to implement both short and long-term income protection benefits and health insurance provisions. A phased model of expansion and a program of public education and capacity building within the SSO aimed to reduce the risk of over burdening the SSO.

2.1.3 Review of Progress

Challenges to implementing the Decree

25. Implementing Decree 207/PM proved to be more complex than envisaged and progress has been affected by factors beyond the control of ILOSSP. In the Lao system, Government agencies must be given responsibility to implement the provisions of legislation before any action will be taken and this can be just as challenging as achieving the original decree or legislation. It requires the implementing agency to be proactive in seeking new responsibilities and the relevant Ministry to be willing to pursue new agendas. Support from ILOSSP has ensured that Decree 207/PM have become a reality, by helping establish the technical and policy skills and mechanisms necessary to implement most of its provisions.

26. However, the status of the SSO has complicated implementation of Decree 207/PM. The Decree described the SSO as a “juridical entity guided by the Ministry of Labour and Social Welfare”. In the original project document, it was referred to as an “autonomous public body”. However, the MoLSW seems to regard the SSO as a Division within the Ministry, rather than an autonomous body and uses the Board mechanism and personnel structure to administer the organisation. (An organisational chart of the SSO is attached at Attachment F). This is to some extent understandable as the concept of a quasi-government body is a new concept in Laos and may take time to establish independence.

¹⁹ K Thompson, Terminal Project Evaluation Report, LAO/97/006. May 2000.

However, this structure has complicated and delayed the implementation of the ILOSSP program.

27. The SSO does not have the authority to make simple administrative and financial decisions necessary to its operations. The Board of Directors must first approve all financial purchases over USD100 and these decisions can be delayed considerably if the Board does not meet regularly. To cite an example, Board delays in approving the purchase of a fax machine compromised the operations and ultimately the situation was resolved when the ILOSSP purchased the machine. In this way, both the ILOSSP and BTC project have intervened and assisted the SSO, particularly with purchasing office equipment, and prevented bottlenecks from undermining operations. Without this support, the SSO's operations may not be sustainable.

28. While administrative management structures are disruptive and inconvenient, Government ambivalence at a policy level, particularly on compliance issues, have posed a greater challenge for this project. To implement the Decree's provisions, the SSO must draft regulations setting out the administrative and procedural arrangements. Regulations are then submitted to the SSO Board for approval. The Minister of Labour and Social Welfare, or their representative, chairs the SSO Board. Board decisions on some key issues (particularly relating to enforcement and inspections) have clearly been Ministerial decisions and do not reflect the recommendations of the Board as a whole. Some Board decisions (or lack of action) have undermined implementation of some aspects of the Decree.

Features of the scheme

29. Working within these challenges, the ILOSSP has helped the SSO establish an operating social security scheme for employees in the private and State Owned Enterprise (SOE) sectors in Vientiane Municipality.

30. The SSO scheme provides a total of nine benefits, including health insurance and retirement pensions. Members who reach retirement age become eligible for pensions after five years of contributions. SSO contributions are currently 9.5 percent of monthly salary (4.5 percent contribution from employees and 5 percent from employers), up to a maximum of 1,500,000 kip per month. Current allocations are (0.95 percent is allocated to admin):

- Health insurance = 2.2%
- Short-term benefits = 1.3%
- Long-term benefits = 5.5%
- Employment injury = 0.5%

31. The health insurance scheme provides coverage of work and non-work related illness and injuries without co-payment. Services include curative (ambulatory and inpatient care), preventive and rehabilitative services. The major exclusions are traffic accident related and cosmetic treatments.

32. Beneficiaries register and use services at contracted hospitals except in medical emergencies, where they may attend other hospitals. In Vientiane Municipality, Vientiane Province and Savannakhet, beneficiaries register with a tertiary level hospital. This system has been adjusted in Khammoune, where beneficiaries register with district hospitals.

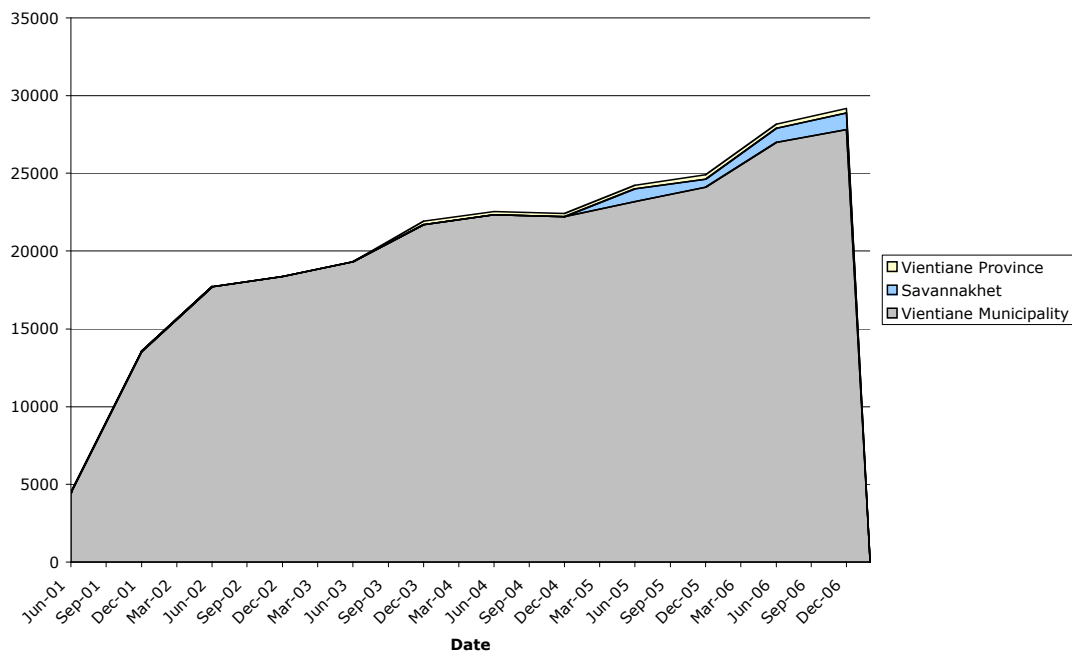
33. Hospitals are contracted to the SSO and paid 65,000 kip capitation per year per beneficiary. Additionally, hospitals are reimbursed 50 percent of the expense of high cost services and receive an additional 3,500 kip per year for chronically ill patients. The Province decides how provider payments will be divided between district and provincial level hospitals.

Expansion and membership growth

34. In Vientiane Municipality the SSO scheme covers slightly more than half of workers employed by enterprises with 10 employees, less than the “vast majority” established in the project’s performance indicators. In August 2006 there were 27,000 members from 242 enterprises participating in the SSO scheme in Vientiane Municipality. The SSO estimates there are a further 590 eligible enterprises employing 24,200 eligible employees who are yet to join the scheme. By this estimate, the scheme covers approximately 53 percent of eligible employees but only 29 percent of eligible companies. Operations commenced in Vientiane Province in September 2003. Membership growth has been very slow in that province and in December 2006 there were only 287 members.

35. Operations commenced in Savannakhet in October 2005. Surveys in Savannakhet identified approximately 14,000 employees in 177 enterprises that were subject to Decree 207/PM. In February 2007 there were 1072 members from 55 enterprises participating in the SSO scheme in Savannakhet. This represents approximately 7.6 percent of eligible workers and 31 percent of eligible companies. Operations commenced in Khammoune in December 2006. Surveys in Khammoune identified approximately 8,000 employees from 84 target companies that were subject to Decree 207/PM. After only three months of operation, in February 2007 there were 343 members from 12 enterprises and seven SOEs participating in Khammoune. This represents 4.3 percent of eligible workers and 23 percent of eligible companies.

Figure 3: Membership growth from June 2001 to December 2006



Compliance

36. Poor compliance has been the greatest obstacle to achieving progress under this objective. To date, the scheme has been regarded as voluntary and there are no enforcement measures – either incentives or repercussions – to apply to companies that do not participate. The SSO also relies on those companies that decide to participate to provide accurate and complete personnel information. The SSO has no capacity or authority to audit businesses to ensure they are covering all their staff and reporting salaries accurately.

37. The mid-term review identified compliance as a major risk to the project and recommended that ILOSSP help build the inspections capacity of the SSO. To this end, during 2004 the project: helped draft regulations necessary to establish an inspections unit with the SSO; provided technical advice and proposals for training inspectors; and developed legislation and procedures necessary to support a compulsory scheme. The project also funded training and a study tour to Vietnam in 2004 to review that country's labour inspection system. In 2006 the ILOSSP also helped the SSO prepare regulations relating to Inspection Compliance, Appeals and Review. The draft inspections regulation was submitted to the Board for approval in the latter part of 2004. However, after almost three years, the Board has still not approved the regulations. The Board of Directors has referred the draft regulations for broader consultations among government and party organisations. In the Lao political system, this approach risks delaying a decision indefinitely.

38. It should be noted that that poor compliance is part of a larger problem in the Lao-operating environment. Other aspects of the Labour Law (such as wage rates, overtime and labour contracts) are also not enforced. Revenue collection is also a problem more generally as there have been few enforcement mechanisms for tax provisions.

39. There appears little willingness at a policy level to pursue the compliance issue. The Ministry has been unwilling to introduce enforcement provisions, even against SOEs. There is also a short-sighted focus solely on the health insurance aspects of the scheme when analysing the compliance issue. Senior SSO and Ministry officials use many arguments against introducing enforcement measures, including: companies should not be required to participate when medical facilities are poor; many employer-sponsored schemes offer better health benefits than the SSO scheme; and enforcement should not be pursued while public knowledge of social security issues is low. Some officials also argue that the Decree does not give the Government sufficient power and enforcement measures can only be considered once the new Labour Law is adopted (and the Ministry is given the power to implement the new law). All of these factors build the impression that the Government is still uncertain about the merits of the private sector scheme and does not appreciate the long-term benefits of the retirement, as well as the health insurance, aspects of social security.

40. Perhaps as a result of this political reality, the SSO and MoLSW tend to regard public education, rather than compliance measures, as the key to achieving membership growth and is requesting further assistance in this area. However, despite increased effort and resources, these activities have not achieved the desired membership growth to date. Internationally it has been shown that voluntary social security systems do not work and poor compliance is not a function of education or development. Even in Western countries where awareness is higher, incentives and financial penalties are necessary in order to encourage participation in health and retirement schemes.

41. While public education has an important role to play more generally and some targeted support could be provided under a future project (discussed below), it is not a means to achieving the primary program objective. Any future project should be wary of increasing assistance for public education campaigns in the absence of more commitment to compliance measures.

42. Poor compliance could pose a serious threat to the scheme, as voluntary schemes are rarely viable or sustainable. Financial modelling and actuarial studies conducted by the ILOSSP have made assumptions about membership growth and fund sustainability. Capitation rates for health care are based on risk pooling projections, which could prove unsustainable if the “pool” falls short of estimates. Small membership numbers are to be expected initially, but continued low numbers add significantly to costs when the scheme is extended to the provinces. Poor compliance could also affect the viability of long-term pension

liabilities as there is a risk that participating companies will withdraw if they see that other companies are not participating. Further support will need to take these considerations into account.

Support to the SSO

43. The ILOSSP project has helped the SSO establish a professional and viable scheme, but continuing assistance will be required to help consolidate gains made. Implementing health insurance and short-term benefit provisions of the Decree has by necessity been the focus of activities under this objective. Assistance and training provided by ILOSSP has extended beyond the MoLSW and the SSO, to include MoPH, Provincial Governments, hospitals and a wide-range of health workers. As the scheme has now been operating for more than five years, the focus of ILOSSP support has grown to include training and assistance with longer-term benefits, such as retirement pensions.

44. ILOSSP technical assistance has created an appropriate and viable health insurance scheme for the Lao PDR based on capitation and risk pool financing. The project undertook comprehensive actuarial evaluations in order to analyse the appropriateness of the contribution and ceiling rates relative to benefits. The ILOSSP project has also been instrumental in helping the SSO extend and improve health care benefits to members. Many technical inputs have played an important role in building a viable and attractive scheme, including: capitation concepts and practices; options for financing higher cost treatments; contract management with providers and developing the role and function of the Medical Board.

45. The project has also proposed a review and appeal system covering decisions taken under Decree 207/PM. It has also assisted the SSO in developing definitions and procedures for assessing incapacity and eligibility to disability and employment injury pensions.

46. In addition to the compliance efforts discussed above, the project has also assisted the SSO in developing public relations campaigns explaining social security and the merits of scheme membership to employers and employees. Brochures were published on employment injury, health insurance and short-term benefits. Workshops were arranged for employers, radio programmes and information stands were organised at national festivals. The ILOSSP has also supported LFTU, LNCCI and Bureau for Employers' public outreach program and training in HIV/AIDS and OHS to workers and employers in 6 provinces. This project provided training to more than 1000 workers in 30 companies involved in wood and textiles.

Provider arrangements

47. Health insurance is the most immediate benefit for members and has by necessity been the focus of project delivery over the life of the program. Establishing and managing service provider arrangements has been one of the most challenging and time consuming issues faced by the project. Many of these issues go to the heart of systemic problems in the health sector and are beyond the scope of the project as designed. In this environment, the ILOSSP has taken a practical approach when establishing priorities and goals for its health related activities.

48. Adapting to the demands of a health insurance scheme represents a cultural shift for Lao health care providers. Hospitals are unaccustomed to managing budgets, monitoring and containing costs, being accountable for the quality of service or providing a client-based service. Hospitals are typically overstaffed and under-utilised and tend to set fees and services arbitrarily based on the patient's capacity to pay.

49. The project's activities have grown to focus on hospitals. It has provided: training and equipment for participating hospitals to enable them to identify scheme members; conducted information sessions on the capitation-based scheme and provided IT systems and training to support accounting and reporting systems. To help improve services, the SSO permits hospitals to allocate 15 percent of capitation fees as bonuses to staff. Only 10 percent of the capitation fee can be allocated to administration.

50. Poor management systems in hospitals threaten the project and create challenges for the SSO in managing its provider arrangements. Hospitals have difficulty calculating and tracking their costs and most of those interviewed complained that the capitation rate was not sufficient. However, this view was not supported by utilisation data. To date, health service utilisation by SSO members has been low. Utilisation rates for outpatient visits in 2006 were 0.74 percent. However, emergency care and hospitalisation has been increasing by 7.4 percent and 25.0 percent per annum respectively. SSO members are generally young and in good health, reflecting the high representation of garment manufacturing companies that employ young women. The dependency ratio of SSO members is 0.96, which is much lower than for civil servants (2.4).²⁰ The capitation rate was initially set at a higher rate than calculated²¹. The evidence therefore does not support claims by hospitals that the capitation-funding base is too low and suggests that health providers are still having difficulty adapting to the demands of the new system.

²⁰ Horacio T. Templo: "Financial Aspects of the Pilot Implementation of the Lao PDR: Civil Service Social Security Fund (CSSSF)" Mission report under ILOSSP Phase II.

²¹ For example, a capitation rate for the SSO in 2004 was proposed by a consultant (Viroj Tancharoensathien) at the rate of 27,000-30,000 Kip per beneficiaries but the SSO had already paid at the rate of 100,000 Kip per insured or 58,601 Kip per beneficiaries which was two times higher than the actuarial estimation.

51. Theoretically, the capitation system will force healthcare providers to modify their behaviour and adjust the cost of service provision.²² However, no hospitals visited had cost control policies or procedures, such as prescribing cheaper drugs, limiting the number of prescriptions or shortening hospital stays. In view of these challenges, the SSO will need to monitor health care providers closely to ensure they honour their obligation to provide appropriate and quality care to scheme participants. Some beneficiaries have complained that hospitals have tried to reduce costs by providing a lower standard of service provision.

52. The review identified a number of priorities for the development of the health insurance scheme:

- To help improve accountability and management, provider arrangements should include a standard fee schedule. Currently different hospitals charge different prices for the same service.
- The current transportation/referral system can be onerous for members. Patients must pay up-front for transportation or treatment in emergency situations and claim reimbursed from their registered hospital. At times, their registered hospital may dispute or refuse the claim. As transportation costs can be very high, there may be a case for covering this cost from central funds.
- The capitation rate of 65,000 kip was established in 2004 and should be monitored closely to ensure it keeps pace with utilisation rates and inflation.
- In order to discourage providers from limiting costs and services, the scheme could consider providing a separate payment for inpatient treatment, rather than include it in the list of services covered by capitation.
- The additional payment for high cost services and chronically ill patients introduced in December 2006 will need to be monitored closely.

Scheme extension

53. The project helped extend the SSO scheme to small employers in Vientiane Municipality by funding surveys and public relations campaigns. It assisted the SSO to estimate the number of small businesses based on data from the Business Survey conducted by the Vientiane Municipality. Membership for smaller enterprises in Vientiane Municipality is voluntary and not covered by the Decree, but will be required under the new Labour Law of 2007.

54. The ILOSSP has engendered a practical and phased approach to scheme extension in the provinces. In 2002 a technical report reviewed opportunities and undertook costing studies to extend health insurance to larger cities, including Luang Prabang, Savannakhet, Pakse and Vang Vieng. Gradually the SSO

²² WHO. World Health Report 2000: Health Systems: Improving Performance. Geneva. 2000.

extended coverage to Vientiane province, contracting the Maria Teresa Provincial hospital financed by Luxembourg. In 2005 the SSO Board of Directors approved the establishment of SSO offices in Savannakhet and Khammoune Provinces. The project developed an extension plan together with an implementation strategy and timeframes for establishing the provincial offices in Khammoune and Savannakhet. The ILOSSP cooperated with the BTC project – with ILOSSP supporting operations in Khammoune and BTC supporting Savannakhet. The SSO could not have funded the extension without this support.

55. The experience in the provinces replicates many challenges experienced at the Central level, and this presents some new risk factors for the project. Considerable effort is needed to establish SSO operations outside of Vientiane, including: gaining the support of and educating relevant Provincial Government officials; renting and establishing office premises; recruiting and training SSO operations staff, surveying and identifying eligible companies; surveying and reviewing hospital facilities; contacting companies and promoting the scheme; and negotiating and managing contracts with health providers. Successful implementation also requires considerable monitoring and support to health providers to ensure: they are providing the agreed services to members; adopting sound accounting and reporting practices and correctly managing capitation fees.

56. The comparison between branch offices in Savannakhet and Khammoune suggests that political support from Provincial Government will be a determining factor in scheme extension. Like at the Central level, implementation in the Provinces requires a series of directives giving relevant provincial agencies the authority to implement the changes. Achieving these policy directives requires leadership and support at senior levels.

57. Although it has only been operating a short time, SSO operations in Khammoune are proceeding well. The Governor himself has a good understanding of the issues and appreciates the long-term value of the scheme for his province. He has provided leadership and written to companies advising that the scheme is not optional. In contrast, authorities in Savannakhet are still ambivalent and the SSO office operates with little high-level support. Authorities in Savannakhet are waiting for changes to the Labour Law before they provide leadership and support to the scheme. They argue that many local companies cannot afford to participate and that implementation would discourage foreign investment. Without leadership there is no pressure on companies. For example, the private company of the President of the Savannakhet chapter of the LNCCI does not participate in the scheme. The LNCCI in Savannakhet argued that they have not undertaken any promotional activities with members, as they have not been instructed to do so by the Provincial Government. Despite an active and motivated SSO branch team, membership growth has been slow in Savannakhet.

58. Extension also requires resources and flexible models to suit the different environments. In both provinces, some of the largest companies are located outside the provincial centre: in Vilabouly District of Savannakhet (a mining project) and Mahaxay District in Khammoune (a hydroelectricity project). The SSO office in Khammoune has been more successful in adapting to this situation than in Savannakhet. From the outset, the ILOSSP included the hydro project in surveys of eligible companies and the SSO negotiated provider contacts with district hospitals located in the vicinity of project workers. As a result, the SSO office has managed to sign-up some of the largest companies involved in the project.

59. In Savannakhet, however, the BTC focussed on the provincial capital only. It did not include the Sepon mining project area in the survey of eligible companies and the SSO office only has a contract with the provincial hospital. The SSO office does not have a detailed knowledge of the different companies operating on the mining project, making it difficult to identify decision makers and develop strategies. It has proposed contracting the Sepon District Hospital, which is 40 kilometres from the mine site (and unattractive to those workers who are eligible to attend the company's on-site clinic). Finding and promoting solutions for large companies requires new approaches and would benefit from political leadership. It also requires better coordination with central office, as many companies have headquarters in Vientiane.

60. In the provinces there are also greater numbers of seasonal workers, which may require new approaches. For example, many workers employed by timber companies work nine months of the year, but return to work in their village during the rice-growing (rainy) season. Companies argue it is not practical to offer insurance that will lapse for the period workers are not in paid employment.

61. The experience in the provinces also magnifies central-level problems of dealing with health providers. Poor accounting systems and management practices in hospitals are even more prevalent in outer areas. Establishing the scheme requires considerable training of providers, monitoring and diligent contract management. This is harder to achieve outside the central areas. Low membership numbers reduces the capitation pool for providers and risks undermining their support and willingness to participate in the program.

62. To help overcome some of these problems, the ILOSSP has capitalised on other related projects. There are economies of scale in working with hospitals that receive other donor support, such as the Maria Teresa Hospital in Vientiane Province (funded by LUXDEV). Such hospitals tend to have better equipment and management systems. The project has also coordinated with the WHO, particularly to capitalise on that agency's support for improve financial accounting in hospitals. The project has also explored the synergies to expanding in

conjunction with the CBHI scheme. Extension in unison with the civil service scheme will help overcome many of these problems.

63. The ILOSSP assesses that at this stage, only eight provinces have sufficiently developed private sectors that can support the SSO scheme. They have recommended an extension strategy to the urban areas of Champassak, Borikhamxay, Xiengkhouang and Luang Prabang provinces. However, as discussed in this section, extension will be time consuming and resource intensive and should only be considered for those provinces where the provincial government is supportive and prepared to take a leadership role.

Training and human resource development

64. In 2001 the ILOSSP developed a human resource development plan identifying skills and staffing needs in the SSO. The plan was reviewed in September 2003. Both the ILOSSP and BTC funded training workshops, external courses and job placements to help equip staff with the skills necessary to build the SSO. The ILOSSP also funded SSO staff to participate in a BTC funded study tour to Germany, Luxembourg and Belgium. It also supported the participation of the SSO in ASEAN Social Association (ASSA) Board meetings. In addition to support for the SSO, the project organised study tours for policy makers to examine social security organisation in Thailand and Vietnam. Assistance was also provided to enable members of the Medical Board to attend training workshops.

65. Although the ILOSSP assisted with training trainers, the SSO has not established a training unit as identified in the project document. Training activities have tended to proceed in an ad hoc manner and often have not been timed to coincide with organisation needs. There is no system of reporting or evaluating training courses, which would help guide future training decisions. To help address these problems, the ILOSSP has recently commissioned a review of in-house training documents and the development of a training curriculum. Staff surveyed during this evaluation also identified a need for operational manuals to document procedures in each work area and an orientation program for new starters.²³

66. The training issue is indicative of a wider resource management challenge for the SSO. Staff are concerned about the lack of career advancement opportunities in the SSO. Most divisions are headed by civil servants who can be promoted to other areas of the Ministry. This structure is demoralising for contract staff as it prevents them from advancing into management positions. Staff could also become demoralised by the lack of leadership, delays in implementing the scheme and long-term vacancies in management positions (which will be discussed below). Over the past five years, the SSO has trained

²³ Dr Pongpisut Jongudomosuk MD: "Report on Assessment of Capacity Building of Governing Bodies of Social Health Insurance System in Lao PDR: Mission Report 1, March 2007.

and established a professional team. In order to retain their skills and expertise, the SSO must offer challenging and satisfying jobs and opportunities for career advancement.

67. This review recommends a systematic evaluation of training be undertaken in order to determine the effectiveness and efficiency of activities. Such a review could also identify skills shortages and develop a plan that addresses retention issues and promotional opportunities for staff. Dr Pongpisut's report on Capacity Building completed as part of this evaluation would provide a starting base for such a review²⁴.

Current priorities: ongoing support

68. Despite the tremendous progress made in building the professional capacity of the SSO over the past five years, the Organisation will require considerable continued support for the foreseeable future. The ILOSSP provides the professional discipline and accountability that is not provided from the existing internal management structure. Example of weak management structures include:

- Only two annual reports have been produced covering the periods 2001-02 and 2003-04. Both of these reports were produced with support from the ILOSSP. The project also funded public dissemination seminars with scheme members. The draft annual report for 2005-06 has not yet been finalised.
- Although the Organisation is to be audited annually, an audit has not been completed since 2005. The Government requires that the SSO must now be audited by Government's internal audit body, rather than an external audit (as on previous occasions). Due to the backlog in government auditing, it does not seem that the SSO audits can be completed in any credible timeframe.
- Although the project has established systems designed to generate ongoing management reporting and analysis, reports are not produced on a regular basis and are often only generated in response to requests from the project. The SSO was unable to produce quickly information requested by the review team that should be that should be readily available and understood, such as statistics on SOE membership.
- Vacancies are carried for an unreasonable period and financial management has been accorded low priority. One of the two Deputy Director General positions has now been vacant for 6 months. The Head of the Finance and Audit Division position has been vacant since September

²⁴ Ibid.

2006. The two audit positions are both vacant (one has been filled on a temporary basis). Filling these vacancies requires Board decisions, which have been delayed by MoLSW staffing decisions.

- Many important financial issues, such as fund management, are not being given priority. Currently funds are not earning a rate of return sufficient to keep pace with inflation.

69. Many of these difficulties extend from lack of autonomy in the SSO management structure, which has left the Organisation dependent on inefficient Ministry processes and decision-making. Continued support and pressure will be vital to help the Organisation develop a professional and accountable management culture. For the scheme to succeed, ongoing support will be required for some time to come. This should remain a key priority for any future project.

70. There are also some operating issues that need to be resolved and should take priority under any new project. These are listed below:

- Unfortunately, when establishing the SSO in Phase I, the registration system did not allow for the possibility that family members may be added as beneficiaries. All beneficiaries are therefore included on the members' card and are not allocated their own registration number and identity card. This makes it more difficult to prevent fraud. Registration should migrate to a system of one beneficiary one card.
- The SSO software programmes are working reasonably well and staff have the technical capacities needed to maintain existing programs. However, the programmes are based on Foxpro 6.0 VBA, which is no longer supported by Microsoft. Database systems are vital to the SSO's operations and programs urgently need to migrate to a new operating platform.
- Assistance to help resolve the fund management issue.
- As the scheme has been operating for five years, the SSO is also now dealing with longer-term benefits, including pensions and medical disability. Implementation of these benefits will present new challenges, require new skills and procedures. Further technical support will be needed to assist the SSO in meeting these tasks. The SSO may also require assistance in revising regulations with regard to the new Labour Law.
- The SSO has adopted accounting procedures and management processes encouraged by the project. However the MoLSW and the SSO lack staff with the skills necessary to absorb the actuarial studies and health care costing exercises funded by the ILOSSP. The SSO should develop a

capacity to conduct its own actuarial and statistical analysis as such studies are necessary for the development and the sustainability of the social security scheme. In the case of the health insurance, costing analyses need to be done on an annual basis in order to fix contribution rates and capitation fees. In the case of all benefits, especially pensions, actuarial studies should be done periodically in order to analyse their financial sustainability.

- The SSO also needs further assistance with determining eligibility to disability benefits. Currently, a committee of medical doctors from hospitals perform disability assessments. However, this can create a conflict of interest if the doctor performing the assessment is also the patient's personal physician. The SSO may need assistance in order to organise a separate medical unit to determine disability provisions.
- Although the project should resist attempts to see public education as a substitute for compliance measures, a future project could help coordinate and target these activities. In Savannakhet, the SSO office would benefit from accurate information on the different companies operating on the Sepon project and a strategy for dealing with companies that already provide health insurance to employees. Most of these companies do not extend health insurance to family members and do not provide long-term benefits, such as retirement pensions. The SSO scheme should be regarded as a minimum level of health coverage and companies that chose to can provide additional cover. Many of these companies have offices in Vientiane that already participate in the SSO scheme. A strategy, therefore, needs to coordinate with head office when identifying decision makers and combine dissemination of information with high-level political approaches.

2.1.4 Summary of performance under Objective 1

- Assistance provided by the ILOSSP has ensured that most aspects of Decree 207/PM have been implemented. However, unanticipated factors have hampered progress, particularly the lack of autonomy in the SSO, the Ministry's control of the SSO Board and the Government's ambivalence about the merits of a mandatory social security scheme.
- Implementing health insurance provisions has been a major undertaking and ongoing support will be needed to bed down health insurance processes and help the SSO implement longer-term benefits.
- Assistance provided by the project has created an appropriate and sustainable model of health insurance based on capitation and risk pooling. It has also helped create a scheme that adapts to members needs and responds to the practical experience of health providers.

- Scheme membership has not expanded as envisaged due to poor compliance. The SSO Board has not adopted technical advice and support provided by the ILOSSP addressing compliance issues.
- Low growth in membership rates remains a serious threat and may jeopardise the financial sustainability of the scheme. This is an important consideration in a country with limited private sector development - the ILOSSP assesses that the scheme may be viable in only eight provinces.
- Support from ILOSSP and BTC enabled the scheme to expand to Savannakhet and Khammoune Provinces in 2006. Expansion in the provinces replicates many of the challenges experienced at the central level. This will be labour intensive and requires flexible new approaches and high-level political support.
- Training should be reviewed as part of a human resource planning review and subject to more thorough evaluation. Any human resource review should consider staff retention and career planning issues.
- Although considerable progress has been made, the SSO will need ongoing assistance for some time. The ILOSSP provides accountability checks and discipline lacking in the internal management structure. Many pressing operational issues need to be addressed.
- Many of the challenges to the project result from systemic problems in the health sector and are beyond the scope of the project as designed. Implementing health insurance requires a cultural shift for Lao health providers and significantly improved management structures. To date, the ILOSSP has taken a practical approach to managing these obstacles, particularly by coordinating with other donors and related projects.

2.2. Objective 2

2.2.1 Overview Matrix

Objective 2: The restructuring plans of the social security provisions relating to benefit entitlements and contribution liability for public servants will be adopted and in the process of being implemented.	
<u>Performance Indicators:</u> <ol style="list-style-type: none"> 1. A Decree for the enactment of provisions relating to the introduction of a restructured social security scheme for public servants. 2. A strategy for implementation of the reforms. 3. The completion of a significant number of reforms that can be realistically expected to be implemented during the time-span to year 2005. 	
<u>Output 2.1:</u> Reform policy decisions on coverage, benefits and financing provisions of the short-term and long-term pensions branches of the social security scheme for public servants	The main achievement under this output has been Decree 70/PM on the Social Security System for the Civil Service. Developing this Decree required complex policy decisions, detailed actuarial studies and comprehensive reform of existing public sector arrangements. The draft Decree was submitted to the Prime Minister for approval in June 2005 and signed on 20 April 2006.
<u>Output 2.2:</u> Policy decisions on benefits and financing provisions of the social security scheme for public servants relating to the introduction of social health insurance.	The project achieved the policy decisions necessary to develop the benefit schedule and financing provisions of the new scheme. The project consulted widely, completing health care satisfaction surveys with civil servants, assessing health facilities and interviewing health workers when developing policy proposals. It provided training; workshops and established taskforces and focal points in Government agencies to help ensure policies proposals were appropriate and well accepted.
<u>Output 2.3:</u> Policy decisions on the institutional arrangements relating to the administrative reform of the social security scheme for public servants	The project developed principles for the administrative arrangements of the new scheme, including financial autonomy, representational management and human resource needs. Separate financial accounts were established for the health insurance pilot. The project also worked with PACSA to develop a new personnel payment system for the civil service, which will be implemented government-wide (ESSS). To address skills and staff

including the introduction of social health insurance.	shortages, maximise technical assistance, increase efficiencies and provide economies of scale for the SSO, the ILOSSP has recommended a single administrative system be established to administer both the SSO and the SSD schemes.
<u>Output 2.4:</u> A strategy for implementation of the reform of the social security scheme for public servants and the start of its implementation	Implementation commenced with a pilot of the social health insurance provisions in Vientiane Province in December 2005 and Vientiane Municipality in May 2006. The ILOSSP has recommended a comprehensive evaluation of the pilot be completed before further implementation. An evaluation was completed by the National Project Director (NPD) shortly after the evaluation mission (in March 2006). To date, the pilot system has demonstrated the affordability of the health insurance scheme based on capitation and using the district hospital as a gatekeeper for primary care. The ILOSSP has developed a phased plan for implementing the scheme: firstly to sites where the SSO and CBHI schemes are operating, followed by provinces with comparatively higher standards of medical facilities and where the GPAR project is operating.
<u>Output 2.5:</u> Officials from the Social Security Department and members of the Social Security Project Steering Committee trained in the general social security tasks and in their specific assignments through in-house training, external training, job placement studies in tertiary institutes and study visits.	<p>Staff in SSD, provincial health departments and hospitals have been trained. The project provided computer equipment and training to SSD and more than 600 health workers necessary for the pilot project. ILOSSP also developed a database of civil servants and their dependents necessary to administer the new scheme. More than 200 civil servants working in personnel units have been trained in the new salary processing system (ESSS).</p> <p>The development of the Decree and subsequent discussions served to engage members of the Project Steering Committee in substantive policy discussions and expose them to broader social security issues. Study tours and other training opportunities were undertaken to and from Vietnam and Thailand.</p>

2.2.2 Background

71. The new Social Security Scheme for Civil Servants has been a major undertaking, which has benefited from the extended project timeframe. Reforming an existing program (civil servants) presented many different challenges to starting a new scheme (public sector workers). Under this objective the project design mistakenly places the onus on the ILOSSP, rather than the Government, to achieve political decisions. The project design assumes technical assistance will drive political decision making and sets indicators based on Government implementation. However, as in the case of other aspects of the project, this assumption did not always apply.

72. Despite these risks, the project has achieved the established performance objectives, taking the reforms through to piloting phase. The civil service scheme will potentially cover an estimated 99,6000 civil servants and 239,040 dependents, giving a total of 338,640 (which excludes personnel from the Ministry of Defence and Ministry of Police and Public Security). Further implementation will be a major logistical exercise and will require considerable political commitment from the Ministry and technical assistance from any future project.

2.2.3 Review of Progress

Decree 70/PM

73. Under this objective, the project focussed on reforming the existing public sector scheme administered by the SSD in the MoLSW. This scheme was founded in 1986 and covered all public sector employees, including civil servants, the military and police. In 1993 responsibilities for employees of SOEs were shifted to specific employer managed arrangements. The scheme operates under Decree 178/PM and civil servants contribute six percent of salaries. The Government does not make regular contributions, but instead draws on central revenue to cover liabilities when needed. An employee's spouse and all children under 18 are covered by the scheme, which provides a retirement pension, health care and disability, maternity and funeral benefits. In 2005 scheme membership was estimated to be 178,000 members and 680,000 dependents.

74. Decree 70/PM, adopted in April 2006, was a major achievement for the ILOSSP. This Decree establishes the policy basis for the new scheme: significantly reforming government pension liabilities and introducing improved health insurance coverage for civil servants and their families.

75. Drafting of Decree 70/PM was initially delayed and complicated by factors beyond the control of the Social Security Project, particularly the Civil Service Decree 82/PM drafted by DPACS. The ILOSSP helped the MoLSW and DPACS

coordinate and understand the interaction of the two draft decrees. Decree 82/PM includes Military and Police but excludes senior officials of Ministries from the definition of “civil servants”. Importantly for the ILOSSP project, war veterans were also excluded on the grounds that financing these pensions should be seen as a government responsibility. These liabilities were separated, thus improving and simplifying the funding base for civil service scheme.

Improving social security for civil servants

76. The ILOSSP success in achieving political support for change bears testimony to its ability to identify key decision makers, engage a variety of actors and run a successful outreach campaign. To achieve Decree 70/PM the ILOSSP built on work undertaken in the preceding project to address known problems with the existing public sector scheme. The thrust of this aspect of the project was to make the existing scheme equitable and beneficial for members, while ensuring the government could meet its financial liabilities. This was achieved by linking benefits and entitlements more closely to contributions. The traditional scheme uses a fee for service reimbursement model for health insurance. The claim procedure is time-consuming with the reimbursement process taking up to five months. Decisions are made on a case-by-case basis and offer only a partial reimbursement (20 to 30 percent of total costs). Both officials managing payments and beneficiaries have been dissatisfied with this health insurance system and welcomed improvements.

77. Development of reform options required extensive financial data collection, necessitating the development of databases and computerised financial systems for the existing reimbursement scheme. These databases systems were designed to be used when implementing the new scheme. The ILOSSP links with related projects served to ensure administrative improvements to civil servant salary payment systems developed by PACSA incorporated information necessary for implementing the social security scheme. The ILOSSP developed the personnel system, ESSS in cooperation with PACSA and GPAR.

78. Policy proposals for health care based on a capitation model were presented in workshops to senior staff members of the MoLSW, the MoPH, PACSA and the Ministry of Finance.

Features of the new scheme

79. Changes recommended by ILOSSP and introduced under Decree 70/PM require civil servants to increase their contribution from 6 percent to 8 percent of salaries. Government employers contribute 8.5 percent of total staff salary, including allowances. In addition to health insurance, the new scheme covers retirement pensions, invalidity, survivor, sickness, maternity, funeral and work injury benefits.

80. The ILOSSP technical inputs ensured the policy direction of the civil servant scheme maintained a synergy with other schemes, particularly the SSO and CBHI schemes. A capitation based system, similar benefit schedule and

administration system for hospitals served to streamline processes for involved agencies. However, lower salaries, higher dependent ratios and larger pension liabilities required an adjustment in the civil service capitation compared to the SSO and CBHI schemes. The capitation rate is set 40,000 Kip per beneficiary. To help contain costs, members must register with a district hospital, which then serves as the preliminary contact point for medical treatment. District hospitals refer patients to tertiary level hospitals if required. This fee is divided between central and district hospitals at a rate determined by the province.

Implementing the new scheme

81. One of the greatest challenges has been identifying and developing alternatives to the existing fragmented institutional arrangements for administering health and pension benefits. Under the current system, each (central and provincial) agency administers pensions to its retired staff and reimburses medical costs. There was no centralised system for collecting budget or personnel information relating to these payments, and no role or link with the SSD.

82. The project developed centralised administrative arrangements and trained SSD and hospital staff. It developed a registration procedure that improves on the SSO system, by issuing every beneficiary with his or her own card and unique identifier. Focal points for registration were established in each ministry and provincial department and hospital coordinators were designated for the implementation of the social health insurance scheme. Building on provider arrangements established for the SSO scheme, the project provided further training and support to improve the financial management capacity of health care providers.

83. The Project has managed to build capacity in the SSD needed to trial the new health insurance provisions. The pilot began in Vientiane Province (excluding Xaisomboun District) in December 2005 and Vientiane Municipality in May 2006. SSD now manages a pilot scheme of 65,258 beneficiaries and 15 contracted hospitals.

Review of the pilot project

84. Overall, the evaluation team assesses that the pilot demonstrates the affordability of scheme design, based on capitation and primary-secondary level hospital referral system. The pilot project also provides an opportunity to identify problems that will need to be addressed when implemented on a larger scale.

85. As noted above, the Civil Servant's Scheme involves higher beneficiary/dependent ratios and a lower capitation fee than the SSO or CBHI schemes. Compliance with the district hospital as the primary point of care is an important mechanism for containing costs. Over the period August to December 2006 more than 91 percent of hospital visits were to district hospitals, which shows a high rate of compliance with these requirements.

86. However there were important variations in compliance rates between the two sites. In Vientiane Capital there was a higher referral rate and the three central hospitals provided more than double the number of outpatient and emergency services than the equivalent (Marie-Theresa Provincial Hospital) in Vientiane Province. As a result, expenditure was much higher in Vientiane Capital, where all in-patient services were provided by the central hospitals. Membership and utilisation data for the period August to September 2006 are summarised in the following table.

Figure 4: Utilisation Rates for the Civil Servant Scheme August-September 2006

	Vientiane Province	Vientiane Capital
Registered beneficiaries	28,426	35,781
Hospital visits		
- Emergency (visits)	803	2,117
- IP (admissions)	581	389
- OP (visits)	9,332	11,386
Expenditure/beneficiary/year (Kip)	20,762 Kip	48,245 Kip
Health service utilisation		
- Emergency care (visits/cap/year)	0.068	0.142
- Hospitalisation (adm/cap/year)	0.049	0.026
- Ambulatory care (visits/cap/year)	0.788	0.764

Source: SSD (2007)

87. The SSD has received complaints from some members about the inconvenience of attending at district hospitals and the poor standard of care they provide. In response to complaints about the inconvenience of attending at district hospitals made by civil servants employed at central hospitals, the system was amended during the pilot to allow health workers to attend at their own hospital. However, this resulted in an extremely high utilisation rate of 8.6 to 8.9 visits/cap/year²⁵. This compares with very low health service utilisation more generally for other civil servants participating in the pilot project. Any unethical use of the system by hospital staff needs to be monitored closely and factored into any future extension of the scheme.

88. Many client complaints could be unique to the regions participating in the pilot and may not be replicated when the scheme is implemented more widely. In Vientiane Capital, people are wealthier, have higher expectations of health care and tend to use higher standard central hospitals. Vientiane Capital also has a

²⁵ Health service utilisation at Mittaphab and Mahosot Central Hospital.

greater portion of high-ranking civil servants, who are more accustomed to good service under the old government health system, which was administered on a case-by-case, reimbursement basis. For these members, attending at a district hospital is seen as a reduction in services.

89. In these areas, donor funding and a wealthier client base have created tertiary level hospitals that provide a good service by nation-wide standards. By comparison district hospitals have a low funding base as they are poorly utilised and receive less user fees and government funding. In Vientiane Capital, district hospitals provide very limited services and routinely refer to Mahasot and Mitthaphab Hospitals. The evaluation team expects that when implemented more widely, the new health insurance system will be regarded an improvement for most members.

90. The ILOSSP has recommended a comprehensive evaluation of the pilot be completed before further implementation. The National Project Director completed a qualitative evaluation of the experiences of health providers shortly after the evaluation mission (in March 2006). This study could feed-into a more comprehensive review of the pilot project.

91. Government officials interviewed for this project were very positive about the reform of the civil servant's scheme. Unlike the SSO scheme, there was no ambivalence about the benefits to government. Ministry officials recognise the administrative advantages of more streamlined procedures and the benefits to members of improved health insurance coverage based on risk pooling, rather than reimbursement. The ILOSSP has developed a phased implementation plan, beginning with provinces where other insurance schemes are operating (SSO and CBHI). Officials indicated that they wish to move quickly to implement the program nation-wide. In the case of the civil servant's scheme, the risk is that the Government may proceed too quickly, before challenges are identified and addressed. Of particular concern is the institutional capacity of the MoLSW to implement a larger scheme, which is considered below.

Provider arrangements

92. The pilot project has contracted hospitals that are in the SSO network, plus district hospitals in Vientiane Capital. Hospitals involved in the scheme therefore have some prior experience of implementing the SSO scheme. They have also benefited from training and management systems provided by the ILOSSP project in support of the SSO scheme.

93. The experience and complaints of health providers involved in the SSD pilot project have been similar for those for the SSO scheme (as discussed under Objective 1 above). In the case of the civil servants scheme, providers have also complained of the lower capitation payment and no extra capitation for high risk and chronic diseases. There is a risk that providers will reduce services for civil servants based on capitation fees. However, most providers recognised the advantages of managing a scheme with much larger membership, which is providing a much larger base funding to hospitals than the SSO scheme.

Institutional challenges

94. Implementation of the Decree is limited by institutional problems beyond the control of the ILOSSP, which are similar to those experienced by the private sector scheme before the SSO was established – lack of staff, poorly trained staff and poorly motivated staff. Government agencies are subject to staff quotas based on government budgets rather than workloads. As a result, the MoLSW must manage its new responsibility from the existing resource base. There are only 25 staff in SSD managing a scheme with 64,207 beneficiaries and contracts with 15 service providers. The solution to this problem is to create a separate self-funded organisation, like the SSO, which would have the freedom to hire contract staff. By comparison, the SSO has more than double the number of staff managing less than half the number of beneficiaries. An Organisation chart for the SSD is included at Attachment G.

95. The Civil Servant scheme involves complex delivery systems, including contracts with district as well as provincial hospitals. Unlike the SSO scheme, benefits will not come into effect gradually and the SSD must be able to administer long-term as well as short-term benefits immediately to far greater numbers of beneficiaries. The civil service scheme will be implemented in every province. Overseeing training, administrative and service provider contracts in multiple (and remote) sites will require considerably more resources and closer management. Institutional problems will need to be dealt with quickly in order to ensure the success of the scheme.

96. As an improvement to an existing scheme, the credibility of the new civil servant's scheme will not be as great a concern as it is for the voluntary private sector scheme. That aside, standards need to be enforced and managers will need to monitor closely provider arrangements and the standard of service provided to members. Currently, the resource base of the SSD does not allow adequate follow-up of members' complaints about service quality. Unlike the SSO, the SSD does not hold regular meetings to review arrangements with contracted health providers. The SSD urgently needs to develop the technical and professional capacity to perform these functions.

97. The logical way to address institutional issues is to merge the administration of the SSD scheme with the SSO scheme. It is inefficient to "reinvent the wheel" by creating and supporting a new body and training new staff in functions already performed by the SSO. The ILOSSP has recommended merging management of the schemes and there has been an in-principal agreement to merge for 10 years. However, officials seem reluctant to commit to a timetable. Merging the two schemes will be considered in more detail below.

98. The issue is being addressed by the MoLSW restructuring "Master Plan" project, which is being developed with assistance from the Japanese International Co-operation Agency (JICA). However, this process has been

underway for two and half years and it is not certain when it will be finalised and implemented. At the time of this evaluation, the MoLSW was scheduled to announce the results of a reorganisation, including staff promotions and movements. This reorganisation is expected to create a new organisation to administer the Civil Servant's Scheme. This organisation is expected to be similar to the SSO and will not be subject to the strict staffing caps in government. It would have more freedom to recruit contract staff and build up the capacity necessary to implement the scheme. It is not clear whether this new capacity will be an expansion of the SSO to include administration of the SSD scheme. However, this decision seems to have been delayed and it is unclear when the new structure will come into effect.

District hospitals as 'gatekeeper'

99. The team supports the decision to use district hospitals as primary care providers and enforcing a gatekeeper referral system to secondary and tertiary hospitals. The district hospital "gatekeeper" model will also have a role to play in reducing costs of the SSO scheme in the provinces, and has already been adopted in Khammoune.

100. The standard of district hospitals varies considerably largely due to poor planning and arbitrary funding decisions. They tend to offer poor quality services in areas where people have access to higher quality central hospitals, such as Vientiane Capital. Hospitals that do not receive donor assistance are of very poor standard. Some hospitals visited by the team did not have a doctor and were poorly maintained and under-utilised. Standards bore no relation to the population they served, the number of staff or the number of patients they treated. On account of service quality issues in district hospitals, the team recommends that the evaluation of the pilot project consider the success of using districts hospitals before this model is extended further.

101. The district hospitals present a "vicious circle" challenge for policy makers: the medical services and facilities will not improve without funding, but will they will not receive funding without increased utilisation. The scheme will provide an important source of revenue for district hospitals, which should gradually improve their funding basis. However, Government policy decisions will also play a role, if district hospitals are to be adequately staffed and supported.

102. The schemes may need to consider allowing direct access to central and provincial hospitals in areas where district hospitals are not maintained to a sufficient standard and central hospitals are conveniently located. Decisions will need to be made with reference to MoPH planning for district hospitals. However, there is a risk that costs will escalate and tertiary level hospitals will need to adapt their behaviour to provide affordable primary level care unless grounds exist for referral to specialist services.

Training and resource development

103. Consideration of the Decree and background policy issues served to engage members of the Project Steering Committee in policy discussions,

helping to sensitise them to wider issues. The project also worked effectively with other line agencies, particularly DPACS and the Tax Department of the Ministry of Finance, the MoPH and the Ministry of Justice. These activities helped ensure the smooth adoption of changes and promoted awareness in related agencies.

104. When the ILOSSP project commenced, many of the existing, experienced staff in SSD had moved to the newly established SSO. At that time the division was very under-resourced. The ILOSSP worked with the Ministry to have new staff assigned to SSD and provided training and oversight necessary to implement the pilot project. The project provided training on social security, health care financing, computer technology, performance management, audit and public relations for staff from SSD at the central, provincial and district level. External courses were organised for SSD staff on business administration, accounting, project management and statistics.

105. SSD staff also participated in the SSO study tours to Thailand and Vietnam as well in the study tour to Germany, Luxembourg and Belgium organised together with the BTC project. The project organised training in health care management, finance and on health care insurance for hospital staff of the hospitals associated to the pilot project.

106. Once institutional arrangements are finalised for the management of the civil servant scheme, staff will be recruited to implement the new arrangements. Establishing new functions will require considerable technical expertise and training. As in the case of the SSO at the commencement of Phase II, the new scheme will require training and technical support from any future project. The most efficient way to proceed with training new staff is to build on the expertise of SSO staff by amalgamating aspects of scheme administration. This is discussed in Section 3.

2.2.4 Summary of performance under Objective 2

- Despite flaws in the program design which linked project performance to Government decision-making, the ILOSSP achieved the established goals for reforming the Civil Servant's social security scheme.
- The new scheme introduced under Decree 70/PM of April 2006 streamlines government administrative procedures, creates a sustainable funding basis for the civil servants scheme and delivers improved benefits for members.
- Reforms ensured the new civil servants scheme is consistent with many aspect of the SSO scheme, making it easier to unify the administration of the two schemes. This has also streamlined implementation for health care providers.
- The level of support for the new scheme from clients and government bears testimony to the ILOSSP's efforts to consult widely and develop an appropriate and affordable scheme for the Government of the Lao PDR.
- The pilot project demonstrates the affordability of the scheme design and helps identify and address problems. The team recommends the pilot be subject to an evaluation before it is implemented more widely. Many of the complaints from civil servants participating in the pilot scheme may not be typical of the broader population.
- To be affordable, the scheme must ensure high compliance with the requirement that district hospitals be the first point of contact. District hospitals standards vary considerably across the country and scheme management will need to monitor service quality closely.
- Addressing institutional and resource constraints is a priority. In order to recruit and train sufficient staff, the Ministry will need to create a new organisation to manage the fund. Capacity building, support and training will be vital to help establish the new scheme. The most cost effective approach would be to build on expertise at the SSO and amalgamate scheme administration into one single social security management structure.

2.3 Objective 3

2.3.1 Overview Matrix

Objective 3: Broad national plan and tools for the extension of social security to the non-covered population of the Lao PDR	
<u>Performance Indicators:</u> <ol style="list-style-type: none"> 1. A medium-term plan for the extension of the SSO scheme to workers of enterprises of any size in the private and SOE sectors of Vientiane Municipality. 2. A medium-term plan for the extension of the SSO scheme to enterprise workers of the private sector and SOE sectors in all provinces of Lao PDR. 3. A national plan for the medium to long-term extension of social security to the non-covered population of Lao PDR reflecting the consensus views of the Government and representatives of community administrations and non-government organisations. 4. General guidelines for the development of voluntary social security arrangements through community-level organisations/institutions and networked with the SSO. 	
<u>Output 3.1:</u> Review of the organisational patterns, contributory capacity, social security needs and existing social protection mechanisms of selected groups of the population not covered by the SSO.	Over the life of the project, the ILO has monitored data, such as Lao Expenditure and Consumption Surveys, to assess the capacity of non-covered population to participate in social security schemes. These documents have been incorporated into analytical papers, culminating in the “Social Protection Roadmap” in 2006.
<u>Output 3.2:</u> Strategies for the extension of social security coverage to selected groups of the population not covered by the SSO (small enterprise workers in Vientiane, enterprise workers in non-participating provinces and self-employed workers.	Activities under this output overlapped with those under Objective I, related to expansion of the SSO scheme. The SSO scheme has been extended on a voluntary basis to enterprises employing less than 10 workers in Vientiane Capital and the Provinces where the SSO has established operations. The goals of this output have been endorsed by the new Labour Law will require all companies to participate in the scheme. The ILOSSP has also developed a strategy to extend the SSO scheme to other provinces.

	<p>The Project has expanded work under this objective considerably, to focus on workers that are not in traditional employment and non-wage earners who are unable to fund health insurance. In this regard, it has worked closely with related projects, such as the WHO supported CBHI scheme and health equity funds, to extend health insurance to portions of the population in the informal sector.</p>
<p><u>Output 3.3</u>²⁶: Preparation of a comprehensive report on Social Protection: The Way Ahead (or similar title) being a 10 year road map for social protection in the Lao PDR.</p>	<p>The draft “Social Protection Roadmap” was prepared in the first half of 2006 and brought together information contained in previous reports and studies undertaken by the project, national poverty and socio-economic plans and relevant reports from other organisations. The Roadmap was translated into Lao and discussed in the PSC.</p>

²⁶ This new output was added following recommendations of the mid-term evaluation.

2.3.2 Background

107. This objective recognised that extending the SSO scheme to the broader population should be regarded as one component of the wider poverty alleviation strategy for the Lao PDR. However, with the SSO still in its infancy, project planners recognised that tackling social security on a larger scale would require significantly more funds and was beyond the scope of the project.

108. In a footnote the project document specifies that:

“Objective 3 is meant to provide only general references to the further development of social security in Lao once socio-economic conditions would be more conducive to the further extension of the SSO coverage. The outputs of Objective 3 are intended to remain within a broad and general context.”

109. The mid-term review recommended placing a greater emphasis on the broader picture of extending social security to the informal sector. It recommended adding a new objective: preparation of a “road map” which would provide a plan for extending social protection over a 10-year period.

2.3.3 Review of progress

110. The project document set modest goals under this objective. The indicators are based on developing plans, strategies and guidelines. The project document did not envisage that the project would implement plans over the life of the project.

111. The difficulties the project faced in achieving its primary goals resulted in priorities being given to the first two objectives, over Objective 3. The evaluation team believes that this was the right priority, as the success of the first two objectives and establishing the two schemes should be seen as a precondition to extending social security.

112. That aside, the project achieved its goals in this area. As required under the first two performance indicators, the ILOSSP assisted the MoLSW and SSO to extend the scheme to smaller enterprises and workers in other provinces. Changes introduced under the new Labour Law will require all businesses, including those with less than 10 workers, to participate in the SSO scheme.

113. The ILOSSP also developed plans to extend social security to non-covered population (indicator three). Studies commissioned by the ILOSSP identified additional groups not covered by the SSO and analysed their needs and the way they are impacted by unpredictable events. The project conducted new research and collated statistics available from its own and other donor programs to produce a report on “Achieving Universal Health Coverage in Lao

PDR”²⁷. This report reviewed health care access and utilisation differences between rich and poor and between urban and rural populations. It developed strategies for extending social security coverage, particularly health insurance, to selected groups of the population not covered by the SSO. The project made proposals on universal health care coverage, including free health care for older persons without support and for disabled persons.

114. As proposed by the mid-term review, the project produced a report entitled “Social Protection for All: The Way Ahead” in 2006. This document is a comprehensive review of information available and sets out a strategy for extending social security coverage in the Lao PDR from until 2020. It proposes a basic social protection package for the Lao PDR that would cost USD 95 million per year. The estimated cost of providing universal health insurance is USD 30 million per year, which represents 0.94 percent of GDP.

Institutional arrangements for social security

115. The mid-term review recommended the ILOSSP re-orientate its activities and dedicate more resources to the social protection needs of the uncovered population. A “road map” for extending social security was the key to advancing this objective.

116. However, this evaluation considers the direction encouraged by the mid-term review was too broad and did not take into account institutional and resource constraints. Although the MoLSW has carriage of the two specific social security schemes, currently it does not have any policy function, capacity or role relating to the broader social security agenda. Responsibility for the non-covered population is divided among other Ministries according to the nature of interventions (for example, health, street children, food distribution, disability and disaster relief).

117. In this regard, there is no real “consensus view of the Government and representatives of community and non-government organisations” in the Lao PDR on social security as stated in the performance indicators. Achieving consensus on a national plan to extend social security will require Government unity. Some project documents would make a valuable contribution to forming a unified approach, but achieving this is beyond the scope or control of the ILOSSP project.

118. In this environment it is not clear what role the Social Security Roadmap will play in developing the social security agenda in Laos. There is currently no identifiable agency responsible for implementing the plan and there is a very real risk that it will become out-dated before these institutional issues can be addressed. Implementation will require financial commitments from Government

²⁷ Tangcharoensathien, V; Patcharanarumol, W; “Achieving Health Coverage in the Lao PDR: Mission Report”, February 2005.

and donors. This will be difficult to achieve without an identifiable lead agency with the resources and capacity to pursue the plan.

119. Further work in support of extending social protection needs to identify practical steps and be mindful of the limited institutional capacity to advance the broader social security agenda in Laos. A priority for any future project could be to build an institutional capacity within the MoLSW to pursue a social security policy agenda.

Feasibility of extension options

120. It is also important that any future support for national extension options set realistic and achievable goals. In Laos an estimated 32 percent of the population lives below the national poverty line and 83 percent live in remote areas without access to basic infrastructure and services. Social protection therefore goes to the heart of structural development issues in Laos and funding a national extension plan will require large new funding commitments. The ILOSSP is a small project that cannot be expected to find solutions to problems on such a large scale. It is also inefficient for such a small project to try to implement a plan that requires cooperation from multiple government agencies and donors. It is important that any future project set feasible goals in this area.

121. The ILOSSP has developed a comparative advantage in the field of health insurance. A phased extension of health insurance would be a more manageable and practical goal for any future project. Currently the MoPH has carriage of many aspects of social security coverage for populations not covered by the SSO and SSD schemes. Although there are currently no formal connections, the ILOSSP has formed a good working relationship with the MoPH and other health donors. If a future project aimed to extend health insurance coverage, more formal links with MoPH should be considered.

Community-based social security

122. The main activity in support of the final performance indicator related to the development of voluntary and community-based schemes. The MoPH, supported by WHO, is responsible for the Community-Based Health Insurance schemes, which provide health insurance and other short-term benefits. However, there are no formal links with this project and it would be inappropriate to make ILOSSP accountable for the overall direction of this programme.

123. Despite this situation, the ILOSSP managed to foster excellent working relations and shaped the policy direction of the CBHI project in ways that serves the broader social security agenda. The ILOSSP efforts helped ensure the CBHI scheme adopted the same principles of risk pooling and capitation based financing.

124. The CBHI scheme undertook a pilot project from 2002 to 2004. The Health Insurance Committee in the MOPH makes policy decisions centrally, but individual schemes are managed at the district level. There is a cap of 10 percent

of funds that can be used for management/administrative costs. The CBHI scheme only provides primarily health insurance and some other short-term benefits, as it was considered too difficult to have districts managing funds assigned for longer-term benefits, such as retirement pensions.

125. Although there are no minimum requirements, the WHO assesses that membership of at least 600 families in one district is necessary for the scheme to be viable. The main features of the scheme are:

- Coverage of all family members as listed in the Lao PDR family book
- Contributions based on affordability of target population and family size (about 2 percent of household income). Membership lapses if families do not pay contributions for 3 months.
- Same health care benefit schedule as SSO scheme, with district hospitals the point of primary care, except for emergency cases.
- Provider payment by capitation (60,000 Kip per insured per year) transferred on a monthly basis.

126. Scheme extension has been slow, and generally covers about 20 percent of people in target areas. In 2006, seven districts in four provinces participated in the scheme, covering a total of 17,988 people from 3,372 families. Health service utilisation of CBHI beneficiaries has been low. The risks to this project are very high and include: families withdrawing from the schemes, numbers falling below viable levels and credibility risks stemming from corruption and mismanagement at the district level. It is also challenging for community-based schemes to manage provider arrangements and technical aspects of the program.

127. Those issues aside, the similarities and complementarities between the CBHI schemes and those supported by the ILOSSP provide a good start to extending health insurance. There are economies of scale to extending the CBHI, SSO and SSD schemes to the same locations at the same time. The schemes also complement each other – as families will have the option of covering members of their household not covered by the SSO and SSD schemes by joining CBHI. The similar schedules and capitation fees will also make it easier to unify all the different schemes in future.

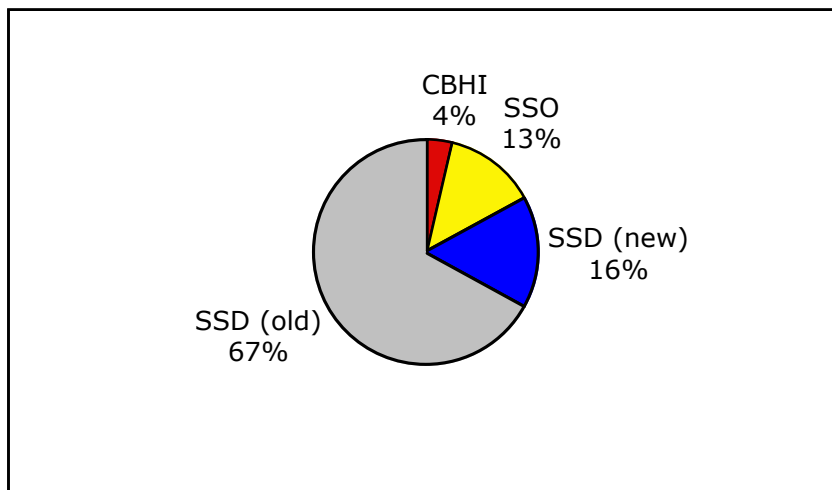
Health equity funds

128. The ILOSSP is also working with the MoPH to establish standardised guidelines for health equity funds. Traditionally these funds have been supported by donors in target areas and reimburse healthcare costs of the poor on a fee for service basis. There has been no standard approach and funds have only been sustainable while donor funding continues. As a direct result of the ILOSSP and its effort to promote risk-pooling approaches to health financing, the MoPH favours requiring equity funds to adopt a capitation, rather than reimbursement, funding scheme. This would be a welcome development that would again see a consistent and more sustainable approach to extending health insurance.

Health Insurance coverage

129. Currently, an estimated seven percent of the national population is covered by the existing social security schemes. Civil servants and their dependants account for 82 percent of total insured persons: 19 percent are in the pilot project for the new scheme and 67 percent are in the old scheme. Additionally, an unknown number of workers are covered by informal employer-sponsored schemes.

Figure 4: Lao people covered by social security schemes (December 2006)



2.3.4 Summary of performance under Objective 3

- The project design envisaged that efforts to extend social security coverage would be a natural progression of expanding the SSO scheme. The mid-term review expanded the terms of reference and encouraged the project to focus on providing social security to the broader population.
- The project achieved the modest goals established under this objective originally, expanding the SSO scheme to cover small businesses and developing a plan to extend to the provinces.
- While the project was not responsible for community-based insurance schemes (as stipulated in the final performance indicator), it supported the MoPH and WHO in developing the CBHI scheme and new guidelines for health equity funds. Although these funds are still in their infancy, they provide a sound basis to extending the model of social security coverage established by the SSO scheme.
- The mid-term review took the project in an ambitious direction – developing a plan to extend universal coverage. Such a plan goes to the heart of

structural development issues in Laos that cannot be solved by a project the size of the Social Security Project.

- There is no clear lead Government agency or coordinated approach to social security policy development in the Lao PDR. Policy is divided along “issue” lines between different agencies. In this environment, it may have been premature to develop an ambitious plan that requires new administrative structures and additional funding commitments. Without a lead agency, it is not clear how the universal coverage plan can be pursued.
- Any future project should continue to promote support and understanding for social security concepts in the Lao PDR. However, activities in support of extending coverage will need to be focused, practical and manageable. A priority could be to create a social security policy capacity in the MoLSW.

2.4. Objective 4

2.4.1 Progress matrix

Objective 4: A policy decision on the structure, financing and feasibility of a special insurance scheme providing medical treatment and compensation for loss of earnings for persons injured as a consequence of a motor vehicle accident.	
<u>Performance Indicators:</u> 1. A policy decision on the implementation of a scheme to provide social protection in the form of medical treatment and income security to the victims of motor vehicle accidents.	
<u>Output 4.1:</u> Policy paper addressing the feasibility and desirability of introducing a compulsory insurance mechanism to deliver medical benefits and income replacement to victims of motor vehicle accidents, including a proposed structure, financing, institutional responsibility and administration to accommodate such an insurance mechanism.	As there is no centralised mechanism to collect information on traffic accidents in the Lao PDR, the project had to collate statistical data in order to develop insurance proposals for the medical treatment of victims. The project prepared a report entitled “Medical Benefits for Victims of Motor Vehicle Accidents” in 2006. This was submitted to the lead agency, the Ministry of Transport, and the MoPH. There has been no response to the ILOSSP proposal.
<u>Output 4.2:</u> Introduction of compulsory insurance scheme for victims of motor vehicle accidents, such as a Motor Vehicle Accident Insurance.	Output was deleted on recommendation of mid-term review on the grounds it was unrealistic to expect the project to introduce a new scheme. The review noted that any reform of the existing scheme would require policy decisions, which would more appropriately be addressed under Output 4.1.

2.4.2 Background

130. Motor vehicle accidents are a major cause of in-patient health care in Lao PDR and pose an excessive burden on the health system, patients and their families. The project document saw the issue of medical treatment for victims of motor accident vehicles as a natural extension of other aspects of the ILOSSP project. It envisaged that coverage could be extended through insurance schemes supported by the project, particularly the SSO, and community-based, voluntary community organisations. It identified the MoPH as the key agency and considered work in this area as a “useful input to assist the MoPH in its endeavour to provide access to health care to the non-covered population”.²⁸

131. Although there appeared to be many synergies with other aspects of the project, the realities of advancing the issue went well beyond the scope of the ILOSSP. As a result, the little progress has been achieved in addressing this issue.

2.4.3 Review of progress

132. Under this objective, the performance indicator was a “policy decision” on a new insurance scheme. The key ILOSSP activity designed to achieve this goal was a policy paper. The ILOSSP gathered statistical and financial data and a team of Thai consultants completed the policy paper outlining options for financing medical treatment of people involved in motor vehicle accidents²⁹. However, the ILOSSP did not meet its goals in this area as the established performance indicator relied on government decision-making – which was beyond the control of the project.

133. The project document failed to identify the challenges and steps involved when reforming an existing insurance scheme. Insurance Law No/11/90/APS dated 29 November 1990, states that all people and organisations from the public and private sector using motor vehicles must subscribe to the compulsory Motor Third Party Liability Insurance. In effect, this law requires that all registered vehicles have compulsory third party coverage. However, this scheme is not enforced and compliance is low.

134. The second output (4.2) was deleted on the recommendation of Mid-Term Review in 2004. The Review rightly noted that it was premature and inefficient for the project to pursue measures in support of a new motor vehicle insurance scheme when it was unlikely that such a policy change would be achieved in the existing timeframe.

²⁸ Project Document, op cit, p 13.

²⁹ Tangcharoensathien, V. and Limwattananon, S; “Policy options for financing motor vehicle accidents in Lao PDR”, Mission Report 2006.

Institutional arrangements

135. As in the case of Objective 3, the policy document under-estimated the limitations imposed by systemic weaknesses in Lao Government institutions. These weaknesses undermined the assumed cause and effect relationship between the activities of the ILOSSP (technical and policy recommendations) and the final outcome (Government policy decision).

136. Many agencies have a stake or administrative responsibility for aspects of this issue, but it has been difficult for the project to identify an agency with the capacity to make policy decisions. Technically the Ministry of Transport, Construction, Telecommunication and Post (MTCTP), as the coordinator of the National Road Safety Committee, has carriage of the insurance policy issue. However, the Ministry of Finance administers the existing compulsory motor vehicle insurance scheme. The MoPH has an interest in but no policy responsibility for motor vehicle insurance. Both the Ministry of Finance and MTCTP are represented on the Project Steering Committee, but neither agency has been an active participant in this forum.

137. Ultimately, it was difficult for the ILOSSP to find an appropriate agency to action the policy report, prepared in 2006. The National Road Safety Committee is mandated to institute a national plan for road safety, but has never met. The project therefore referred the report to the Project Steering Committee, the MoPH and the Department of Transport. Neither of the Government agencies has responded to the report.

138. Advancing this issue did not prove to be a natural extension of the ILOSSP's other program activities. None of the key agencies had a strong link to other aspects of the Social Security Project. As in the case of Objective 3, it was not efficient or practical for such a small program to pursue an issue that required coordination with a variety of government agencies and donors. Building support for new policy directions will require new institutional arrangements, resources and significant funding. It will not be achieved without Government leadership and a willingness to address these issues. Any future support from a continued project should be mindful of level of effort required and set practical goals in this area.

Limitations of existing schemes

139. The project document noted that high cost medical treatment resulting from motor vehicle accidents could not be accommodated easily under the existing schemes. It recommended exploring additional coverage through the SSO scheme and community-based insurance programs.

140. It proved difficult and impractical to extend cover within these schemes. Firstly, such a move could be seen to undermine the legitimacy of the existing compulsory third party insurance. Although this scheme is poorly implemented, offering alternative coverage could have undermined the project's efforts to

improve on existing arrangements. Secondly, extending coverage was not seen as necessary when a private insurer, Assurances Generales du Lao (AGL), already provided coverage. Extending coverage would have been difficult and impractical for the newly established SSO administration. Extending coverage within the CBHI scheme was beyond the control of the ILOSSP as the MoPH with the support of WHO implements this scheme. Due to the scale of the costs, it is impractical to cover motor vehicle related expenses from the CBHI scheme, as one claim could deplete an entire fund.

141. Although not covered by any of the existing health insurance schemes (unless stemming from an accident related to employment), the ILOSSP expects that many of the associated costs will be borne indirectly by the schemes.

Extent of coverage

142. With the increase in motor vehicles, the scale of the problem of medical costs resulting from motor vehicle accidents has increased over the life of the project. The number of victims of vehicle accidents has increased. According to an ADB report, the total economic loss stemming from motor vehicle accidents was USD 47.4 million in 2003³⁰.

In November 2000, it was estimated that 25 percent of the owners of vehicles complied with the compulsory insurance requirement.³¹ An assessment prepared by the ILOSSP in 2006 estimated that now only 10 percent of all motor vehicles are covered by third party insurance.³²

143. The burden imposed by health costs stemming from motor vehicle accidents is escalating. It impacts at all levels: undermining growth and development; imposing unsustainable costs to the national health care budget; and placing an unreasonable burden on families and individuals. However, at this stage, there is no practical mechanism to address this issue, which is beyond the scope of the ILOSSP.

2.4.4 Summary of performance under Objective 4

- Little progress has been achieved on the motor insurance issue. The Social Security Project was unable to advance the policy debate due to factors beyond its control.
- The project design established an inappropriate performance indicator – a Government policy decision. The design mistakenly assumed that identified

³⁰ ADB-ASEAN Regional Road Safety Programme: Accident Costing Report: AC4. The Cost of Motor Vehicle Accidents in Lao PDR. A reference in Tancharoensathient V. Limwattananon S. Policy Options for Financing Motor Vehicle Accidents in Lao PDR. ILOSSP Expert Mission Report.

³¹ Project document, p11

³² ILOSSP Progress Report, January to June 2006

activities would achieve policy change. It underestimated the effort required to reform and improve an existing scheme.

- Institutional arrangements within government made it difficult for the ILOSSP to advance policy discussions. Progress on this issue required support from agencies, such as the Ministry of Transport, that did not have links with other aspects of the project.
- The motor insurance issue was not a natural extension of the project's other activities. It was not feasible or practical to extend social security schemes supported by the project to cover motor accidents.
- Health costs resulting from motor vehicle accidents are escalating and impose an unnecessary burden on the state and families. While this situation is urgent, progress cannot be achieved without political leadership and commitment from the Government of the Lao PDR.

Section III: Project Design

3.1 Feasibility and sustainability

144. As recognised by the project document, the ILOSSP was an ambitious undertaking, given the limited experience of planning and managing social security systems in Laos.³³ This section will consider the strengths and weaknesses of project design and how these factors have effected project implementation.

3.1.1 Design strengths

Strong and consistent presence

145. The experience of this project shows that in the Lao PDR, achieving a Decree or legislation does not automatically ensure that it will be implemented. Agencies need authority and resources to implement a Decree's provisions. There are many examples of decrees drafted with donor assistance that remain unimplemented due to lack of follow-up support and assistance. Information technology is also a vulnerable area and can remain unutilised and unmaintained without sustained training and support.

146. One of the greatest strengths of this project has been ongoing technical support and the project's flexibility to support a variety of Government agencies. The project has benefited from having a long-serving CTA in-situ with social security and developing country expertise. A resident CTA has helped drive the project forward, identifying priorities and making the personal contacts necessary to influence policy decisions. Over the five-year project, the CTA has been supported by an equally long-standing NPD.

147. On the ground representation has also contributed to the ILOSSP's success by ensuring other donors and interventions have been factored into decisions, reducing duplication, making connections and delivering efficiencies. This presence has helped the ILOSSP coordinate with related projects, such as the BTC assistance to the SSO. It has also helped ensure that health insurance requirements have been factored into decision-making in related projects, such as the new hospital accounting system supported by the WHO and personnel administration systems for civil servants developed by PACSA in the Prime Minister's Office.

148. Future projects will need to take into account the requirements of the "Vientiane Declaration on Aid Effectiveness" adopted by the Ninth Round Table

³³ Project document page 36.

Meeting in November 2006³⁴. Luxembourg is a signatory to this Declaration, which will establish new requirements for budget management and project oversight. The current management structure, with an office located in the Ministry comprising Government officials as well as project-funded positions, appears consistent with the harmonisation and ownership provisions of the Declaration. There may, however, be implications for funds management.

149. The project has also been fortunate to have long-standing association with technical consultants, some of who have been involved with the project since the first phase. The longevity of these consultants adds to their effectiveness, by ensuring that they are familiar with the project and the operating environment. It has also helped build the personal relationships necessary to achieve progress in the Lao system.

149. A future project may require new project staff and will require a significant increase in skilled resources in the MoLSW. It will also require new technical skills, particularly in the IT field. While initially challenging, these changes could bring new perspectives that should benefit the development of social security over a new project cycle.

Policy level contribution and relationship with other donors

150. The ILOSSP CTA tends to be regarded by the community as the “ILO Representative” in the Lao PDR, and this undoubtedly adds greater responsibilities and burdens to the position, but also provides access and opportunity. The CTA is recognised as an important member of donor coordination forums, including the Health Committee, which provides networking opportunities that have contributed to the success of this project. This connection has helped achieve a unified policy approach to health financing based on risk-pooling and capitation models and social security extension. The influence of the project can be seen in the WHO Community-Based Health Scheme (CBHI) and the unified model for health equity funds being developed by the MoPH. The project also ensured that social security objectives are reflected in the national policy framework, including the Curative Law 2005 (reference to health insurance funds) and the Labour Law 2006 (extension to smaller enterprises). References in the draft MoLSW Master Plan also include social security extension for the elderly.

Technical support and capacity building

151. A strength of this project has been its flexibility to commission technical assistance on an “as needed” basis, rather than to any prescribed timetable. The mid-term review was concerned that the Government audience was unable to absorb the amount of technical inputs generated by this project. The team found

³⁴ “Vientiane Declaration on Aid Effectiveness” adopted by the UNDP chaired Ninth Round Table Meeting between the Government of the Lao PDR and Donor countries, 29 November 2006.

that this was not a great concern, as to date most reports have been of a highly technical nature relating to the specific social security schemes and not written for a wider-Lao audience or general policy makers. To date, the CTA and NPD have ensured that technical inputs requiring policy decisions are understood and brought to the attention of appropriate authorities, especially PSC. From this perspective, it is important that the CTA of any future project has the technical knowledge of social security systems necessary to identify the technical expertise needed and to evaluate recommendations provided in reports.

152. The real test of the quality of technical reports is the appropriateness and effectiveness of the social security system they have created. From this specific, the technical thrust of this project has been successful. However, in future Lao agencies will need to assume greater responsibility for some aspects of the project, such as actuarial and statistical analysis.

Appropriate Government partnership

153. The evaluation team felt the project had benefited from its location in the MoLSW rather than the SSO. When compared to the BTC project (located in the SSO), the ILOSSP Project Team has had more latitude to work at both policy and administrative levels and better access to decision-makers in the Ministry.³⁵ Its location in the Ministry has also given the ILOSSP the stature and flexibility to work with a variety of other agencies and donors as needed, such as the MoPH, DPACS and GPAR. Although at times the Project needed more formal links to implement aspects of the program. This is considered further below.

Extended timeframe

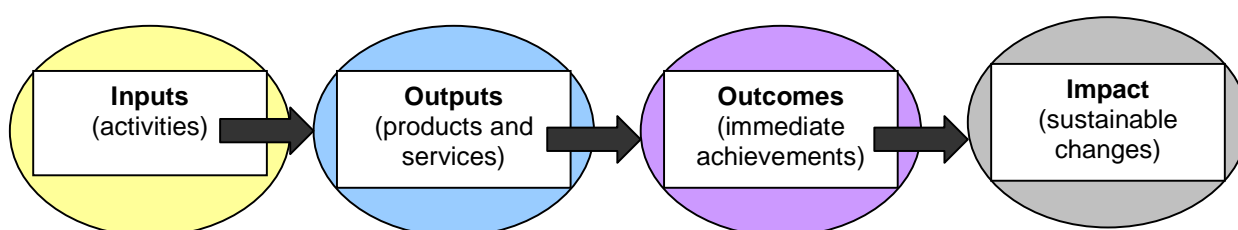
154. Delays in decision-making processes and resource constraints are an important part of the Lao operating environment. In this context, finalising the reform of the civil service scheme and building the institutional arrangements necessary to implement the SSO scheme took considerably longer than anticipated. The extended timeframe allowed the project to bed down arrangements in the SSO and begin training SSD staff and implementing the pilot project.

³⁵ A Letourmy; "Evaluation of the BTC project 'Financial and managerial strengthening of SSO': Report to the BTC" April 2006.

3.1.2 Design weaknesses

155. The logic of any intervention rests on assumed cause and effect relationships among the various components of a program: its resources and activities, the products and services it provides, its short-term impacts and long-term outcomes³⁶. Program design is therefore a set of activities that produce outputs designed to engender outcomes and contribute to impact.³⁷

Figure 2: Program logic or results chain



156. Evaluation provides an opportunity to test the program theory, to determine if the activities and outputs produced by the project have created the intended outcomes. Generally, factors that affect outcomes fall into two broad classes: those that are in control and those that are beyond the control of program management. Factors that had a negative impact on program delivery are considered below.

Reliance on Government decision making

157. The performance indicators for all of the four objectives relied on achieving government policy decisions. The program design assumed a simple cause and effect model: the project would generate technical policy advice, which would in turn produce the desired policy decision (outcome). However, the process proved to be much more truncated and complex.

158. Social security is still a relatively new concept in the Lao PDR and key decision makers were evidently cautious and ambivalent about implementing aspects of the program. The issues span many ministerial portfolios, which made it difficult to identify the agency responsible (as in the case of motor vehicle insurance). The project is also contracted to the MoLSW, although some policy responsibilities rested with other agencies, which have been disinterested and hard to engage in the project. While the Project Steering Committee helped provide cross portfolio consideration of policy issues, in the Lao system ministries do not consult widely and Government structures do not always enforce unified

³⁶ Sue Funnell; "Program Logic: An adaptable tool for designing and evaluating programs" in Evaluation New and Comment, July 1997, p 5-17.

³⁷ ILO Evaluation Guidance: "Concept and policies of project evaluations", draft April 2006.

policies across different portfolios. Government decision-making has been slow and sometimes contrary to program objectives.

Weak links with key agencies

159. While the project design created the right partnership for advancing its key objectives (establishing the specific social security schemes), it failed to create the links necessary to pursue some of its objectives, particularly insurance for victims of motor vehicle accidents. Pursuing universal social protection has also been difficult to achieve, as there is no identifiable lead agency with a capacity to implement such a policy. Any future project will need to ensure that the design links activities to identifiable decision makers.

160. Implementation of social security has increasingly required closer cooperation with hospitals and the MoPH, although there is no institutional arrangement governing that relationship. Some observers contacted by this review thought the location of the ILOSSP had helped it achieve more in the health sector than it could have if contracted directly to the MoPH. Further implementation of health insurance will require considerable technical support, training and improved management and reporting structures in hospitals. Formalising institutional arrangements with the MoPH will need to be considered in the design of any future project.

Resource constraints

161. As a technical assistance project, the ILOSSP is not designed to implement the social security programs. The Government must implement the program. Yet the objectives tied the success of the project to implementation. Implementation has been delayed, as the bureaucracy does not have the flexibility to redeploy existing or hire new staff with the required skills to meet new priorities. Poor pay and morale in the civil service also makes it difficult to achieve the dynamic team necessary to take on new responsibilities and skills. In the case of the private sector scheme, creating the SSO overcame many of these problems as the organisation was permitted to hire contractors and boost the salary of civil servants.

Mistaken assumptions

162. Some mistaken assumptions in the project design have also affected implementation, which in turn have affected program sustainability:

- Compliance: The private enterprise scheme is not mandatory as stipulated in the Decree
- SSO: does not operate independently from the MoLSW as intended
- Health spending has not increased and services have not improved as anticipated.

Duplication with BTC project

163. Delays in funding decisions prevented the Government of Belgium from realising its intention to support the ILOSSP. The BTC proceeded to develop its

own project entitled “Financial and managerial strengthening of SSO”, which commenced in June 2003 and concluded in October 2006. The design and objectives of the Belgian project overlapped considerably with the ILOSSP. As there were no formal links between the two projects, it proved difficult to coordinate between the two projects, which were contracted individually to the Government of Lao. Coordination was also difficult, as the BTC had a resident CTA for only 18 months of the project. The mid-term review judged that the two projects at times competed and overwhelmed the SSO. It recommended the ILO and BTC project be harmonised in order to avoid confusion and duplication. The review team judges that this had been better managed during the latter phases of the project. The BTC has not continued its support, and this will reduce the technical support available to the SSO considerably.

Breadth of project/relevance of indicators

164. The mid-term review concluded the performance indicators were vague, difficult to evaluate and too broad to be used as a performance management tool. While this evaluation agreed to some extent, it also found that these design “weaknesses” gave the project flexibility to respond to challenges and unanticipated factors, including: delays in decision making; slow progress with related legislation (including the Decree 82/PM on Civil Servants and amendments to the Labour Law); and the limited understanding of social security policy issues. Any future project design will need to balance the demands of the donor and ILO for more rigorous performance management mechanisms with the needs of the external operating environment in the Lao PDR.

165. As designed, many indicators do not adequately reflect intermediate steps, achievements and obstacles to achieving sustainable long-term program impacts. Some of these factors are considered below.

3.2 Additional activities

166. The ILOSSP has grown to include many activities in support of social security development that fit loosely under Objective 3, but are not reflected in the project design. This is partly due to the mid-term review, which encouraged increased attention to Objective 3, and the extended project timeframe. It is also a reflection of the fact that building a social security system in a developing country requires more than just building support for the specific funds. These are summarised below:

- Leadership and donor coordination: The CTA plays an active role in development forums in Laos. Participation in workshops and consultations organised by international organisations and donors constitutes a large portion of the CTA’s time. The ILOSSP CTA has played a lead role in moves to establish a sub-committee focussing on health financing. Taking a narrower view of program objectives, these activities could be regarded as beyond the needs or requirements of the specific program objectives.

However, such participation has been instrumental in establishing social protection systems in Laos and consistent approaches to health financing issues. Involvement in donor forums has also ensured good coordination with related projects.

- Social security training and professional development: The ILOSSP provides training and assistance in social security that extends beyond the requirements of the specific schemes and programs it is supporting. These activities are essential to expose officials to the merits of adopting social security principles and linking Laos into regional professional networks. For example, the project supported the Government of Laos in chairing and hosting a meeting of the ASEAN Social Security Association (ASSA) in 2005. The project also supported a study tour of Thailand and Vietnam in late 2006 by members of the PSC and other stakeholders. These visits exposed key officials to the approaches to social security adopted by neighbouring countries, particularly the merits of compulsory schemes and government funded universal health care. The project also enabled officials to participate in regional meetings. These activities fit under a broader heading of promoting political support for social security in the Lao PDR.
- Developing strategies for social security coverage: The Social Protection Road Map goes beyond the modest goals established in the original project design to tackle issues on a national scale. The Road Map establishes cost estimates, goals and milestones to achieve social protection goals. Social protection for all and universal health coverage are challenging concepts in Laos. Promoting the road map, encouraging Government commitment to these ideals and creating greater awareness of social security will be an ongoing process that goes beyond the objectives of the existing program. Responsibility for implementing the road map will rest with the Government and progress will be difficult to quantify. But any future activities in support of the plan will form one of the longer-term goals of building political support for social security concepts in Laos.
- Support to the health sector: Implementing health insurance has increasingly become a central focus of the ILOSSP, although the breadth of these activities is not reflected in the project document. Many training and technical activities are now focussed on health providers: providing IT systems, training and equipment; providing budget and accounts management training; surveying and monitoring health services; working with providers to improve quality control, contain costs and client services. This has been a natural progression of implementing social security systems and needs to be reflected in any future project design. One solution may be to consider a thematic approach for any future project design, rather than defining objectives according to the different social security schemes.

3.3 Administration and oversight arrangements

167. A Social Security Project Steering Committee comprising high-level representatives from Government, the Lao Chamber of Commerce and the Lao Federation of Trade Unions has overseen this project. It is chaired by the MoLSW and includes representatives from a range of Ministries. The intention was to use the Committee to create awareness of social security and promote cross-government policy discussion of policy issues. The Steering Committee has served the project well, particularly during preparation of the Decree 82/PM reforming the civil service. However, it was often difficult to organise meetings for such a large Committee. Some Committee members were also disinterested and unmotivated, which detracted from policy discussions and slowed decisions.

168. Now that the major policy and legislative changes have been achieved, a future project may wish to adopt the more typical structure of a high-level Project Steering Committee which meets once or twice a year to approve work plans and monitor progress. This Committee could be supported by working level committees as required.

3.4 Summary of Section III

- The key strengths of the project design have been:
 - a resident Chief Technical Officer with social security expertise and developing country experience
 - the consistent and in-country presence of technical advisors;
 - its flexibility to adapt to project needs by supporting a variety of Government agencies;
 - its location in the MoLSW and ability to engage stakeholders at a policy level and
 - the extended timeframe which helped compensate for delays in decision-making and resource constraints.
- Weaknesses in the project design stem primarily from misassumptions about the cause and effect relationship between inputs and outcomes. The project design established objectives and performance indicators requiring outcomes that were beyond the control of the program, and were adversely effected by:
 - delays in Government decision-making
 - lack of policy cohesion in Government and an ambivalence by some Ministries to the objectives of the program
 - weak links with some key Government agencies
 - mistaken assumptions, particularly the compliance requirements of the SSO scheme
 - resource constraints in the MoLSW
 - overlap with the BTC project

- The project has grown to include many additional activities that are not reflected in the design but are essential to the success of the project.
- The CTA's participation in development forums and contacts with the donor community has enabled the project to promote the SSO's health financing model more widely and coordinate with other projects.
- Training and assistance has extended beyond activities required to establish the specific social security schemes. Funding Lao officials' participation in regional meetings and study missions to neighbouring countries helps build high-level support for social security.
- Implementing health insurance has seen the project become increasingly involved in health sector development. Any new project document will need to address this situation, by coordinating and establishing objectives for these activities.
- Oversight arrangements through the Social Security Project Steering Committee have been appropriate during the policy/legislative phase of development. As the focus moves to implementation, it may be more appropriate to consider alternative structures.

Section IV: Conclusion and Recommendations

169. The ILO Social Security Project has played a pivotal role in building the basis of a viable social security scheme in the Lao PDR. Over the five-year life of the project it has provided technical and material assistance to a variety of Government agencies in order to establish the institutions necessary to extend social security coverage.

170. The intervention is consistent with current development objectives. It is justified in terms of the macroeconomic situation and priorities in the social security and health sectors. The ILOSSP fills a niche role, addressing health-financing issues, health management and social security policy at a macro/national level. The benefits and role of this program need to be seen in its broad context.

171. In a country with little knowledge of social security, building support and professional expertise is a long-term process. Yet the project design focuses too closely on establishing specific schemes and does not reflect the level of effort required to promote awareness of social protection concepts among policy makers and coordinate with other donors. The ILOSSP has grown to include many important activities that should be incorporated into the design of any further assistance.

- **Recommendation 1:** ILO support for social security development in the Lao PDR should continue. A future project should identify, acknowledge and establish the macro level objectives of the program, which go beyond the specific schemes it is supporting. A future program should incorporate activities not currently covered by the project document that promote knowledge and acceptance of social security principles among policy makers and improved coordination with other donors.

172. While the project made good progress over the five years, the design mistakenly established outcomes that were often beyond the control of the ILOSSP. In particular, it assumed that project activities would produce Government policy decisions. However, the Government of the Lao PDR has been cautious and ambivalent about implementing aspects of the program. At times decision-making, particularly relating to enforcement and expansion of the SSO scheme, has been slow and contrary to program objectives. Some of the performance indicators, particularly relating to motor vehicle insurance, rested on decisions that were unachievable at this time due to institutional weaknesses in Government.

- **Recommendation 2:** Any future project design should establish realistic performance indicators and objectives that are within the control of the program.

173. The project has met its core objectives: consolidating the social security scheme for private enterprise workers and achieving the legal instruments and policy decisions required to reform the civil servants' scheme. These schemes are based on important social security principles and health financing models that are appropriate for a developing country – prepayment, risk-pooling and equity finance. The principles they embody serve as a model for extending social protection and health insurance coverage. The project has been influential in having this model adopted by the CBHI scheme. It is also being considered as a basis for a national approach to Private Equity Funds. The consistency between the different schemes provides a good foundation for extending social security coverage. The success of these schemes remains a priority, but they are not yet sustainable and will require ongoing support. Future ILOSSP support to the SSO will be a priority, particularly as BTC assistance has not continued.

- **Recommendation 3:** Consolidating and building the civil servant and private enterprise schemes and the institutions to administer them should remain a central component of any future project. The principles adopted by these schemes should continue to be promoted as a model for related schemes, so that coverage can be expanded in a consistent and efficient manner.

174. With the major policy and legislative changes in place, the focus is now on implementing the schemes. Introducing the new civil servant scheme will be challenging. The scheme involves complex delivery schemes, immediate introduction of short and long-term benefits, many provider contracts, establishing operations in remote locations and large numbers of beneficiaries. The civil servant pilot scheme pilot should be evaluated before implemented on a wider scale. SSD is already under-resourced and the Government will need to move quickly to address institutional capacity issues necessary to introduce the scheme on a larger scale.

- **Recommendation 4:** The Civil Servant's Scheme pilot project should be subject to an evaluation before the scheme is implemented more widely.

175. The logical way forward is to build a single social security administrative structure. However, officials remain complacent on the issue of amalgamation, despite an in-principal agreement to join the administration of the two schemes 10 years ago. The ILO has proposed a plan, but it seems that such a decision will not be taken without some pressure or incentive. It is an inefficient use of project and Government resources to maintain two separate administrative structures. The SSO has the core skills and competencies needed to implement the SSD scheme. Due to lower than expected growth in the private enterprise

scheme, the SSO scheme is not sustainable and operates with higher than expected overheads, particularly in provincial capitals. The Ministry favours extending the new Civil Servant's scheme rapidly, but it would be many years before an independent SSD-administered scheme would have the capacity to meet these expectations. Amalgamating scheme administration should proceed together with efforts to address urgent technical issues in the SSO, particularly relating to registration and migrating data systems.

- **Recommendation 5:** Addressing institutional issues will be a priority for the civil servant's scheme. Amalgamating the administration systems of the SSO and SSD schemes should be a priority. There are economies of scale to expanding on the core competencies of the SSO, particularly as it extends to the provinces. It is wasteful for the project and the Government to develop separate systems and train staff in two separate organisations. Amalgamating the administrative schemes will be more cost effective for the project when providing urgently needed technical assistance to the SSO, particularly in the IT area.

176. Efforts to build new institutions will also need to promote a more clearly defined role and status for the SSO. The current arrangement, which sees the SSO operate as a division of the Ministry, has delayed implementation of the ILOSSP and threatens the sustainability of the program. The organisation should have the authority to pursue administrative and management tasks necessary to operate – such as authorising purchases, filling vacancies and commissioning audits. The SSO should not need Board approval for mundane tasks, such as purchasing a fax machine.

177. There should also be a more clearly defined division between administering social security systems and creating social security legislation and policy. The SSO undertakes many tasks that would more appropriately be performed by the Ministry – particularly drafting policy and regulations required to implement the Decree. It is not appropriate to use members' funds for these tasks. It is also perhaps the role of the Ministry, rather than the SSO, to promote the concept of social security in a general sense through public relations activities. Yet, currently there is no analytical or policy capacity in the field of social security within the GOL. Reviewing institutional arrangements provides a good opportunity to address the division of responsibilities.

- **Recommendation 6:** The project should help address institutional weaknesses in Government and encourage a clearer division between the administrative and policy functions relating to social security. The SSO should have more autonomy to implement and administer the schemes. The project should help the MoLSW to develop capacities to analyse social security issues, draft legislation and regulations and promote concepts within government and the community.

178. The MoLSW is still evidently cautious and uncertain about the benefits of implementing aspects of the social security project. This has caused delays and indecision that has effected project implementation and threatened scheme viability. It is inefficient for a technical project to provide advice that is not implemented. Inputs that require financial analysis, in particular, have a “use-by-date” and become redundant if they are not acted on in a timely manner. Any future project should require a greater commitment from Government before continuing to pursue some aspects of the program. It might be possible to phase the release of funds or make certain activities conditional on meeting triggers points or indicators. For example, assistance in support of expanding the SSD scheme could be linked to a government decision on amalgamation and institutional issues. Or further assistance to the SSO in support of enforcement and inspections should be conditional on Ministry willingness to implement a compulsory scheme. In doing so, however, it will be important to strike the correct balance so that Government delays do not jeopardise the sustainability of achievements to-date, particularly the ongoing support to SSO operations and assistance to health providers.

- **Recommendation 7:** A future project should seek a greater commitment from its Lao Government partners before pursuing certain activities. When designing the next phase, program planners could consider building an incremental or progressive monitoring approach to project implementation. In this way, implementation steps could be linked more closely to project outcomes.

179. The partnership with the MoLSW, rather than the SSO, has been appropriate and enabled the project to operate at a policy level. A resident CTA and project office in the Ministry provided the personal contacts and on-the-ground presence necessary to pursue a policy agenda in the Lao PDR. From this location the ILOSSP has also had the stature and flexibility to support a variety of agencies as needed to implement the program.

180. Implementing health insurance provisions is a vast undertaking and increasingly project activities have grown to focus on the health sector. The project now almost comprises many health-related sub-programs that it conducts either independently or in cooperation with other donors. The project has “out-grown” the current design, as the extent and purpose of these activities is not reflected in the program document. Extending the provider network is a resource intensive process and many challenges confronting the program go to the heart of systemic problems in the health sector. Future work in this area will need to be guided by realistic and achievable goals as these activities risk overwhelming the project. To achieve its objectives and maximise the impact in this area, a future project may need formal links with the MoPH or work in cooperation with other donors.

- **Recommendation 8:** Activities currently undertaken in support of implementing health insurance need to be identified and incorporated into any new project design. Objectives in the health sector need to be realistic given the modest size and budget of the project and its other objectives. A future project should examine the provider/purchaser relationship and help classify the division of roles and responsibilities between the MoPH and MoLSW. A formal agreement with the MoPH should be considered in future.
- **Recommendation 9:** The project should continue to develop synergies and cooperate with other projects that build the capacity of health service delivery, particularly those that aid implementation of health insurance. It should also cooperate with other projects funded by Lux-Dev.

181. The poor state of the Lao health system has always been a risk to this project and ILOSSP should continue to encourage increased support, funding and improved services in the health sector. Service quality poses a credibility risk to the SSO scheme, which can be seen by members as optional, private health insurance. However, the Civil Servant's Scheme will be large-scale and compulsory. As the reform of an existing scheme, most members welcome the Civil Servant's Scheme as an improvement on the old system of partial reimbursement. The quality of health facilities is therefore less of a risk to this scheme than it was when establishing the SSO scheme. The larger number of members participating in the Civil Servant's Scheme also offers an opportunity to provide a substantial and ongoing budget to district hospitals. This should hopefully improve health facilities over time. However, the affordability of the Civil Servant's Scheme requires high compliance with the requirement that district hospitals act as primary care facilities. Standards vary considerably and the situation will need to be monitored closely.

- **Recommendation 10:** Service quality will need to be monitored closely to ensure that providers are meeting their obligations to members. The use of district hospitals as primary care facilities should be reviewed over time.

182. Poor compliance threatens the viability of the SSO scheme. This is of serious concern in a country with a limited private sector – the ILOSSP estimates that the scheme is only practical in eight provinces. The current project document made extension to the provinces an indicator of the project's performance. However, expansion to the provinces has proven to be complex and costly. It has presented new challenges and replicated many problems experienced at the central level. This will require flexibility and high-level political support. The SSO scheme should benefit from the extension of the Civil Servant's scheme in the provinces. There will be economies of scale to expanding the two schemes at the same time.

- **Recommendation 11:** Extension of the SSO scheme to the provinces should be based on a realistic assessment of the scheme's viability, rather than driven by any high-order goal of achieving a national scheme. In addition to the size of the private sector, the level of participation, representation and support from Provincial Governments should also be considered when extending the scheme. There are economies of scale to extending the scheme together with the Civil Servant's scheme.

183. Training is a vital component of the ILOSSP. It not only promotes capacity within the SSO, MoLSW and the PSC, but training provided to health workers is also an essential component of expanding health insurance. The project has provided considerable training necessary to operate IT programs and implement social security schemes. It has also provided more general training, aimed at exposing policy makers to social security principles. The project is helping the SSO to improve its in-house training capacity. Training support provided by the project needs to be more closely linked to institutional needs and workforce planning. Courses should also be evaluated in order to assist with future training decisions.

- **Recommendation 12:** Training supported by the project should be subject to more systematic evaluation in order to determine the effectiveness and efficiency of activities. A future project should develop a workforce plan that links training to skills shortages and also addresses retention issues.

184. Extending social security coverage more broadly was originally seen as a natural extension of the project's other activities. While the original goals were modest, the mid-term review set a more ambitious course, encouraging the project to develop a major strategy document. The project produced an impressive paper outlining an approach to extending social security coverage through to 2020. However, it has proved difficult to advance such an ambitious plan in the Lao bureaucracy. Currently, social security is divided along issue lines and there is no policy unit within the Ministry with the resources and capacity necessary to implement such a "Road Map".

- **Recommendation 13:** Future activities in support of implementing the "Road Map" for extending social coverage should be focused and practical. As an intermediary step, the ILOSSP should aim to build an institutional policy capacity within the MoLSW that can promote and coordinate social security policy across Government. This unit could also perform the functions identified in Recommendation 6 and possibly include officials from the MoPH.
- **Recommendation 14:** The project should capitalise on its comparative advantage in the field of health insurance when establishing priorities for future social security extension activities.

185. Similarly, program planners mistakenly assumed a synergy between the motor vehicle insurance and the project's other activities. However, little progress has been made due to institutional weaknesses in the Lao bureaucracy. Health costs stemming from motor vehicle accidents is an urgent and escalating problem in the Lao PDR. It requires considerable resources, coordination with a variety of Government agencies and other donors. It also requires a commitment and willingness from the Government to resolve this issue.

- **Recommendation 15:** Resolving the motor vehicle insurance issue is not a natural extension of the project's other activities. Institutional weaknesses and lack of leadership in Government have prevented progress on this issue. A future project should only address motor vehicle insurance in a general sense, as part of its core social security and health insurance activities. It should not aim to resolve this issue and it should not be continued as a separate aspect of a future project.

186. The breadth of program activities has grown considerably over the past five years. With the focus now shifting to implementing schemes, particularly health insurance provisions, the challenge will be to identify manageable priorities for the program. There is a risk that the project will be unable to pursue its current spectrum of activities in future from its core objectives. It will be important to establish and define objectives for any new program, as it will be difficult to continue all current objectives from the existing resource base. Supporting the implementation of the two social security schemes, and related work with health providers, should remain the project's core objectives. In future, it may be more appropriate to define project objectives and activities along thematic lines. The project should also continue work at a macro level to promote social security policy capacity and development in Laos.