



Evaluation Summaries

Evaluation: *LAO PDR Social Security Project, 2002-2007*

Quick Facts

Countries: Lao PDR

Final Evaluation: Aug 2007

Mode of Evaluation: Independence

Technical Area: Social Security

Evaluation Management: ILO Social Security

Evaluation Team: Lucy O'Connor, Raymond Wagner, Pongpisut Jongudomsuk

Project Start: May 2002

Project End: Aug 2007

Project Code: LAO/01/01/LUX

Donor: Grand Duchy of Luxembourg
Euros 2,685,000

Keywords: Social security scheme, Social protection

Background & Context

Summary of the project purpose, logic and structure

The *Lao PDR Social Security Project*, better known as ILOSSP, was financed by the Grand Duchy of Luxembourg and was carried out by the ILO in two phases (1997-2001 and 2002-2007). The first part of the project is considered as the second phase of the jointly-funded project of UNDP and Belgium on social security. In the first phase the objective was to set up a social security office and a central social security system which could cover a very broad protection scheme, including loss of earnings and some medical treatment schemes. The second phase of the ILOSSP was meant to continue the work of the sector scheme, while offering additional focus on two areas of the informal sector: the self-employed, and subsistence agriculture and ethnic groups. Further objectives focused on coverage for civil

servants and protection in respect of injuries sustained in motor vehicle accidents.

Present situation of project

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.

Purpose, scope and clients of the evaluation

The evaluation design sought to apply the ILOs 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 programme 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. Primary stakeholders were the Government of Laos (GoL), the Government of Luxembourg and the ILO.

Government: Line Ministries: Ministry of Labour and Social Welfare (MoLSW) and the Social Security Organization (SSO); other ministries: Ministry of Public health (MoPH); Ministry of Finance, Ministry of Defence, Ministry of the Interior, Department of Public Administration, Central Committee of Organisation and Personnel;

Committee for Planning and Investment; and the Provincial Governments of Savannakhet, Vientiane and Khammoune.

Employers: Lao Chamber of Commerce and industry (LCCD); and

Workers: Lao Federation of Trade Unions (LFTU)

Methodology of evaluation

The Letter of Agreement between ILO and the Grand Duchy of Luxembourg and the project document calls for a mid-term evaluation to be undertaken 18 months after the commencement of the project. The timeframes for the mid-term review were amended at the Project Tripartite Annual Meeting in November 2003 to take into consideration the delayed commencement of the Belgian Technical Cooperation (BTC) social security project with SSO¹. Therefore the mid-term review was rescheduled to take place after 24 months of implementation of project activities, in June 2004. It reviewed each of the four project components and the Project Document. This review proposed recommendations for the implementation of the project activities for the remaining duration. Specifically, the mid-term review reported on the progress being made on achieving the development and immediate objectives, and made recommendations for the ongoing implementation of the project.

The areas covered by the final evaluation include:

- the validity of the project design
- an assessment of the delivery process
- an assessment of project performance
- relevance of project objectives for development needs in Lao PDR
- recommendations for ensuring achievement of project objectives during the remaining duration of the project.

Main Findings & Conclusions

The evaluation team found the objectives of the ILOSSP were coherent with the current priorities of the GoL, the programmes of assistance to development of Luxembourg and of the ILO. The project adequately considered the national macro-economic situation, the transition to a market economy and the needs for social welfare and

health protection. The ILOSSP is the only ILO donor-financed project on national social security. The evaluation team endorsed the project as a model that can be expanded to include other sectors of the economy. There were also some important indirect benefits which included:

- Reform of the civil servant scheme improved fiscal management by introducing accountability, capping pension rates; and
- Establishing health insurance for wage earners provided an important source of revenue for health providers and helped fund improvements in medical services that will benefit the wider population.

The establishment of the national policy framework for social protection has long-term benefits for the majority of Lao citizens. For these reasons, combined with the establishment of government social security offices, the project achieved broad sustainability.

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 GoL has been cautious and ambivalent about implementing aspects of the program. At times decision-making, particularly related to enforcement and expansion of the SSO scheme, has been slow and contrary to programme 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. The project 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 was influential in having this model adopted by the Community-based health Insurance (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.

¹ The CTA for the BTC social security project commenced in April 2004

The evaluation observed that in future, 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 may threaten the sustainability of the programme. The organisation should have the authority to pursue administrative and management tasks necessary to operate, such as authorising purchases, filling vacancies and commissioning audits.

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 could 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.

The evaluation found that the MoLSW is cautious and uncertain about the benefits of implementing aspects of the social security project. This has caused delays and indecision that effected project implementation and threatened scheme viability. Technical advice provided to the MoLSW was often not followed. 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.

Recommendations & Lessons Learned

Main recommendations and follow-up

The evaluation team recommends refining objectives and indicators of performance to conform to a scope within control of the project. Civil servant and private enterprise schemes, and the institutions to administer them, should be the central component of any future project, with an evaluation of the pilot before wider implementation.

Health insurance schemes should be considered separately, and these should be encouraged to develop synergies with building capacity of health service delivery.

Efforts should continue to institutional policy capacity building within the relevant government agencies, including analysing social security issues, drafting legislation and promoting training with the

government and community. Creating joint systems wherever possible will considerably reduce costs.

Motor vehicle insurance is not seen as a natural extension of the project's activities and should be treated through separate efforts.

Future ILOSSP support to the SSO will be a priority, particularly as better training course (BTC) assistance has not continued.

- **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.