



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

# Manual For Public Investment Program (PIP) Project Management (Version 3.0)

Ministry of Planning and Investment

August, 2010



## Foreward

The Government of Lao PDR has been investing a large amount of budget in public investment, aiming to achieve the goals stipulated in the National Socio-Economic Plan in each phase. We were able to observe many public investment projects that have been successfully implemented, achieving the expected outcomes through effective management. However, we also observed a number of projects, especially those with large scale and required advanced technical skills, carrying critical issues that affected its implementation. The causes of these issues are analyzed as follows; i) a standardized monitoring and evaluation system was not available, ii) capacity of staff involved in management was limited, thus could not comply with work requirements, and iii) a systemized network for information was not established. Therefore, the improvement in the field of Public Investment Program (PIP) project management has been a crucial subject which needs to be taken into consideration.

It has been a good opportunity for us that the Japanese government as well as the Japanese people have agreed on conducting a technical cooperation project between the Ministry of Planning and Investment (MPI) and Japan International Cooperation Agency (JICA), under the name 'Project or Capacity Building in PIP Management (PCAP1)' and 'Project for Enhancing Capacity in PIP Management (PCAP2)'.

During the past 6 years, MPI and the two PCAP projects have jointly conducted activities to identify issues in PIP management, develop solutions and provide training for government officials involved in the duties related to PIP, in both the central government and the provinces. As one of the most significant outputs of the joint activities, we have developed this manual as the national standard for PIP Project management in Lao PDR.

This manual is a result of hardworking efforts by MPI officials from the Department of Evaluation, the Department of Planning and the Department of International Cooperation; along with professional and Lao-adapted advisory from Japanese experts and local consultants.

I believe that this manual is beneficial when appropriately utilized in the management of PIP projects. Therefore, I would like to strongly suggest to related organizations to apply the procedures, methods and tools indicated in this manual, so as to ensure high effectiveness in future PIP projects.

Much effort was made in the developing stage of this manual, so that its contents would contribute to effective procedures, methods and tools for PIP Project management. However, there may still be room for further improvement. We always welcome your comments, suggestion and proposals for further improvement this manual.

I would like to express appreciation to all officials in the Department of Evaluation, the Department of Planning and the Department of International Cooperation, along with officials in the Department of Planning and Investment in all government organizations and provinces, with special emphasis of Oudomxay, Khammouan and Saravan provinces for the cooperation and facilitation in many aspects during the development stages of this manual.

Last but not least, I would like to express my sincere appreciation to the Government of Japan, Japan International Cooperation Agency as well as the Japanese people, for providing this opportunity of technical cooperation, and sincere thanks to the Japanese experts and counterpart members for great effort in providing fruitful advice in the process of developing this manual.

Vientiane, Capital, dated 19<sup>th</sup>, August, 2010

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Minister

Ministry of Planning and Investment



Lao People's Democratic Republic  
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## Manual for PIP Project Management (Version 3.0)

### Main Contents

Abbreviation

Preface

Section 0                      General Background of the Manual

Section I                      Definition and Flow of PIP Management

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Section III                      PIP Project Preparation for Project Owners

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Section V                      Technical Approaches in PIP Management

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## **Abbreviations**

B/C	Cost and Benefit Ratio
B/D	Basic Design
CompAss	Comparative Assessment
D/D	Detailed Design
DLM	Department of Line Ministry
DPI	Provincial Department of Planning and Investment
DPSO	District Planning and Statistics Office
EA	Environmental Assessment
ECC	Environmental Compliance Certificate
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EPL	Environmental Protection Law
FAR	Foreign Aid Report
F/S	Feasibility Study
GIS	Geographical Information System
GoL	Government of Laos
IEE	Initial Environmental Examination
IRR	Internal Rate of Return
ISA	Initial Social Assessment
JICA	Japan International Cooperation Agency
LACR	Land Acquisition and Compensation Report
LM	Line Ministries
MAF	Ministry of Agriculture and Forestry
MEM	Ministry of Energy and Mining
MIC	Ministry of Industry and Commerce
MOE	Ministry of Education
MOF	Ministry of Finance
MPH	Ministry of Public Health
MPI	Ministry of Planning and Investment
MPI-DIC	Department of International Cooperation, Ministry of Planning and Investment
MPI-DOE	Department of Evaluation, Ministry of Planning and Investment
MPI-DOP	Department of Planning, Ministry of Planning and Investment
MPWT	Ministry of Public Works and Transportation
NGPES	National Growth and Poverty Eradication Strategy
NLRP	National Leading Board for Rural Development and Poverty Alleviation
NPV	Net Present Value
NSEDP	National Socio-Economic Development Plan
PCAP1	Project for Capacity Building in PIP Management
PCAP2	Project for Enhancing Capacity in PIP Management
PIP	Public Investment Program
PM	Prime Minister
PMO	Prime Minister's Office

PO	Project Owner
PWREO	Provincial Water Resources and Environmental Office
RP	Resettlement Plan
SDP	Social Development Plan
SEDP	Socio-Economic Development Plan
SIA	Social Impact Assessment
SPAS	Simplified Project Assessment Sheet
SPES	Simplified Project Evaluation Sheet
WREA	Water Resources and Environmental Administration

## **Preface**

This manual provides the general concept and methods of Public Investment Program (PIP) management in individual projects, designed for government personnel that have duties related to PIP project management. This manual aims to provide effective management methods and tools that support the effectuation and enforcement of laws, decrees and regulations currently effective in Lao PDR.

In order to improve effectiveness and efficiency of PIP projects, the following three vital points are raised;

- Establish prescribed standards, methods and tools for PIP project management.
- Strengthen capacity for governmental personnel involved in PIP project management on how to utilize these standards, methods and tools, through training programs, seminars and workshops, and,
- Also strengthen inter-agency coordination among primary stakeholders that are involved in the process of the PIP project management flow.

This manual explains the basic procedure of PIP project management for projects that are domestically funded. It also describes the information flow and coordination essential to manage PIP projects amongst the Ministry of Planning and Investment, central and provincial government organizations.

A large feature of this manual is that specific assessment and evaluation methods are described in detail. Formats and charts that are used for this propose are also attached.

It also touches upon technical aspects that are required for PIP project management. However, the technical expertise required to utilize these aspects are carefully adjusted so that with the current level of capacity, government personnel may easily commence PIP project management duties.

Methods and tools shown in this manual are liable to further evolve according to the development of the methods itself, and also to the development of capacity for individuals and organizations in the future.

Formal and on-the-job training sessions will be commenced with the initiative of the Ministry of

Planning and Investment, to ensure that the principle, definitions and methods are correctly understood and shared among government personnel related to PIP management.



## **0 General Background of the Manual**

### **0.1 Introduction**

*Manual for PIP Project Management* is a guide to effective PIP project management. This manual is developed for specific government organizations and personnel, of which has role to plan, assess, monitor and evaluate PIP projects. However, all government organizations and personnel are recommended to at least observe the contents for better understanding of the structure of PIP project management.

Laws, Decrees and Regulations issued by the government are effective for execution of duties to responsible organizations of PIP project management. However, the statements are confined to basic functions and tasks, and not mention the specific duties and methods required for each organization, moreover the flow of duties in a standard PIP project management cycle.

Therefore, this manual was developed after carefully studying the current PIP project management circumstances in Lao PDR, and adapted the contents in accordance to its requirements. Much of the current existing methods and tools were as utilized as possible, along with new features where necessary, so that organizations and personnel with current capabilities could basically understand the outline of its contents.

This manual, Version 2.0, was revised in August 2009. The first version was introduced in September 2007. The basic message toward improvement of PIP management has not change in this new version. One section was included to explain how to select and write project reports (project proposals, progress reports and completion reports) by the Project Owner. More features were included, such as *PIP Budget and Financial Management*, *ODA National Contribution Budget Management* and *Kum-ban Development*.

This manual will further evolve in the future in accordance with the development of capacity by organizations and personnel, and improvement of PIP project management circumstances; such as presence of accurate data and project information.

Contents of this manual have been developed with the view of project management for relatively large PIP projects, categorized as Types 1 and 2. However in reality, the concept and flow of works also have many similarities in smaller PIP projects. Therefore, it can also be used as a reference by organizations and personnel related to Type 3 projects.

### **0.2 Purpose of the Manual**

This manual is developed as guidance to governmental organizations and its personnel involved in PIP project management, aiming to create a consensus of the definition, terminology,

procedure, methods and tools used in PIP project management.

The manual also has a purpose of assisting the development of capacity for government personnel related to PIP project management. It is also made applicable for those who require knowledge for specific methods or tools within the PIP procedure.

As its name shows, this manual focuses on management of individual public investment projects. It would touch upon the requirements of managing a PIP project. There are also plans to issue the *Manual for Public Investment Program Management* which copes with PIP management as a program.

The two manuals *Manual for PIP Project Management* and *Manual for Public Investment Program Management* are not intended to clearly separate the concept of the two definitions. Therefore, there are some topics described in both manuals, although the expression may change depending on their objective.

### **0.3 Structure of the Manual**

The manual is consisted of 6 sections:

**Section I** describes the definition and principle of PIP and PIP management, and the management cycle.

**Section II** features PIP budget and financial management.

**Section III** features project reporting methods for new, ongoing and completed projects, for PIP Project Owners.

**Section IV** features assessment and evaluation methods, for MPI/DPI staff that assess and evaluates PIP projects.

**Section V** features technical approaches; economic/financial analysis, social analysis and environmental analysis; that are needed to be considered when managing a PIP project.

**Section VI** features blank formats for reporting and assessment/evaluation purposes.

It is important that the reader of this manual understands both definition and principle: “*What is*”, and methods and tools: “*How to*” parts, including minimum technical features in PIP project management.

### **0.4 Users of the Manual**

Main users of the manual are government organizations and personnel whose duties are directly related to management of PIP projects. Organizations and personnel related to planning departments take the central role in managing PIP projects. Their duties function not only as a leading role in materializing development targets and plans, but also as advisors through assessment and monitoring feedback for PIP projects.

However, PIP projects should be observed carefully by personnel who are responsible in planning and implementation of projects; the Project Owner (PO). It is important that the PO plan and implement projects with consideration of the methods and procedures stated in this manual. Moreover, close communication within the PO and planning department personnel is essential for effective and efficient PIP projects.

Under the laws, decrees and regulations, PIP projects are classified into 3 types by its budget amount. Authorization process and its responsible authority of a PIP project and its annual budget depend on the abovementioned classification. In this manual, the responsible authorities are called ***Decision Makers***.

This manual does not touch the standards or methods of the final authorization process by the Decision Makers. However, it rather functions as a guideline so that Decision Makers may obtain appropriate project information from planning departments and the PO, to support their decisions respectively.

In this sense, it is requested that Decision Makers also observe this manual, and understand the contents of information that facilitates their decisions.

**Manual for PIP Project Management**  
**Section I Definition and Flow of PIP Management**

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## Section I Definition and Workflow of PIP Project Management

This section explains the overall concept of the public investment scheme in Lao PDR, along with its management method and its flows.

### 1. Definition of Public Investment in Lao PDR

This chapter covers the primary definition of key terms used in public investment schemes and its projects, commonly used among government personnel in Lao PDR. These definitions will provide a clear picture of roles, responsibilities, methods and tools that are mentioned in the following chapters.

#### 1.1 Definition of Program and Project

The definitions of a “Program” and a “Project” are as follows;

**< Program >**

A program is a comprehensive scheme within one sector or region, comprising of projects and other investment means that share the same effect. A program has a target within a certain scale of time, normally in mid-term or long-term bases. It relates to upper strategies such as development plans and targets.

**< Project >**

A project is an individual investment scheme that has a specific Project Purpose (i.e. completion of infrastructure, achievement of certain output), within a certain scale of time. Input required for the project is decided in the planning stages. Activities of a project is done within the planned schedule, and referred to as “project implementation”.

Programs and projects are in logical relations. A program is set up as an expected (positive) effect of projects in the same sector and/or region. A project is considered as an important means to fulfill a program, although a single project generally could not fill in enough to comprise a program.

#### 1.2 Definition of Public Investment Program

The ‘Public Investment Program (PIP)’ is the vital component of the public investment plan, the comprehensive public investment strategy for achievement of the National Social-Economic Development Plan (NSED). The PIP is used with the following definition in this manual.

The PIP materializes the project plan with comprehensive details consisting of relevant projects to achieve the program’s goal. The program has different levels; national, sector and local.

*(Article 13, Public Investment Law)*

The PIP is a comprehensive program that unifies individual public investment projects in Lao PDR. These projects are compiled into sectors and provinces, thus regarded as one PIP unit. PIP is one of the government's means to achieve the NSEDP. It is done through the utilization of public investment projects sourced from domestic public expenditure and Official Development Assistance (ODA).

(Defined by PCAP)

A project carried out through public investment is defined as a “PIP project”. The definition of a PIP project is as follows:

A PIP project is an investment scheme using government budget provided by domestic funds and ODA funds (loan, grant aid and NGO). The PIP project includes both the preparation and implementation stages. The PIP project must refer to the Socio-Economic Development Plan (SEDP) valid at each period of time.

(Defined by PCAP)

### 1.3 Classification of PIP Projects

PIP projects are classified into 3 categories; Types I, II and III. They are categorized by investment amount and the duration of the project.

Public investment projects are categorized as Type I, II and III, depending on the costs and lifespan of project implementation as follows;

1. Project Type I: costs more than 50 billion kip with construction period of less than 7 years
2. Project Type II: costs between 5 to 50 billion kip with construction period of less than 5 years
3. Project Type III: costs less than 5 billion kip with construction period of less than 3 years

(Article 15: Public Investment Law)

Different levels of organizations are authorized to assess PIP projects depending on its category.

Agencies in charge of assessing PIP projects consist of:

1. MPI shall assess Type I and Type II projects.
2. Ministries, equivalent organizations, provincial DPI and Vientiane Capital DPI shall assess Type III projects.

(Article 26, Public Investment Law)

Furthermore, organizations authorized to modify, suspend, cancel and transfer costs of a PIP project depends on its project type.

Agencies who have authority to modify projects:

- The National Assembly considers modification of Type I projects, when proposed from the government.
- The government considers modification of Type II projects, when proposed from MPI.
- The MPI considers modification of Type III projects, when proposed from ministries, equivalent organizations

and local authorities.  <i>(Abstract from Article 41, Public Investment Law)</i>
Agencies who have authority to suspend PIP projects: <ul style="list-style-type: none"><li>● The National Assembly considers suspension of projects with costs over 500 billion kip, when proposed from the government.</li><li>● The government considers suspension of Type I projects, when proposed from MPI.</li><li>● The MPI considers suspension of Type II and III projects, when proposed from ministries, equivalent organizations and local authorities.</li></ul> <i>(Abstract from Article 42, Public Investment Law)</i>
Agencies who have authority to transfer the fund of PIP projects: <ul style="list-style-type: none"><li>● The National Assembly considers fund transfer of Type I projects, when proposed from the government.</li><li>● The government considers fund transfer of Type II projects, when proposed from MPI.</li><li>● The MPI considers fund transfer of Type III projects, when proposed from ministries, equivalent organizations and local authorities.</li></ul> <i>(Abstract from Article 43, Public Investment Law)</i>
Agencies who have authority to cancel PIP projects: <ul style="list-style-type: none"><li>● The National Assembly considers cancellation of Type I projects, when proposed from the government.</li><li>● The government considers cancellation of Type II projects, when proposed from MPI.</li><li>● The MPI considers suspension of Type III projects, when proposed from ministries, equivalent organizations and local authorities.</li></ul> <i>(Abstract from Article 44, Public Investment Law)</i>

## 1.4 Tasks of Organizations in PIP Management

The following mentions the standard definition and roles of organizations that are involved in PIP management.

### Government

The government provides the consensus on public investment activities throughout the country, via the determination of direction, overall goals for developing a plan, program and project, along with promulgation of policies and regulations concerning public investment.

*(Article 22, Public Investment Law)*

The government shall issue degrees regarding implementation of NSEDP and national budget plans within 30 days after the endorsement of the National Assembly.

*(Article 29, Public Investment Law)*

The National Assembly considers modification of Type I projects, when proposed from the government.

The government considers modification of Type II projects, when proposed from MPI

*(Abstract from Article 41, Public Investment Law)*

The National Assembly considers suspension of projects with costs over 500 billion kip, when proposed from the government.

The government considers suspension of Type I projects, when proposed from MPI

*(Abstract from Article 42, Public Investment Law)*

The National Assembly considers fund transfer of Type I projects, when proposed from the government.

The government considers fund transfer of Type II projects, when proposed from MPI.

*(Abstract from Article 43, Public Investment Law)*

The National Assembly considers cancellation of Type I projects, when proposed from the government.

The government considers cancellation of Type II projects, when proposed from MPI.

*(Abstract from Article 44, Public Investment Law)*

The government shall report the implementation status of NSEDP, national budget plans, public investment plan and PIP projects to the National Assembly on a regular basis.

*(Article 52, Public Investment Law)*

The government centrally manages public investment with common practices throughout the country, by appointing MPI to take the role in coordination with other line sectors and local authorities.

*(Abstract from Article 72, Public Investment Law)*

The Government of Lao PDR shall be an agency in enforcing this law.

*(Article 89, Public Investment Law)*

In the Government Meeting conducted every May, all PIP projects are discussed, annual budget allocation considered, and approved. The government approval is the final process before adoption of the annual PIP budget by the National Assembly.

### **1.4.1 Tasks for the Ministry of Planning and Investment**

#### **Ministry of Planning and Investment (MPI)**

The MPI shall analyze and develop the NSEDP and public investment plans on a periodical basis; disseminates and provides technical advice on developing a plan for sectors and local administrations. In addition, MPI shall summarize all types of PIP projects, which have been assessed properly and included in the public investment plan for submission to the government.

*(Article 22, Public Investment Law, 2009)*

MPI shall assess Type I and Type II projects.

*(Abstract from Article 26, Public Investment Law)*

MPI shall analyze, consider and summarize projects and programs, which shall be included into the initial public investment plan in accordance to project proposals submitted by ministries, equivalent organizations and local authorities; and then propose to the government.

*(Abstract from Article 28, Public Investment Law)*

MPI shall advise details on the implementation of NSEDP and public investment plans with consistency to the Prime Minister's Decree on the execution of NSEDP and the PIP budget plans within 30 days after the government has issued the Decree on implementation of the mentioned plan.

*(Article 31, Public Investment Law)*

The government considers modification of Type II projects, when proposed from MPI.

The MPI considers modification of Type III projects, when proposed from ministries, equivalent organizations and local authorities.



*(Abstract from Article 41, Public Investment Law)*

The government considers suspension of Type I projects, when proposed from MPI.

The MPI considers suspension of Type II and III projects, when proposed from ministries, equivalent organizations and local authorities.

*(Abstract from Article 42, Public Investment Law)*

The government considers fund transfer of Type II projects, when proposed from MPI.

The MPI considers fund transfer of Type III projects, when proposed from ministries, equivalent organizations and local authorities.

*(Abstract from Article 43, Public Investment Law)*

The government considers cancellation of Type II projects, when proposed from MPI.

The MPI considers suspension of Type III projects, when proposed from ministries, equivalent organizations and local authorities.

*(Abstract from Article 44, Public Investment Law)*

MPI shall conclude, summarize, assess and report the implementation status of NSEDP and public investment plans to the government on a regular basis.

*(Article 53, Public Investment Law)*

MPI shall have the following rights and duties in managing public investment in general.

1. To perform as a supervisor for the government in materializing development direction, strategic plans, policy plans and other policies concerning public investment, in order to convert to a comprehensive plan, program, project and regulation.
2. To advocate, guide and monitor pursuance of regulations on public investment.
3. To analyze and study statistic data necessary for decision making on public investment.
4. To recruit and upgrade knowledge of managerial officials in charge of public investment.
5. To coordinate with other line organizations, especially the Ministry of Finance.
6. To strengthen international relations for ODA cooperation.
7. To conclude and report outputs of public investment implementation.
8. To exercise rights and duties as stipulated in this Law and/or in accordance to the government's assignments.

*(Article 73, Public Investment Law)*

MPI has an important role in setting up, collecting and compiling PIP project information from all organizations concerned. MPI is the national center of PIP management. Within MPI, Department of Planning (MPI-DOP), Department of Evaluation (MPI-DOE) and Department of International Cooperation (MPI-DIC) are directly involved in PIP management.

#### ***Department of Planning, MPI (MPI-DOP)***

MPI-DOP is the central point for managing and balancing macro economy, funds, resources and human resources. MPI-DOP collaborates with sectors and local authorities in order to analyze, plan, monitor and implement the SEDP. Its duties include making public investment policies that meets the requirements of provinces, local regions and its people; in order to eradicate poverty and problems related to population and environment.

#### ***Department of Evaluation, MPI (MPI-DOE)***

MPI-DOE plays a key role in research, evaluation, following, monitoring, assessment and other related to utilization of funds into investment programs, which derive from public investments (projects from the domestic budget, ODA loans and grants), to state enterprise investments, and both domestic and foreign investments.

#### ***Department of International Cooperation, MPI (MPI-DIC)***

MPI-DIC plays an important role of proposing the strategic plan of international cooperation. It functions as the window organization between development partners and sector/provincial organizations on the coordination of ODA; its strategy along with its individual projects under the PIP scheme.

### **1.4.2 Tasks for the Ministry of Finance**

#### **Ministry of Finance (MOF)**

MOF shall manage the flow and use of the PIP budget for implementation of PIP projects, which are executed by the ministries, equivalent organizations and local authorities.

*(Article 32, Public Investment Law)*

MOF shall conclude, summarize and report the implementation status of the PIP budget plan on quarterly, six month, nine month and annual basis; and then submit to MPI before the tenth of the month and report to the government on a regular basis.

*(Article 54, Public Investment Law)*

The MOF has a key role in overall budget planning and disbursement. It also has a role in the involvement of monitoring and evaluation of certain PIP projects. All roles relate closely to MPI, provincial Department of Planning and Investment (DPI) and ministry/equivalent organization planning departments. There is a future need to have a collaborative system for PIP budget and disbursement management within the scope of PIP management.

### **1.4.3 Tasks of Line Ministries and Equivalent Organizations**

#### **Line Ministries and Equivalent Organizations**

Line ministries and equivalent organizations are responsible for the management of PIP projects related to their sector. They are liable for identification of standards, technical aspects and cost calculation generally required in projects related to their sector or region. Their duties include general guidance, management, monitoring and controlling in technical aspects, as well as social and environmental impacts. They are also responsible for prioritizing and directly implementing projects that are under responsibility of their administration.

Large scale projects with complicated technical requirements, strategic features and/or relate to many sectors and areas/provinces will be directly implemented and managed by the ministries and equivalent organizations with the coordination with its respective provinces that are its project site.

Generally, there are three organizations that have roles in PIP management shared within the

line ministry or equivalent organization. The following indicate the organizations and their roles;

**<Planning Department / Division>**

The Planning Department has a role to compile all information related to PIP projects. It also has a practical role to suggest the most effective and efficient budget allocation to PIP projects in the sector. It needs to maintain close communication with sector departments and the provincial DPI, to ensure that PIP projects are in line with the sector strategy and target.

**<Sector/Region Departments>**

Sector departments are the strategic and technical core of the sector/region. Therefore, all PIP project information, including technical requirements related to the sector must be collected and compiled. The sector department will verify the strategic/technical effectiveness and efficiency of these PIP projects. Close communications with the Planning Department and provincial sector departments are essential.

**<Project Owners (POs)>**

POs are responsible for overseeing the implementation of PIP projects, and to monitor and report its progress. For all PIP projects, POs are usually appointed from the personnel of the certain sector of subject. They are appointed from the ministry/equivalent organization or provincial departments, depending on the size and characteristic of the project. If the project covers multiple sectors, one PO is appointed as the leader, with personnel from each related sector appointed as supporting members.

## **1.4.4 Tasks for Provinces Vientiane Capital Administrations**

### **Provinces and Vientiane Capital Administration**

Provinces and Vientiane Capital administration define the development strategies and prioritize PIP projects, taking the local situation, unique socio-economic features and potentials into consideration. The administration also has to ensure security, environment protection. As for PIP projects within their region that are responsible by the central government, the role of provinces and Vientiane Capital administration are to provide support in facilitating its implementation.

Provincial and Vientiane Capital administration are regional cores for PIP management. These administrations are responsible in the management of development plans to individual PIP projects. Their duties are to compile and look over the relations of all PIP projects within their

region. They also directly manage small and medium size PIP projects that may involve many regions and sectors.

Generally, there are three organizations that have roles of PIP management that are shared within the provincial and special zone administration;

***<Department of Planning and Investment (DPI)>***

DPI has a role to compile all information related to PIP projects in the region. It also has a practical role to suggest the most effective and efficient budget allocation to PIP projects in the region. It needs to maintain close communication with MPI, provincial sector departments and districts, to ensure that the PIP projects are in line with the provincial strategy and target.

***<Provincial Sector Departments>***

Provincial sector departments are the strategic and technical core of the sector in the province. Therefore, all PIP project information related to the sector must be collected and compiled. Provincial sector departments will verify the strategic/technical effectiveness and efficiency of these PIP projects. Close communications with DPI and the ministry/equivalent organization sector departments are essential.

***<Project Owners (POs)>***

For medium and small size PIP projects that the provinces are responsible, POs are appointed from the certain provincial sector department of the sector in subject. Provincial level POs are responsible for implementing the project, and to monitor and report the progress to DPI through provincial sector department. If the project is implemented in multi-sector, a PO is selected as the leader, but there would be at least one personnel from each related sector to support its role.

**District/Village Administrations and Kum-bans**

The following indicates responsibilities of District and Village Administration, and the Kum-ban organized as the compilation body of village.

***<District Administration>***

The district administration formulates investment plans in line with the specific local situation and potentials, based on development plans fixed by the province. The administration participates in preparation and inspection of PIP projects that are located in their region, but belongs to provincial and central agencies to organize, lead and advise villages and focal areas on the participation in the proposal, formulation, implementation and management/inspection of PIP projects located in the district, ensuring that the project is relevant to the policy and priority purpose of investment.

<Village Administration>

To provide comments and support for formulation and implementation of PIP projects that are located in the villages, and at the same time ensure that the environment and social aspects are protected. For the projects that are jointly implemented by the government and the villagers, the village should assign a representative to take part in the project implementation unit.

## 1.5 Development Plans and PIP

The NSEDP is the national agenda for the development of Lao PDR. It outlines the government direction to achieve the economic and social development targets. NSEDP has a five-year plan which places a medium-term target, and an annual plan.

As mentioned in the definition, PIP functions as a public investment programming tool which translates the NSEDP and macroeconomic sector policies into programs and projects. Therefore, PIP should be elaborated and designed in consistency with the NSEDP, with individual PIP projects carefully selected within the priorities of the PIP, and implemented with the aim of maximizing benefits using limited resources.

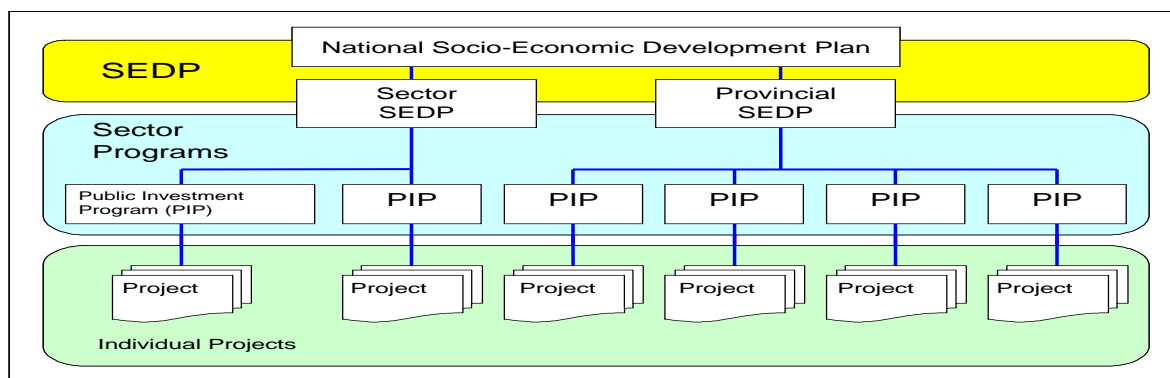


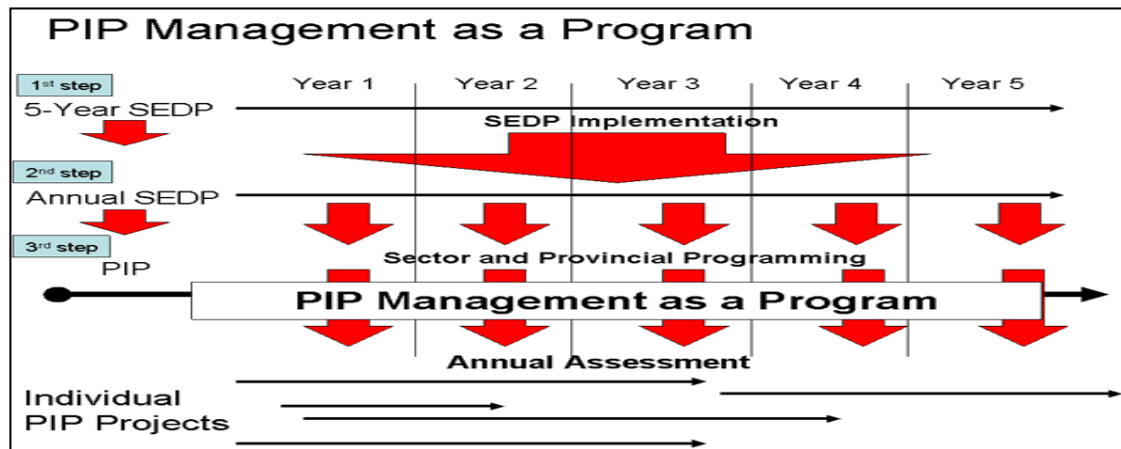
Figure 1: Logical Relations between SEDP, Sector Program and PIP Projects

However, it is generally very difficult to determine the true logical relations among the NSEDP and individual PIP projects. Therefore, it is important that when considering the relevance of each PIP project, the logical relationship with NSEDP, including its intermediate goals should be well examined. Generally, since the NSEDP is interpreted down into SEDP in sector and provincial levels, it would be realistic to refer PIP and PIP projects to these specific plans.

## 1.6 Management of PIP as a Program and a Project

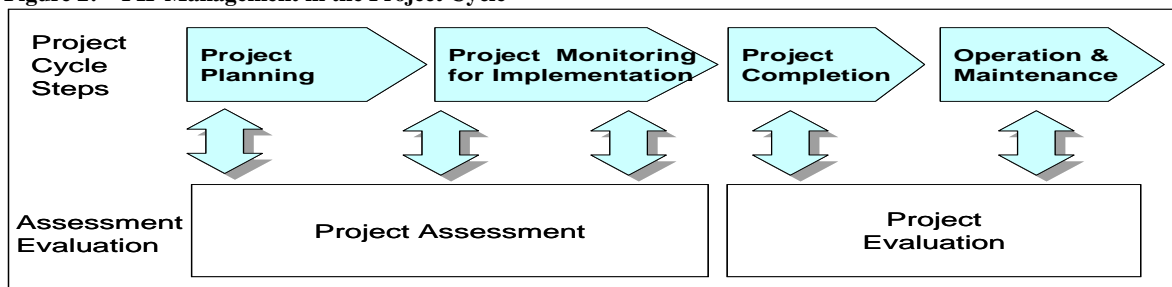
The status of PIP management differs depending on where the viewpoint is placed. If observed from a program viewpoint, the annual development cycle would be considered as the minimum span and the SEDP and development goals as the long span.

Figure 1: PIP Management as a Program



If observed from the project viewpoint, the development process of the project itself would be its ultimate span. It starts from the planning stages through to the completion, and following up through to the operation of the project results.

Figure 2: PIP Management in the Project Cycle



A comprehensive PIP management is complete only by combining the abovementioned two observations.

## 1.7 Definition of PIP Project Management

PIP project management is a term which describes the responsibilities of organizations concerned in certain process of PIP. PIP project management is not done by a single organization, but is rather a common concept that is shared by all organizations involved in the management flow of PIP projects. The common ultimate goal for all organizations concerned is to achieve efficiency and effectiveness in PIP projects, and guide them to the achievement of the development goals.

PIP project management is conducted from 2 perspectives; first, from the *project cycle*

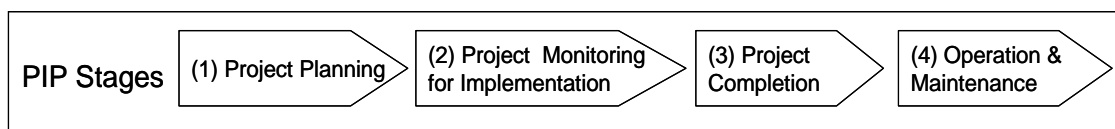
*perspective*, and second, from *the perspective of the annual flow*. The following outlines the two perspectives of PIP project management.

### 1.7.1 PIP Project Management from the Project Cycle Perspective

*PIP Project Management from the project perspective* considers the project itself as management cycle. Like all projects, management of the PIP project begins in the planning stage and ends when the completed project is in operation. The PO is the main stakeholder in this perspective, with cooperation of concerned organizations in their respective supporting roles.

The process of PIP project management can be divided into the following four stages. Detailed explanation of each stage is explained in Chapter 3.

Figure 2: 4 Stages in the PIP Management Flow



#### (1) Project Planning

*Project Planning* is a stage where a PIP project is identified, formulated and designed. It is also a step where necessary environmental and social assessments are made.

#### (2) Project Monitoring for Implementation

*Project Monitoring for Implementation* is a stage where progress of the project implementation (construction and/or project activities) is monitored. When the project is not implemented as planned, reasons are analyzed and countermeasures are taken.

#### (3) Project Completion

*Project Completion* is a stage where the PIP project is completed, and the objective of the project (Project Purpose<sup>1</sup>) is achieved (construction of facilities or completion of technical promotion, etc.). It is also the stage when the facilities constructed or results produced are handed over from the PO to the organization in charge of operation and maintenance.

#### (4) Operation and Maintenance

*Operations and Maintenance* is a stage where actual operations and maintenance of the

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<sup>1</sup> Project Purpose: Refer to Chapter 3 for details.

facilities or activities completed through the project are carried out.

In all four stages, project assessment and evaluation have very important roles. Reasoning and methods of assessment and evaluation vary depending on the stage conducted and its specific status. Detailed explanation of project assessment and evaluation are explained in Chapter 5.

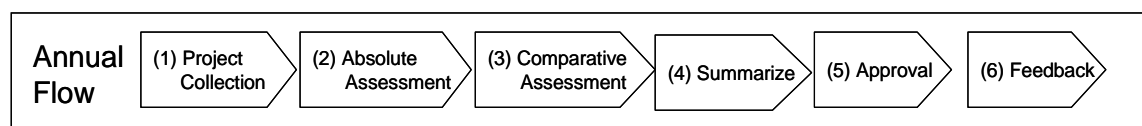


### 1.7.2 PIP Project Management in the Annual Flow

**PIP Project Management in the Annual Flow** overviews the project within the annual PIP budget cycle. Projects must always be in accordance with the PIP budget schedule so that the appropriate budget for the project would be allocated. MPI and DPI both have important roles in the annual flow management. They require cooperation of the PO and concerned organizations. Annual PIP budget may not be allocated to projects that do not fulfill requirements and standards that MPI/DPI determines.

The annual flow management can be divided into the following 6 stages. Detailed explanation of each stage is explained in Chapter 4.

Figure 3: 6 Stages in the PIP Management Annual Flow



#### (1) Project Collection

**Project Collection** is a process where PIP project information is collected, in order to conduct reasonable and accurate assessment. The PO prepares necessary documents related to the project, while MPI/DPI prepares and compiles comprehensive information such as project lists and development plans.

#### (2) Absolute Assessment

**Absolute Assessment** is a project assessment method where it is conducted by observing one PIP project at a time, without comparing with other projects. **Simplified Project Assessment Sheet (SPAS)** forms of various types, depending on the project status are used.

#### (3) Comparative Assessment

**Comparative Assessment** (Compass) is conducted by comparing projects that are applying for PIP budget. In a **Compass Workshop**, all projects and their absolute assessment results are listed and compared based on certain development priorities and criteria within the scope of Compass.

#### (4) Summarize (Comprehensive Rating)

After conducting both assessments, assessment results are summarized. It is done by providing comprehensive assessment results and comments of each project. The results are then filed into the PIP project list, and prepared for the Decision Maker's approval.

## **(5) Approval**

Based on the summary of assessment results, the Decision Makers provide final decision and approval of which PIP project will be implemented under the next year's budget. Depending on the size and importance of the project, the decision making process differs. Ultimately, the final approval is concluded by the National Assembly.

## **(6) Feedback**

Feedback of the assessment results, including whether the PIP budget for the project was approved or not is reported from MPI/DPI to the PO.

## **1.8 PIP Management and Decision Making Roles**

Fundamentally, all PIP projects must be approved at the National Assembly. However, since this final authorization process covers the overall PIP structure and budget rather than individual PIP projects, practical authorization of each PIP project is needed beforehand.

Therefore, practical authorization of and its annual budget depends on the classification of the project. Such authority, the *Decision Maker*, considers the status and potential of the PIP project from many viewpoints including political, economic, environmental, social, etc., and if deemed that the PIP project is necessary, provides approval.

Practically, accurate assessment, monitoring and evaluation reports of PIP projects are important sources of information for making accurate approval decisions. Therefore, while final and vital approval decisions are made by the Decision Maker, the PIP management process has a potential of supporting its decision making in such ways.

## **2. ODA Projects and National Contribution Budget**

### **2.1 Definition of ODA**

The foregoing Sub-chapter 1.2 of this manual justifies Official Development Assistance (ODA) as one of the resources to realize PIP combining with domestic-funded public expenditure.

In Lao PDR, General Provision of ODA is stipulated in the Prime Minister's Decree on the Management and Usage of the ODA, No. 75/PM promulgated March 20, 2009 (hereinafter referred to as Decree 75/PM) .

Therefore, the term “ODA” is used with the following definition in this manual;

- (1) ODA is another type of resource to realize PIP in place of domestic-funded public expenditure, where limited revenue limits domestic expenditure.

*(Defined by PCAP2)*

- (2) The Lao PDR receives from External sources, such as:

- 1) foreign governments,
- 2) international financial institutions,
- 3) international organizations,
- 4) international non-government organizations (NGOs) including funds, foundations, legal entities, individuals<sup>2</sup> and
- 5) the others.

*(from Article 1 of Decree 75/PM)*

- (3) Definition of the Development Partners on the ODA;

- 1) **Bilateral Development Partners<sup>3</sup>**
- 2) **International Financial Institutions<sup>4</sup>**
- 3) **Multilateral Development Partners<sup>5</sup>**

*(Defined by Department of International Cooperation in MPI<sup>6</sup>)*

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<sup>2</sup> In international standards, definition of term, “ODA” is often referred to glossary of DAC of OECD, which does not include resources provided by NGOs. However, this manual follows definition in Decree 75/PM, which includes the resources provided by NGOs.

<sup>3</sup> Australia, Belgium, Brunei, Darussalam, China, Cuba, European Commission (EC), Finland, France, Germany, Hungary, Indonesia, Ireland, JICA (Japan), Kingdom of Thailand, Luxemburg, Malaysia, Mongolia, Myanmar, New Zealand, Norway, Philippines, Poland, Republic of Korea, Russian Federation, Singapore, Sweden, Switzerland, United States of America (USA), Socialist Republic of Vietnam

<sup>4</sup> Asian Development Bank (ADB), International Financial Cooperation (IFC), International Fund for Agriculture Development (IFAD), International Monetary Fund (IMF), World Bank (WB)

<sup>5</sup> Food and Agriculture Organization of the United Nations (FAO), International Non - Governmental Organizations (INGO), International Center for Tropical Agriculture (CIAT), International Labor Organization (ILO), International Rice Research Institute (IRRI), Mekong Private Senior Development Faculty (MPDF), Mekong River Commission (MRC), United Nations Children's Fund (UNICEF), United Nations Development Fund for Women (UNIFEM), United Nations Development Programme (UNDP), United Nations Educational, Scientific and Cultural Organization (UNESCO), UN-HABITAT, United Nations Industrial Development Organization (UNIDO), United Nations Office on Drugs and Crime (UNODC), United Nations Population Fund (UNFPA), United Nations Programme on HIV/AIDS (UNAIDS), World Food Programme (WFP), World Health Organization (WHO)

<sup>6</sup> <http://www.rtm.org.la/Development%20Partners.php>

## 2.2 Classification of ODA

Decree 75/PM roughly classifies ODA into two (2) types namely, grant aid and soft loan with low interest rate, which mutually differ in the aspect of whether repayment is required or not<sup>7</sup>. ODA is classified into five (5) project and program types, namely, 1) grant/program loan, 2) grant/project loan, 3) grant/non-project loan, 4) grant technical assistance, and, 5) other grants and loans. Technical assistance is provided by grant in order to realize the following types of technical service<sup>8</sup>;

- 1 identifying, formulating, and implementing projects,
- 2 improving the institutional capabilities of government organizations and executing agencies,
- 3 formulating development strategies,
- 4 promoting the transfer of technology and
- 5 fostering regional cooperation.

(1) ODA consists of two types: grant and soft loan (The rest is omitted).

*(from Article 1 of Decree 75/PM)*

(2) ODA consists of:

- 1) Grant/program loan;
- 2) Grant/project loan;
- 3) Grant/non-project loan;
- 4) Grant Technical Assistance;
- 5) Other grant/loans.

*(from Article 3 of Decree 75/PM)*

## 2.3 Prerequisite of ODA

According to Decree 75/PM, ODA must be prioritized programs and projects specified in the Socio Economic Development Plan (SEDP) of the sector in subject and/or the province of the site.

Mobilization of the ODA shall be based on the priority programs and projects defined in the national socio-economic development plan in each period.

*(Article 5, Decree 75/PM)*

## 2.4 Definition of ODA National Contribution Budget

Following the sense that the officials in the Government of Lao PDR (GoL) generally use, this

<sup>7</sup> The Development Assistance Committee (DAC) of Organization for Economic Co-operation and Development (OECD), *DAC's Glossary*,

[http://www.oecd.org/glossary/0,2586,en\\_2649\\_33721\\_1965693\\_1\\_1\\_1\\_1,00.html#1965521](http://www.oecd.org/glossary/0,2586,en_2649_33721_1965693_1_1_1_1,00.html#1965521)

<sup>8</sup> Definition by Asian Development Bank, <http://www.adb.org/ta/default.asp>

manual defines the term, ODA National Contribution Budget as follows.

**ODA National Contribution Budget:** A part of budget that the GoL provides its expenses from its domestic (or national) PIP budget for, PIP projects that are financed by ODA fund, and agreed upon among both parties that the GoL will bear certain costs of the project.

(by PCAP2)

## 2.5 Tasks of Organizations in ODA National Contribution Budget Management

Tasks of key actors of ODA projects/programs are based on tasks on PIP management in general referred to in Chapter 1.4, because PIP projects financed by development partners consist one portion of PIP in general. It should be noticed that ODA National Contribution Budget is a part of cost incurred for ODA projects/programs that are not funded directly by development partners, but funded by domestic public expenditure within the GoL. In this sense, management of ODA National Contribution Budget is a part of domestic expenditure management that also follows project cycle management of ODA projects/programs.

### 2.5.1 Tasks of MPI

#### (1) Tasks on ODA in general

Tasks of MPI on ODA are stipulated in Article 8 and 16 of Decree 75/PM. MPI is to lead and coordinate activities on: 1) preparation; 2) implementation and; 3) monitoring and evaluation of ODA projects through project cycle management, as well as to issue detailed guidelines as implementation of the decree.

#### <Article 8 >

- 8.1 To prepare a plan for mobilizing of the ODA to support the implementation of the National Social Economic Development Plan (NSED) in each period;
- 8.2 To take the lead in coordination and cooperation with the Ministry of Foreign Affairs, Ministry of Finance, ministries, agencies and local authorities in the implementation and elaboration policy and political direction of the Government in ODA mobilizing;
- 8.3 To take the lead in coordination and cooperation with concerned ministries, agencies and local authorities, based on the cooperation agreements and strategic documents or the framework of cooperation that already endorsed by the Government, the Ministry of Foreign Affairs has already signed with its foreign counterparts to prepare and develop concrete plans, programs, and projects with subject of government approval and present

- these for ODA mobilization through Round Table Meeting mechanism;
- 8.4 To coordinate and cooperate with concerned ministries, agencies and local authorities to prepare, develop concrete grant project documents and then propose to the government for approval and to notify concerned ministries, agencies and local authorities who are the project owners to negotiate and sign the agreement for the implementation;
- 8.5 To coordinate and cooperate with the Ministry of Finance and Ministry of Foreign Affairs to review and reconfirm the loan request plan in each year and then to notify the concerned ministries, agencies and local authorities;
- 8.6 To take the lead in coordinate and cooperate with the Ministry of Finance and Ministry of Foreign Affairs and concerned ministries, agencies and local authorities for the preparation of loan project in each stage from the inception phase to final evaluation and then to present to the Government for approval;
- 8.7 To take the lead in the development and implementation a system for monitoring and evaluation of ODA projects;
- 8.8 To take the lead in coordination and cooperation with concerned ministries, agencies and local authorities in the management, monitoring, inspection and supporting the implementation of ODA projects, **including the collection of data and information and summarizing the results of the implementation** of such projects and to organize quarterly, semi-annually and annually meetings with the Development Partners, and to report the outcomes to the Government;
- 8.9 To coordinate and cooperate with concerned ministries, agencies and local authorities in organizing the training workshops for the officers in charge of management and implementation of ODA program/project;
- 8.10 To coordinate and cooperate with concerned ministries, agencies and local authorities **to summarize plans for National Contribution Budget (NCB)** in order define annual budget allocation for the ODA program/project in accordance with the obligations as defined in the agreements with foreign partners;
- 8.11 To take the lead in coordination and cooperation with concerned ministries, agencies and local authorities in the management and propose reward to the experts and volunteers of the international organizations and Development Partners working in the Lao PDR under the ODA programs/projects.

<Article 16>

The Ministry of Planning and Investment is assigned to issue a detail guideline for the implementation of this decree. (The rest is omitted)

(Decree 75/PM)

## **(2) Tasks on management of ODA National Contribution Budget**

As provisions 8.8 and 8.10 in Article 8 of Decree 75/PM stipulates, MPI shall lead and coordinate collaboration that includes compiling allocation plan of the ODA National Contribution Budget (NCB) and organizing data collection. In other words, MPI implements data collection to prepare ODA that includes both ODA fund and National Contribution Budget, as a part of execution of the ODA Decree.

### **2.5.2 Tasks of the Ministry of Finance (MOF)**

#### **(1) Tasks on ODA in general**

Tasks of MOF on ODA is stipulated in Article 9 of Decree 75/PM, which mainly covers the field of financial and contract affairs on loan projects. To summarize, the tasks are to lead and coordinate collaboration with related parties on: 1) loan contract with the development partners; 2) operation of account for ODA projects/programs; 3) monitoring, analysis and supervising financial affairs of the ODA with contractors; 4) conduct trainings related to financial issues as well as; 5) to compile reports to the government.

#### **<Article 9 > Ministry of Finance has the following rights and duties:**

- 9.1 To take the lead in coordination and cooperation with concerned ministries, agencies and local authorities in the preparation loan program/project plan;
- 9.2 To appoint a negotiating team, based on the approval of final evaluation of project documents and the authorization of the Government, to negotiate loan project and then to report the outcomes to the government for endorsement;
- 9.3 To take the lead in drafting of loan agreement after the final approval of program/project document in coordination and cooperation with concerned ministries, agencies and local authorities;
- 9.4 To take the lead in coordination and cooperation with concerned sectors to get legal opinion in order to ensure legal validity of the loan agreement;
- 9.5 To take the lead in procedures of replenishment from the account of the fund providers and to manage the holding the account of the ODA programs/projects;
- 9.6 To take the lead in coordination and cooperation with the fund providers and concerned sectors in organization of training on the regulations on the reimbursement of the ODA, financial administration, procurement of goods and consulting services;
- 9.7 To coordinate and cooperate with concerned ministries, agencies and local authorities in monitoring, inspection and evaluation of the implementation of loan projects in each period;
- 9.8 To coordinate and cooperate with concerned ministries, agencies and local authorities in the management and monitoring the use of the assets of ODA projects;
- 9.9 To take the lead in consideration of conditions of on lending loans projects extended to State

owned enterprises and other economic units;

9.10 To take the lead in the monitoring and summarizing the financial activities of the ODA supported enterprises;

9.11 To coordinate and cooperate with concerned ministries, agencies and local authorities in collection and summarizing the results of the implementation of ODA programs/projects and then report to the Government.

(Decree 75/PM)

## **(2) Tasks on management of ODA National Contribution Budget**

As the provisions 8.8 and 8.10 in Article 8 of Decree 75/PM stipulate, MOF shall be one of the key actors of the collaboration on ODA led and coordinated by MPI that includes compiling allocation plan of ODA National Contribution Budget and organizing data collection. In other words, MOF collaborates with MPI on allocation plan and data collection to prepare ODA that includes both ODA fund and National Contribution Budget, as a part of execution of the ODA decree.



### 3. Village/Kum-Ban/District Development and PIP Projects

#### 3.1 Definition of Districts in PIP Management

The Prime Minister Instruction 001 issued in March 2000 defines provincial-district relations by establishing provinces as strategic units, districts as program and project planning and budgeting units for PIP project and project implementation. The following are the specific indications in the Instruction 001.

- **Provinces** are expected to formulate their own 5-year strategic plans and corresponding budgets, consistent with the 5-year National Socio-Economic Development Plan (NSED) and the fiscal Public Investment Program (PIP) framework.
- **Districts** are expected to build up an economic foundation at the grass-root level, by planning a comprehensive rural development and poverty eradication scheme within its own district.

Based on the abovementioned roles of districts, the Public Investment Law defines the rights and duties of district levels for PIP management, in its Article 75 as follows;

Article 75: Rights and Duties of District Planning and Investment Offices, District and Municipality Planning-Finance Offices

The district planning and investment offices, district and municipality planning-finance offices shall have the following rights and duties in managing public investment projects.

1. To execute plans, programs, projects, agreements, instructions, notices and other advises concerning public investment projects,
2. To disseminate regulations on public investment,
3. To support, track and monitor public investment project implementation under the scope of authorities,
4. To gain public awareness in participating into management, protection and utilization of public investment projects with effectiveness and sustainability,
5. To conclude and report the outputs of public investment project implementation inside the districts and municipality to the provincial DPI, Vientiane Capital DPI and district or municipality authorities on regular basis, and,
6. To execute other rights and duties specified in this law and assignments by the top authorities.

In reality, most of the PIP projects conducted in Laos are small-sized, and concludes within a single district. Therefore, district level organizations are essentially involved in most PIP projects from the planning and budget request of these projects in some way, in addition to the abovementioned roles of project implementation management. In this sense, the District Planning Office (DPO) plays a key role in navigating such PIP projects that have various contexts.

### **3.2 Definitions of Villages and Kum-bans in PIP Management**

The Prime Minister Instruction 001 also has definition for villages, which act as the main focus for PIP project implementation.

**Villages**, in addition to being the implementing units for PIP projects, are responsible for revenue collection based on production. Villages must also collect data on their socio-economic conditions and classify themselves by one of three categories; well-off, self-sufficient and poor. Further, villages must monitor the impact of the development on household income improvement and poverty reduction.

An essential policy underpinning the Prime Minister Instruction 010 issued in June 2001 is that “grass-root levels that should take initiatives in poverty alleviation (through development) in their own areas”. Rural development, therefore, is at the center of the Government’s development and poverty eradication efforts.

In particular, the “area focused development approach” targets remote areas where poverty is endemic, but has growth and development potential. Development is addressed in an integrated manner, by opening up access to remote areas, stabilizing shifting cultivation, facilitating economic activities in an increasingly market-orientated context, improving livelihoods through access to social services and integrating all the region of the country into a dynamic national economy.

**Kum-bans** were defined as the cluster unit for the area-focused development approach where a wide range of activities (agriculture, social services, institutional capacity building, infrastructure and markets) are undertaken in a synergistic manner to boost household income and eradicate poverty. Kum-bans are formed from five to seven nearby villages that have a potential of sharing development within its member villagers.

The Central Party further issued Ordinance 09 on Village and Kum-ban Establishment, in March 2004. The Ordinance defines the establishment of the Kum-ban and its roles, focusing on the following four functions; political awareness, national defense and security, economic growth and social/cultural development.

Under these Prime Minister Instructions and the Central Party Ordinance, the National Growth and Poverty Eradication Strategy (NGPES), issued in June 2004, functions as the comprehensive framework for growth and development, and has particular focus on the improvement of the poverty situation in the poorest districts. It has thus a dual objective; enhancing growth and development, and reducing poverty. For the reduction of poverty, a community-driven and access-oriented rural development strategy will be at the base.

The Prime Minister issued the Additional Instruction 013 on Village and Kum-Ban Establishment in June 2008, to instruct MPI and MOF to integrate Kum-ban development schemes into one. It further provides instructions to the National Leading Board for Rural Development and Poverty Alleviation

(NLBRDPA), Prime Minister's Office, to take the nationwide initiative of coordinate rural development and poverty reduction scheme based on the Kum-ban development concept.

### 3.3 Variations of PIP Projects Involving Village/Kum-ban/Districts

As mentioned above, district level is a strategic point of PIP management in various approaches. The following indicates the variations of PIP projects planned, budgeted and implemented with involvement of districts;

- (a) **PIP Projects through Provincial Requests;** The Provincial Government takes initiative in district development. Project requests are submitted from district levels to provinces through sector departments.
- (b) **Support by Government Organizations;** Ministries and other government organizations implement large-scale projects that have direct impact to the national economy. These projects also have indirect impact to its districts of where it locates. Some projects have small-scale rural development projects in village levels to compensate for the land used or for resettlement, although it's funding is not as large as ODA supported projects
- (c) **Poverty Reduction Fund Projects through the National Leading Board for Rural Development and Poverty Alleviation;** The Government has set up the National Leading Board for Rural Development and Poverty Alleviation (NLBRDPA) under the Prime Minister's Office (PMO). NLBRDPA has the Poverty Reduction Fund (PRF) to support directly to village/Kum-ban levels through districts. The PIP project requests from villages are sent through PRF District Offices directly to the PRF Project Office
- (d) **Kum-ban Development Plan;** Kum-ban designated under the 47 poorest districts develops a Kum-ban Development Plan. The process of requesting budget for a Kum-ban development project is similar to the process used for PIP projects through provincial request.
- (e) **ODA Projects Directly Supporting Rural Development / Poverty Reduction;** Many development partners either provide direct support, or provide development funds to districts for rural development and poverty reduction. Linkage between the regional development strategies is attempted, but there is still no direct connection between the Socio-Economic Development Plan (SEDP) planning procedures and these bottom-up project planning approaches as of now.
- (f) **ODA Projects Supporting Sectors;** Many ODA projects involved in development of particular sectors have direct impact to the national economy. However, in its implementation stages, they may indirectly relate to district development, from the viewpoint of rural development and poverty reduction in specific areas by supporting and funding facilities and/or equipment located at the project site. Some may conduct small-scale projects at the location. Although local contribution is appreciated by villagers, most of the ODA projects do not have direct linkage with the regional development strategy.

It shows that although all of the above approaches have intentions of supporting villages and Kum-bans within its own characteristics, the main objectives of some of the approaches are not designed to directly match the needs of these villages and Kum-bans. In addition, some PIP projects conducted in villages and Kum-bans that are planned in different budget sources may have duplications within each other. These duplications arise due to lack of uniformity in the project planning and selection stages.

Requirements of PIP projects in villages and Kum-bans, as well as its assessment criteria, are

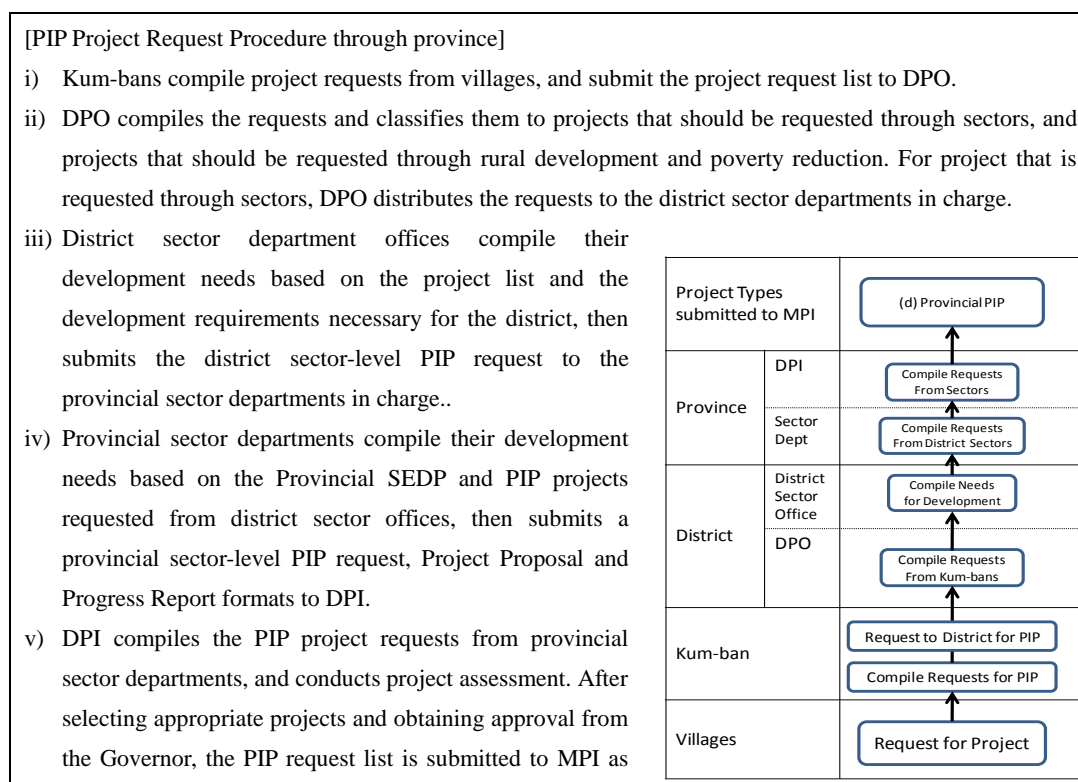
generally different from normal PIP projects whereas mass economic growth is more prioritized than local development. Due to this reason, a concise and unified method of planning PIP projects that support villages and Kum-bans is required. The following sub-chapters indicate the characteristics of each approach;

### 3.3 PIP Projects through Provincial Requests

This route has been the standard approach for PIP projects that are planned, budgeted and implemented under district levels. Project requests from villages and Kum-bans are submitted to DPO, where they are classified into district sector offices in charge. They are then requested through provincial sector departments to DPI. DPI compiles these requests along with other projects, and submits to MPI as part of the provincial PIP budget request.

The merit of this approach and project type is that since the process of such projects is done at the district and provincial sector departments, sectors can provide technical support in preparing the project requests in its process. The responsibility of the project requested underlies within the sector, therefore, it ensures effectiveness and efficiency of the projects once they are implemented. However, the shortcoming point of the project type is that the project selection lacks the viewpoint of the regional strategy in the villages and Kum-ban levels. Furthermore, the requirements of project information through project proposal and progress report formats, along with assessment levels from DPI are generally higher than what villages and Kum-ban levels can provide as information and indicators.

The specific process in requesting and preparing PIP project budget are as follows;



the provincial PIP budget request.

Formats and methods in preparing specific documents, along with assessment are indicated in the following chapters.

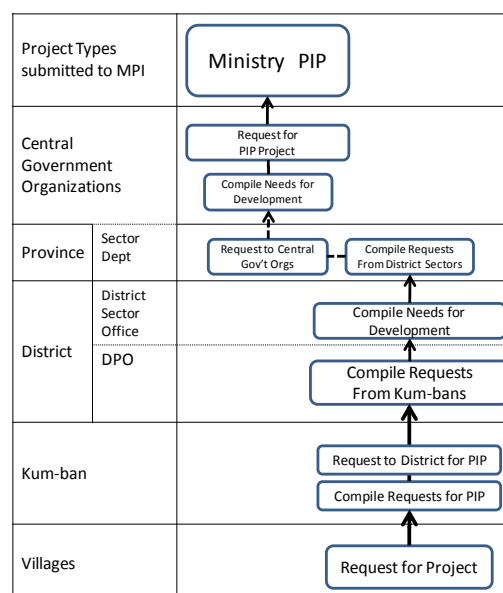
Items	Formats Used	Chapter Mentioned
Project Proposals (new project request)	Project Proposal formats I-1, I-2, I-3, I-4	III.2
Progress Reports (ongoing project budget request)	Progress Report II-1, II-2, II-3	III.3
Absolute Assessment	SPAS	**_**
Comparative Assessment		**_**

### 3.4 PIP Projects through Central Government Organizations

This route is utilized for relatively large-scale projects. These projects normally reflect government policies with the initiative of the central government organization in charge; therefore the project requests seldom reflect individual project requests from villages, Kum-bans and districts.

However, there are cases where the central government conducts pilot projects with the intention of creating a model for future regional / nationwide diffusion. In such cases, opinions of villages, Kum-bans and districts may apply in the planning and implementation stages.

The specific process in requesting and preparing PIP projects budget are as follows;



#### [PIP Project Request Procedure]

- The central government organization in charge of the sector compiles its development needs based on their sector strategy. Information on project requests from its provincial sector departments is also referred.
- PIP project requests come directly from the central government organizations to MPI.

### 3.5 Poverty Reduction Fund Projects through NLBRDPA

With the initiative of NLBRDPA, the Poverty Reduction Fund (PRF) is in operation under the

Poverty Reduction Fund Project (PRFP), funded and supported by the World Bank and the Swiss Agency for Development and Cooperation. The PRF and its subordinate organizations in provinces and districts take initiative in the identification, planning, financing, implementation, and monitoring and evaluation of these projects.

The PRFP is now in the implementation of its eighth cycle. Its seventh cycle covered seven provinces and in 21 districts, with implementation of 463 sub-projects. Separate manuals and training sessions are prepared for this scheme.

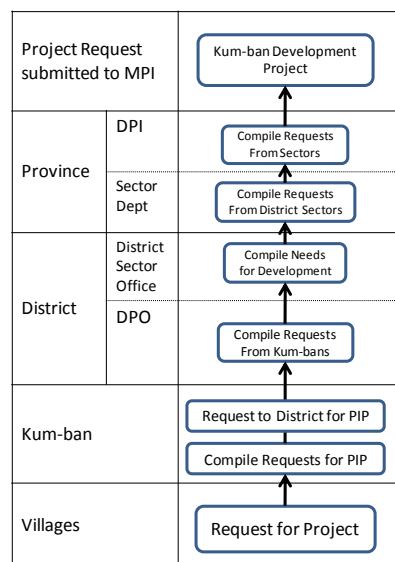
### 3.6 Kum-ban Development Plans

Preparation of participatory poverty reduction plan for Kum-bans in the 47 poorest districts has been under way since 2004. It is managed by MPI-DOP with coordination with government organizations, provinces and districts.

The first step for this approach is that the Kum-ban designated under the 47 poorest districts develops a Kum-ban Development Plan. The said plan consists of the outline of the Kum-ban, development situations, future development direction and prioritized projects based on their development needs. Potential village and Kum-ban projects and their priorities are already identified in this Plan.

The process of requesting budget for a Kum-ban development project indicated in the Plan is similar to the process used for PIP projects through provincial request. The project is processed from DPO, through district sector department to the provincial sector department. The provincial sector department then submits to DPI for assessment.

By acknowledging that the project requested is within the priorities of the Kum-ban Development Plan, DPI and MPI allocates the budget source from the Kum-ban development fund, aimed for this objective. Therefore, this budget request route is liable to overcome the shortcomings of the normal PIP provincial route where project priorities are decided based on the provincial and sector SEDP.



However, the Kum-ban Development Plan concept and their priority projects are still limited within the 47 poorest districts due to budget reasons. It is yet in reach for all villages/Kum-ban/districts.

### **3.7 ODA Projects Directly Supporting Rural Development / Poverty Reduction**

Many development partners and NGOs either provide direct support, or provide development funds to specific areas of rural development and poverty reduction. Most utilize a participatory approach in its planning stages, in order to reflect villagers' requirement priorities into actual development. Until quite recently, development partners insisted in utilizing each of their own routes and methods in planning, budgeting and implementing such projects. However, they are now gradually approaching consensus in utilizing a common procedure.

The United Nations Development Plan (UNDP) along with the United Nations Capital Development Fund (UNCDF) provides District Development Funds (DDF) through their Governance and Public Administration Reform (GPAR) Service Delivery Project in selected districts. The World Bank utilizes the GPAR approach for their Khammuan Development Project (KDP). These projects and funds are conducted in selected districts/provinces, therefore not applied as a nationwide standard. Agreements have been made to avoid overlaps in provinces and districts to be supported.

Duties of organizations and procedures differ depending on the ODA scheme. However, the standard process in requesting and preparing ODA projects are as follows;

**[Fund Request Procedure]**

- i) Each funding scheme has its own fund ceiling, allocation to selected districts/Kum-bans/villages, and a unique procedure in allocating the budget for projects.
- ii) Generally, Kum-bans compile a project list based on requirements from the village levels. District Planning Office (DPO) compiles the requests from Kum-ban.
- iii) Based on the compiled requests, workshops are held at district levels inviting Kum-ban levels to select the appropriate projects within the budget limitation. DPO then compiles the selection results to the development fund office.
- iv) The projects selected in the workshops are conducted with the direct funding from the development partner.

### **3.8 ODA Projects Supporting Sectors**

ODA projects supporting sectors are generally designed for relatively large-scale projects. These projects are based on agreements between the central government organization and the development partner, reflecting government and development partner policies with the initiative of the central government organization in charge. Apart from ODA projects that specifically aim rural development and poverty reduction (mentioned in chapters 3.5 and 3.7), the project requests seldom reflect individual development requirements from villages, Kum-bans and districts. However, there are cases where the ODA projects conduct pilot projects with the intention of creating a model for future regional/nationwide diffusion. In such cases, requirements of villages, Kum-bans and districts may apply in the planning and implementation stages.

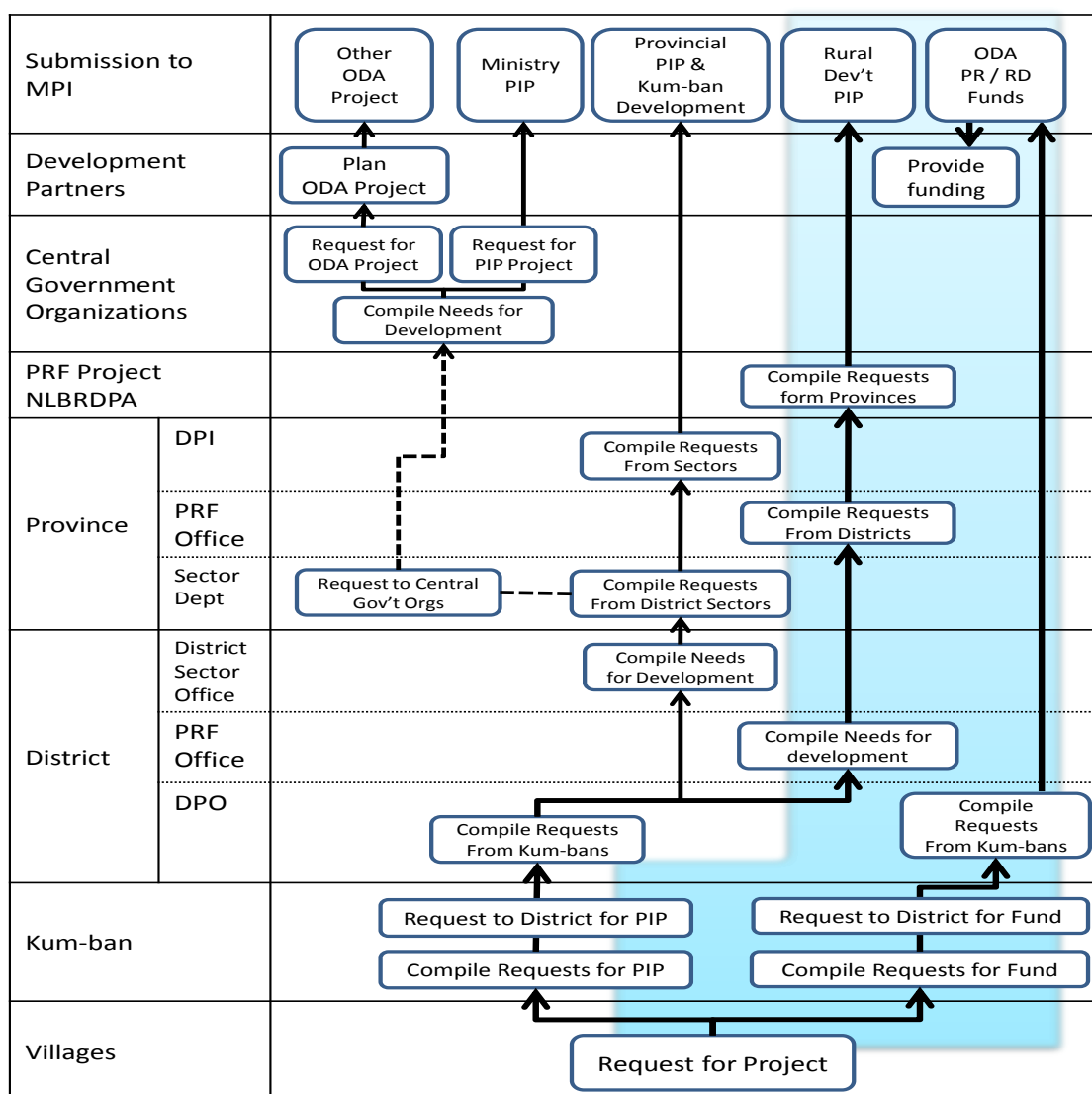
The specific process in requesting and preparing ODA projects are as follows;

[Fund Request Procedure]

- i) Generally, the central government organizations (in some cases provinces) make requests for an ODA project to the development partner, through MPI-DIC.
- ii) After the ODA project is agreed, the development partner conducts feasibility studies, design and ex-ante evaluation, and implements the project based on its contents.
- iii) Initiative is taken by the central government organization, although district and provincial level may cooperate in gathering information and in the planning and designing process. formation and in the planning process.

### 3.9 Budget Request Routes for Village/Kum-ban Development PIP Projects

The PIP budget request routes directly/indirectly related to village and Kum-ban development are as indicated in the following chart.





It shows that although all of the above approaches have intentions of supporting villages and Kum-bans within its own characteristics, the main objectives of some of the approaches are not designed to directly match the needs of these villages and Kum-bans. In addition, some PIP projects conducted in villages and Kum-bans that are planned in different budget sources may have duplications within each other. These duplications arise due to lack of uniformity in the project planning and selection stages.

Requirements of PIP projects in villages and Kum-bans, as well as its assessment criteria, are generally different from normal PIP projects whereas mass economic growth is more prioritized than local development. Due to this reason, a concise and unified method of planning PIP projects that support villages and Kum-bans is required.

## 4. PIP Project Management Flow from the Project Perspective

As explained in Chapter 1, PIP project management flow can be seen from two perspectives; first, from the project cycle perspective, and second, from the perspective of the annual flow.

This chapter explains the PIP project management flow from the project cycle perspective. The requirements and responsibilities mainly focus on the viewpoint of the PO and its sector organization, but supporting organizations must also understand this flow in order to monitor the status of each project. The explanation in this chapter is based on a standard construction PIP project with the following conditions.

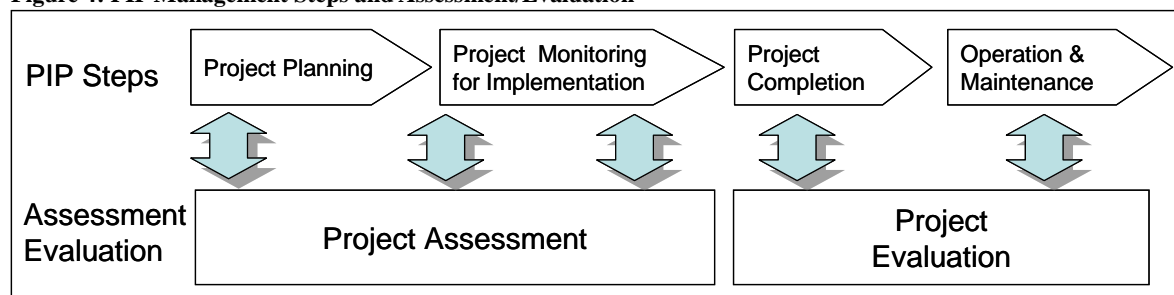
<PIP Project Case Model described in Chapter 4 and 5>

- A case of a construction project that needs at least more than 2 years to complete.
- One year is required to conduct F/S, Design and Environmental/Social Assessment.
- After completion of the project, facilities and results are handed over to another organization for operations and maintenance.

### 4.1 PIP Project Management Flow

Defining the PIP project management flow help stakeholders involved in PIP projects understand their status quo, which leads to efficient and effective project management. In this manual, PIP project management is divided into 4 stages: Project Planning, Project Monitoring for Implementation<sup>9</sup>, Project Completion, and Operation and Maintenance. The PO is responsible on the management for the first 3 stages, whilst the responsibility is handed over to the organization in charge of Operation and Maintenance in the last ‘operation and maintenance’ stage.

Figure 4: PIP Management Steps and Assessment/Evaluation



In each of the stage, assessment and evaluation are conducted to ensure that the PIP project is managed appropriately and is ready to proceed to the next stage. MPI/DPI are responsible of conducting these project assessment and evaluation in each respective step. Details of project assessment and evaluation are described in Section 5.

<sup>9</sup> Since the main users of this manual are MPI/DPI, the manual applied “Monitoring for Implementation Stage,” instead of “Implementation Stage,” which is commonly used for project management textbooks.

The detailed objectives and tasks of each stage along with the reasons of necessity of assessment/evaluation in each stage will be explained in the following sections.

## 4.2 Project Planning

**Project Planning** is a stage when a PIP project is identified, formulated and designed. This stage usually requires careful studies in beneficiary groups, area, inputs and outputs etc., all with technical background. During this stage, surveys such as data collection or fact-findings, Feasibility Studies (F/S) are carried out. Depending on the project context, technical designing, such as Basic Design and Detailed Design are also carried out.

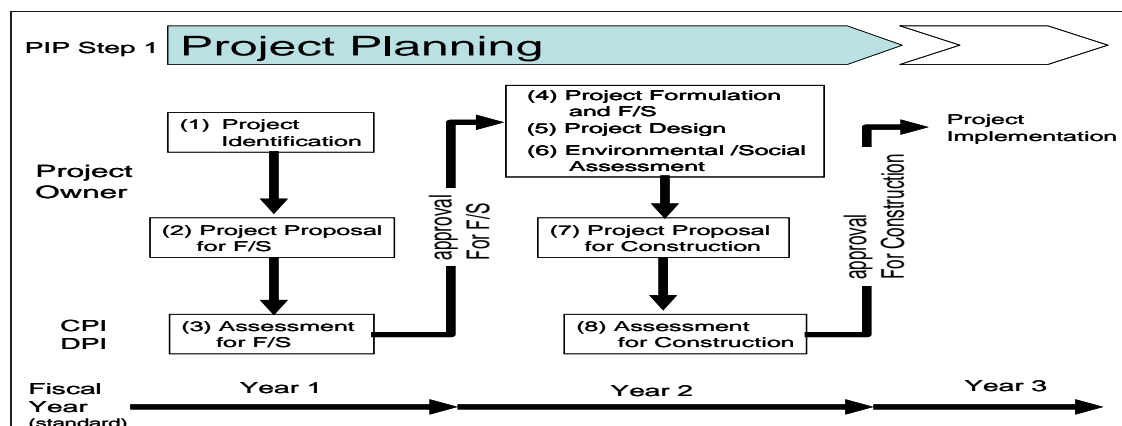
Project Planning is managed by the potential PO. The PO should identify whether the project is appropriately planned, where aspects such as economic, social, environmental, and other technical areas are properly considered. Also, it has to be confirmed whether the project's contents are consistent with the national, provincial, and sector SEDP. Without appropriate planning, PIP projects may face difficulties that hamper its implementation.

The following is a case of an irrigation project without/with appropriate project planning

Without an appropriate Project Planning;	
An irrigation dam project in X province did not consider the bad access road conditions to the dam construction site. Thus, the project had to ask more budget and extra works than originally expected, in order to improve the access road first. This not only created extra cost, but also a delay in its implementation, and of course its completion.	
With an appropriate Project Planning;	
The project is successfully accomplished with an appropriate plan, which predicted the necessity of clearing the access road before implementation of the project. Throughout the planning stages, the PO and the Department of Agriculture and Forestry had close communication with the Department of Public Works and Transportation, to ensure that the road would be paved before its implementation.	

Project planning can be divided into the following steps.

Figure 5: Steps of Project Planning



The period needed for Project Planning varies on the characteristic of the PIP project in subject. In this manual, a model PIP project that requires 1 year for F/S, designing and environmental/social assessment is introduced. In this case, it would take at least 2 years, or 2 cycles of PIP budget approval from Project Identification to Project Implementation.

The following explains each step required in Project Planning.

### **(1) Project Identification**

Identifying a potential PIP Project is the very first step of PIP project formulation. It focuses on finding the basic idea and needs of a PIP project. Project identification is done through studies in the development plans and past PIP projects, and also through workshops among potential beneficiaries. These ideas and needs will be examined whether they fit to the SEDP and sector strategies in the relevant areas. Project identification is normally done by the potential PO and its sector organization, with close collaboration with district/Kum-ban/village officials that the potential project will be located.

### **(2) Project Proposal for F/S**

Since detailed information necessary to implement the project is generally not sufficient by just collecting information in the identification stages, the PO would first request approval for PIP budget to conduct *Feasibility Studies, Designing and Environmental / Social Assessment*.

Article 17 of the Public Investment Law indicates the following;

The PIP project in infrastructure shall be included with the following documents;

1. Project proposal
2. Project feasibility study
3. Research and design report
4. Transfer ownership letter for public use, in case of utilization of people's land

Public investment project of Types I and II shall complete additional documents;

1. Project development report or technical-economic assessment report
2. Socio-environmental impact assessment report

For technical promotion projects shall compile the following documents;

1. Project proposal
2. Feasibility Study of the project

(Article 17, Public Investment Law)

Contents of the studies for the potential PIP project is applied through the *PIP Format I-2 "Project Proposal for Feasibility Study and/or Basic/Detailed Design"* format, and applied to either DPI or MPI depending on the PIP project's potential size and urgency.

### (3) Assessment for F/S

Based on application for F/S through the **PIP Format I-2** by the PO, MPI/DPI will then assess whether the F/S can be implemented with the PIP budget. The **SPAS Format I-2 “for NEW Feasibility Study and/or Basic/Detailed Design”** format is used for assessment.

### (4) Ongoing F/S

If the Feasibility Study and/or Design must be implemented for 2 years or more, the PO must submit annual budget request documents on its second year. **PIP Format II-2 “Progress Report for Feasibility Study and/or Basic/Detailed Design”**. It will be assessed by MPI/DPI through SPAS Format II-2 **“for ONGOING Feasibility Study and/or Basic/Detailed Design”**

### (5) Project Formulation and Feasibility Studies

**Project Formulation** is the first designing step of the project framework. Based on social needs and priorities of development, the PIP project is formulated by specifying the objective of the project (**Project Purpose<sup>10</sup>**) and the positive effect after completion (**Overall Goal<sup>11</sup>**), target beneficiaries and area, necessary inputs, expected outputs, and project schedule. Economic and financial analysis of the project, along with initial plans for operation and maintenance after completion is also required in the project formulation stages.

Specific project formulation is done by conducting a series of **Feasibility Studies (F/S)**. F/S are a series of preliminary studies undertaken before the real work of a project, to ascertain the likelihood of the project’s success. Generally, it takes time and cost to conduct decent F/S. Therefore, it is necessary to request appropriate budget for PIP projects with reasonable size. Project formulation is managed by the PO. However, detailed studies in F/S are normally assigned to consultants or experts since they require technical expertise.

### (6) Designing (Technical Detailed Plan)

Technical Detailed Plan is required in the case that a project has certain requirement for technical survey and design for construction. It is made through information from Basic Design (B/D), Detailed Design (D/D). Technical design is also managed by the PO with support of consultants or experts with technical expertise.

### (7) Environmental / Social Assessment

Water Resource and Environmental Administration (WREA) under PMO, issues laws and regulations related to environmental assessment and social issues such as resettlement plans. Depending on the project, environment and social analysis may require a long period to reach its conclusion. Technical design is also managed by the PO with support of consultants or experts with technical expertise.

### (8) Project Proposal for Construction

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<sup>10</sup> Project Purpose: Refer to Section III Chapter 1.1 (1)

<sup>11</sup> Overall Goal: Refer to Section III Chapter 1.1 (2)

After gathering detailed project information and necessary certification, the PO submits the **PIP Format I-3 “Project Proposal for Construction”** to DPI/MPI for approval. MPI/DPI will then assess whether the PIP project can be implemented with the PIP budget.

### (9) Assessment for Construction

Based on the PO’s application for construction through the PIP format I-3, MPI/DPI will then assess whether the PIP project can be implemented. The **SPAS Format I-3 “for NEW PIP Construction Projects”** format would be used for assessment.

The following table shows the main tasks required by organizations in Project Planning;

**Table 2: Tasks by Organizations in Project Planning**

Responsible Organization	Tasks	Documents	Timing
PO	<ul style="list-style-type: none"> <li>Identify project needs, and request for F/S.</li> <li>Formulate the project through F/S.</li> <li>Prepare technical detailed plans and design.</li> <li>Apply and obtain environmental assessment certificate.</li> <li>Request for Project Implementation</li> </ul>	<ul style="list-style-type: none"> <li>PIP Format I-2 “Project Proposal for F/S”</li> <li>F/S Report</li> <li>B/D, D/D Report</li> <li>WREA certificates.</li> <li>PIP Format I-3 “Project Proposal for Construction”</li> </ul>	<p>January</p> <p>Year round</p> <p>Year round</p> <p>Year round</p> <p>January</p>
MPI / DPI	<ul style="list-style-type: none"> <li>Assess and feedback on “Project Proposal for F/S”.</li> <li>Assess and feedback on “Project Proposal for Construction”</li> </ul>	<ul style="list-style-type: none"> <li>SPAS I-2 for NEW F/S</li> <li>SPAS for NEW Construction</li> </ul>	<p>February</p> <p>February</p>
WREA	<ul style="list-style-type: none"> <li>Instruct the type of environmental assessment required.</li> <li>Check environmental assessment results.</li> <li>Issue Certificate</li> </ul>	<ul style="list-style-type: none"> <li>Environmental assessment certificate</li> </ul>	<p>January</p>

### 4.3 Project Monitoring for Implementation

**Project Monitoring for Implementation** is a stage when progress of the project is monitored, and when the project is not implemented as planned, their reasons analyzed and countermeasures taken. With the initiative of the PO, MPI/DPI, and organizations concerned jointly need to check the progress of the project, and appropriate and timely measures must be taken when necessary. **Progress Reports** are written so that project progress is properly monitored. It is generally known that the earlier the project problems are identified, the less the projects are liable to confront higher obstacles. Therefore, project monitoring is one of the most

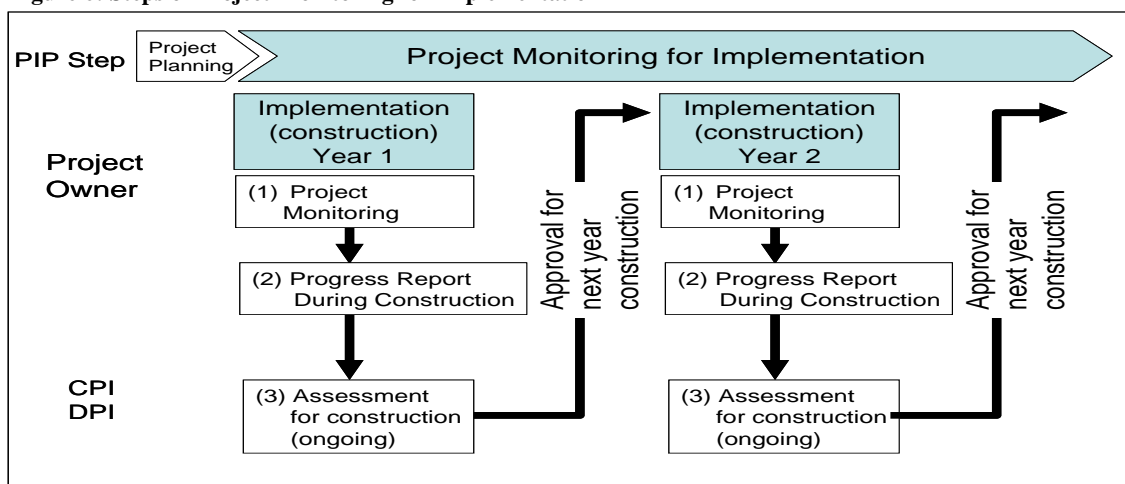
important tasks in PIP project management.

The following is a case of an irrigation project without/with appropriate project monitoring;

<b>Without appropriate Monitoring for Implementation:</b>
During implementation of the project, price of materials dramatically rose in the market and it was obvious that total amount required for materials necessary for constructing the irrigation system would exceed the estimated price contingency in budget. However, the project did not carefully check the material price nor revised the budget request.
The relevant authorities could not monitor the project properly because they did not receive any reports from the project side. As a result, the project could not take any action to mitigate this problem, such as looking for alternative materials. Relevant authorities also could not make any effective recommendations nor take prompt actions. The project budget fell in scarcity of budget after the original amount was used, triggering suspension for many years after the planned completion date.
<b>With appropriate Monitoring for Implementation:</b>
The construction of main channel was delayed compared with the original plan. It was identified that this delay might affect the physical progress of the total construction schedule. Therefore, the PO revised the schedule of each component of physical construction, which led to successful completion of the project on within the target plan.

Project Monitoring is generally done whenever it is under implementation. However, major reporting must be done in an annual basis so that the monitoring results can be reflected in the next PIP budget requirement. Based on the annual reporting basis, Project Monitoring for Implementation can be divided into the following steps.

**Figure 6: Steps of Project Monitoring for Implementation**



### (1) Project Monitoring

During the implementation (construction) of the PIP project, there are many subjects that have to be ensured so that the project would smoothly be implemented as planned. Disbursement of the PIP budget, progress of project implementation such as physical construction and project

schedule, and quality of works are the points to be monitored. By monitoring these points, the projects may avoid serious problems that need timely, appropriate measures. Project monitoring must be continued even when the project itself seems to run smoothly.

In case the project has problems or delays, the PO must first analyze the situation and find the most efficient way of recovery to its original plan. If the recovery plan does not require extra budget or period extension, the recovery plan can be committed within the responsibilities of the PO, and report compiled later. However, if the recovery plan requires extra budget, or needs extension of the implementation (construction) schedule, the PO must report to DPI/MPI and the organizations concerned before taking action.

## (2) Progress Report for Construction

To carry out project monitoring efficiently, a **Progress Report** must be submitted. The **Progress Report** is a report presenting the physical progress of the project, including the progress and schedule of implementation (construction works), budget disbursed and spent, and other necessary issues. For construction projects that requires the PIP budget for the following year, the **PIP Format II-3 “Progress Report for Construction”** format must be prepared by the PO and submitted to MPI/DPI. This report must show its annual progress, as well as its progress expectation for the next budget year.

## (3) Assessment for Construction (ongoing)

Based on the PO’s application for ongoing implementation (construction), MPI/DPI will then assess whether the PIP project can be continued with the PIP budget. The **SPAS Format II-3 “for ONGOING Construction Projects”** format is used for assessment.

The following table shows the main tasks required by organizations in Project Monitoring for Implementation.

**Table 4: Tasks of Organizations in Project Monitoring for Implementation**

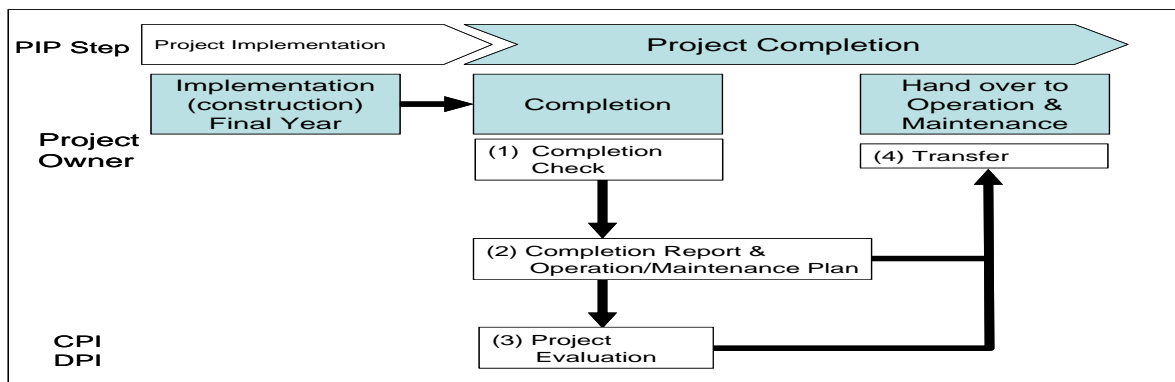
Responsible Organizations	Tasks	Documents	Timing
PO	<ul style="list-style-type: none"> <li>Monitor the project and make recovery plans when necessary.</li> <li>Compile the monitoring results and request for next year’s PIP budget.</li> </ul>	<ul style="list-style-type: none"> <li>Progress Report</li> <li>Progress Report for Construction (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly basis</li> <li>Beg. February</li> </ul>
MPI/DPI	<ul style="list-style-type: none"> <li>Check contents of Progress Reports</li> <li>Assess and feedback the “Progress Report for Construction (ongoing)”.</li> </ul>	<ul style="list-style-type: none"> <li>SPAS (during construction)</li> </ul>	<ul style="list-style-type: none"> <li>End February</li> </ul>



## 4.4 Project Completion

**Project Completion** is the stage when the PIP project is completed and the objective of the project (*Project Purpose*) is achieved. It is also the stage when the facilities constructed or outputs produced are handed over from the PO to the organization in charge of operation and maintenance. A **Completion Report** is written by the PO with the objective of identifying the status of completion.

Figure 7: Steps of Project Completion



### (1) Completion Check

When all implementation (construction) activities are finished, the PO executes an internal **Completion Check** of the project. It is done by comparing the plan with the actual facilities or results. If the facilities or results are not fully completed, the PO has the responsibility to continue implementation (construction) until fully completed.

### (2) Completion Report and Operation/Maintenance Plan

After the facilities or results are completed and checked, the PO must submit the **PIP Format III-3 "Completion Report for Construction Projects"** to MPI/DPI. The **Completion Report** is to express the finished status of the facilities and results completed, so that evaluation can smoothly be done by MPI/DPI.

The PO must also complete the **Operation/Maintenance (O/M) Plan**. The **O/M Plan** is made so that the organization in charge of operation and maintenance can smoothly take over the completed facilities or results. The **O/M Plan** is submitted to both MPI/DPI and the organization responsible for operation and maintenance of the completed outputs.

### (3) Project Evaluation (Terminal Evaluation)

**Project evaluation (Terminal Evaluation)** is a process that objectively examines both the completion and O/M perspectives of the PIP project. The project is evaluated to ensure that the completion and operation is/will be effective and sustainable. Specifically, it is to ensure that the Project Purpose is achieved and effective, and an updated and workable O/M Plan exists.

DPI personnel, with the support from MPI, are entitled to conduct an evaluation for every PIP

project. As a method of evaluation, the *Simplified Project Evaluation Sheet (SPES)* format featuring the five evaluation criteria<sup>12</sup> must be used. Evaluation results are fed back to the PO and to the operational body.

Evaluation results are utilized in 2 viewpoints: 1) Toward the project area and beneficiaries, and 2) Toward the next programming stage.

- 1) **Toward the project area and beneficiaries:** It is important to follow up on the sustainability of the project by evaluating the O/M plan. The evaluation result would be fed back to the beneficiaries to ensure proper usage of the project outputs.
- 2) **Toward the next projects and programming stage:** Under assumption that positive effects from the project are liable to appear, evaluation results may be utilized when making new development plans, strategies and other PIP projects.

#### (4) Transfer

After the project has been evaluated and confirmed complete, the completed facilities and outputs are handed over to the O/M organization. The transfer procedure is when the responsibility of the facilities and outputs is officially shifted to the O/M body. It also means that the costs for the facilities and outputs are no longer born through the PIP budget, but through recurrent costs. Official documents stating the confirmation of the shift of budget resources may be necessary.

The following table shows the main tasks required by organizations in Project Completion.

Figure 4: Tasks of Organizations in Project Completion

Responsible Organizations	Tasks	Documents	Timing
PO	<ul style="list-style-type: none"> <li>• Check completion of the project by comparing actual facilities/results to plans.</li> <li>• Complete the final version of the O/M Plan.</li> <li>• Submit O/M plan and transfer the facilities/results to the O/M organization.</li> </ul>	<ul style="list-style-type: none"> <li>• PIP Format III-3 Completion Report</li> <li>• O/M Plan</li> </ul>	<ul style="list-style-type: none"> <li>• In completion.</li> <li>• In completion.</li> </ul>
MPI/DPI	<ul style="list-style-type: none"> <li>• Evaluate the completed project, along with the O/M Plan. (terminal evaluation)</li> <li>• Feedback evaluation results to respective organizations.</li> </ul>	<ul style="list-style-type: none"> <li>• SPES</li> </ul>	<ul style="list-style-type: none"> <li>• After completion</li> </ul>
O/M	<ul style="list-style-type: none"> <li>• Receive O/M Plan from the</li> </ul>	-	<ul style="list-style-type: none"> <li>• After completion</li> </ul>

Responsible Organizations	Tasks	Documents	Timing
organization	PO, and take over responsibility of the facilities/ results.		

## 4.5 Operation and Maintenance

The effectiveness of a completed PIP project, such as facilities constructed or results produced, would only be evident when they are successfully operated and maintained. **Operation and Maintenance** (O/M) is a stage where actual operations and maintenance of the facilities or activities completed through the project are carried out. O/M is conducted based on the O/M Plan, which is prepared by the PO from the initial planning stages of the project.

The following is a case of an irrigation project without/with an appropriate O/M Plan.

<b>Without an appropriate O/M plan;</b>
An irrigation project completed in X district, X province did not prepare a detailed O/M plan. After transferring the facilities to a user's association which is supposed to bear the O/M cost, some of intake pipes were broken. However, the amount of fees collected from the users was not enough to replace them. Thus, the pipes are left abandoned and irrigation has not yet started operation. Detailed operation and maintenance plan should have been prepared to deal with such difficulties after the project.
<b>With an appropriate O/M plan;</b>
The project is successfully in operation with planned capacity with an appropriate O/M plan beforehand. This project's O/M plan included 1) how to maintain the intake pipes and 2) a prediction of possible technical problems which would be happened during the operation. Therefore, any pipes were not broken during the operation period.

O/M is done by an organization or group that is appointed from and agreed with the PO in charge of the PIP project. After completion of the project, the completed facilities and results are handed over from the PO to the O/M organization. Basically, O/M cost is born through the recurrent budget, which means that the budget is sourced from its operational revenues and/or current spending, but there are some exceptions.

In order to conduct smooth O/M, an **O/M Plan** is essential. The O/M Plan itself is one of the outputs that are presented in a PIP project. Therefore, the PO, during its project planning and implementation stages, has the responsibility to compile the O/M Plan. In order to have a realistic O/M Plan, it should be prepared from the planning stages of the PIP project, and further refining as the implementation (construction) proceeds, and finalized as the facilities and results are completed.

An O/M Plan should include the following contents;

- Appointment and agreement of the responsible organization(s) to supervise the operation, and to operate the facilities,
- Manual or information on how to operate and maintain the facilities,
- Manual or information on how to handle troubles that may occur to the facilities during operation,
- Guideline or financial estimation on how to financially sustain the facilities (specific means such as recurrent budget, donor funds, user's fee etc)

In case user's fees are expected, a feasible financial plan and schedule should be developed and agreed with the users. It is recommended that basic agreement is established **before the completion of the project**. The following table shows the main tasks required by organizations in O/M.

**Table 6: Tasks by Organizations**

Responsible Organizations	Tasks	Documents	Timing
PO	<ul style="list-style-type: none"> <li>• Complete O/M Plan (during project planning, implementation and completion)</li> <li>• Hand over the O/M Plan</li> </ul>	<ul style="list-style-type: none"> <li>• O/M Plan</li> </ul>	<ul style="list-style-type: none"> <li>• At completion.</li> </ul>
Organization in charge of O/M <sup>13</sup>	<ul style="list-style-type: none"> <li>• Operate and maintain the facilities and results</li> </ul>	-	<ul style="list-style-type: none"> <li>• After completion.</li> </ul>

As stated above, O/M is conducted in a new management flow and is normally considered under recurrent cost. Therefore, specific methods on how to operate and maintain completed facilities and results will not be explained in this manual. Still, it is important to consider the O/M Plan in the planning and implementation stages because it would affect the impact and sustainability after its completion. Thus, it is recommended for the concerned personnel to understand how O/M should be prepared within the scope of PIP management.

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<sup>13</sup> Such as the Department of Line Ministries, user's Association.

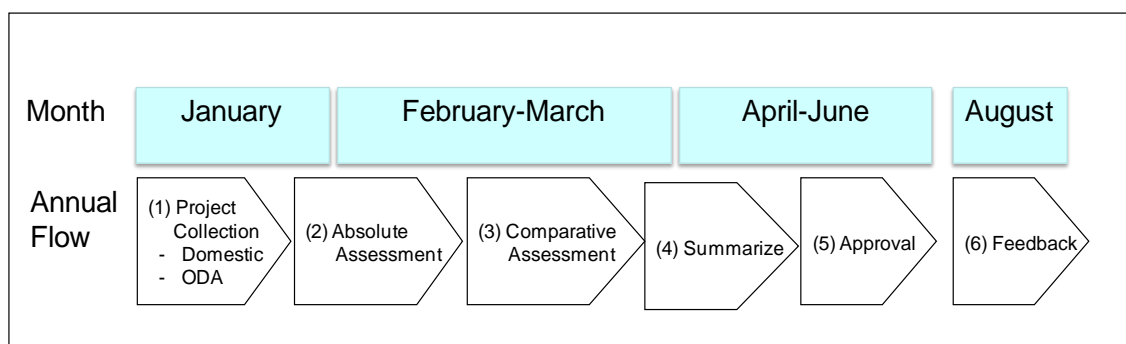
## 5. PIP Project Management in the Annual Flow

This chapter explains PIP project management from the perspective of the annual flow. The requirement and responsibility mainly focuses on management by MPI/DPI based on PO request, but supporting organizations must know this flow in order to understand how to apply the annual PIP budget.

### 5.1 PIP Management Annual Flow

Defining the PIP management annual flow help stakeholders involved in PIP management understand the annual process to apply the PIP budget. The PIP management annual flow is divided into 6 stages. MPI/DPI is responsible to manage all stages excluding the approval stage, where Decision Makers and organizations with authority will make its necessary decisions.

Figure 5: PIP Management Annual Flow



The month stated in each step is a guideline of when they should be accomplished. However, the actual schedule depends on the annual scheduling that is announced every year by MPI/DPI.

In addition to the abovementioned steps, PIP programming workshops are conducted to relate PIP projects and the development plan. Information from these workshops would be reflected in the comparative assessment workshops. Detailed information of the program workshop is indicated in the “*Manual for Public Investment Program Management*”.

The detailed objectives and tasks of each stage are explained in the following sections.

## 5.2 Overview of PIP Management Process

### 5.2.1 Project Collection for Domestic PIP Projects

**Project Collection** is a process where PIP project information is collected in order to gather materials for fair and accurate assessment. There are two aspects of information to be collected. One is for each individual PIP project, and the other is for comprehensive information such as list of projects and development plans.

#### (1) Information for Each Individual PIP Project

In order to apply for PIP budget for any kind of project, the PO must submit appropriate reports that accurately express the most recent status of the project. Depending on the status of the project, the following report must be completed and submitted to MPI/DPI. Additional information of the project such as past assessment results and F/S reports should be attached for reference.

**Chart 1: Reports to be submitted for PIP Budget Application**

Project Stage	Submission Stage	Report Name
Project Planning	Application for F/S	PIP Format I-2 Project Proposal for F/S and Design
	After F/S, application for Construction	PIP Format I-3 Project Proposal for Construction
Project Monitoring for Implementation	Annually, after project implementation, application for next year's implementation	PIP Format series II Progress Reports

After submission, MPI/DPI must check whether the contents of the report are appropriately completed. Especially when the project is in the planning stages, MPI/DPI must check whether obligatory documents such as feasibility study reports and environmental certificates, are properly attached.

## **(2) Comprehensive Information on PIP**

In prior of the project assessment procedure, MPI/DPI has responsibility to file and prepare the following material.

**Development Plans:** NSEDP and sector/provincial SEDP are guidelines of whether PIP projects are relevant to the national target. Therefore, collection of the recent SEDP is necessary.

**PIP Project List:** Compilation of the PIP list by provincial sector departments is necessary to understand the requirements from the POs. Detailed information such as past assessment results and PIP budget expenditures for each project are also necessary.

### **(1) b. Project Collection for ODA National Contribution Budget**

#### **5.2.2 Simplified Project Information Sheet (SPIS)**

For every ODA project, PO prepares and submits *Simplified Project information Sheet (SPIS)* to MPI/DPI. SPIS is used only for ODA projects, and replaces Project Proposals and Progress Reports. Absolute Assessment by MPI/DPI is not done.

The purpose of SPIS is: 1) to have a clear grasp of background and current status of disbursement of financial resources; 2) to organize financial information necessary to apply National Contribution Budget (NCB) to MPI/DPI and; 3) to collect necessary information for ODA project management system such as Annual Foreign Aid Report (FAR) and data base

system<sup>14</sup> by MPI-DIC.

SPIS must be completed by PO agency under responsibility of the National Project Director and submitted either to DPI in case the PO is a provincial sector department, or to Planning Department (PDP) of the PO ministry in case the PO is a line ministry in the central level respectively. After a series of analysis in DPI or PDP including CompAss to put integrated priority of the listed projects, SPIS is sent to DIC and then eventually sent to DOE and DOP of MPI.

SPIS has only one type of form with two types of Sheets that is used for all the project stage, newly proposed, on-going and completed with remaining disbursement.

<Concepts of SPIS>	
(1) Target of SPIS:	used for all ODA projects
(2) Purpose of SPIS:	<ol style="list-style-type: none"> <li>1) to have a clear grasp of background and current status of disbursement of financial resources,</li> <li>2) to organize financial information necessary to apply National Contribution Budget to MPI/DPI.</li> <li>3) to collect necessary information for ODA project management system such as Annual Foreign Aid Report (FAR) and data base system by MPI-DIC.</li> </ol>
(3) Who completes SPIS? :	PO agency by each project under responsibility of the National Project Director.
(4) Where is SPIS submitted? :	<ol style="list-style-type: none"> <li>1) to DPI in case the PO is a provincial sector department</li> <li>2) to Planning Department of the PO ministry in case the PO is a line ministry in central level</li> <li>3) eventually DOE and DOP through DIC of MPI</li> </ol>
(5) When is SPIS submitted? :	<ol style="list-style-type: none"> <li>1) Within January, to DPI in case the PO is a provincial sector department</li> <li>2) Within January to Planning Department of the PO ministry in case the PO is a line ministry in central level</li> <li>3) Within February, to DIC of MPI</li> </ol>
(6) Legal justification of SPIS:	a part of execution of Article 8, 11 and 12 in Decree 75/PM.
<i>(by PCAP2)</i>	

**Chart 2: SPIS forms used for each ODA project stage**

Project Stage	Submission	SPIS Form for ODA
New Project	(1) After F/S, Assessment for Construction Assessment for F/S	SPIS (one type)

<sup>14</sup> As of June 2010, the system is underway of development with technical assistance by UNDP

Project Monitoring for Implementation	(3) Annually, Assessment for Upcoming Year's Project Implementation	
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### **(1) Workflow of SPIS**

Workflow of SPIS is completed by various key actors of PIP management, namely: 1) MPI; 2) Provincial Governors; 3) DPI; 4) PO such as line departments or line ministries and; 5) supervising ministry of PO department. The workflow is conducted with official instruction by MPI to PO, which requests to submit SPIS to DPI. Then, PO has to complete the SPIS format with required information and submit to DPI after the supervising ministry checks and certifies the draft SPIS. If the SPIS is rejected by the supervising ministry due to lack or defected information, it is returned to the PO it is completed and certified.

Process to complete SPIS formats will be supported well by project consultants that are usually allocated to each project and keep necessary information with the project documents, although the Project Director and Project Managers are obliged to keep all of them. Chart 3-1 and 3-2 in the following pages show workflows of SPIS preparation process in case that the PO is a provincial sector department and another case that the PO is a line ministry in central level respectively.

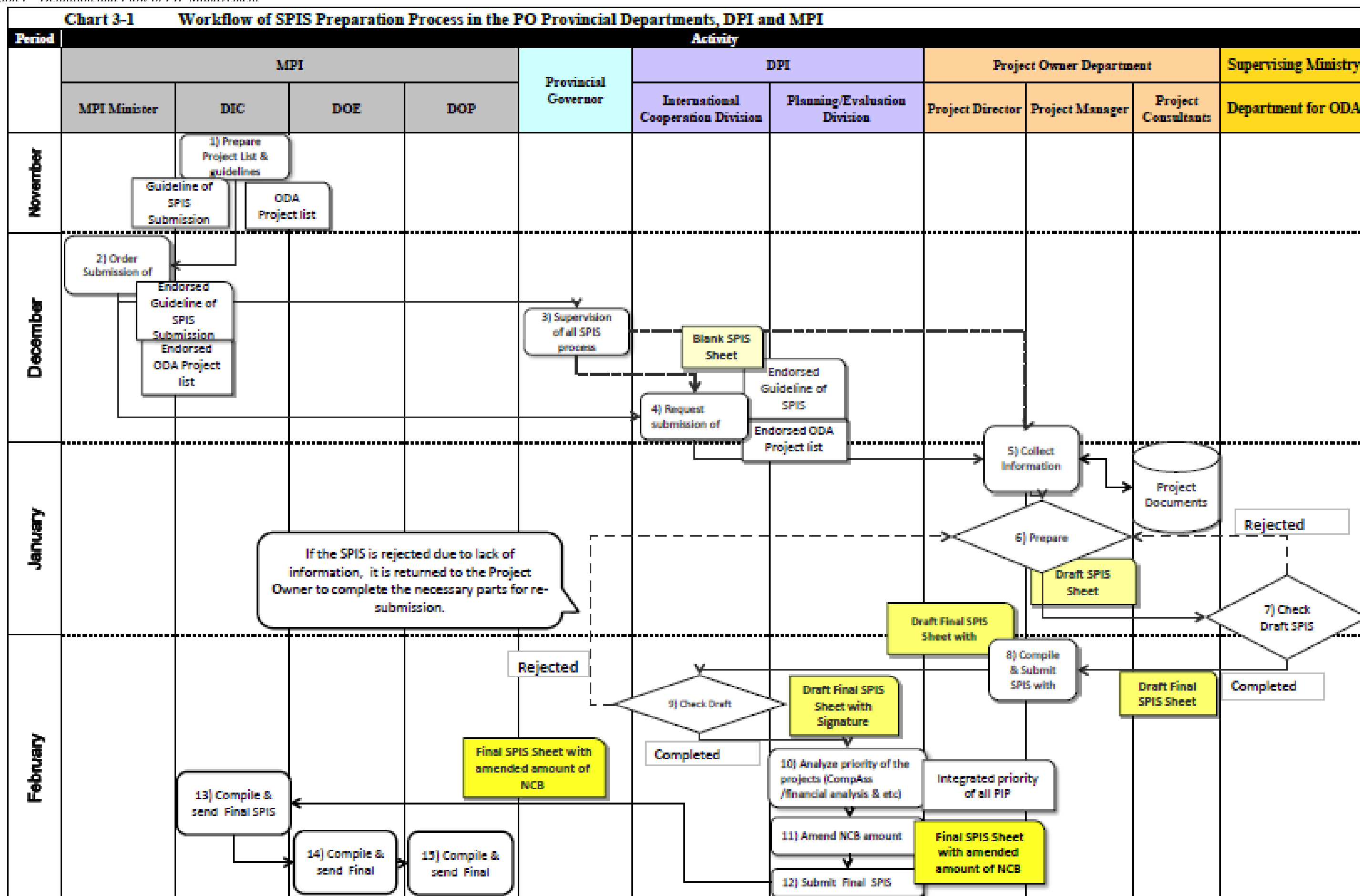
### **(2) Legal Justification of SPIS Workflow**

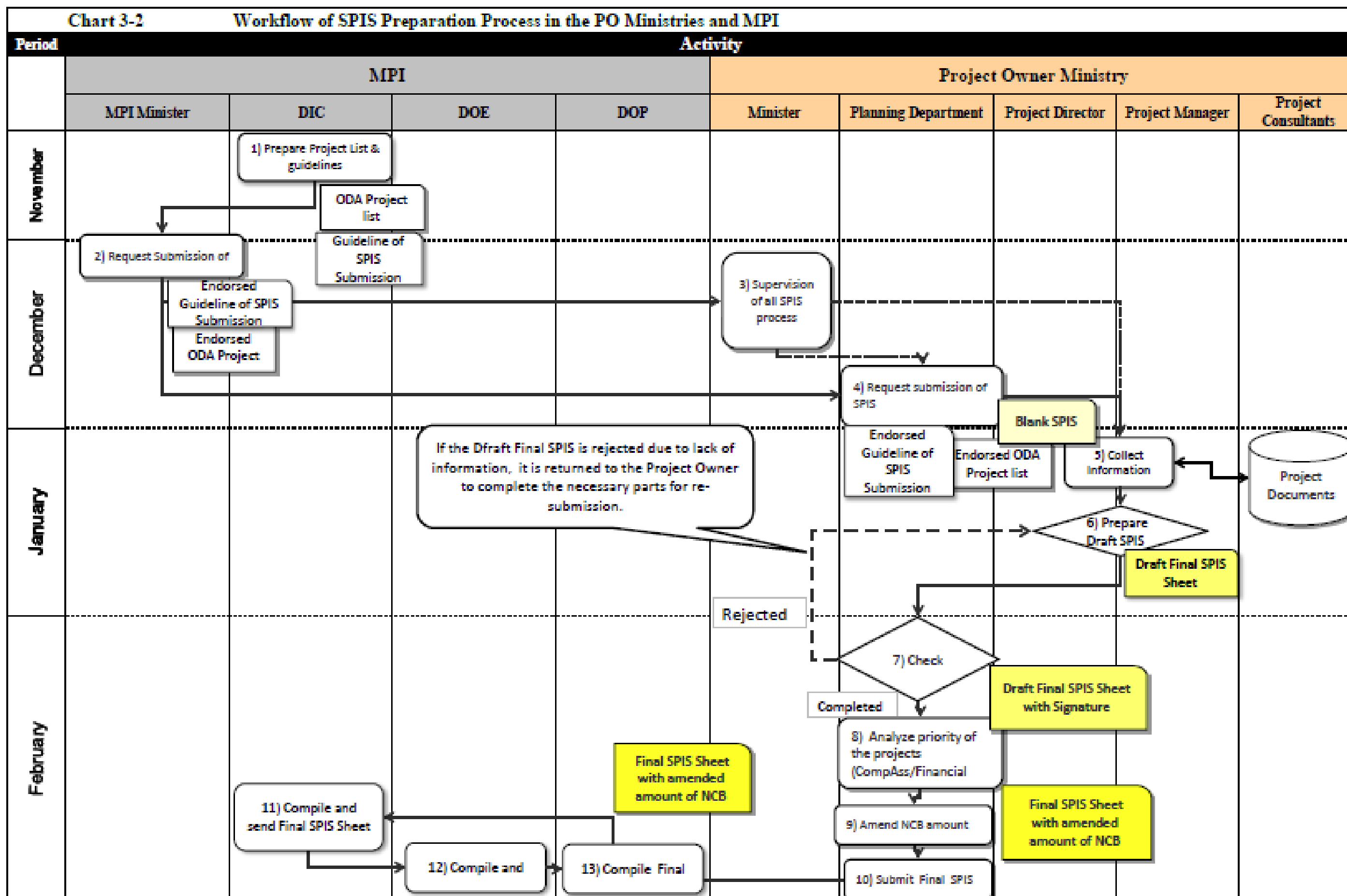
As referred to Sub-chapter 2.5 of this manual, it is considered that the workflow to complete and submit SPIS to MPI/DPI is a part of execution of Article 8, Article 11 and Article 12 in Decree 75/PM. In other words, the procedure to request, complete, submit and collect SPIS is official obligations of each actor, such as MPI, DPI, Pos and supervising ministry on the workflow.

### **(3) Roles of each actors on SPIS Workflow**

Chart 4-1 and 4-2 show activities and outputs by key actors on SPIS preparation process mentioned in Chart 3-1 and 3-2 respectively.







**Chart 4-1 Activities and Outputs by Key Actors on SPIS Preparation Process for the PO provincial sector departments, DPI and MPI**

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
MPI	Minister	December	<b>2) Order and Request Submission of SPIS</b> <ul style="list-style-type: none"> <li>➤ Receive Guideline for submission of SPIS and ODA Project List from DIC</li> <li>➤ Endorse the Guideline and List</li> <li>➤ Order to submit SPIS to all the Provincial DPI.</li> <li>➤ Request all the Provincial Governors to supervise all over SPIS procedure.</li> </ul>	<ul style="list-style-type: none"> <li>■ Order letter to submit SPIS.</li> <li>■ Request letter to supervise SPIS submission.</li> <li>■ Endorsed Guideline for Submission of SPIS</li> <li>■ Endorsed ODA Project List</li> </ul>	⇒ All the Provincial governors. ⇒ All the Provincial DPI Directors.
	Department of International Cooperation (DIC)	November	<b>1) Prepare Project List &amp; Guidelines</b> <ul style="list-style-type: none"> <li>➤ Prepare Guideline for submission of SPIS.</li> <li>➤ Prepare ODA Project List</li> <li>➤ Submit the Guideline and List to MPI Minister</li> </ul>	<ul style="list-style-type: none"> <li>■ ODA Project List with names of the POs</li> <li>■ Guideline of Submission of SPIS</li> </ul>	⇒ MPI Minister

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
		February	<b>13) Compile and send Final SPIS to DOE</b> <ul style="list-style-type: none"> <li>➤ Receive Final SPIS from Planning/Evaluation Division of Provincial DPI</li> <li>➤ Compile and use information from Final SPIS for ODA management.</li> <li>➤ After the compilation, send the final SPIS to DOE that compiles amount of NCB</li> </ul>	Final SPIS with amended amount of NCB	⇒ DOE of MPI
	Department of Evaluation (DOE)	February	<b>14) Compile and send Final SPIS to DOP</b> <ul style="list-style-type: none"> <li>➤ Receive Final SPIS from DIC of MPI</li> <li>➤ Compile and use information from Final SPIS for PIP budget management.</li> </ul>	Final SPIS with amended amount of NCB	DOP of MPI

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
	Department of Planning(DOP)	February	<b>15) Compile Final SPIS</b> <ul style="list-style-type: none"> <li>➤ Receive Final SPIS from DOE of MPI</li> <li>➤ Compile and use information from Final SPIS for PIP budget management.</li> </ul>		
Provincial Governor		December	<b>3) Supervise all over SPIS procedure</b> <ul style="list-style-type: none"> <li>➤ Receive request of submission of SPIS from MPI minister.</li> <li>➤ Supervise DPI and all the PO Departments on all over SPIS procedure.</li> </ul>		
DPI	Planning/Evaluation Division	February	<b>10) Analyze priority of the projects (CompAss /financial analysis &amp; etc)</b> <ul style="list-style-type: none"> <li>➤ Add priority by Financial Analysis, COMPASS and etc.</li> </ul>	<b>■</b> Integrated priority of all the PIP	<b>⇒</b> Within Planning/Evaluation Division of DPI

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
			<b>11) Amend amount of NCB</b> <ul style="list-style-type: none"> <li>➤ Amend amount of NCB in respective Draft Final SPIS after adding priority</li> </ul>	<ul style="list-style-type: none"> <li>■ Final SPIS with amended amount of NCB</li> </ul>	⇒ Within Planning/Evaluation Division of DPI
			<b>12) Submit Final SPIS</b> <ul style="list-style-type: none"> <li>➤ Submit Final SPIS with amended amount of NCB to DIC.</li> </ul>		⇒ DIC of MPI
	International Cooperation Division (ICD)	December	<b>4) Request submission of SPIS</b> <ul style="list-style-type: none"> <li>➤ Receive request Letter to submit SPIS from MPI minister</li> <li>➤ Request all the Project Directors /Managers in the PO departments to prepare and submit SPIS, attaching the endorsed Guideline and the Project List</li> <li>➤ Deliver blank SPIS to all the</li> </ul>	<ul style="list-style-type: none"> <li>■ Request letter to Submit SPIS</li> <li>■ Endorsed Guideline for submission of SPIS</li> <li>■ Endorsed ODA Project List</li> <li>■ Blank SPIS Sheet</li> </ul>	⇒ The Project Directors/Managers in all the PO departments.

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
			Project Directors/Managers.		
		<b>February</b>	<b>9) Check Draft Final SPIS</b> <ul style="list-style-type: none"> <li>➤ Receive Draft Final SPIS from Project Director/Manager in PO Department.</li> <li>➤ Check the Draft Final SPIS whether it is completed or not.</li> <li>➤ If it is completed, submit Draft Final SPIS to the next project selection process.</li> <li>➤ If it is not completed or it has any defects, send back to Project Director /Manager in PO Department, and request to complete.</li> </ul>	<ul style="list-style-type: none"> <li>■ Draft Final SPIS</li> </ul>	<p>⇒ If completed, Planning /Evaluation Division of Provincial DPI for the next project selection process such as CompAss, financial analysis and etc.</p> <p>⇒ If not completed, back to Project Director/Manager in PO Department.</p>

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
PO Departments	Project Director, Project Manager and person in charge with Project Consultants	January	<b>5) Collect information</b> <ul style="list-style-type: none"> <li>➤ Receive request of submission of SPIS from ICD of Provincial DPI</li> <li>➤ Receive Blank SPIS sheet from ICD of DPI</li> <li>➤ Collect information to complete SPIS with Project Manager, person in charge of the Project and Project consultant.</li> </ul>	<ul style="list-style-type: none"> <li>■ Draft SPIS Sheet filled with required information</li> </ul> <p>Reference documents for the collection:</p> <ul style="list-style-type: none"> <li>◆ AWPB</li> <li>◆ Project Documents</li> <li>◆ Quarterly Reports</li> <li>◆ The others</li> </ul>	⇒ Supervising Ministry
		January	<b>6) Prepare &amp; submit Draft SPIS</b> <ul style="list-style-type: none"> <li>➤ Prepare Draft SPIS filling up with collected information</li> <li>➤ Submit the draft to the supervising Ministry</li> </ul>		
		February	<b>8) Compile &amp; Submit SPIS</b> <ul style="list-style-type: none"> <li>➤ Receive and compile Draft Final SPIS from supervising</li> </ul>	<ul style="list-style-type: none"> <li>■ Draft Final SPIS with signatures of Project Director/Manager/Superv</li> </ul>	⇒ ICD of DPI



Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
			ministry ➤ Submit SPIS to ICD of DPI	isor .	
<b>Supervising Ministry above the PO Department</b>	<b>Department in charge of ODA project</b>	<b>January</b>	<b>7) Check Draft SPIS</b> ➤ Receive draft SPIS from PO line department ➤ Check SPIS whether it is completed ➤ If it is completed, submit SPIS back to Project Director/Manager of PO with approval signature. ➤ If it is not completed or it has any defects, submit SPIS without approval signature back to Project Director /Manager of PO and order to complete.	■ Draft Final SPIS with Signature of Director in charge of ODA projects.	⇒ Project Director of PO

**Chart 4-2 Activities and Outputs by Key Actors on SPIS Preparation Process for the PO line Ministries in central level and MPI**

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
MPI	Minister	December	<b>2) Request Submission of SPIS</b> <ul style="list-style-type: none"> <li>➤ Receive Guideline for submission of SPIS and ODA Project List from DIC</li> <li>➤ Endorse the Guideline and List</li> <li>➤ Request to submit SPIS to the ministers and Directors of Planning Departments of all the line ministries.</li> </ul>	<ul style="list-style-type: none"> <li>■ Request letter to submit SPIS</li> <li>■ Endorsed Guideline for submission of SPIS</li> <li>■ Endorsed ODA Project List</li> </ul>	<ul style="list-style-type: none"> <li>⇒ All the line ministers</li> <li>⇒ All the Directors of Planning Departments of line ministries</li> </ul>
	Department of International Cooperation (DIC)	November	<b>1) Prepare Project List &amp; Guidelines</b> <ul style="list-style-type: none"> <li>➤ Prepare Guideline for submission of SPIS</li> <li>➤ Prepare ODA Project List</li> <li>➤ Submit the Guideline and List to MPI Minister</li> </ul>	<ul style="list-style-type: none"> <li>■ ODA Project List with names of POs</li> <li>■ Guideline for submission of SPIS</li> </ul>	<ul style="list-style-type: none"> <li>⇒ MPI Minister</li> </ul>

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
		February	<b>11) Compile and send Final SPIS Sheet to DOE</b> <ul style="list-style-type: none"> <li>➤ Receive final SPIS from the Planning Departments of the PO ministries.</li> <li>➤ Compile and use information from final SPIS for ODA management .</li> <li>➤ After the compilation, send the final SPIS to DOE that compiles amount of NCB</li> </ul>	Final SPIS with amended amount of NCB	DOE of MPI
	Department of Evaluation (DOE)	February	<b>12) Compile and send Final SPIS Sheet to DOP</b> <ul style="list-style-type: none"> <li>➤ Receive final SPIS from DIC of MPI.</li> <li>➤ Compile and use information from final SPIS for PIP budget management</li> <li>➤ After evaluation, send the final SPIS to DOP</li> </ul>	Final SPIS with amended amount of NCB	DOP of MPI

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
	Department of Planning (DOP)	February	<b>13) Compile Final SPIS Sheet</b> ➤ Receive final SPIS from DOE of MPI. Compile and use information from final SPIS for PIP budget management		
PO Ministries	Minister	December	<b>4) Supervise all over SPIS procedure</b> ➤ Receive request of submission of SPIS from MPI minister. ➤ Supervise PO Departments		
	Planning Department	December	<b>5) Request submission of SPIS</b> ➤ Receive request Letter to submit SPIS from MPI minister ➤ Request all the Project Directors /Managers to prepare and submit SPIS, attaching the endorsed Guideline and the	■ Request letter to Submit SPIS ■ Endorsed Guideline for submission of SPIS ■ Endorsed ODA Project List ■ Blank SPIS Sheet	⇒ All the Project Directors/Managers in each ministry.

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
			Project List with blank SPIS.		
		February	<b>7) Check Draft Final SPIS</b> <ul style="list-style-type: none"> <li>➤ Receive Draft Final SPIS from Project Director/Manager in PO Department</li> <li>➤ Check the Draft Final SPIS whether it is completed or not.</li> <li>➤ If it is completed, submit Draft Final SPIS to the next project selection process.</li> <li>➤ If it is not completed or it has any defects, send back to Project Director /Manager, and order to complete.</li> </ul>	<b>■ Draft Final SPIS</b>	⇒ If completed, send to the next project selection process such as CompAss, financial analysis and etc.  ⇒ If not completed, send back to Project Director/Manager to complete.
			<b>8) Analyze priority of the projects (CompAss /financial analysis &amp; etc)</b> <ul style="list-style-type: none"> <li>➤ Add priority by Financial</li> </ul>	<b>■ Integrated priority of all the PIP</b>	⇒ Within Planning/Evaluation Department

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
			Analysis, COMPASS and etc.	<ul style="list-style-type: none"> <li>Final SPIS Sheet with amended amount of NCB</li> </ul>	
			<b>9) Amend amount of NCB</b> <ul style="list-style-type: none"> <li>➤ Amend amount of NCB in respective Draft Final SPIS after analyzing priority</li> </ul>		⇒ Within Planning/Evaluation Department
			<b>10) Submit final SPIS</b> <ul style="list-style-type: none"> <li>➤ Submit Final SPIS with amended amount of NCB to DIC of MPI.</li> </ul>		⇒ DIC of MPI
	<b>Project Director, Project Manager and person in charge with Project Consultants in PO Departments</b>	<b>January</b>	<b>5) Collect information</b> <ul style="list-style-type: none"> <li>➤ Receive request of submission of SPIS from DoP</li> <li>➤ Receive Blank SPIS sheet from the Planning Departments</li> <li>➤ Collect information to complete SPIS with Project Manager, person in charge of the Project and Project consultant</li> </ul>	<ul style="list-style-type: none"> <li>Draft SPIS Sheet filled with required information</li> </ul> <p>Reference documents for the collection:</p> <ul style="list-style-type: none"> <li>◆ AWPB</li> <li>◆ Project Documents</li> <li>◆ Quarterly Reports</li> </ul>	⇒ Planning Departments of each ministry.

Actors: Who should do it?		Activity in SPIS Workflow:		Outputs/Products:	
		Period to do	What is to do?	What is to be prepared?	Whom is it to be submitted?
		January	<b>6) Prepare &amp;submit Draft Final SPIS</b> ➤Prepare Draft Final SPIS filling up with collected information. ➤Submit the Draft Final SPIS to the Planning Department	◆ The others	

### 5.2.3 Absolute Assessment

After the PO submits the necessary documents and MPI/DPI prepares development plans and compiles the PIP project list, it is then ready for assessment. The first assessment is ***Absolute Assessment***. ***Absolute Assessment*** is conducted by studying one project as a absolute case, without comparing with other projects.

The objective of conducting Absolute Assessment is to share the most effective and efficient ways to complete the PIP project within the PO and MPI/DPI. While the PO explains the concept and progress of the PIP project through ***Project Proposals*** and ***Progress Reports***, MPI/DPI assessed these projects through ***Simplified Project Assessment Sheet (SPAS)*** formats. The two parties would then discuss the situation of the project including its issues, and find ways to further improve the effectiveness and efficiency of the PIP project as implementation continues.

The result of Absolute Assessment is expressed by rating levels from A to D, and F. Depending on the quality of the project based on the five evaluation criteria, better projects are rated A, and degraded to B,C,D respectively as the project requires improvement. F is rated for projects that have one or more critical points that must be fundamentally improved unless it cannot be implemented or continued.

Various types of SPAS formats are prepared to match the situations and needs of the PIP project. The types of SPAS formats method of Absolute Assessment (completing SPAS formats, rating methods) is explained in Section III.

#### (1) Assessment for F/S (using SPAS Format I-2 for F/S)

There are two objectives in the assessment stage. The first objective is to assess whether a PIP project potential is worthwhile to conduct specific studies. The second objective is to assess whether appropriate activities are planned for the studies, designing and necessary environmental/social assessment inspections.

After the PO identifies a potential PIP project, they first request approval for PIP budget to conduct F/S, designing and environmental/social assessment. The contents of the potential PIP project are turned out in the ***PIP Format I-2 “Project Proposal for Feasibility Study and/or Basic/Detailed Design”*** format. Based on the requirement, the assessment is carried out by MPI/DPI. Assessment is done by using the ***SPAS Format I-2 for Feasibility Study and/or Basic/Detailed Design*** format.

After initial assessment is done, MPI/DPI discusses the assessment results with the PO, seeking for further improvement of the project potential. If improvement is possible or countermeasures are clear, MPI/DPI would re-assess these points, outline the assessment results, and hand over to the ***Comparative Assessment*** stage.



**(2) Assessment for Construction (using SPAS Format I-3 for NEW Construction Projects)**

The objective is to assess whether a PIP project potential, after conducting F/S, specific designing and environmental/social assessments, is worthwhile to implement as a PIP project.

After F/S and designing are completed and necessary certificates are obtained, the PO would request for implementation of the project. The content of the potential PIP project is turned out in the **PIP Format I-3 Project Proposal for Construction** format. Based on the requirement, the assessment is carried out by MPI/DPI. Assessment is done by using **SPAS Format I-3 for NEW Construction Projects** format.

After initial assessment is conducted, MPI/DPI discusses the assessment results with the PO, seeking thorough clarification of the project potential. Assessment must be strict, so that the project potential is perfectly ready for implementation (construction). MPI/DPI must require as much improvement to the PO as possible at this stage, or it may become too late to make changes once the implementation begins. Once countermeasures are clarified by the PO, MPI/DPI would re-assess these points, outline the assessment results, and hand over to the **Comparative Assessment** stage.

**(3) Assessment for Ongoing Project Implementation (using SPAS Format II-3 for Ongoing Projects)**

The objective is to assess whether the project implementation is proceeding smoothly as planned or correct countermeasures are taken when needed. The second objective is to assess whether appropriate PIP budget is requested for the ongoing year of implementation. MPI/DPI must carefully recognize these two objectives and avoid confusion in the assessment results.

The PO monitors both the physical implementation and financial disbursement progress of the project, monitoring results, and request for PIP budget of the upcoming year through the **PIP Format II-3 Progress Report for Construction Projects** format. Based on the requirement, the assessment is carried out by MPI/DPI. Assessment is done by using the **SPAS Format II-3 for ONGOING Construction Projects** format.

After initial assessment is done, MPI/DPI discusses the assessment results with the PO, seeking for problems and their countermeasures during the implementation stages. If further improvement is possible, or countermeasures are clear, MPI/DPI would re-assess these points, and outline the assessment results, and hand over to the **Comparative Assessment** stage.

**5.2.4 Comparative Assessment**

After either Absolute Assessment, or SPIS (for ODA projects) is completed for individual PIP projects, **Comparative Assessment (Compass)** is conducted. This assessment step is done by comparing the importance of multiple PIP projects with common assessment criteria, through a **Compass Workshop**.

Limitation of resources such as budget, technical capacity, equipment and material required are constant issues in public investment approaches. Especially in Laos, the limitation does not allow every PIP project to be implemented, even when they are appropriately planned and implemented smoothly. Therefore, the objective of conducting Comparative Assessment is to find the best choice of PIP projects, or best allocation of the PIP budget within the projects, under its limitation. It is done by assessing whether the projects have priority within certain sectors and/or region of which the projects are placed.

The result of Comparative Assessment is expressed by rating levels from A to C. Depending on the comparative importance of the project based on development plans and regional needs, the most important projects are rated A, and degraded to B,C respectively as the project is less important. Technical approach of Comparative Assessment is explained in Chapter 5.

## **6. Summarize**

The *Summarize* process is where PIP project information is summarized and submitted to the Decision Maker(s) for approval. Similar to the Project Collection process, the summarizing process also has two aspects. The first aspect is to summarize the assessment results of each individual project and compile them into each respective project files. The second is to summarize the information into list of projects comprehensively.

### **6.1 Summarize Individual Projects**

After conducting both absolute and comparative assessments, the assessment results of each project is summarized by indicating both rating results, in the order of comparative and absolute rates respectively (i.e. AA, BA, and AC etc.). These combined rates enable to acknowledge the status of each PIP project at a glance. Additional comments for each project, such as unsolved issues, recommendations are also compiled for reference.

Surrounding documents of PIP projects are filed so that they can be observed efficiently when reference is needed.

### **6.2 Summarize List of Projects**

Data for the abovementioned assessment results are then processed into the PIP list, along with other information collected during the assessment. By then, the PIP list should be ready for further approval procedures.

## **7. Approval**

As stated in Chapter 2.8, practical approval of each PIP project is done by the Decision Maker, with the support of information related to the PIP project. MPI/DPI has a role to summarize and provide suggestions to the Decision Maker so that they would be able to make fair and

appropriate decisions.

### **7.1 Suggestion to the Decision Maker(s)**

After summarizing reports and assessment results, MPI/DPI has all the necessary information to suggest the Decision Makers on the details of the project. Therefore, thorough briefing sessions to the Decision Makers are recommendable. In addition to the assessment results, recommendation for PIP budget allocation can also be made, although this requires basic guidance from the Decision Maker itself.

### **7.2 Approval Procedure**

The Decision Maker considers the suggestions made by MPI/DPI along with other issues, and provides approval and budget allocation to necessary PIP projects. After the PIP budget is approved at the National Assembly, the PIP project list is announced by MPI/DPI.

## **8. Feedback**

Announcement of the PIP budget is made after the National Assembly. After the PIP budget has been disclosed, MPI/DPI must provide feedback to the PO. The contents of feedback should not only be the approved budget, but also assessment results and recommendations for improvement.

In the course of feedback both MPI/DPI and PO reconfirms the project's status as of the feedback point, and the schedule that is planned for the coming year. This is necessary because there is a time lag between the application of the PIP budget and its announcement, and the project may have proceeded, or conditions changed.

Feedback should also be done to PIP projects that are not allocated with PIP budget. Assessment results are especially important in such case, so that the PO could consider improvements or changes to the project application in the following years.

For projects where PIP budget were not allocated the full amount as originally required, immediate feedback and discussion is essential. MPI/DPI and the PO must discuss the modification of implementation plan for the year, and if necessary for the coming years. The PO must first consider whether the planned implementation could be possible with the reduced budget. If it is not possible to complete the implementation scheduled for the year, it is necessary find the most efficient way of implementation.