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Agency (JICA)

JICA Technical Cooperation

Lao PDR

Project for Enhancing Capacity in PIP Management (PCAP2)

Annual Report (First Year)

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IC Net Limited

JICA Technical Cooperation
Lao PDR Project for Enhancing Capacity in PIP Management (PCAP2)
Annual Report for First Year

Contents

Outline of the Report.....	1
1. Progress of Project Implementation	2
1.1 Outline of Activities.....	2
1.2 Contents of Activities	3
(1) Inception Report.....	3
(2) Baseline Survey.....	3
(3) Seminars.....	4
(4) Joint Coordinating Committee (JCC) Meeting	4
(5) Activities for Training and OJT [Output 1].....	5
(6) Activities for PIP Budget and Financial Management [Output 2]	9
(7) Activities on PIP Management Law Advisory Support [Output 3].....	12
(8) Activities for Improvement of PIP Management Methods [Output 4].....	13
(9) Others	15
1.3 Outline and Reasons of Change in Activities Compared to Original Plan.....	15
1.4 Issues to be Considered.....	16
(1) Project Organization	16
(2) Training Sessions for Central Government Organizations.....	16
(3) Organizations Related to PIP Budget Allocation and Financial Management.....	16
1.5 Dispatch of Japanese Experts	17
2. Progress on Achievement of Project Purpose	18
3. Outline of Meetings	18
4. Equipment Purchased for Project Usage.....	19
5. Documents Obtained.....	19
6. Main Tasks to be Accomplished in the Second Year	20
Appendix 1	23

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Lao PDR Project for Enhancing Capacity in PIP Management (PCAP2)
Annual Report for First Year

Abbreviations

DPI	Provincial Department for Planning and Investment
GPAP	Governance and Public Administration Reform, UNDP
JCC	Joint Coordinating Committee
JICA	Japan International Cooperation Agency
MAF	Ministry of Agriculture and Forestry
MoF	Ministry of Finance
MoE	Ministry of Education
MPH	Ministry of Public Health
MPI	Ministry of Planning and Investment
MPI-DIC	Department of International Cooperation, MPI
MPI-DoE	Department of Evaluation, MPI
MPI-DoP	Department of Planning, MPI
MPWT	Ministry of Public Works and Transportation
NSEDP	National-Socio-Economic Development Plan
ODA	Official Development Assistance
OJT	On the Job Training
PCAP	Project for Capacity Building in PIP Management
PCAP2	Project for Enhancing Capacity in PIP Management
PIP	Public Investment Program
PO	Project Owner
SOP	Standard Operating Procedure
SPAS	Simplified Project Assessment Sheet
UNDP	United Nations Development Programme

Outline of the Report

The overall outline of this report is as follows:

1. Progress of Project Implementation	Progress of activities implemented in the first year of the project during the period of March to August 2008. Activities were concentrated on studying outputs during the last phase (PCAP), along with the current circumstances affecting PIP management.
2. Progress on Achievement of Project Purpose	Progress towards Project Purpose achievement and its probability.
3. Outline of Meetings	The project's Kick-Off Seminar and the First Joint Coordinating Committee Meeting held on May 21, 2008.
4. Equipment Purchased for Project Usage	Equipment purchased and used for project usage purpose are as indicated.
5. Documents Obtained	Documents obtained for project study purpose are as indicated.
6. Main Tasks to be Accomplished in the Second Year	Outline of main tasks planned in the second year, including some points that require special attention

1. Progress of Project Implementation

1.1 Outline of Activities

Outline of project activities conducted is as follows:

Items	Activities Conducted in the First Year
(1) Inception Report	1) Collection and analysis of data and information 2) Completion and submission of the Inception Report
(2) Baseline Survey	1) Baseline survey and analysis
(3) Seminars	1) Kick-Off Seminar at Vientiane Capital
(4) Joint Coordinating Committee (JCC) Meeting	1) First JCC Meeting
(5) Activities for Training and OJT [Output 1]	1) OJT for MPI 2) Evaluation of PIP project assessment, monitoring and evaluation results 3) Feedback on OJT evaluation results given to the three PCAP monitor provinces 4) Development of training program for the following year 5) Training of trainers
(6) Activities for PIP Budget and Financial Management [Output 2]	
(6)-1 PIP Budget Allocation	1) Studies of current PIP budget allocation system
(6)-2 PIP Project Budget Disbursement and Financial Management	1) Studies of current PIP project disbursement and financial management
(7) Activities on PIP Management Law Advisory Support [Output 3]	1) Review of current legal framework and advisory on law draft 2) Third Country Training in Vietnam
(8) Activities for Improvement of PIP Management Methods [Output 4]	
(8)-1 ODA Counterpart Fund Management	1) Studies on current ODA project management
(8)-2 District-Level PIP Management	1) Study on workflow and capacity levels in District Planning and Statistics Office
(8)-3 Program Management	1) Review of Action Plan 2) Preparation for pilot program drafting
(9) Others	1) Possibility of collaboration with other donor projects

1.2 Contents of Activities

A description of the activities conducted is provided below.

(1) Inception Report

First, we examined the outputs produced during the first phase project, the Project for Capacity Building in PIP Management (PCAP), and finalized the methods to be used and capacity that should be developed to further improve PIP management. We then studied the feasible process for activities and their operational requirements to achieve the objectives in this new project, the Project for Enhancing Capacity in PIP Management (PCAP2). These were compiled into a draft of the Inception Report, prepared in Lao, English and Japanese.

The draft Inception Report was handed over to JICA Laos Office and Ministry of Planning and Investment (MPI), the counterpart organization of PCAP2, to consult on its contents. After remarks made through the consultations were reflected, the official version of the Inception Report was printed and distributed to the organizations concerned. The report was also distributed to ministries and donors to inform them of this project.

(2) Baseline Survey

A baseline survey was conducted with the objective of finding the indicators and its baseline to measure and evaluate the levels required for achievement of the PCAP2 Overall Goal: “Sector ministries and provincial sector departments effectively and efficiently implement PIP projects on schedule and in accordance with planned budget execution under an upgraded sector program”.

Important resources for the baseline are (a) Budget expenditure results for 2007/2008 (period between October 2007 to September 2008), (b) Budget plan for 2008/2009, and (c) Mid-Term Review Report for the Sixth National Socio-Economic Development Plan (NSEDP) Five-Year Plan 2006-2010.

Based on the expectation that this information would be obtained, the section below describes the topics to be further studied.

Overall Goal Indicators	Topics and Means of Study
A decrease in the number and ratio of domestically funded PIP projects and ODA projects that are discontinued or suspended due to budget reasons.	<ul style="list-style-type: none"> ◇ Compare the status of delayed/suspended PIP projects in the 2007/2008 PIP budget and actual expenditure lists. Analyze the reasons for delay or suspension.
A decrease in the number and ratio of domestically funded PIP projects and ODA projects that are poorly maintained, or not maintained after completion.	<ul style="list-style-type: none"> ◇ Obtain list of PIP projects that have been completed and handed over for operation in the last 10 years. ◇ Create a list of projects due to be completed during 2007/2008 (they will be used to check whether operation and maintenance is appropriately performed after evaluation).
A decrease in the number and ratio of domestically funded PIP projects and ODA projects that are underutilized.	<ul style="list-style-type: none"> ◇ Obtain list of PIP projects that have been completed and handed over for operation in the last 10 years. ◇ Create a list of projects due to be completed during 2007/2008 (they will be used to check the effectiveness after evaluation).
A decrease in the number and ratio of domestically funded PIP projects and ODA projects that experience unexpected changes in personnel in charge and/or contracted companies.	<ul style="list-style-type: none"> ◇ Find out the number of PIP projects that are delayed/suspended due to changes in personnel and/or contracted companies using the 2007/2008 PIP project list.
Indicators to be further Studied	Topics and Means of Studies
Number and ratio of PIP projects that were completed as originally planned.	<ul style="list-style-type: none"> ◇ Analyze the number of PIP projects completed in line with the original schedule compared to the total number of PIP projects completed in the 2007/2008 and 2008/2009 PIP budget.
Number and ratio of PIP projects that are measured in terms of positive impact after its completion.	<ul style="list-style-type: none"> ◇ Analyze the NSEDP 2006-2010 Mid-Term Review and completed PIP projects through the year 2007/2008.

(3) Seminars

Refer to “3. Outline of Meetings, (1) Kick-Off Seminar”

(4) Joint Coordinating Committee (JCC) Meeting

Refer to “3. Outline of Meetings, (2) JCC Meeting”

(5) Activities for Training and OJT [Output 1]

1) OJT Towards MPI

✧ Studies on the Total Procedure for 2008/2009 PIP Budget Planning

We conducted studies to understand the comprehensive flow of PIP budget planning in the five Divisions (Macroeconomic, Economic, Social, Regional, Poverty Reduction) in the MPI Department of Planning (MPI-DoP) and two Divisions in the MPI Department of Evaluation (MPI-DoE) and analyzed the process followed in establishing the 2008/2009 PIP budget planning. The following facts were found during this study:

- (a) Overall Flow of Procedures in PIP Budget Planning
 - The PIP budget ceiling, which is initially settled by the Ministry of Finance and MPI, is not necessarily the final ceiling. It may change after further last-minute discussions among the two parties in August, depending on the outcomes of the budget request negotiations with the provinces; moreover, national-level priority projects could arise.
 - MPI currently decides on how the PIP budget will be allocated to ministries and provinces AFTER first budget request is submitted. MPI intends to change this procedure, and decide and announce the allocation before budget requests are submitted.
 - Since Vietnam and China have a systemized procedure for total budget planning, MPI intends to follow their model.
- (b) Guidelines for Budget Planning
 - The Guidelines No.486/MPI (issued March 7, 2008) and its additional guidelines indicate that, of the 111 sub-program indicated in the Action Plan, 25 sub-programs have been highlighted as the most important for PIP implementation in the year 2008/2009.
- (c) Coordination among MPI-DoP and MPI-DoE
 - The involvement of MPI-DoE in the 2008/2009 PIP budget negotiations with ministries and provinces is notable. This indicates that coordination among MPI-DoP and MPI-DoE is beginning to strengthen.
 - Some ministries have started to send PIP budget request documents to MPI-DoE as instructed, whereas in the past they tended to send them to MPI-DoP.

✧ Study of 2008/2009 PIP Budget Requests

PIP budget requests submitted by provinces were studied. The number of projects that were assessed by the Provincial Department of Planning and Investment (DPI) using the Simplified Project Assessment Sheet (SPAS) were counted.

2) Evaluation of PIP Project Assessment, Monitoring and Evaluation Results

✧ Establishment of the Meta-Evaluation Team

The following members were approved by Mr. Vixay XAOVANA, Director General of MPI-DoE cum PCAP2 Project Manager for inclusion in the Meta-Evaluation team.

MPI-DoE Staff	Mr. Phetamphone, Mr. P houtpasong, Mr. Sonephetvongsy, Ms. Oudalone, Mr. Sengher, Mr. Khamphanh, Ms. Bounmy
MPI-DoP Staff	Mr. Kalouna

✧ Study of 2008/2009 PIP Budget Preparation Procedure in the Province

The Meta-Evaluation team visited Oudomxay Province, former monitor province for PCAP, and conducted studies on the PIP budget preparation procedure with DPI and three sector departments. The team identified the following facts during the course of studies:

(a) The PIP Management Flow in Oudomxay Province

- Oudomxay Province DPI received a total of 242 PIP project budget requests from sector departments during the one-month period of March 2008. Due to the delay in the submission of reports from sector departments, the submission by DPI to MPI was delayed for approximately one month from the deadline mentioned in the guidelines.
- It took seven staff from DPI Evaluation Division one month to complete assessment of all PIP projects, and three staff from DPI Planning Division two weeks to compile all PIP project data and formulate the budget request list.
- Sixteen projects out of the 242 total projects rejected due to inadequate paperwork. The remaining 226 projects were assessed using SPAS, and 160 projects were listed on the budget request to MPI. This means that the seven staff in the Evaluation Division doubled the number of assessment studies completed as compared to 119 projects in the previous year.

(b) Remarks

- The reason that Oudomxay Province DPI was able to perform so many assessment studies can be attributed to their unique approach. Last year, DPI had selected three of seven districts to be monitor districts, and provided training in PCAP methods and tools. DPI staff acted as trainers, and provided training to district-level sector office staff. The content of the training focused on proposal writing methods and on the five evaluation criteria, both providing practical ways to plan and manage PIP projects in the district level.
- This year, the training expanded to the remaining four districts. As a result, many project proposals were submitted, and proposals from the three districts that were initially trained had generally improved in quality.
- The total cost of the training series was 55 million Kip, of which 25 million Kip was borne by DPI, and 30 million Kip was borne by the provincial ordinary budget. This approach merits attention as a model case when disseminating sustainable PIP management in district levels nationwide.

✧ Meta-Evaluation Studies in Monitor Provinces

MPI and Oudomxay Province DPI jointly conducted a meta-evaluation study session targeting 12 PIP projects that were requested in the 2008/2009 PIP budget. The study included evaluation of SPAS forms, as well as procedures and approaches when

conducting assessment. The results showed that although assessment quality has improved compared to that of last year, it still requires improvements. The following are the issues to be further considered:

- Basic information from the Project Owners (POs) is still not sufficient to conclude assessment.
- There were cases in which the incorrect SPAS formats were used for assessment, which resulted in an inappropriate assessment result.
- Participation from the stakeholders, such as beneficiaries, is also required to ensure transparency and reliability of assessment procedures and its results.

3) Feedback on OJT Evaluation Results Provided to Three PCAP Monitor Provinces

✧ Feedback on Meta-Evaluation Results

Meta-Evaluation Results were analyzed jointly with MPI and Oudomxay province DPI, and the results along with issues to be resolved were shared among the Director General of DPI, DPI staff, sector department staff and the Meta-Evaluation team.

4) Developing Training Program for the Following Year

✧ Establishment of the Training Team

The following members were approved by Mr. Vixay XAOVANA, Director General of MPI-DoE cum PCAP2 Project Manager, as members of the training team.

MPI-DoE Staff	Mr. Banlousith, Mr. Phisit, Mr. Viengkham, Ms. Malyvanh, Mr. Boukeao
MPI-DoP Staff	Mr. Kalouna

✧ Studies on Training Session Conducted by MPI

Training sessions conducted independently by MPI after completion of PCAP in October 2007 were studied. The study results can be outlined as follows:

- Training sessions in the provinces were conducted during the period of December 2007 through February 2008. MPI-DoE and MPI-DoP staff were dispatched to provinces as trainers, and material that had been used in the PCAP Management Workshops (September-October 2007) was applied.
- MPI covered all provinces except the three PCAP monitor provinces, conducting workshops with a duration of two to five days depending on schedule availability. Training costs were shared by DPI and MPI, which could be considered as models for training sustainability.
- A PIP Management Training session was held in December 2007 for central government ministries, with two staff invited from each ministry. The MPI Head of Cabinet hosted the training session which was conducted jointly with MPI-DoE and the MPI Training Center, with MPI-DoE providing trainers and MPI Training Center providing the venue. This was an

intensive session held for only two days, and thus requires future follow-up with the trainees in the ministries.

❖ Studies on Training Impact Needs for MPI and provinces

The training team conducted a training impact needs survey on the PCAP PIP Management Workshop in September to October 2007 with the staff who acted as trainers. Impact needs studies were also conducted with those who attended the workshop in Oudomxay, using the participatory appreciative inquiry method. Subsequently, a questionnaire was distributed to participants nationwide. All study results were then compiled for analysis. The results can be outlined as follows:

- Many participants requested that intensive sessions be conducted on how to write project proposals and progress reports using good case studies. There were also many requests that more sessions be provided on project assessment methods using SPAS forms.
- Many required longer sessions than the 2 1/2 day periods for the PCAP PIP Management Workshop.

❖ Studies for Training Impact Needs for Central Government Ministries

The training team conducted a training impact needs survey on the PIP Management Training session by MPI on December 2007 to MPI-DoE who acted as trainers and to participants from the Ministry of Agriculture and Forestry (MAF), Ministry of Public Works and Transportation (MPWT), Ministry of Education (MoE) and Ministry of Public Health (MPH). The training team visited the four ministries for interviews, and further discussed the current issues in PIP management faced by the central government offices. Study results can be outlined as follows:

- All four ministries were interested in the methods and tools for managing domestically-funded PIP projects.
- It was agreed that MPI will receive further training requests from each ministry respectively.
- Upon the request of the Ministry of Public Works and Transportation, an individual training session was conducted in July 2008.

❖ Development of the 2008/2009 Training Plan

Based on the training impact needs study results, the training team outlined an overall plan for training, to be held from November 2008. A task-team consisting of staff from MPI-DoE and MPI-DoP was formed in July 2008 with the objective of developing and revising training materials. The following outlines the training plan for provincial staff:

- Training sessions for provinces are conducted from November 2008, with a duration of one to two months. Each provincial training session will take one week, with a seminar will be conducted on the last day.
- Four training teams consisting of four staff from MPI-DoE and two staff from MPI-DoP will be formed. Two teams each will be dispatched.
- Assessment, monitoring and evaluation of PIP projects will be emphasized in the training session. Sessions on writing project proposals and progress reports would be based on actual case studies.
- Training materials developed in PCAP will be used, with some modifications made by the training task-team.

Training-Of-Trainer sessions are given by senior training staff who have reached Level 3 in the PCAP Capacity Building Evaluation Model to staff who are still in Level 1 to 2 during the period of September and October 2008.

(6) Activities for PIP Budget and Financial Management [Output 2]

(6)-1 PIP Budget Allocation

1) Studies of Current PIP Budget Allocation System

✧ Kick-Off Meeting with the Project Director and Project Manager

The PIP budget and financial allocation experts exchanged their views on the subject, and confirmed its general status and the activities to be conducted during the first and second year of the Project. Dr. Bountavy SISOUPHANHTHONG, Vice Minister of MPI cum Project Director stated that one of the most important tasks is to provide methods to cope with ministries and provinces that request extremely high PIP budget amounts that far exceed the prepared amount. The meeting was fruitful in the sense that important issues were shared with both the Project Director and Project Manager.

✧ Selection of Counterpart Staff for PIP Budget and Financial Management

Mr. Vixay XAOVANA, Director General of MPI-DoE cum Project Manager appointed Mr. Khamphan KHAMSAPHONG and Mr. Vilapanh DUANGTHONGKHAM as staff in charge of this area

✧ Studies of Related Laws and Decrees

The Team collected and analyzed laws and decrees related to PIP budget allocation.

❖ Studies on the Workflow within MPI

In interviews with the staff concerned, the team confirmed the PIP budget planning workflow, along with important issues that need to be addressed. The following indicates the main issues:

- In the PIP Budget Planning Guidelines, classification of PIP projects into economic and social sectors, along with provision of six priority criteria, are mentioned. However, mainly because of the lack of numerical targets or indicators, ministries and provinces tend to request a very large PIP budget every year.
- Priorities for new PIP projects are not necessarily clearly mentioned in the Guideline.
- Since many new PIP projects are requested every year, both MPI and DPI have to spend a lot of time and efforts to assess them.
- Submission of PIP budget requests from DPI to MPI tend to be late. Request for new projects are submitted spontaneously, slowing the process of assessing new projects.
- Some projects, which are not necessarily in line with the guidelines, might be implemented before they are approved.
- Although MPI has the authority to decide the total PIP budget, it does not have authority to budget for individual projects.

❖ Studies on the Workflow in Provinces

Team members visited Khammuan Province and met DPI, Department of Finance, Department of Public Works, Department of Agriculture and Forestry. The team exchanged views on the workflow and confirmed the following important issues:

- There are some cases in which construction projects are started before approval.
- Assessment of new projects by DPI would not be necessarily sufficient, for example Comparative Assessment among PIP projects is not done.
- Capacity of DPI conducting project monitoring has rooms for improvement. Knowledge obtained through PCAP training session does not seem to be fully-established.
- Many contracting agents bear the costs of project site visits, because the budget is low for general PIP management.

Discussions were held on the last day of studies, and a report laying out the details was prepared (the report is included in the Appendix).

❖ Analysis of Issues and Possible Countermeasures

The team analyzed the issues identified during the workflow studies. The core problem for PIP budget planning was identified as the lack of a proper Plan-Do-Check-Action cycle. This can be attributed to the fact that the PIP budget is not allocated according to priorities linked with the achievement of the NSEDP Five-Year Plan, and the

Guidelines for PIP budget planning are not strictly followed. As a result of the analysis, the team concluded that reconsideration of the content of the Guidelines, along with continuous training adapted to their changes, are essential to overcome the current issues.

(6)-2 PIP Project Budget Disbursement and Financial Management

1) Studies of Current PIP Project Disbursement and Financial Management

- ✧ Kick-Off Meeting with the Project Director and Project Manager
- ✧ Selection of Counterpart Staff for PIP Budget and Financial Management
- ✧ Studies on Related Laws and Decrees

The same activities were done as in (6)-1 above.

- ✧ Studies on the Workflow within MPI

In interviews with the relevant staff, the team tried to understand how MPI is involved in PIP budget disbursement in the province. Although MPI-DoP has the responsibility of managing the PIP budget disbursement, actual management is conducted by DPI. MPI compiles information provided from the DPIs for quarterly reports.

- ✧ Studies on the Workflow in Provinces

Team members visited Vientiane Capital, Khammuan, Bolikhamxay, and Vientiane Provinces and met DPI, Department of Finance, Department of Public Works, Department of Agriculture and Forestry. The team exchanged views on the workflow and confirmed the following important issues:

- Although there are three fixed procedures in bidding--direct contract, price comparison and national competitive bidding direct contracts are used in most PIP projects. Therefore, there are many cases in which the contract price exceeds the budget amount.
- Since information on the project construction progress and the payment schedule is not shared among provincial departments, there are many cases in which funding is delayed.
- Budget, Implementation and Disbursement is not necessarily consistent. Payment to the construction agency is often made depending on the treasury balance at that moment; therefore, some payments are delayed. Some payments might be settled using the budget for the following year.
- The treasury balance depends on the amount and timing of revenue, mainly consisting of tax collection. Therefore, a payment, which depends on the treasury balance, is not necessarily made as soon as the constructions are completed.
- In cases in which the actual project cost exceeds the original plan (cost-over projects), the excess amount is settled in the PIP budget for the following year(s) and treated as an ongoing project.

Therefore, this may also take more than actual project period to settle payment.

- Since the approval of cost overruns can be easily obtained from the Government, construction agencies are not willing to complete projects within planned amount. Evidently, many cost-over projects occur, causing the annual PIP budget to be exceeded.
- Construction agencies are instructed to complete a project within a few fiscal years, even though the budget allocated for the project does not reach the full amount. This also results in long-term payment. PIP projects for which the construction lasts several years are considered to be an ongoing project from the second year onwards, whether or not the project has physically been completed. There seem to be projects categorized as ongoing, but which can actually be considered as a “debt”.
- There might be some projects implemented before approval and without budget allocation; this also leads to an increase in debt.
- Delay of payment in many projects causes difficulty in providing instructions from the PO to construction agency. As a result, there is a risk that construction quality will decline.

❖ Analysis of Issues and Possible Countermeasures

The team analyzed the issues identified during the workflow studies. The main problem for PIP budget disbursement and financial management is that “the PIP budget is not disbursed as planned” and “finances are not being monitored”. The following countermeasures can be considered further on:

- An improved PIP project disbursement monitoring system should be introduced, with the objective of decreasing the number of cost-over projects and preventing the increase in debt ongoing projects.
- Capabilities of PIP project disbursement management needs to be strengthened through training.
- Instruction through official documents to strengthen PIP project budget disbursement management and discouragement of new debt projects (including unplanned projects, debt ongoing projects) is recommended.

(7) Activities on PIP Management Law Advisory Support [Output 3]

1) Review of Current Legal Framework and Advisory on Law Draft

The expert for PIP Law advisory reviewed the current legal framework for PIP management, with special attention on the Prime Ministerial Decree 58 (issued June 2002) and Regulation 918, which functions as an implantation guideline for Decree 58. The expert also gathered decrees, regulations and official instructions on the roles and functions of organizations related to PIP management, i.e. MPI, DPI and sector planning departments. The expert also studied the progress of approval for the PIP Law in Vietnam. The draft of the PIP Law was completed by the Law Development Team in MPI. The expert will analyze the draft and provide advice, as well as analyze results of

inquiry workshops and meetings held between the team and other organizations.

2) Third-Country Training in Vietnam

A Third-Country Training was held in Hanoi, Vietnam with the objective of understanding their PIP management situation along with its legal framework. The trainees visited Vietnam MPI and other related organizations during the period of August 17 to 23. The content of the training and their results and lessons learned are indicated in the report attached.

(8) Activities for Improvement of PIP Management Methods [Output 4]

(8)-1 ODA Counterpart Fund Management

1) Studies on Current ODA Project Management

✧ Coordination with Related Organizations

The expert responsible for ODA project management explained the outline of the project to the Department of International Cooperation, MPI (MPI-DIC). The expert emphasized that the objective of PCAP2 was to provide technical support to enhance the efficiency of PIP management while still respecting the current process, and has no intention to restructure the entire work process, which could cause confusion. As a result of the discussion, it was agreed that (a) collaborative work between MPI-DIC and PCAP2 experts can be expected, (b) counterpart staff would be appointed from MPI-DIC, and (c) information related to ODA management would be shared.

✧ Preliminary Studies

The expert responsible for ODA management started preliminary studies on the work process of ODA counterpart fund. The studies will be continued into the second year with local staff and the Chief Advisor to follow up. The findings are to be shared with MPI, and continued with official protocols.

(8)-2 District-Level PIP Management

1) Studies on Work and Capacity Levels in District Planning and Statistics Office

The expert responsible for district-level PIP management collected regulations and instructions on the duties and functions of DPI and District Offices, along with information on capacity levels in some districts. Based on this information, the expert

will conduct further study of a workable PIP management process that the district level can apply.

(8)-3 Program Management

1) Review of Action Plan

✧ Preliminary Studies

The expert responsible for program management started a preliminary study of the relationship between NSEDP Five-Year Plan, VIII Party's Congress Resolution 2006-2010 Action Plan¹ and PIP. The studies will be continued into the second year with local staff and the Chief Advisor to follow up. The findings are to be shared with MPI, and continued with official protocols.

2) Preparation for Pilot Program Drafting

✧ Preliminary Discussions on Pilot Sector Selection

The expert responsible for program management had preliminary discussions with Mr. Ounheane CHITTAPHONG, Deputy Director General of MPI-DoP, to determine sectors that are likely to become program management pilot sectors. Candidates are: (a) the agriculture sector, with which MAF had close relations during the last phase, and (b) education sector, which receives the highest amount from the PIP budget. The expert agreed to the suggestions made by Mr. Ounheane, and commented that the sectors where Japanese experts are posted should also be considered.

During the training needs studies conducted in July 2008, four ministries including MAF, MPWT, MoE and MPH expressed the importance of introducing PIP management methods. Furthermore, the Action Plan indicated that PCAP2 would provide collaborative support for PIP management in the education sector. Considering this background, all four of the above-mentioned ministries can be considered as ready to become pilot sectors.

¹ This is a paper indicating the direction of development action to achieve NSEDP 2006-2010, issued by the Prime Minister's Office as a response to the "Vientiane Declaration on Aid Effectiveness," which was announced at the Round Table Meeting in December 2006. The Action Plan consists of 11 Programs and 111 "Projects (or Sub-Programs)".

(9) Others

1) Possibility of Collaboration with Other Donor Projects

✧ Donor Projects in MPI-DoP

The Chief Advisor had discussions with consultants from two donor projects under responsibility of Ms. Phonevanh OUTAVONG, Deputy Director General of MPI-DoP, to seek collaboration with the projects and PCAP2. She intends strengthen ties with PCAP2 and the other two projects: (a) Financial Management Capacity Building Project supported by the World Bank and (b) Support for the Implementation NSEDP, supported by United Nations Development Programme (UNDP). However, since these projects have short periods of consultancy assignments (of approximately two months each), the present situation of the two projects may not have been fully analyzed.

✧ Donor Project in MPI-DIC

The expert responsible for ODA management visited the counterpart division within MPI-DIC in charge of the Standard Operating Procedures (SOP) Project supported by the World Bank, and exchanged basic project information. SOP Project seemingly aims to standardize financial procedures using manuals and training developed on its own. Expected outputs are (a) SOP manual, (b) financial management manual, and (c) training based on the two manuals.

1.3 Outline and Reasons of Change in Activities Compared to Original Plan

In the original plan, meta evaluation was planned to be conducted in three provinces, namely Khammuan, Oudomxay and Saravan Provinces. However, the team changed its plan not to conduct a field trip to Saravan province during this fiscal year. Instead of this, field trips to Khammuan, Bolikhamxay, Vientiane Province, which were not originally planned, were conducted in order to study the financial management issues.

This is because the team found the fact that financial management of PIPs, which is related to “Output 2-2 PIP Project Disbursement and Financial Management”, is implemented in provinces rather than in MPI. Provincial government, including DPI, Department of Finance and project owners are responsible for implementation and disbursement of PIP budget and MPI is responsible for monitoring of budget execution. Therefore, field trips to provinces were inevitable to find out financial management processes and issues.

1.4 Issues to be Considered

(1) Project Organization

There is still room for improvement in establishing a firm project implementation structure among the three counterpart organizations: MPI-DoE, MPI-DoP and MPI-DIC. Compared to MPI-DoE and MPI-DoP, which were counterparts from the last phase, the project needs to pay more attention to the newly joined MPI-DIC. The project aims to have closer communication within all three organizations under the leadership of the Project Director Dr. Bountavy SISOUPHANTHONG, Vice Minister of MPI.

(2) Training Sessions for Central Government Organizations

PIP management training sessions for provincial staff have been developed in the last PCAP phase, and are already in operation to a certain extent. However, training sessions intended for central government organization staff, covering topics such as the sector-wide approach, need to be adjusted. Furthermore, collaboration with donor agencies is essential when developing methods and tools, as well as training sessions at the central level. Topics that are newly developed during PCAP2--ODA counterpart fund management, program management, budget and financial management--need to be reflected in updated training sessions, and therefore continuous training development studies with MPI is needed.

(3) Organizations Related to PIP Budget Allocation and Financial Management

Among new PIP management methods planned to be developed in PCAP2, methods for program management and PIP budget allocation are aimed at improving the duties of MPI-DoP. Therefore, closer approaches toward MPI-DoP, including closer communication ties among MPI-DoE and MPI-DoP, must have valid methods and tools.

MPI-DoP is currently responsible for PIP project financial management. However, since the actual disbursement is managed at DPI, the project intends to continue approaching DPI in order to improve its methods. Since there is still little awareness about PIP project disbursement and financial management in Laos, it is important to explain and share its background along with its effect on PIP management as a whole.

1.5 Dispatch of Japanese Experts

Position	Name	First Year (2008)						M/M		
		2008						2008		
		March	April	May	June	July	August	Laos	Japan	
Chief Advisor	Ichiro Okumura	3/28 ██████████	██████████	██████████	6/30 ██████████	██████████	8/1 ██████████	8/30 ██████████	4.17	0.00
			95				30			
Program Management	Hiromi Osada	3/28 ██████████	4/29 ██████████						1.10	0.00
			33							
Budget Planning	Atsushi Tokura				6/17 ██████████	7/16 ██████████			1.00	0.00
						30				
Budget Disbursement	Hirofumi Azeta				6/14 ██████████	7/31 ██████████	8/5 ██████████	8/31 ██████████	2.50	0.00
						48	27 (Total: 75)			
Meta Evaluation/Training Development	Tomoe Taira	3/28 ██████████	██████████	██████████	██████████	7/7 ██████████			3.40	0.00
				102						
Project Coordination	Kazumi Nakamura		4/19 ██████████	5/18 ██████████			8/1 ██████████	8/30 ██████████	(2.00)	0.00
			30				30			
									12.17	0.00

2. Progress on Achievement of Project Purpose

Although it is difficult to predict the achievement of the Project Purpose after the first fiscal year is completed, we can conclude that the probability of success is high due to successive efforts by MPI from the last phase, along with the strong support of the Lao Government and provinces. The presence of the project among other donor projects has also improved. By the end of the second fiscal year, the first edition of the manual will be developed and a series of training sessions are also due to be completed, and thus we would be better able to estimate the extent to which the project would be achieved.

3. Outline of Meetings

During the first year, the PCAP2 Kick-Off Seminar and the First JCC Meeting were held, both at the International Cooperation Training Center on May 21, 2008. Below an outline of both meetings is provided.

(1) PCAP2 Kick-Off Seminar

Attendees	Planning staff from central government organizations, donor agency staff, DPI staff from Khammuan, Oudomxay and Saravan Provinces (PCAP monitor provinces) Total of 26 attendees
Contents	<ul style="list-style-type: none"> ➤ PCAP (first phase) outputs and further requirements for improving PIP management ➤ Project Purpose and Activity Plan for PCAP2 ➤ Contents of training sessions planned in PCAP2 ➤ Request for cooperation toward better PIP management and success in the project

(2) First JCC Meeting

Attendees	Project Director, Project Manager, JICA Laos Office Deputy Resident Representative, Embassy of Japan, Staff from MPI-DoE, MPI-DoP, and MPI-DIC Total of 37 attendees
Contents	<ul style="list-style-type: none"> ➤ Evaluation of PCAP outputs ➤ Approval of PCAP2 Project Purpose and first year activities ➤ Obtain commitments to PCAP2 from counterpart organizations

4. Equipment Purchased for Project Usage

The following is the list of equipment purchased for use in the project.

Name of Equipment	Use
Copier	To prepare document for training and seminar
Notebook PC	To facilitate the work of MPI-PCAP local coordinators and project team members
Printer	To print document in MPI-PCAP Coordination Office
Portable Printer	To print necessary document on site during business trip in remote areas.
Digital Camera	To record the images of seminar and training

5. Documents Obtained

Following is the list of documents related to PIP management obtained for project usage.

Document	Contents
Official Gazette	Budget execution of FY2005/06 and expenditure plan for FY 2006/07
Social - Economic Development Plan, 2007 - 2008 of Khammouane Province	PIP implementation plans of Khammouane Province
Social - Economic Development Plan, 2007 - 2008 of Oudomxay Province	PIP implementation plans of Oudomxay Province
Mid Term Review Report of the Implementation of the Sixth National Socio-Economic Development Plan for 5 Years (2006-2010)	Mid-term report of NSEDP submitted National Assembly in July 2008
Guideline on Formulating SEDP 2008-2008	Guideline on the formulation of budget plan for 2008/09
Agreement of Minister of Ministry of Finance On acceptance nomenclature of the account -budget	Budget nomenclature and agreement (announcement) on the implementation of the nomenclature made by Ministry of Finance

Initial Draft of Law on State's Investment	Preliminary draft of PIP law of Lao PDR
Agreement On Organization and Activities of Training Centre for Personnel on Economic Management and Planning	The agreement which stipulate the mandate and functions of MPI training centre.
Decree on The Implementation of State Budget Law	Implementing decree of Budget law, issued by Ministry of Finance
National Socio-Economic Development Plan for Vietnam 2006-2010	Current 5-year Plan outline for Vietnam
Public Investment Law Draft, Vietnam	Draft to be approved by the National Assembly in November 2008

6. Main Tasks to be Accomplished in the Second Year

[Output 1] Training and OJT

✧ Establishment of Training System

The second year emphasizes the establishment of the training system, including its organizational structure within MPI. Mr. Vixay XAOVANNA, Director General of MPI-DoE suggested the possibility of entrusting some parts of the PIP training function from MPI-DoE to the MPI Vocational Training Center to ensure sustainability in training implementation. Therefore, PCAP2 will study the feasibility of the mentioned center, and consider the possibility of collaborating with MPI-DoE within the comprehensive plan.

[Output 2-1] PIP Budget Allocation

✧ Draft of PIP Budget Planning Methods and Tools

In the area of PIP budget allocation, the responsible expert will complete the first draft of the methods and tools. After validating these methods and tools, further studies on the most effective ways of diffusing the methods and tools are considered.

✧ PIP Budget Negotiations with Provinces and Ministries

Along with the abovementioned guideline, a standard procedure for preparing PIP budget negotiations with provincial and ministry staff will be developed for MPI use.

[Output 2-2] PIP Project Disbursement and Financial Management

✧ Monitoring of PIP Project Disbursement

The expert responsible for PIP project disbursement will visit a few provinces to study the situation on “project cost overrun,” which is one of the symptoms of increased PIP debt in projects that are nevertheless listed as an ongoing project. In the process of the study, the expert will ensure that the issues are shared among MPI and provincial organizations, and furthermore seek the possibility of forming a monitoring framework.

✧ Study Countermeasures for PIP Debt categorized under Ongoing Projects

A study identifying projects that are in debt in practical terms but are categorized as ongoing project (debt-ongoing PIP project) will be done. A discussion on countermeasures to reduce its number with MPI and DPI will be held.

✧ Studies on Projects without Budget

Studies on PIPs that are not in line with plans or without budget will be done. Further discussion is planned among MPI and the provincial government on ways to avoid such cases.

[Output 3] PIP Management Law Advisory

✧ Support for PIP Law Approval

MPI aims to have the new PIP Law approved at the December 2008 session of the National Assembly. Therefore, prompt PCAP2 advisory support after starting the second year of this project is essential. With the PIP Law expected to be approved, further follow-up on the law’s execution, including studies of drafting an implementation law, has to be considered internally.

[Output 4] Improvement of PIP Management Methods

✧ Revision of Manuals and Handbooks

In the second year of PCAP2, manuals and handbooks that were developed during PCAP will be revised by incorporating new methods and tools in ODA counterpart fund management, district-level PIP management and program management. The revised versions are planned to be released by August 2009. Therefore, many of the new methods and tools will be developed by January 2009, while validation studies will be conducted at selected sites from February 2009.

◇ Collaboration with Other Donor Projects

Apart from the three donor projects under the responsibility of MPI as mentioned in chapter (9), the Governance and Public Administration Reform (GPAR) project by the Public Administration and Civil Service Agency under the Prime Minister's Office, which is supported by UNDP, also has the potential for close ties with PCAP2 due to their roles in administrative reform, especially in the provinces. After understanding their project outline and outputs, the demarcation among GPAR and PCAP2 must be studied and the possibility of (a) sharing materials, (b) collaborating activities, and (c) co-developing methods and tools should be discussed to aid the mutual achievement of outputs for their respective projects.

◇ Use of Network among Japanese Experts

Under the initiative of JICA Laos Office, many Japanese experts posted in major ministries and organizations have been continuously exchanging useful information. PCAP2 plans to actively participate in this network and exchange updated information on PIP in major sectors, while seeking practical support in obtaining a personnel network in the ministries. Especially in the course of developing methods in the areas of sector program management and PIP project financial management, advice from Japanese experts would be effective.

Issues found from a field trip in Khammouane

MPI and PCAP2 Team

July 2008

1. Project appraisal

(1) Project proposals

Project proposals are supposed to follow the guidelines set by MPI and reflect the priority area set by the government. In reality, some projects were started by the project owners and contractors without approval of DPI and provincial governor and without financial resources. Then, project owners sometimes request DPI to cover the cost later with the instruction from the provincial government. Issue is how to avoid such unplanned projects.

(2) Comparative assessment

Training under PCAP just started last year in the province and comparative assessment has not been widely used yet. As the comparative assessment is useful tool to make the selection of projects more objectively, continuous effort is necessary to utilize the assessment.

(3) Budget ceiling

Budget request by the province was bigger than the allocated budget by about 200%, mainly because budget ceiling was not announced for FY2008/09. Therefore both the province and MPI spent a lot of time and efforts for compilation of project proposals and selections. Budget ceiling should be announced before provinces prepares project so that provinces and MPI can spend more time on discussion of project screening and selections. It is desirable for MPI to announce the budget ceiling, which indicates the upper limit of the next FY's budget, before the provinces start preparing project proposals.

(4) Budget planning / estimation

It was found during the interviews that budget allocation does not necessarily secure the disbursement of all the budget items, because of the lack of cash in treasury. One of the reasons would be the fact that tax revenue is often smaller than estimated.

In such case, even if contractors complete projects on time and within budget, some parts of the contract amounts are not paid. Budget is not allocated to the payments of some projects during current fiscal year and such un-paid projects are taken over to next fiscal year.

It is important for the provinces to formulate PIP budget with modest tax revenue forecast. Nevertheless, more accurate project budget estimation is indispensable. Under PCAP II, the form for the project appraisal could be revised.

2. Project Management and Monitoring

(1) Delay of project activities

Although all projects are supposed to be implemented according to their plans, the plan of operation is sometimes ignored. Such delay might affect cash flow of PIP budget. Early detection by the project monitoring is necessary.

(2) Bidding processes

Selection seems to be less transparent, because financial proposals are opened before technical proposals. In this case, contract prices would be higher than the smallest bidding prices, which in turn would decrease available government budget.

(3) Monitoring of projects

Project monitoring on progress of construction is still weak at the provincial level. Monitoring, including work progress, schedule, quality and budget expenditure needs to be implemented by project owners on time and submitted to DPI periodically.

DPI does not have enough staff and financial resources to conduct assessment on project monitoring reports. Assessment skills of DPI staff have not been developed enough, as PCAP training just started last year. Continuous support is necessary.

(4) Financial monitoring and expenditure forecast

Financial monitoring is also an issue that should be addressed by POs. If project monitoring is implemented more accurately, cost over-run of projects would be smaller.

Forecast on expenditure is made based on the contract prices and initial expenditure plans, and the forecast sometimes needs to be revised during current fiscal year. POs should collect information on project expenditure and report to DPI periodically.

When expenditure forecast, especially of second half of fiscal year, is shared within the provincial government, DOF might be able to reserve cash in treasury to reduce delays in payments.

(5) Inspection

Inspection committee does not visit project sites timely, although 2 -3 % of contract amount is supposed to be spent for inspection. The committee conducts inspection on the field only when invited by contractors. Thus, there might be a risk where inspection itself is not implemented independently.

(6) Inconsistency between PIP budget execution and actual payment

When DPI issues certificates to contractors to authorize them to issue request for payment to DOF, DPI regard the contract budgets as executed. However, because DOF might postpone the payment to this request to next fiscal year, there would be inconsistency between budget execution and actual payment. Because settlement of arrears in the next fiscal year is not budgeted, there would be another inconsistency.

3. Others

(1) Tax system

Under current procedures, contractors are required to pay 10% of contract value as tax, before they receive the payment from the government. This would be heavy financial burden especially to small construction firms. This tax can be deducted from the payment to contractors.