

# Planning, Budgeting and Financing

Post-Disaster Recovery and Reconstruction Activities  
in Khammouane Province, Lao PDR



Developed under the Khammouane Development Project (KDP),  
Implemented by the Department of Planning and Investment, Thakhek, Khammouane Province







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## Introduction

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Immediately after a province has been affected by a disaster event, humanitarian needs will normally be the primary focus. Early recovery follows once the situation is stabilized and generally focused on gradually shifting towards meeting the medium to long-term needs for recovery and reconstruction. Post-disaster recovery is about re-establishing basic public services to normalize the socio-economic conditions in the affected areas as well as sourcing capital investments for long-term reconstruction. As such, the recovery and reconstruction plan (the Plan) must be responsive to the identified needs and priorities and should try to avoid delays between the phases of disaster response and disaster recovery and reconstruction. The planning process and urgent implementation of projects must be achieved expeditiously yet with enough transparency and accountability of all the stakeholders.

This draft guideline is intended to be used by the Province of Khammouane, Lao PDR in developing a post-disaster recovery plan in relation to the Post-Disaster Recovery Fund (PDRF) under the Khammouane Development Program (KDP).



## Purpose of Recovery and Reconstruction Plan

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The purpose of developing a post-disaster Recovery and Reconstruction Plan is as follows:

- ✦ To provide a framework for the Province of Khammouane for smooth transition from emergency relief and early recovery, towards medium and longer-term recovery and reconstruction.
- ✦ To propose recovery and reconstruction strategies and present activities and outcomes for each of the key affected sector.
- ✦ To propose the implementation modality for coordinating and monitoring recovery and reconstruction.
- ✦ To provide a framework with sufficient information and description of status and needs (based on damage, loss and needs assessment), to allow the development partners to support the medium and longer-term needs for those suffered by the disaster event.

## Timing for developing Recovery and Reconstruction Plan

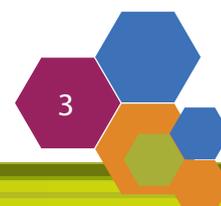


- ✦ The recovery and reconstruction plan will be developed after the damage, loss and needs assessment has been conducted and the assessment report approved by the PDMC. The approved damage loss and needs assessment report will be the basis for development of the recovery and reconstruction plan.
- ✦ Ideally, the plan should be finalized within 2-3 weeks of the approval of damage, loss and needs assessment report.

## Developing Recovery and Reconstruction Plan (the Plan)



The damage, loss and needs assessment (DaLNA) report approved by the PDMC will be the basis of the Plan. The process of development of the recovery and reconstruction plan will initiate and will broadly comprise of the following steps:



## Step 1:

# Undertake strategic planning for recovery and reconstruction

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As a first step to guide recovery and reconstruction process, the strategic direction is to be set. This will comprise of articulating the Vision, Objectives, Strategies and Guiding Principles for the particular recovery and reconstruction. Formulation of the strategic direction shall be guided by the following:

- ❖ Results of the DaLNA as detailed in the report approved by the PDMC. (For further explanation, please refer to the DaLNA Guidance Notes).
- ❖ Joint consultations between and among different Departments of the province, representatives of the Districts and with development partners to discuss the needs, timeframe and type of support required for recovery and reconstruction.
- ❖ Consultation through a participatory process with different section of affected population such as women, men, elderly, children, ethnic minorities etc. as well as with agencies involved in supporting early recovery, to understand the medium and longer-term needs
- ❖ The set Vision, Objectives, Strategies and Guiding Principles should be approved by the PDMC Chair.

### Setting the Vision:

- ❖ The purpose of setting the Vision is to serve as a guide for decision makers and provide some broad framework within which decisions will be undertaken. The Vision statement should be clear but broad in its view of the positive impacts of the Plan to the affected population.
- ❖ The Vision should be aligned with the long-term development vision of the province.
- ❖ It should have a timeline for the completion of the recovery and reconstruction, say within 3 years or 5 years etc.
- ❖ The Vision statement should aim towards longer-term risk reduction.

### Timeframe of Recovery and Reconstruction Plan:

- ❖ Depending on the scale of the disaster and the needs, the time frame of the Recovery and Reconstruction Plan can range from 3 to 5 years. The DaLNA report should guide the timeframe of the Plan.
- ❖ The plan should set out the indicative framework for prioritizing and programming interventions and allocating resources and should have an effective monitoring component which be based on existing monitoring and evaluation system in the province. The prioritization method used in the identification of needs in the DaLNA report can be used in the Plan. (Please refer to the DaLNA Guidance Notes).

### Defining the Objectives of recovery and reconstruction:

- ❖ The objectives should be based on the impact analysis as contained in the DaLNA report and the Vision adopted for recovery and reconstruction. Depending on the sectors affected by the disaster and the needs identified for economic as well as human recovery, the general objectives could include:
  - Rebuilding the lives of the affected communities to higher standards of resilience.
  - Economic recovery through restoring resilient livelihoods of communities, reviving key economic sectors and maintaining socio-economic stability in the province.
  - Rebuilding safer public services and infrastructure.
  - Protecting the environment for sustainable development and disaster mitigation.

### Formulating Strategies for recovery and reconstruction:

- ❖ Strategies can be formulated at two levels; overarching strategy for recovery and reconstruction and sector specific strategies for recovery and reconstruction. Overarching strategy could include examples such as “Build Back Better” or “Resilient recovery through structural and non-structural measures” etc.
- ❖ Sector specific strategies will depend on the nature of the sector and the type of impacts. These strategies aimed at the recovery of the sector which should be found in the DaLNA report.

## Step 2:

### Identify resources which can immediately finance the post-disaster priority needs (Financing the Plan)

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To fast track the post-disaster recovery, the province of Khammouane must identify all the possible sources of financing for the post-disaster priorities needs, whether public or private. For instance, roads and bridges may be the main responsibility of the government to restore access and mobility of the people, but the normalization of livelihoods which is equally important are private needs in nature. As such, both public and private sector needs and concerns should also be included in the list of priorities that will be matched with all possible sources funding. However, public and private needs can be addressed through various approaches. The following explains the possible sources of funding for the public and private sectors.

#### Public sector needs

Normally the government shoulders the cost post-disaster recovery and reconstruction of government facilities and other assets. The following are, generally, the sources of funds which the province of Khammouane can consider:



1. **The regular budget.** The province has an allocated budget for the year for specific uses. In cases of extreme disasters, budget for existing projects can be diverted temporarily for urgent recovery projects. However, this may need the concurrence and approval of the provincial council.
2. **Special additional budget allocation.** If and when existing financial resources of the province may not be enough to respond to urgent recovery activities, an additional special budget may be requested from the national government.
3. **Existing programs with international development partners.** There may be some existing programs and projects funded by international development partners which can be tapped to fund the identified post-disaster activities. For example, arrangements can be negotiated with non-government donors like OXFAM, CRS, Plan International, among others, to assist in funding activities identified in the DaLNA.
4. **Loans by the province.** If allowed by law, the province can secure loans to finance its reconstruction. This, however, should be subjected to deeper discussions within the council to further analyze the potential impacts on the future fiscal position of the province.
5. **New taxes.** Although theoretically the government can impose new taxes to fund post-disaster recovery, such a measure is generally not a preferred option. A province or districts ravaged by a disaster will not be able to bear additional taxation.
6. **Existing programs and stand by agreements with ODA donors.** There may be some existing programs and projects funded by international development partners which can be tapped to fund the identified post-disaster activities.

For the province of Khammouane, the KDP and its Post-Disaster Recovery Fund (PDRF), can be tapped to assist recovery by financing some of the priorities of the recovery. (*Projects identified for financing under the PDRF must read the Guidelines for PDRF Financing*).

### Private sector needs

Private sector needs should be equally considered by the government especially if a large number of the affected population depend on the sector for their livelihood. In most instances, governments directly subsidize the needs of the poorest population which are mostly:

1. Housing assistance through the provision of housing materials;
2. Livelihood restoration especially for those who are engaged in marginal livelihoods like small farmers and fishermen through the distribution of free seeds, farm tools, livestock, etc.
3. Temporary source of income like emergency employment through cash- or food-for-work; and
4. Alternative employment through job placement or referrals, skills training, etc.

However, for the housing needs of those who are not poorest of the poor and the needs of other revenue-generating private businesses (like those in manufacturing, mining, power or water supply), assistance can be extended in

the form of credit and other tax incentives. It should be noted that tax breaks and other financial incentives will not need financial outlays or new expenses from the side of the government. The following are the types of assistance that can be extended by the government to the private sector.

1. **Tax breaks to business firms and house owners.** Exempting businesses and households from paying certain taxes for a certain period, say 2 years, will enable them to finance repairs immediately since they are assured that they will have savings from such exemptions. It will be an incentive for the firms and households to act expeditiously. Some of the specific options are:
  - a. Temporary reduction or freeze in the collection of value-added tax, building permits for repairs and other related fees for destroyed houses and buildings;
  - b. Temporary elimination of import duties on essential items required as to rehabilitate the firms and restore their operations;
  - c. Temporary freeze on certain charges in the utilization of goods and services, like amortization of housing loans from government banks, rent on government land where installations are located over the time of the recovery phase;
  - d. Non-collection of property taxes on houses or equipment registration fees that may have been destroyed by the disaster, especially those that were not insured, until they have been repaired, replaced or reconstructed.
2. **Credit.** A credit scheme with soft terms, like low interest rate with longer repayment periods, will:
  - a. enable households to repair their housing units;
  - b. provide firms the resources to buy stocks, machinery and equipment that will normalize operations.

Credit can be channeled through existing government programs or through the private banking system with a government guarantee which can be implemented through a policy directive. This will not need any monetary outlay from the government except for the liability associated with the guarantee.

3. **Equity.** In some special cases, the government may opt to provide equity in private firms instead of direct subsidy or credit or tax exemptions. For example, the government can infuse equity funds to mining firms to enable them to recover.

### Step 3

## Consolidate the financial requirements of the priority needs and their recommended sources of funds

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The investment or financing needs of the priority needs that will be part of the Plan can be structured in the same way as DaLNA report grouped into three sectors, namely,



- ✦ Productive sectors (Economic recovery and development, broken down by sub-sectors such as agriculture, industry, commerce, mining etc.)
- ✦ Social sectors (Basic services and social protection, broken down by sub-sectors such as housing, education, health etc.)
- ✦ Infrastructure sector (Infrastructure reconstruction, broken down by sub-sectors such as transport, water supply etc.)
- ✦ Cross cutting issues such as:
  - Disaster Risk Management
  - Environment and Natural Resources Management
  - Vulnerable Population

The following table can be used for the investment requirements based on the DaLNA report:

Sector	Title of Project	Required Funding per Year of Implementation (Kips)			Total Kips	Possible Source of Funds
		Year 1	Year 2	Year 3		
<b>Productive Sector</b>						
a. Agriculture						
b. Mining						
c. Industry						
d. Others						
<b>Social Sector</b>						
a. Health						
b. Education						
c. Housing						
d. Others						
<b>Infrastructure Sector</b>						
a. Transportation						
b. Power						
c. Others						
<b>Cross-cutting Sector</b>						
a. Disaster mitigation						
b. Environment						
c. Others						

#### Notes for Table 1

- a. In the column for the possible source of funds, it should be indicated if the funds will be extended as credit or equity. For example, assistance to the private power or mining sector can be in the form of credit from the Lao Development Bank. Thus, it should be stated as "Credit from the LDB".
- b. As much as possible, projects included in the investment list of priority projects should have logical frameworks or at least a detailed description of the project's components.

## Step 4

### Determine the Appropriate Structure for the Implementation of the Recovery Plan

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Recovery projects are urgent in nature and the speed by which they will be implemented will define how soon normalization of the situation will be achieved. As such the following issues must be noted by the government in the overall process of recovery.

1. **New organization versus an existing agency.** There is a big possibility that many actors or stakeholders will be involved during the post-disaster recovery phase especially after a catastrophic disaster. Aside from the local and national governments, major international development partners like the WB, ADB, UN, donor countries and international NGOs may get involved in the recovery. In such event, the provincial government of Khammouane must decide whether the creation of a new ad-hoc organization which will coordinate and monitor the implementation of the Plan is more efficient than using an existing organization or Department.
2. **Procurement.** Since the recovery projects are urgent in nature, there may be a need to review the procurement processes and procedure of the government. Are the existing procurement rules enough to expedite project implementation? If not, is it possible to adopt a separate rule of procurement for the recovery projects? If the government decides to adopt a new set of rules, it may need to harmonize the said rules with those of the partner funding agencies to promote transparency, accountability and avoid conflict during post-project auditing.
3. **Monitoring and evaluation.** Monitoring and evaluation schemes for recovery projects may also be adjusted considering that these projects are urgent in nature compared to the projects funded under the regular public investment program. Such M&E schemes may be harmonized with other donors' M&E system but they should be within the overall framework of the M&E of the government.

Nevertheless, the recovery and reconstruction related activities funded by the budget of the Provincial Government of Khammouane should be implemented within the management structure and leadership of the PDMC, which will act as the oversight body. The Department of Planning and Investment (DPI) shall be responsible for coordination of implementation, monitoring and evaluation of recovery and reconstruction.

*It should be noted, however, that if and when the post-disaster recovery projects in Khammouane are funded by foreign development partners negotiated by the MPI and MOFA for the Government of Lao PDR, the rules in the agreement between the two should prevail.*



## Step 5

# Draft the Plan

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The post-disaster recovery and reconstruction plan can be drafted using the following outline:

### I. Foreword by PDMC Chair

### II. Acknowledgement

- ✦ This part shall enumerate the ministries, agencies, local governments, international and local organizations and persons that helped in drafting the Plan

### III. Table of Contents

- ✦ The name of chapters in the Plan

### IV. Acronyms

- ✦ The list of abbreviations used and their meanings, for ease of reference

### V. Executive Summary

- ✦ This part shall contain a brief description of the activities that led to the drafting of the Plan which are:
  - The description of the disaster that occurred: the type of disaster; the time and date it occurred; among others
  - The areas affected: districts and villages
  - The response of the government: all the emergency activities and agencies involved
  - The damage, loss and needs assessment conducted
- ✦ The concise description of the contents of the Plan, specifically on the description and extent of the effects and impacts of the disaster on:
  - People (women, children, elderly and other vulnerable groups)
  - Infrastructure and livelihoods (damages and losses of the sectors)
  - Economy (macroeconomic effects)
  - Strategies for recovery and reconstruction
  - Needs (by programs and projects by sector)
  - Investment and financing plan
  - Mechanism for Implementation Monitoring and evaluation

## Chapter I. Overview

- A. The pre-disaster socio-economic performance of Khammouane and the economic projections for the year and the succeeding years. These can be gathered from the National Socio-economic Development Plan of Lao PDR.

- ❖ Growth sectors – The sectors which are strong in Khammouane like agriculture, tourism, power, etc.
  - ❖ Employment – The pre-disaster unemployment rate projections based on the growth of the economy.
  - ❖ Poverty Incidence – The present and estimated number of poor families across the country.
- B. General description of the extent of the effects of the disaster
- ❖ Areas affected (districts by province)
  - ❖ Lives lost per area (districts by province), by sex and age group
  - ❖ Types of infrastructure affected (roads, bridges, houses, power, water supply, etc.)
  - ❖ Livelihoods affected (farmers, micro-entrepreneurs, etc.)
  - ❖ Initial general impacts on the socio-economic conditions of the people in the areas like health and nutrition, education, income, etc. with special mention of women, children and other vulnerable groups like IPs
- C. The Government's post-disaster emergency response
- ❖ Government assistance extended by area (food, water, medicine, clothing, emergency shelter and other relief assistance)
  - ❖ Government expenditures
  - ❖ Assistance from donors (international agencies as well as local and international organizations)
  - ❖ Initial results of assistance provided
  - ❖ Other activities done by the government, donors and the affected communities
- D. The present situation in the disaster-affected areas
- ❖ The conditions of the disaster victims and activities being done by the government and other development partners at present (while the Plan is being drafted).

## Chapter II. Damage and Loss Assessment

Based on the PDNA report, the nationwide effects of each sector are summarized here. It should be noted here that the details of the damages and losses presented in this chapter can be found in the PDNA report.

## Chapter III. Recovery and Reconstruction Plan

- ❖ Vision, Objectives, Strategies and guiding principles for recovery and reconstruction.
- ❖ Projects identified for recovery and reconstruction by sectors

- ✦ Investment and financing
- ✦ Implementation arrangements

## Step 6

### **Seek approval of the Provincial Government and Disseminate the Plan**

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- ✦ The Recovery and Reconstruction Plan shall be approved by the Chair PDMC and the Provincial Governor and should be made public and widely disseminated.