

Ministry of Planning and Investment  
Lao People's Democratic Republic

Japan International  
Cooperation Agency  
(JICA)

JICA Technical Cooperation

Project for  
Enhancing Capacity in  
Public Investment Program (PIP) Management

Inception Report

May 2008

IC Net Limited

JICA Technical Cooperation  
Project for Enhancing Capacity in PIP Management  
Inception Report

Abbreviations

CB Model	Capacity Building Model
CPI	Committee for Planning and Investment
DoF	(Provincial) Department of Finance
DPI	(Provincial) Department for Planning and Investment
DPSO	District Planning and Statistics Office
GOJ	Government of Japan
GOL	Government of Lao PDR
JCC	Joint Coordinating Committee
JICA	Japan International Cooperation Agency
MDG	Millennium Development Goal
MoF	Ministry of Finance
MPI	Ministry of Planning and Investment
MPI-DIC	Department of International Cooperation
MPI-DoE	Department of Evaluation, MPI
MPI-DoP	Department of Planning, MPI
NSEDP	National Socio-Economic Development Plan
ODA	Official Development Assistance
OJT	On-the-Job Training
PCAP	Project for Capacity Building in PIP Management
PCAP2	Project for Enhancing Capacity in PIP Management
PILAC	Project for Improvement in Local Administration Capacity
PIP	Public Investment Program
PO	Project Owner
R/D	Record of Discussions
SOP	Standard Operating Procedures
SPAS	Simplified Project Assessment Sheet
SPES	Simplified Project Evaluation Sheet
TOR	Terms of Reference
TOT	Training-Of-Trainer
UNDP	United Nations Development Programme

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## **1. Background**

### **1.1. Background of the Project Request**

The Government of the Lao PDR (GOL) aims to break the country away from the Least Developed Country status by the year 2020. For this purpose, it is implementing the Sixth National Socio-Economic Development Plan (NSEDP) for 2006-2010.

The Public Investment Program (PIP) is the GOL's term for its overall public investment scheme. It is defined as "investment schemes by the GOL and donor partners, categorized by projects and programs in certain sectors and areas," and is considered an important tool to execute the NSEDP. The PIP consists of public investment projects from both domestic and donor resources, which include Official Development Assistance (ODA) grants, loans and technical assistance.

Many of the PIP projects were neither effective nor contributed to the development of the country. Lack of a standard PIP management procedure caused many domestically-funded PIP projects to be poorly executed.

In order to achieve its development goal, the GOL has placed development and introduction of PIP management methods, i.e., the comprehensive process of planning, assessment, implementation and evaluation, as one of the most important criteria for improvement. Upon request by the GOL to the Government of Japan (GOJ), Japan International Cooperation Agency (JICA) conducted a technical cooperation scheme called the Project for Capacity Building in PIP Management (PCAP) from November 2004 to October 2007, with the objective of developing PIP management methods and building capacity of the staff involved.

PCAP conducted its technical cooperation with the Committee for Planning and Investment (CPI) as a counterpart organization<sup>1</sup>. The Project Purpose of PCAP was to ensure that "PIP projects are appropriately appraised, monitored and evaluated". PCAP developed various methods for PIP management and reflected them on manuals and handbooks. It also conducted intensive training sessions in three monitor provinces of Oudomxay, Khammuan and Saravan, and developed Capacity Building (CB) Models for CPI and Provincial Department of Planning and Investment (DPI). As a result of intensive training sessions that include On-the-Job Training (OJT) in the three monitor provinces, the PIP has become better managed and gradually established its standard work procedures.

PCAP ended in October 2007 as scheduled. However, the GOL requested continuous support in order to

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<sup>1</sup> The CPI was restructured as the Ministry of Planning and Investment (MPI) in January 2008.

further improve methods and procedures for PIP management, and spread them throughout the national and local governments. The GOJ in response agreed to continue cooperation based on the PCAP results, and sent an ex-ante evaluation delegation from September to October 2007. After discussions, the two parties agreed upon contents and methods of cooperation, and inputs for a new project. A Record of Discussions (R/D) was signed between Mr. Hiroaki Takashima, Resident Representative of the JICA Laos Office, and Dr. Bounthavy Sisouphanthong, Vice Minister of the Ministry of Planning and Investment (MPI), on February 16<sup>th</sup>, 2008.

## 1.2. Outcomes of PCAP

PCAP has contributed greatly to establishing a new PIP management standard in Laos, as well as developing a comprehensive capacity development scheme for government staff whose duties concern the PIP. The Project distributed two manuals, i.e., *Manual for PIP Project Management* and *Manual for PIP Program Management*; and two handbooks, i.e., *PIP Project Management Handbook for DPI*, and *PIP Project Management Handbook for Project Owner*.

In addition to the development of manuals and handbooks, PCAP conducted a series of training sessions in order to diffuse the PIP management concept and its key methods. 20 staff members in the MPI were trained as trainers capable of conducting training developed through PCAP activities. In the three monitor provinces, formal training was conducted with the objective of providing basic knowledge and approaches in PIP management, and technical training was provided to cover technical approaches and methods in areas such as environmental analysis, social analysis and economic/financial analysis. 150 staff members have completed formal training and over 50 staff members have completed technical training.

As an outcome of PCAP activities, the following three methods and approaches were established as a standard for PIP management and capacity development for staff members.

### (1) Establishment of the Revised PIP Budget Procedure and Schedule

Due to the decision by the 8<sup>th</sup> Party Congress in March 2006, the approval schedule annual NSEDP and PIP budget of the next year had changed. They were to be approved at the Annual Ordinary Session of the National Assembly that commences every June. Therefore, the schedule of preparing the PIP budget, including assessment of individual PIP projects, needed revision.

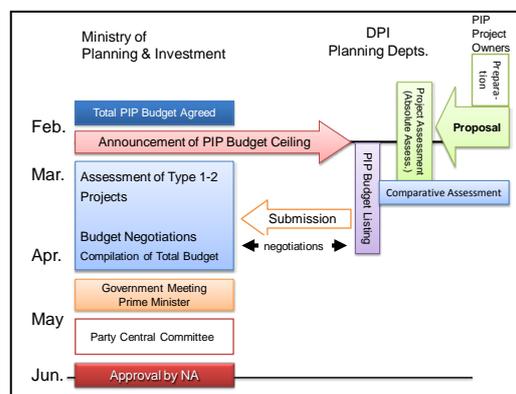


Figure 1: Standard PIP Budget Formulation Schedule

(2) Development of the New Project Assessment

Method and Its Tools

PCAP recognized that assessment of PIP projects is one of the most important procedures within annual PIP management. A proper project assessment procedure makes it possible to confirm the progress of each project, and decide the allocation of the PIP budget. PCAP developed Simplified Project Assessment Sheet (SPAS) formats so that project assessment can be done effectively and efficiently on nearly all of approximately 3,000 PIP projects annually. 12 types of SPAS and Simplified Project Evaluation Sheet (SPES) formats were prepared, depending on the condition of the project.

(3) Application of the Capacity Building Model

The precondition for good PIP management is sufficient staff and organizational capacity of the MPI, the DPI, and the planning offices. PCAP developed the CB Model as a systemized structure to manage and encourage capacity building in such organizations, and started applying the model. The CB Model has the following four levels depending on the capability and experience of the staff.

Capacity Development Target or Area		
Levels	Target	Conditions
Level 1	Consensus	Understands the current issues in the subject and has attitude towards self-development of knowledge and taking part in its improvement.
Level 2	Knowledge	Obtains certain level of knowledge on particular skills through training and post-tests. Can conduct standard procedures if conditions are met, and understands necessary information and conditions required to conduct the full procedure.
Level 3	Skill	Obtains certain level of experience on particular skills through On-the-Job Training. Can conduct procedures with actual conditions, collecting information from appropriate sources to complete the tasks.
Level 4	Action	Obtains comprehensive experience on tasks related to the skills required. Capable of providing comprehensive comments and recommendations to related organizations, including conditions to conduct the procedure.

**2. Further Necessities in PIP Management and Its Approaches Towards Solution**

Considering the current background of PIP management including the outcomes of PCAP, many issues must be addressed before a comprehensive PIP management system is in operation in Laos. It is necessary to monitor the past progress, and develop necessary procedures and methods. The following are the most important necessities for PIP management, and possible approaches towards solutions.

**2.1. Nationwide and Sector-wide Training Program**

PCAP concentrated on developing basic standards for PIP management, and conducted training in its

three monitor provinces. This means 14 provinces and central government organizations still need to be covered. The MPI has the primary role to provide training nationwide, but still needs support to develop a training system that enables continuous training with limited resources.

## **2.2. Improvement in PIP Budget Allocation Methods**

Basic standards and methods of PIP management have gradually been developed, but methods of PIP budget allocation have not yet been covered. The MPI has the responsibility to allocate the domestic PIP budget to all provinces and central government organizations. But since the method of budget allocation is not clear, delay in announcement is common. Furthermore, the MPI has difficulties in providing sufficient explanation to provinces and central government organizations during budget negotiations. Therefore, a standardized method of PIP budget allocation to areas and sectors need to be developed.

## **2.3. Improvement in PIP Budget Disbursement and Financial Management**

Every year, approximately 10-15% of the domestic PIP budget is allocated for debt repayment. In most cases, debts come from lack of project finance management, project overspending, gaps between budget and disbursement, and expenditure without approval. Therefore, a PIP budget disbursement and financial management system to be applied by each individual PIP project needs to be developed.

## **2.4. Issuance of PIP Management Law**

The Prime Minister Decree 58, issued in June 2002, is the current effective legal framework for PIP management. The National Assembly has instructed the MPI to renew and upgrade this Decree to a PIP Management Law. The MPI is currently drafting the new law and seeking advice in its issuance.

## **2.5. Management of ODA Project Counterpart Funds**

Most ODA projects funded by bilateral and international agencies are counted as PIP projects. However, many of them are managed independently, with less involvement or information sharing on the Lao side. Therefore, if counterpart funds are needed from the already limited domestic PIP budget, it is difficult to select projects to allocate funds. To overcome such situation, it is necessary to develop an ODA project information sharing system for understanding the counterpart fund needs and priorities.

## 2.6. Sector Planning through Action Plan

The Action Plan, announced by the Prime Minister’s Office in June 2006, is a comprehensive sector-wide guideline that is divided into 11 programs and 111 sub-programs. It has a role to link individual PIP projects to the NSEDP. However, these 11 programs and 111 sub-programs now function only as “titles” of classifying PIP projects, and do not have specific indicators or benchmarks within. It is necessary to have a standard structure within each program and sub-program, so that logical connections in PIP projects and the NSEDP would be clearer.

## 2.7. District-Level PIP Management

Most of the nearly 3,000 PIP projects nationwide have a total budget of less than 5 billion Kip, and are in the range of district-level PIP projects. Since the current PIP management tools were originally designed to manage large- to mid-size projects, smaller projects at the district-levels have difficulties in obtaining the same level of information or analysis results as required in the current tools. Therefore, it is necessary to develop PIP management tools for district-level PIP projects so that they are managed properly.

## 3. Outline and Project Design of the New Project

In order to fulfill the necessities above for further improvement in PIP management, the GOL and the GOJ agreed in a new technical cooperation project “*Project for Enhancing Capacity in PIP Management (PCAP2)*”, by effectively utilizing the outcomes and progress achieved in PCAP.

PCAP2 aims to further improve PIP management methods and tools, and assure that they would become the standard system nationwide and sector-wide. It also aims to develop the MPI as the sustainable and competent organization for PIP management.

The following are the components of the project design for PCAP2, as agreed by the MPI and the JICA Laos Office.

### 3.1 Overall Goal

Narrative Summary
Sector ministries and provincial sector departments effectively and efficiently implement PIP projects on schedule and in accordance with planned budget execution under an upgraded sector program.
Indicators
1. Decreased number and ratio of domestically funded PIP projects and ODA projects that are discontinued or suspended due to budget reasons.

2. Decreased number and ratio of domestically funded PIP projects and ODA projects that are poorly maintained, or not maintained after completion.
3. Decreased number and ratio of domestically funded PIP projects and ODA projects that are underutilized.
4. Decreased number and ratio of domestically funded PIP projects and ODA projects that experience unexpected changes in contracted companies.
5. Target indicators in each sector program will improve.

### 3.2 Project Purpose

<b>Narrative Summary</b>
MPI and DPI process PIP projects through a new assessment procedure introduced by the Project within strict budget ceiling, and conduct monitoring and evaluation.
<b>Indicators</b>
<ol style="list-style-type: none"> <li>1. The percentage of domestically funded PIP projects and the counterpart fund portion of ODA projects, which are assessed, monitored, and evaluated within the annual budget ceiling with specific budget execution schedule, increases to 100% by the end of PCAP2.</li> <li>2. Reports of every domestically funded PIP project at each stage (planning / appraisal, monitoring, evaluation) are improved.</li> <li>3. MPI and DPI set and implement budget ceiling at both central and provincial levels with MOF and DOF.</li> <li>4. The amount and ratio of debts in annual PIP budgets decrease.</li> <li>5. MPI and sector ministries develop sector programs with specific annual and regional targets and the distribution of domestically funded PIP projects and ODA projects.</li> </ol>

### 3.3 Outputs

#### (1) Output 1

<b>Narrative Summary</b>
DPI officials of all the provinces and planning department officials of all the ministries and other relevant organizations attain basic and overall PIP management knowledge and skills.
<b>Indicators</b>
<ol style="list-style-type: none"> <li>1. More than five DPI staff members in each province are capable of managing PIP projects in accordance with existing manuals and handbooks.</li> <li>2. More than five planning department officials in each ministry or other relevant government organizations are capable of managing PIP in accordance with existing manuals and handbooks.</li> </ol>

#### (2) Output 2

<b>Narrative Summary</b>
Fiscal discipline is introduced and institutionalized in PIP management.
<b>Indicators</b>
<ol style="list-style-type: none"> <li>1. "Manual for PIP Project Management" and handbooks are upgraded or developed to cover PIP budget planning and management. The manual and handbooks are approved and distributed to all relevant government personnel.</li> <li>2. More than 20 MPI officials and more than five planning department officials in each province, ministry and other relevant government organizations are capable of both managing PIP in accordance with manuals and handbooks that are developed or upgraded and training relevant provincial and district officials.</li> <li>3. MPI and DPI develop and establish the process of estimating budget estimate, limiting the amount of domestically funded PIP projects and ODA projects within annual budget ceiling, and planning budget</li> </ol>

execution schedule according to the estimate and ceiling.

### (3) Output 3

#### Narrative Summary

A legal framework of effective and efficient PIP management is developed and strengthened.

#### Indicators

1. A PIP management law and relevant specific decrees have been drafted, submitted and approved by the National Assembly.
2. A PIP management law and relevant decrees specify responsible organizations and legal procedures of reviewing, changing, suspending, and discontinuing PIP projects including ODA projects, and penalizing relevant organizations and contractors.
3. The PIP management law and relevant decrees authorize manuals and handbooks that are developed and upgraded in the Project as standard PIP management tools and disseminated nationwide.

### (4) Output 4

#### Narrative Summary

MPI officials, DPI officials of all the provinces, and planning department officials of all the ministries upgrade PIP management knowledge and skills of ODA counterpart fund management, district-level PIP management and sector program management.

#### Indicators

1. “Manual for PIP Project Management” and handbooks are upgraded or developed to cover ODA counterpart fund management and district-level PIP management. The manual and handbooks are approved and distributed to all relevant government personnel.
2. “Manual for PIP Program Management” is upgraded, approved and distributed to all government personnel related to PIP management.
3. More than 20 MPI officials and more than five planning department officials in each province, ministry and other relevant government organizations are capable of both managing PIP in accordance with manuals and handbooks that are newly developed or upgraded and training relevant provincial and district officials..

## 4. Organization of the Project

### 4.1. Joint Coordinating Committee

The Project is governed by the Joint Coordinating Committee (JCC). The JCC meets twice a year, chaired by Dr. Bountavy SISOUPHANTHONG, Vice Minister of the MPI. Under the Chairperson, the following are the official JCC members.

#### Lao Side Members

- **Mr. Vixay XAOVANNA, Director, Department of Evaluation, MPI**
- **Dr. Khamlien PHOLSENA, Director, Department of Planning, MPI**
- **Mr. Somchith INTHAMITH , Director, Department of International Cooperation, MPI**
- **(Representative from Ministry of Finance, others recommended by Chairperson)**

### Japanese Side Members

- **Mr. Hiroaki TAKASHIMA, Resident Representative, JICA Laos Office**
- **Japanese Project Experts**
- **Official(s) of the Embassy of Japan (observers of JCC Meetings)**
- **(others recommended by JICA Office)**

At the JCC meeting, the Project provides progress reports and ongoing approaches to the JCC members, along with proposals or requirements that they seek approval for, such as change in a direction or approach of project contents. The JCC members consider the reports, proposals or requirements given, and decide and approve them.

#### **4.2. Laos Side (MPI)**

Under the MPI, three departments function as counterpart organizations: the Department of Evaluation (MPI-DoE), the Department of Planning (MPI-DoP), and the Department of International Cooperation (MPI-DIC). Among the three departments, the MPI-DoE will be the primary counterpart organization, while the MPI-DoP and MPI-DIC will be collaborative counterpart organizations. Depending on the issue or topic that the Project tackles, it will work with the appropriate organization. At any rate, the three organizations will work together in order to achieve the project goal. The following are the Lao side members of PCAP2 as of April 2008.

- Project Director: Dr. Bountavy SISOUPHANTHONG,  
Vice Minister, MPI
- Project Manager: Mr. Vixay XAOVANNA, Director, MPI-DoE
- Deputy Project Managers:  
Mr. Ounheane CHITTAPHONG, Deputy Director, MPI-DoP  
Mr. Houmphanh SOUKPASEUTH, Deputy Director, MPI-DIC
- Counterpart Members : Staff of DoE, DoP, DIC; MPI

The MPI-DoE has provided two full-time coordination staff members. They will be involved in the project activities, and act as internal coordinators for preparation of workshops or meetings with the Japanese Experts and the counterpart organizations. Specific Terms of Reference (TOR) of the staff will be discussed between the Project Manager and the Chief Advisor, and they will obtain approval from the JCC.

#### **4.3. Japan Side (Japanese Experts)**

PCAP2 is a JICA technical cooperation project entrusted to IC Net Limited, a consulting company based in Japan. Throughout the Project, IC Net Limited will send consultants in six areas of expertise. The following are the Japanese experts who are assigned as of April 2008 and their respective areas of expertise.

- Mr. Ichiro OKUMURA: Chief Advisor, PIP Law, District PIP
- Mr. Hiromi OSADA: Program Management, ODA C/P Funds
- Mr. Atsushi TOKURA: PIP Budget Allocation Management
- Mr. Hirofumi AZETA: PIP Disbursement Management
- Ms. Tomoe TAIRA: Meta-Evaluation, Training Development
- Ms. Kazumi NAKAMURA: Coordinator

The period of assignment is to be the most effective period in the operation plan of the project, and depends on the annual agreement between JICA and IC Net Limited. The overall personnel attachment plan for the project as of April 2008 is in Chapter 7.1.

#### **4.4. Other Staff for the Project**

Apart from the staff in the counterpart organizations, the Project needs additional staff for support to its operation. JICA is to bear the cost of such additional staff. Both the Lao and Japanese sides will be involved in the selection and approval process of the staff.

In order to support the Japanese experts, some local consultants are hired as short-term staff, according to the needs of the Project and the timing. A project driver is also hired to utilize the project car. One administration staff member is hired for the purpose of arranging project logistics and basic administration.

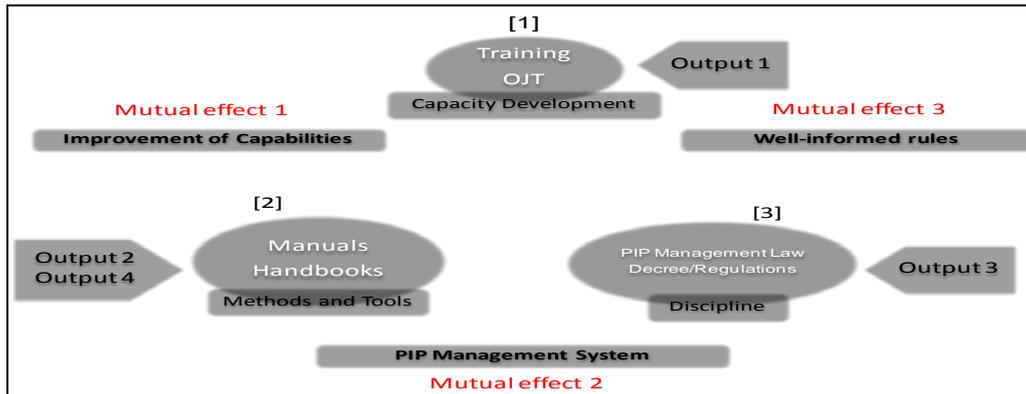
### **5. Management Policy of the Project**

PCAP2 will be managed with the following basic policy.

PCAP2 will further upgrade and establish PIP management standards by complementing the following three approaches;

- [1] Further develop capacity in the field of PIP management to organizations and its staff through training and OJT.*
- [2] Standardize PIP management methods and tools through dissemination of manuals and handbooks*
- [3] Establish discipline on PIP management through issuance of appropriate laws, degrees and regulations.*

The following figure shows how the basic management policy is meant to function.



**Figure 2 : Basic Management Policy of PCAP2**

*[1] Further capacity development in the field of PIP management to organizations and its staff through training and OJT.*

This policy concerns Output 1 of the project design. PCAP2 will disseminate PIP management through improved training/OJT contents and the usage of the CB Model, taking the following points into consideration.

- Coverage of training and OJT nationwide and to central government organizations.
- Develop new training/OJT sessions for upgraded methods such as PIP budgeting, PIP finance management, ODA counterpart fund management, district-level PIP management and sector program management.
- Establish a permanent group in the MPI that has a task to teach PIP management methods to MPI staff members through training/OJT.
- Establish a training-of-trainer system in the MPI so that trainers are developed and upgraded continuously.
- Establish a training-of-trainer system in the provincial DPI so that trainers are developed and upgraded continuously in provinces, under the supervision of the MPI.

*[2] Standardize PIP management methods and tools through dissemination of manuals and handbooks.*

This policy has to do with Outputs 2 and 4 of the project design. PCAP2 will introduce new and upgraded methods and tools, and incorporate them in manuals and handbooks. Manuals and handbooks that were developed in PCAP will be revised, and some new handbooks will also be made. The following is the list of manuals and handbooks that are revised from the PCAP version;

**Chart 1 : Manuals Developed During PCAP and their Renewal Contents**

Name	Outline
<p>Manual for PIP Project Management (Project Manual)</p>	<p>A manual covering management methods for individual PIP projects. Contents include project management flow, methods and tools for project assessment, monitoring and evaluation, social / environmental analysis, financial / economic analysis. A DVD that explains the manual contents and provides blank formats of tools is also attached.</p> <hr/> <p>&lt; Renewed Contents &gt;</p> <p>In addition to modification to the current contents, the renewed version would incorporate the following contents:</p> <ul style="list-style-type: none"> <li>➤ PIP project budget disbursement and financial management</li> <li>➤ ODA counterpart fund management</li> <li>➤ District-level PIP management</li> </ul>
<p>Manual for PIP Program Management (Program Manual)</p>	<p>A manual covering management methods for PIP management from the viewpoint of a sector program. Contents include the methods of developing sector programs through logical, chronological and geographic approaches. Intended for MPI-DoP, DPI and ministry planning departments.</p> <hr/> <p>&lt; Renewal Contents &gt;</p> <ul style="list-style-type: none"> <li>➤ Development of a sector program through the Action Plan.</li> <li>➤ PIP budget allocation.</li> </ul>
<p>PIP Project Management Handbook for DPI</p>	<p>A handbook designed for DPI staff on their specific duties for PIP management based on the annual PIP budget procedure. Contents include demarcation of work in MPI, DPI and Project Owners (PO), and methods and tools for assessment and quarterly monitoring.</p> <hr/> <p>&lt; Renewal Contents &gt;</p> <ul style="list-style-type: none"> <li>➤ Provincial-level sector program management</li> <li>➤ PIP project budget disbursement and financial management</li> <li>➤ ODA counterpart fund management</li> <li>➤ District-level PIP management</li> </ul>
<p>PIP Project Management Handbook for Project Owners<sup>2</sup></p>	<p>A handbook designed for project owners with regard to their specific duties for PIP management on the annual PIP budget procedure, and the project cycle viewpoints. Contents include issuance of the project proposal and progress report, monitoring, and handing over the project to the operating organization upon completion.</p> <hr/> <p>&lt; Renewed Contents &gt;</p> <ul style="list-style-type: none"> <li>➤ PIP project budget disbursement and financial management</li> <li>➤ ODA counterpart fund management</li> <li>➤ District-level PIP management</li> </ul>

The following are the list of handbooks that are newly developed;

<sup>2</sup> Project Owner (PO): Government officer in charge of overseeing a certain PIP project. Normally, a technical department staff member in ministries and provinces responsible of the PIP project is appointed. The PO is responsible for requesting a PIP budget for the project, monitoring to ensure its smooth completion, and handing responsibilities over to persons in charge of operation after the project is completed.

**Chart 2: Manuals to Be Newly Developed**

Name	Outline
PIP Project and Program Management Handbook for MPI-DoP	A handbook designed for MPI-DoP staff on their specific duties for PIP project and program management on the procedural viewpoints of the five-year plan and annual basis. Contents include program management, PIP budget allocation, and general PIP project management.
PIP Project Management Handbook for MPI-DoE	A handbook designed for MPI-DoE staff on their specific duties for PIP project management on the procedural viewpoints of the annual PIP budget and the project cycle. Contents include PIP management instruction methods, PIP budget list analysis, assessment for large and mid-size PIP projects, budget disbursement management and ODA counterpart fund management.
PIP Project Management Handbook for MPI-DIC	A handbook designed for MPI-DIC staff on their specific duties for ODA project counterpart fund management based on the annual PIP budget procedure and the project cycle viewpoints. Contents include monitoring and information sharing of ODA projects, counterpart fund allocation methods.
PIP Project and Program Management Handbook for Central Government Planning Department	A handbook designed for central government planning department staff on their specific duties for PIP project and program management on the procedural viewpoints of the five-year plan, annual basis and the project cycle. Contents include PIP project assessment, ODA counterpart fund management, PIP budget disbursement management, program management, and PIP budget allocation.
PIP Project Management Handbook for District Planning and Statistics Office	A handbook designed for district-level planning staff on their specific duties for PIP project management on the procedural viewpoint of the annual basis and the project cycle. Contents include planning and drafting a PIP project proposal, and drafting progress reports through project monitoring.

The first drafted edition of these manuals and handbooks will be issued in August 2009, and introduced through training sessions and workshops from October to December 2009. After validation and modification of its contents, the final and official edition will be issued in August 2011.

*[3] Establish discipline through issuance of the PIP Management Law and its application decrees and regulations.*

This policy has to do with Output 3 of the project design. PCAP2 will support the MPI in drafting the PIP Management Law, with the target of receiving approval from the National Assembly in its November 2008 session. PCAP2 will also continue its support to the MPI in studying the need for new decrees and regulations for the application of the Law. The following points are to be ensured in PCAP2's support.

- The PIP management flow and responsible organizations within each of its process are clarified in

the Law.

- Manuals and handbooks developed by PCAP2 are consistent with the Law. Furthermore, these manuals and handbooks are mentioned as standard guidelines of PIP management in the Law or its application decrees/regulations.
- Special emphasis should be made on PIP budget management.

The three approaches above would produce the following mutual effects so that an appropriate PIP management standard would be established.

*[Mutual Effect 1] **Training/OJT** and **manuals/handbooks** would have a mutual effect in ensuring that methods and tools for PIP management would be utilized in day-to-day work, improving capabilities of staff members concerned.*

*[Mutual Effect 2] **Manuals/handbooks** and **PIP Management Law** would have a mutual effect in having a concrete standard for PIP management as a system that includes rules and restrictions as well as specific procedures.*

*[Mutual Effect 3] **PIP Management Law** and **training/OJT** would have a mutual effect in informing the rules and regulations of PIP management to relevant staff in order to maintain discipline.*

## **6. Activities of PCAP2**

Activities of PCAP2 will be conducted in accordance with the lessons learned from PCAP. The following points will be considered when conducting project activities.

- Close cooperation with organizations concerned.
- Development and introduction of PIP management methods and training schemes that suit the capacity and authority levels of respective organizations concerned.
- Consideration of the PIP annual budget schedule, ensuring that the PCAP2 activities are linked with the annual procedure.

### **6.1. Total Process Flow**

PCAP2 activities would be conducted for approximately 3 years and 5 months, from March 2008 to August 2011. The fiscal year of this project starts in October and ends in August, with September as the interval period.

The following figure outlines the total flow of process for PCAP2. The flow is divided into major events and the four outputs.

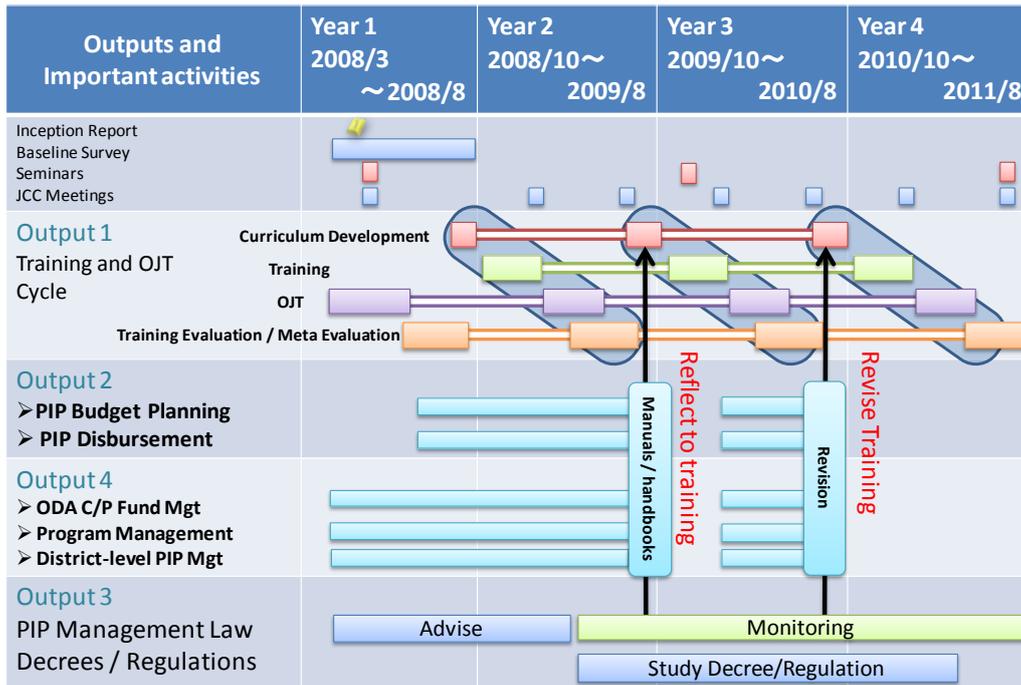


Figure 3: PCAP2 Total Process Flow

## 6.2. Activity Plans

Based on the total flow, the following passage explains the plans for major activities and outputs, respectively.

### (1) Inception Report

The Inception Report explains the initial intention of conducting PCAP2, including its specific direction and activities. It is to be issued in Lao, English and Japanese after the contents are agreed between the MPI and JICA. The following activities are to be conducted for its completion.

#### (1)-1 Collection and Analysis of Data and Information [March-April 2008]

Collect and analyze data and information required to prepare the Inception Report. It includes reviewing reports and information from PCAP.

#### (1)-2 Completion and Submission of the Inception Report [April 2008]

The draft report is sent to the MPI and the JICA Laos Office for discussion. Discussion results are reflected in the final report for submission in Lao, English and Japanese.

### (2) Baseline Survey [April-August 2008]

The baseline survey is conducted with the objective of specifying the objectively verifiable indicators for

PCAP2, with special attention to those for the Overall Goal. These indicators, incorporated in a renewed version of the Project Design, are submitted at the 2<sup>nd</sup> JCC Meeting (scheduled in February 2009) for final approval.

The following surveys are to be conducted to specify the current indicators that are listed for the Overall Goal.

**Table 2: Overall Goal Indicators (Existing) and Topics of Survey**

Indicators	Topics of Survey
Decreased number and ratio of domestically funded PIP projects and ODA projects that are discontinued or suspended due to budget reasons.	<ul style="list-style-type: none"> <li>➤ Obtain list of PIP projects that have been discontinued or suspended for more than two years, from MPI-DoP.</li> <li>➤ Conduct interviews and surveys to organizations in charge of discontinued/suspended PIP projects.</li> <li>➤ List PIP projects that were discontinued/suspended with budget reasons.</li> </ul>
Decreased number and ratio of domestically funded PIP projects and ODA projects that are poorly maintained, or not maintained after completion.	<ul style="list-style-type: none"> <li>➤ Obtain list of PIP projects that have been completed in the last 10 years, from MPI-DoP.</li> <li>➤ Conduct interviews and surveys to organizations in charge of operation of completed PIP projects.</li> <li>➤ Analyze results by sectors and regions.</li> <li>➤ Analyze the recurrent costs allocated for completed PIP projects at ministries and provinces.</li> <li>➤ Conduct survey on completed PIP projects being handed over or lent to private enterprises.</li> </ul>
Decreased number and ratio of domestically funded PIP projects and ODA projects that are underutilized	<ul style="list-style-type: none"> <li>➤ Obtain list of PIP projects that have been completed in the last 10 years, from MPI-DoP.</li> <li>➤ Conduct interviews and surveys to organizations in charge of completed PIP projects.</li> <li>➤ Analyze results by sector and region.</li> <li>➤ Analyze effects of PIP projects toward development plans.</li> </ul>
Decreased number and ratio of domestically funded PIP projects and ODA projects that experience unexpected changes in contracted companies.	<ul style="list-style-type: none"> <li>➤ Obtain list of PIP projects that have been discontinued or suspended for more than two years, from MPI-DoP.</li> <li>➤ Conduct interviews and surveys to organizations in charge of discontinued/suspended PIP projects.</li> <li>➤ Conduct interviews on reasons for changes in contracted companies.</li> </ul>

In addition to the above-mentioned surveys for the existing Overall Goal indicators, the Project will consider possibilities for more indicators that may bear directly on the effect toward national development plans. The following points are surveyed.

**Table 3: Overall Goal Indicators (new) and Topics of Survey**

Indicators	Topics of Survey
Number and ratio of PIP projects that were completed as originally	<ul style="list-style-type: none"> <li>➤ Obtain list of PIP projects that have been completed in the last 10 years, from MPI-DoP.</li> </ul>

planned.	<ul style="list-style-type: none"> <li>➤ Analyze results by sector and region.</li> <li>➤ Compare plans and results of individual PIP projects.</li> </ul>
Number and ratio of PIP projects that are measured in terms of positive impact after its completion.	<ul style="list-style-type: none"> <li>➤ Obtain list of PIP projects that have been completed in the last 10 years, from MPI-DoP.</li> <li>➤ Analyze results by sectors and regions.</li> <li>➤ Obtain records of operation, impact, post-evaluation, etc. from completed individual PIP projects.</li> </ul>
These indicators including others that may measure the impact of PCAP2 would also be considered. They would also be considered as indicators of a potential Super Goal of PCAP2.	

### (3) Seminars

Three seminars are planned during the course of PCAP2. The objectives of the seminars are to share PCAP2’s objectives and activity plans, and introduce PIP management methods and tools as outcomes, to the authorities of central government organizations and provinces. They are also meant to receive feedback from the authorities. The following are the schedules and contents of the three seminars.

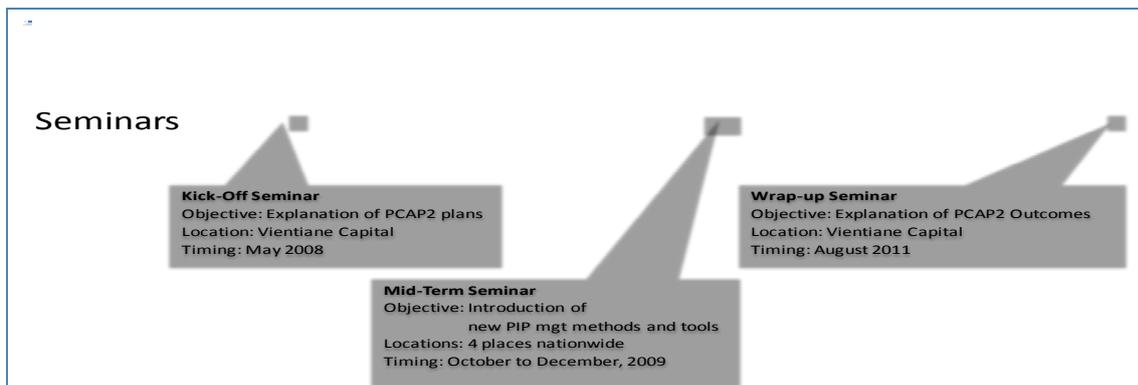


Figure 4: Outline of PCAP2 Seminars

#### (3)-1 Kick-Off Seminar [May 2008]

A Kick-Off Seminar is conducted in Vientiane Capital to introduce PCAP2 plans and its expected outcomes. Director-level officials of ministry planning departments and some provincial DPI officials are invited.

#### (3)-2 Mid-Term Seminar [October-December 2009]

A series of Mid-Term Seminars are conducted in four locations nationwide (a selected province in north/middle/south regions respectively and in Vientiane Capital). The main objective is to introduce new methods and tools, along with manuals and handbooks of which they are incorporated.

#### (3)-3 Wrap-Up Seminar [August 2011]

A Wrap-Up Seminar is conducted in Vientiane Capital with the objective of sharing outputs and expected outcomes of PCAP2 with the government and international donors. Director-level officials of ministry

planning departments and some provincial DPI officials are invited.

**(4) JCC Meeting**

The R/D stipulates that JCC Meetings will be held in fixed periods. The first JCC Meeting will be held in May 2008, along with the Kick-Off Seminar. Further JCC Meetings will be held in February and August every year.

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

Output 1 is to establish the PIP management system nationwide, which was developed under PCAP, through a series of training and on-the-job training (OJT). While PCAP was successful in enhancing the knowledge and skills of the PIP management personnel through the training, PCAP2 will focus on having them utilize the knowledge and skills acquired through training in day-to-day work. PCAP2 will develop the following three strategies for the establishment and dissemination of the PIP management system.

**Establishment & Dissemination Strategy I: Utilize the PLAN-DO-SEE-FEEDBACK Cycle**

PCAP2 will utilize the PLAN-DO-SEE-FEEDBACK cycle to set the output of the training and OJT in place (See Figure 7). First, the **PLAN** stage is to develop the training material which meets the training needs as well as implement the training of trainers (TOT). Second, the **DO** stage is to implement the training and utilize the skills gained in practical work through OJT. While training is a classroom lecture focusing on attaining basic knowledge, OJT focuses on applying the know-how gained in routine work. Third, the **SEE** stage is to monitor and follow up on the training and OJT, then evaluate the quality of the PIP annual budget plan and the evaluation results of individual PIP projects, which will be the output of OJT. Fourth, the **FEEDBACK** stage is to further develop the training curriculum and materials by using the Lessons learned through the former monitoring and evaluation. PCAP2, through the project period, will rotate the PLAN-DO-SEE-FEEDBACK cycle three times in order to establish the practical use of PIP management skills in day-to-day work.

Figure 7: PLAN-DO-SEE-FEEDBACK Cycle

**Establishment & Dissemination Strategy II: Setting a Specific Theme of the Training Year By Year**

One of the biggest challenges of PCAP2 is to disseminate the PIP management system to all the ministries and provinces. To meet this challenge, the Training PART I (2<sup>nd</sup> year) will extend the PIP management system’s coverage area to all the ministries and provinces. This will be done by utilizing the manuals and handbooks already developed by PCAP (See Figure 8). The expected output of the Training PART I is PIP annual budget plans of all the ministries and provinces which are to be formulated by using the existing tools. The Training PART II (3<sup>rd</sup> year) will make the training contents more substantive by adding the aspects of sector program management, financial and budget management, ODA management, and district-level PIP management. The expected output is PIP annual budget plans of all the ministries and provinces to be formulated by using the updated tools. The training PART III (4<sup>th</sup> year) will disseminate the improved training contents nationwide. The expected output is better-quality PIP annual budget plans of all the ministries and provinces. In this way PCAP2 will set a specific theme of the training year by year in order to extend the PIP management system’s coverage area and improve the system’s quality.

	Year 1 2008/3- 2008/8	Year 2 2008/10- 2009/8	Year 3 2009/10- 2010/8	Year 4 2010/10- 2011/8
Training Theme		Series 1 Coverage	Series 2 New Topics	Series 3 Improve Quality
Tools		Current Materials	Include New Methods	Effective Efficient
Outputs		Nationwide And Government Coverage	Variety of Training Sessions	Complete Set Including cost efficiency

Figure 8: Training Theme and Its Schedule

**Establishment & Dissemination Strategy III: Assurance of Financial Sustainability**

PCAP2 aims for the MPI to enhance its sustainability including the financial aspect. Therefore, during the project period, PCAP2 and the MPI will discuss how the MPI budgets for implementing training so that the MPI can sustain the training by itself after PCAP2 ends. Here is an example of training budget sharing. JICA is to cover the cost of implementing the **training PART I (2<sup>nd</sup> year)** in all the provinces (See Figure 9). As for the **training PART II (3<sup>rd</sup> year)** implementation cost, two-thirds of all the provinces will be funded by JICA and the rest by the MPI. It is relatively difficult to implement training in the northern mountainous region and the southern region. Thus JICA could fund the difficult northern eight provinces and the four southern provinces. As for the training PARTIII (4<sup>th</sup> year), JICA could fund one-third of all the provinces which could be six northern provinces.

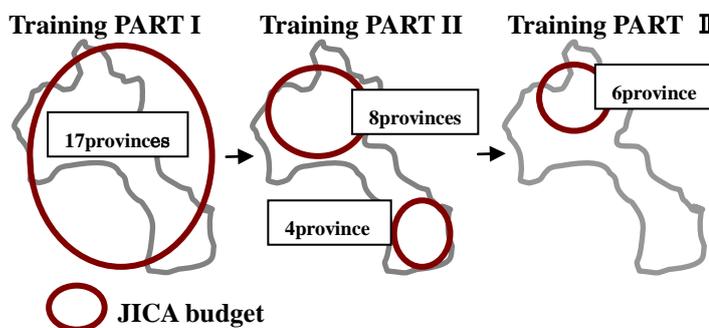


Figure 9: Example of Sustainable Training Budget Sharing

In sum, by utilizing the three strategies mentioned above, a series of activities will be implemented each year to disseminate the PIP management system to about 510 personnel (170 DPI personnel and 340 Technical Department personnel) of 17 provinces and about 150 personnel of the central ministries.

The period from March to June 2008, which is right after the start of PCAP2, is the most important period when the MPI and all the ministries and provinces compile their PIP annual budget. Therefore, PCAP2

proposes to support the MPI from March to June 2008 in budget making through OJT to lead to developing the following activities and training next year onwards.

**(5)-1 OJT towards MPI [March to June 2008]**

From March to April 2008, all the ministries and provinces will request the MPI for their PIP annual budget. Then, the MPI will analyze, compile, and adjust the requests with the authorities. Through OJT, PCAP2 will monitor and support the budget-making process. In concrete terms, the experts will share the budget-making process with the MPI-DOP and the MPI-DOE and provide advice when necessary. By utilizing the tools developed by PCAP such as checklist, PCAP2 will support the MPI-DOE in the assessment of individual PIP projects and the MPI-DOP in budget-making based on the assessment results and the MPI minister's guideline of 2008. PCAP2 will also monitor to what extent the manuals and handbooks developed by PCAP are utilized for the actual work.

**(5)-2 Evaluation of individual PIP projects assessment, monitoring, and evaluation results [May to July 2008]**

From May to July 2008, PCAP2 will evaluate the above-mentioned OJT process as well as the output of OJT, i.e., the PIP annual budget plan, and the results of individual PIP project assessments, monitoring, and evaluation. To be more precise, PCAP2 will evaluate MPI personnel's capacity to carry out their work by utilizing various methods such as observation, interviews and questionnaire surveys during or after OJT. PCAP2 will also evaluate to what extent the manual or system was actually utilized. Moreover, meta evaluation, which is an evaluation of the results of PIP individual project assessments, monitoring and evaluation by the MPI and the three PCAP monitor provinces, will be conducted. Based on evaluation results, PCAP2 will improve the contents of training and OJT as well as the tools of PIP management.

**(5)-3 Feeding back OJT evaluation results to the three PCAP monitor provinces [August 2008]**

PCAP2 will feed back the above-mentioned evaluation results to the PCAP three monitor provinces (Oudomxay, Khammuan and Saravan). More specifically, about three personnel each from the MPI-DOP and the MPI-DOE together with two experts will go to the three provinces and invite about 20 DPI personnel and Project Owners (POs). Workshops will be held to share the results of meta evaluation and discuss what needs improvement in the next year. Discussion by means of a workshop makes it easier for participants to speak out and share their candid views on problems and tools to be improved.

**(5)-4 Developing the next year's training curriculum [July to August 2008]**

Based on the discussion with the provincial personnel, PCAP2 will develop the training and OJT curriculum and contents for the next year. The dissemination strategy for the training PART I in the 2<sup>nd</sup> year is to focus on extending the PIP management system's coverage area to all the ministries and provinces. For example, MPI-DOP and MOI-DOE personnel who are in charge of certain areas at work will be the trainers on their areas so that the MPI can disseminate the training as much as possible with

limited human resources.

**(5)-5 Training of Trainers (TOT) [July to August 2008]**

PCAP2 will implement TOT for MPI personnel based on the curriculum developed under the above-mentioned (4). The TOT curriculum differs depending on the target personnel's capacity building (CB) level and experience as trainers.

**(5)-6 Implementing the Training PART I for ministries and provinces  
[October 2008 to January 2009]**

The training PART I will be implemented at the beginning of the 2<sup>nd</sup> year with the theme of extending the PIP management system's coverage area. The training curriculum and trainers will be efficiently utilized to disseminate the PIP management system to all the provinces and ministries. Concretely speaking, MPI-DOP and MOI-DOE personnel who are in charge of certain areas or sectors will be the trainers of their areas or sectors in order to conduct training efficiently with limited human resources.

**(5)-7 OJT towards MPI, provinces and ministries[February to May 2009]**

The objective of OJT is to (i) assess, monitor, and evaluate individual PIP projects by utilizing the skills and systems acquired through the training, then (ii) utilize the results of assessment, monitoring and evaluation for budget making. One way of conducting OJT would be to have MPI personnel go to the areas or ministries whose training they were in charge of to support the actual work process. Experts and local consultants will monitor to what extent the know-how gained through the training has been used, and give advice on the methods of OJT when necessary. PCAP2 proposes to conduct OJT for provincial PO and DPI personnel in February 2009, OJT for ministerial PO and personnel in the planning departments in March 2009, and OJT for MPI personnel in April 2009.

**(5)-8 Evaluation of individual PIP project assessment, monitoring, and evaluation results  
[May to July 2009]**

The focus of the evaluation in the 2<sup>nd</sup> year is to evaluate the quality of individual PIP project assessment, monitoring, and evaluation results. This undertaking is called meta evaluation. If results of any province or ministry are not satisfactory, the reason should be analyzed for improvement. During the evaluation, study topics related to sector program management, financial and budget management, ODA management and district-level PIP management are highlighted in expectation of using these management methods in the upcoming training PART II.

**(5)-9 Feeding back OJT evaluation results to the provinces and ministries[July to August 2009]**

MPI personnel who were in charge of training in areas and sectors will go to their respective areas and ministries to feed back the evaluation results. If performance of any province or ministry is not satisfactory, the reasons should be found and reflected in any subsequent plan of activities.

**(5)-10 Developing the next year’s training curriculum [July to August 2009]**

Based on the above-mentioned evaluation results, PCAP2 will add the components of sector program management, financial and budget management, ODA management and district-level PIP management in the training and OJT curriculum for the training PART II. It should be noted that PCAP2 and the MPI will plan to have MPI cover one-third of all the provincial training cost. The training plan will make the training intensive for those authorities whose performance measured by the meta evaluation was not satisfactory.

**(5)-11 Training of Trainers (TOT) [July to August 2009]**

PCAP2 will implement TOT for MPI personnel based on the curriculum developed. TOT aims to have the personnel of the MPI-DOP, the MPI-DOE and the MPI-DIC gain the skills of program management/budget-planning, budget-implementation/district-level PIP management, and ODA management, respectively.

**(5)-12 Implementing the Training PARTII towards all the ministries and provinces [October 2009 to January 2010]**

The training PART II will be implemented at the beginning of the 3<sup>rd</sup> year with more substantive training contents than ever. Sector program management, financial and budget management, ODA management, and district-level PIP management will be added to the training curriculum. Although the training course covers a wide range of topics, an individually tailored curriculum will be given to each department or division depending on the necessity (See the table below). It should be noted that TOT content is also included in the training curriculum for provincial personnel so that they can transfer the knowledge to district personnel. The DPI, not PCAP2, will be responsible for actual training towards district personnel.

**(5)-13 OJT towards MPI, provinces and ministries [February to May 2010]**

From February to March 2010, MPI personnel will go to the areas or ministries in charge to

Training Target / Training Contents	Ministry Planning Dept.	Ministry Sector Dept.(PO)	DPI Planning Division	DPI Evaluation Division	Province Sector Dept. (PO)
Basic PIP management	○	○	○	○	○
Sector program management	●	○	●	○	○
Budget planning management	●	○	●	○	○
Budget implementation management	○	●	○	●	●
ODA management	●	○	●	○	○
District-level PIP management	○	○	●	●	●

support the actual work, and monitor to what extent the know-how gained through the training has been used. OJT will be conducted towards the MPI from April to May 2010. OJT in the 3<sup>rd</sup> year focuses on and monitor the practical use of sector program management, financial and budget management, ODA management, and district-level PIP management.

**(5)-14 Evaluation of individual PIP project assessment, monitoring, and evaluation results**

**[May to July 2010]**

PCAP2 will evaluate whether the PIP management system is appropriate and to what extent the manual is utilized at work. The evaluation focuses on sector program management, financial and budget management, ODA management and district-level PIP management. Training and OJT curricula and PIP management tools will be improved based on the evaluation results.

**(5)-15 Feeding back OJT evaluation results towards provinces and ministries [July to August 2010]**

MPI personnel who were in charge of training in various areas and sectors will go to their respective areas and ministries to feed back the evaluation results. This also includes feeding back the CB level of respective provincial and ministerial personnel to boost their morale.

**(5)-16 Developing the next year's training curriculum [July to August 2010]**

Based on the above-mentioned evaluation results, PCAP2 will improve the curriculum of the training PART III. PCAP2 and the MPI plan to have MPI bear two-thirds of all the provincial training cost. However, the final cost sharing ratios will depend on discussions between JICA and the MPI. PCAP2 will transfer the know-how of both training logistics and content management to the MPI so that the MPI can sustain the training on its own after PCAP2 terminates. The MPI and PCAP2 will discuss and formulate a sustainable training plan which is technically and financially reasonable.

**(5)-17 Training of Trainers (TOT) [July to August 2010]**

PCAP2 will implement TOT for MPI personnel based on the curriculum developed. The TOT curricula will vary depending on the personnel's capacity building (CB) level and experiences as trainers.

**(5)-18 Implementing the Training PARTIII towards all the ministries and provinces**

**[October 2010 to January 2011]**

The Training PARTIII, the last training during the project period, will be implemented at the beginning of the 4<sup>th</sup> year with the theme of disseminating nationwide improved training contents. Sector program management, financial and budget management, ODA management, and district-level PIP management will be further improved and added to the training curriculum. The MPI's leadership will be necessary in order to extend the PIP management system nationwide in a year and half, then improve its quality in another two years.

**(5)-19 OJT towards MPI, provinces and ministries [February to May 2011]**

PCAP2 will conduct OJT towards MPI, provinces and ministries based on the OJT methods referred to in the section (13) above.

**(5)-20 Evaluation of individual PIP project assessment, monitoring, and evaluation results**

**[May to July 2011]**

PCAP2 will feed back the evaluation results to the provinces and ministries based on the evaluation methods mentioned in the section 5- (15) above.

**(5)-21 Feeding back OJT evaluation results towards provinces and ministries [July to August 2011]**

This will be the last feeding-back exercise during the project period. A summary of the evaluation from the 1<sup>st</sup> year to the 4<sup>th</sup> year will be given to provinces and ministries so that they can utilize the evaluation results to formulate a sustainable activity plan after PCAP2 terminates. PCAP2 will utilize good working relationships with provincial and MPI personnel based on mutual trust, and existing incentives, or create a new incentive system, in order to have the MPI maintain and develop its problem-solving capacity in the future.

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

Activities related to Output 2 has two major components: (1) to develop methods, tools and training sessions for *PIP budget allocation*, and (2) to develop methods, tools and training sessions for *PIP project budget disbursement and financial management*. By August 2009, a draft of methods and tools for each component would be completed and reflected in the appropriate sections in manuals/handbooks. Training sessions of each component are included in the second series of the training program, which will be conducted from October 2009.

Validation studies and workshops are conducted in addition to the training. Methods, tools and training sessions are revised upon necessity, based on the feedback received through the studies and workshops.

The following explains the activities for the two components respectively.

**1) PIP Budget Allocation**

PCAP2 will develop a standard procedure and method of allocating PIP budget amongst various sectors and areas. This standard will support duties of the MPI-DoP, as well as planning sections in central government organizations and provinces. Budget allocation in general indirectly concerns sharing information with the Ministry of Finance (MoF). Therefore, close communication with the MoF in the development and training process is essential. The revised procedure and method will mainly be reflected in the revised version of the Program Manual, and in handbooks for organizations that require budget allocation in their tasks.

Firstly, the current standard procedure and method of PIP budget allocation are studied, along with related issues. A revised standard procedure and method would then be considered. PCAP2 would take notice of the current standards and try to utilize them if possible, so that smooth transition to the revised method would be possible. Since the MPI-DoP is the responsible organization for PIP budget allocation, training

for potential trainers would be conducted mainly to MPI-DoP staff. The following activities are to be conducted for PIP budget allocation.

**1)-1 Studies of Current PIP Budget Allocation System [June-August 2008]**

Study the current situation of PIP budget allocation, including its legal framework and government guideline. Also study the procedure within the MPI, and coordination with the MoF.

**1)-2 Analysis of Current Issues in PIP Budget Allocation [October-December 2008]**

Analyze the current issues from 1)-1 study results, including their responsible organizations.

**1)-3 Develop Revised Standards and Reflect into Manuals/Handbooks [June-July 2009]**

Develop revised standard procedures and methods based on the results of 1)-2. The revised standards would be reflected in the respective sections in the manual/handbook.

**1)-4 Develop Training Contents [July-August 2009]**

Develop training contents based on the revised standard procedures and methods. Training sessions are conducted from October to December 2009 based on the training plan as developed in Activity (5)-10.

**1)-5 Training of Trainers [July-August 2009]**

Based on the developed training contents, train selected staff in the MPI-DoP.

**1)-6 Validation of Revised Standard [June-August 2010]**

Validate the revised procedure and method through studies and workshops. When changes are needed, reflect them on the final version of manuals/handbooks.

**1)-7 Validation of Training [October-December 2010]**

Validate the training contents through training observation and training evaluation results. Revise the training contents when needed.

**2) PIP Project Budget Disbursement and Financial Management**

PCAP2 will develop standard procedures and methods of sound budget disbursement and financial management for individual PIP projects. These standards will support duties of the MPI-DoE, as well as monitoring and evaluation sections in central government organizations and provinces. Budget disbursement directly concerns sharing information with the MoF and the provincial Department of Finance (DoF). Therefore, close collaboration is essential for developing sound and workable standards. The revised procedure and method will mainly be reflected on the revised version of Project Manual, and in handbooks for organizations that require PIP project disbursement and financial management.

PCAP introduced a PIP project disbursement method based on the *PIP Project Quarterly Report*. However, the current method requires information from only the Project Owner, causing occasional discrepancy from the total disbursement results from the DoF. PCAP2 tries to develop a system that enables information sharing on PIP budget and disbursement results between the DPI and the DoF, to avoid discrepancy between the budget and actual disbursement. It may help prevent overspending and mismanagement regarding the PIP budget.

Firstly, the current standard procedure of PIP project disbursement management is studied, along with the usage of the PIP Project Quarterly Report. After analyzing the current issues, a new standard procedure would then be considered. PCAP2 would closely work with the DPI and the DoF, to ensure that the new system would be useful to both parties. Since the MPI-DoE is the responsible organization of monitoring PIP projects in general, training for potential trainers would be conducted mainly to MPI-DoE staff. The following activities are to be conducted for PIP project budget disbursement and financial management.

#### **2)-1 Studies of Current PIP Project Disbursement and Financial Management [June-August 2008]**

Study the current situation of PIP project disbursement and financial management, including the relevant legal framework and government guidelines. The PIP project disbursement procedure in the DPI, the PO and the DoF needs to be studied closely. Also study the usage of PIP Quarterly Reports that PCAP has introduced. Studies will be conducted in the PCAP monitor provinces.

#### **2)-2 Analysis of Current Issues in PIP Budget Disbursement [October-December 2008]**

Analyze the current issues from 1)-1 study results. Special emphasis is made on the relations of organizations and the current workflow related to PIP disbursement.

#### **2)-3 Develop Revised Standards and Reflect into Manuals/Handbooks [June-July 2009]**

Develop a revised standard procedure based on the results of 2)-2. The revised standard would be reflected in the respective sections in the manual/handbook.

#### **2)-4 Develop Training Contents [July-August 2009]**

Develop training contents based on the revised standard procedure. Training sessions are conducted from October to December 2009 based on the training plan as developed in Activity (5)-10.

#### **2)-5 Training of Trainers [July-August 2009]**

Based on the developed training contents, train selected staff in the MPI-DoE.

#### **2)-6 Validation of Revised Standard [June-August 2010]**

Validate the revised procedure through studies and workshops. When changes are needed, reflect them on

the final versions of manuals/handbooks.

## **2)-7 Validation of Training [October-December 2010]**

Validate the training contents through training observation and evaluation results. Revise the training contents when needed.

### **(7) Activities for PIP Management Law Advisory Support [Output 3]**

PCAP2 will provide support toward the issuance of the PIP Management Law. The MPI is currently drafting the new law, which is expected to obtain final approval from the National Assembly in November 2008. PCAP2 will provide technical advice to ensure that the contents of the law are in line with the procedures and methods that PCAP and PCAP2 develop. As part of the technical support, a third country training program in Vietnam is planned with the objective of understanding the PIP's legal framework and establishment process. Contents of the Third Country Training Program are attached in Chapter 7.

Activities for PIP Management Law support are as follows.

#### **(7)-1 Advisory on Current PIP Management Law Draft [April-June, 2008]**

Study the draft PIP Management Law, and provide advice to the PIP Management Law working group in the MPI-DoE. The advice shall be based on Japanese experience, and on consistency with procedures and methods that are developed through PCAP and PCAP2.

#### **(7)-2 Third Country Training in Vietnam [August 2008]**

Conduct the Third Country Training in Hanoi, Vietnam. Objective of the training is to acquire knowledge of PIP management procedures in Vietnam, including the PIP's legal framework. The training includes discussion with the Ministry of Planning and Investment of Vietnam.

#### **(7)-3 Continuous Advisory on Current PIP Management Law Drafting [October-November 2008]**

Continue advisory to the PIP Management Law working group, in view of approval at the November Session of the National Assembly.

#### **(7)-4 Advisory on Issuance of Application Decrees/Regulations [December 2008 - ]**

Provide advisory on the issuance of decrees/regulations for the application of the PIP Management Law to the working group if necessary.

#### **(7)-5 Monitoring of PIP Management Law Enforcement [December 2008 - ]**

Monitor whether the PIP Management Law and its application decrees/regulations are properly enforced and feed back its results to the MPI for countermeasures if issues arise.

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

Activities related to Output 4 has three components: 1) to develop methods, tools and training sessions for *ODA counterpart fund management*; 2) to develop methods, tools and training sessions for *district-level PIP management*; and 3) to develop methods, tools and training session for *program management*. By August 2009, a draft of methods and tools for each component will be completed and reflected in its appropriate sections in manuals/handbooks. Training sessions of each component are included in the second series of the training program, which will be conducted from October 2009.

Validation studies and workshops are conducted along with the training. Methods, tools and training sessions are revised upon necessity, based on the feedback received through studies and workshops.

The following explains the development direction and activities for the three components.

##### **1) ODA Counterpart Fund Management**

PCAP2 will develop a standard procedure of selecting and allocating the domestic PIP budget as counterpart funds (domestic cost contribution) for ODA projects.

Firstly, the current standard procedure of ODA project management is studied, along with the method of allocating counterpart funds from the domestic PIP budget. PCAP2 will study the current system of the MPI-DIC to manage ODA projects. This avoids unnecessary duplication of systems and methods currently used in the DoP/DoE and the DIC.

Methods of ODA counterpart funding management and budget allocation must be independent from that of domestic PIP project management and budget allocation for the following reasons.

The government's present guidelines indicate that counterpart funds of ODA projects must have higher priority in allocation compared to domestic PIP project budgeting. However, since the budget is from the same source in the domestic PIP budget, it is difficult to find the appropriate priority balance between domestic PIP projects and ODA counterpart funds. Also, most ODA projects have an established monitoring and evaluation system, and can be assured of effectiveness. Therefore it is difficult to compare ODA projects directly with domestic PIP projects. Thus it is necessary to separate allocation criteria for counterpart funds and domestic PIP projects.

Since the MPI-DIC is responsible for overseeing ODA projects, training for potential trainers would be conducted mainly to MPI-DIC staff.

The following activities are conducted for ODA counterpart fund management.

**1)-1 Studies of Current ODA Project Management [March-August 2008]**

Study the current situation of ODA project management including budget allocation methods for counterpart funds. Study the flow of procedures and responsible organizations for each process. Also study the current management situations of ODA projects at the project sites and in provincial organizations.

**1)-2 Analysis of Current Issues in ODA Counterpart Fund Management  
[October-December 2008]**

Analyze the current issues in ODA counterpart fund management from the study results in 1)-1. Special emphasis is made on organizational analysis and key informant interviews, to grasp comprehensive issues on management.

**1)-3 Development of Methods and Their Reflection in Manuals and Handbooks  
[June-July 2009]**

Develop methods based on the results of 1)-2. The methods would be reflected in respective sections in the manuals and handbooks. If discussion is needed with the donors or the Ministry of Foreign Affairs, it is planned and conducted with the cooperation of the MPI and JICA.

**1)-4 Development of Training Contents [July-August 2009]**

Develop training contents based in the new method. Training sessions are conducted from October to December 2009 based on the training plans as developed in Activity (5)-10.

**1)-5 Training of Trainers [July-August 2009]**

Train selected staff in the MPI-DIC based on the developed training contents.

**1)-6 Validation of Methods and Training [October-December 2009]**

Conduct workshops and training observations with the objective of validating the developed methods, tools and training contents. Study whether modifications are needed for training contents and provide feedback to the training team.

**1)-7 Third Country Training in Vietnam [November 2009]**

Conduct Third Country Training in Vietnam. Objective of the training session is to acquire knowledge of ODA project management procedure including counterpart fund allocation in Vietnam. The training includes discussions with the Ministry of Planning and Investment of Vietnam, and observing ODA projects.

### **1)-8 Validation of Methods [June-July 2010]**

Validate the newly developed methods through studies and workshops. When changes are needed, reflect them in the final version of manuals/handbooks.

### **1)-9 Validation of Training [October-December 2010]**

Validate the training contents through training observation and training evaluation results. Revise the training contents when needed.

## **2) District-Level PIP Management**

PCAP2 will develop a standard procedure, including methods and tools for PIP management at the district level.

The DPI is primarily responsible of overseeing PIP projects at the district level. However, since most of these PIP projects are small and there is little information of the projects and their surroundings, especially statistics. So it is difficult to complete the current reports and assessment sheets that require further information. Therefore, PCAP2 intends to develop reports at the district level to complete reports with limited information. For the DPI, PCAP2 will develop assessment sheets that suit the current conditions but are still able to provide appropriate assessment results.

PCAP2 will also develop a training package for district-level PIP management. This package is meant for the DPI to providing training at the district level. PCAP2 does not conduct direct training at the district levels. It rather conducts Training-of-Trainers sessions to DPI staff, teaching them how to use the training package.

The following activities are to be conducted for district-level PIP Management.

### **2)-1 Study on Workflow and Capacity Levels in District Planning and Statistics Office**

**[June – December 2008]**

Study the process of work in and between the DPI and the District Planning and Statistics Office (DPSO), along with capacity levels of its staff members through interviews and questionnaires. The studies are to be conducted at a location in the PCAP monitor provinces (Oudomxay, Khammuan or Saravan).

### **2)-2 Analysis on Appropriate Division of Duties between DPI and DPSO**

**[February – May 2009]**

Based on the results of 2)-1, analyze the categorization of ideal division of duties between the DPI and the DPSO. Hold discussions among the MPI, the DPI and the DPSO to have a consensus of the division of labor.

### **2)-3 Development of Methods and Tools and its Reflection in Manuals/Handbooks**

**[May-August 2009]**

Develop district-level PIP management methods and tools based on the results of 2)-2. They would be reflected in respective sections in the manuals/handbooks, including a new edition of “*PIP Management Handbook for District-Level Staff*”.

### **2)-4 Development of Training Package and TOT Contents [July-August 2009]**

Develop a training package intended for the DPI to conduct district-level training courses in the respective provinces. TOT contents are also developed for training DPI staff on the usage of the training package. Training sessions are to be conducted from October to December 2009 based on the training plans as developed in Activity (5)-10.

### **2)-5 Training of Trainers in MPI-DoE [July-August 2009]**

Based on the developed TOT contents for the DPI, train selected staff in the MPI-DoE.

### **2)-6 Validation of Procedure, Methods, Tools and Training [October 2009 –June 2011]**

Validate whether the new procedure, methods and tools are applicable. When modifications are needed, reflect them in the final version of manuals/handbooks. For training, validate whether the training package is used in training conducted for districts, and reflect changes when necessary.

## **3) Program Management**

The main task of program management, or sector program development, is to study possible adaptation of PCAP-developed program management to the PIP Action Plan announced by the GOL. Therefore, studies focus on the applicability of PCAP program management methods and tools to the 11 programs and 111 sub-programs that constitute the Action Plan.

Since the PIP Action Plan is closely linked to the Five-Year Plan, the full-scale introduction of a PIP Action Program may be for the next Five-Year Plan (2011-2015).

After studying the contents of the Action Plan, a pilot program / sub-program is to be selected, and PCAP program management methods and tools are to be applied in it to establish a Sector Program Model. Tools such as Program Objective Tree (POT), Chronology Chart and Mapping are to be tested to see if they suit the program/sub-program. Modifications or changes are to be considered when needed.

Since MPI-DoP is responsible for overseeing the Five-Year Plan and Action Plans, training of potential trainers is to be conducted mainly to MPI-DoP staff.

The following activities are to be conducted for program management.

**3)-1 Review of Action Plan [April-May 2008]**

Obtain information related to the Action Plan. Study the application of the Action Plan among government organizations, and search possible collaborating organizations in order to conduct pilot program development workshops.

**3)-2 Preparation for Pilot Program Drafting [April-August 2008]**

Analyze the potential pilot program selected in 3)-1. Obtain information of PIP project information that is related to the pilot program.

**3)-3 Drafting of Pilot Program [October-December 2008]**

Draft the pilot program with the Program Manual as reference. Study issues in the process of drafting, and prepare for modifications to the Program Manual contents if necessary.

**3)-4 Revision of the Program Manual [June-July 2009]**

Reflect in the Program Manual the necessary modifications learned from the drafting of the pilot program in 3)-3.

**3)-5 Development of Training Contents [July-August 2009]**

Develop training contents based on the revised methods and the Program Manual. Training sessions are to be conducted from October to December 2009 based on the training plan as developed in Activity (5)-10.

**3)-6 Training of Trainers [July-August 2009]**

Based on the developed training contents, train selected staff of the MPI-DoE.

**3)-7 Validation of Methods and Training [October-December 2009]**

Conduct workshops and training observations with the objective of validating the developed methods, tools and training contents. Study whether modifications are needed for training contents and send feedback to the training team.

**3)-8 Validation of Methods [June-July 2010]**

Validate the newly developed methods through studies and workshops. When changes are needed, reflect them in the final version of manuals/handbooks.

**3)-9 Validation of Training [October-December 2010]**

Validate the training contents through training observation and training evaluation results. Revise the

training contents when needed.

### **3)-10 Third Country Training in Vietnam [November 2010]**

Conduct Third Country Training in Vietnam. Objective of the training session is to acquire knowledge of program management procedure including its relations with the development plan in Vietnam. The training includes discussions with the Ministry of Planning and Investment of Vietnam.

## **7. Third Country Training Scheme**

### **7.1. Background and Objectives**

PCAP2 plans to conduct a series of Third Country Training sessions in Vietnam to acquire management methods and skills in the PIP Management Law, ODA project management and program management.

As a neighboring country, Vietnam has long-standing close political and administrative ties to Laos, and similar administrative bodies and functions. Therefore, Vietnam has much that can be shared with Laos in terms of administrative systems and their legal framework.

The Ministry of Planning and Investment of Vietnam has similar functions to that of Laos. In addition, the Vietnamese ministry has the following merits for PCAP2.

- A PIP law is already drafted and awaiting National Assembly approval.
- In Vietnam, the MPI has been responsible for ODA projects, and many technical assistance projects, including an ongoing technical cooperation project of JICA, have been conducted under its management.
- Vietnam is already in the process of formulating their 2011-2020 Mid-Term Development Plan.

### **7.2. Outline of Training**

PCAP2 plans to conduct the Third Country Training in Vietnam in three sessions with the following contents.

<b>First Session: PIP Law and ODA Management</b>	
Objective	Acquire knowledge on the PIP Law (draft) and its drafting procedure. Understand the ODA project management method.
Contents	<ul style="list-style-type: none"> <li>➤ Lectures on PIP Law and management methods and tools.</li> <li>➤ Observation of JICA technical cooperation “Capacity Building on ODA Management”</li> </ul>
Schedule	August 2008, for seven days

Trainees	One member each from MPI-DoE, MPI-DoP and MPI-DIC, and Chief Advisor as attendant. Total of four persons.
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Second Session: ODA Management and Laos-Vietnam-Cambodia Collaboration	
Objective	Acquire specific knowledge on the ODA project management method. Acquire knowledge through exchange of experience in training management among Laos, Vietnam and Cambodia. Plan to invite counterpart members of a JICA technical cooperation in Cambodia “ <i>Project for Improving Local Administration Capacity (PILAC)</i> ” as joint training/workshop participants.
Contents	<ul style="list-style-type: none"> <li>➤ Lectures on ODA project management methods in Vietnam.</li> <li>➤ Observation of ODA project sites.</li> <li>➤ Workshop on training management procedures and methods, along with Vietnam and Cambodian sides.</li> </ul>
Schedule	November 2009, for 14 days
Trainees	One member each from MPI-DoE, MPI-DoP and MPI-DIC, and Program Management Expert as attendant. Total of four persons.

Third Session: Program Management	
Objective	Acquire specific knowledge on program management method which is related to the mid-term development plan.
Contents	<ul style="list-style-type: none"> <li>➤ Lectures on management methods of sector programs and their relations with the development plan in Vietnam.</li> <li>➤ Lectures on specific ODA project management methods in Vietnam.</li> <li>➤ Observation of domestic public investment and ODA project sites.</li> </ul>
Schedule	November 2010, for 14 days
Trainees	One member each from MPI-DoE, MPI-DoP and MPI-DIC, and Program Management Expert as attendant. Total of four persons.

### 7.3. Coordination with JICA Cambodia Project

PCAP2 intends to begin coordination with a JICA technical cooperation in Cambodia called “Project for Improving Local Administration Capacity (PILAC)”. PILAC is a project to improve training management capabilities of the Ministry of Interior staff whose tasks are to enhance the country’s decentralization process and improve local administration staff capabilities.

PCAP2 and PILAC have the following points in common.

- Both projects have main objectives of developing capacity in the field of governance.
- Both have training programs to local administration staff as their main component.
- An institutionalized training program with nationwide coverage is the ultimate goal.

Therefore, by providing opportunities of coordination, both JICA projects have a potential of higher effectiveness and efficiency. Mr. Hiromi Osada, the Japanese expert in the field of Program Management

in PCAP2, also holds a post as an expert in PILAC. With Mr. Osada as the liaison person, the following collaboration would be possible.

- International seminar/workshop involving both projects.
- Exchange of counterpart training.
- A joint training session in Japan.

The following points can be considered as specific contents of collaboration.

- Sharing of materials and formats utilized in development of training programs.
- Sharing know-how of training management in the local context.
- Exchanging opinions of the legal framework related to training implementation.
- Exchanging opinions on donor support and ways of cooperation.
- Sharing know-how of internal information sharing among counterpart organizations and its members.



## **8. Possible Collaboration with Other Projects and Donors**

Some donors approached PCAP to seeking collaboration. However, since PCAP concentrated on establishing the base of PIP management, no collaboration with them materialized. Building upon the foundation that PCAP established, PCAP2 intends to actively conduct collaboration schemes if given the right conditions. The following are some projects that have collaboration potentials.

### **8.1. World Bank “Khammuan Province District-Level Development Fund”**

With the World Bank’s support, Khammuan Province intends to conduct a “District-level Development Fund” scheme from 2008 to 2014. The World Bank plans to lend approximately 4 million US dollars for utilization of district-managed projects. Districts are required to plan, implement, monitor and evaluate their own projects.

The World Bank intends to work with PCAP2 as the PCAP methods and tools are already in use in Khammuan Province. Since PCAP2 plans to develop district-level PIP management tools, it would also be a good opportunity to develop its methods and tools in the collaboration process.

### **8.2. UNDP “Support for NSEDP”**

UNDP is conducting a comprehensive project on the support for NSEDP implementation, during the period of 2006 to 2010. Its goal is to a) support the incorporation of poverty reduction and MDG priorities

and programs in the Sixth NSEDP (2006-2010) in annual plans and budgets, b) enhance capacities of MPI, selected ministries and 3 provinces (Luang Prabang, Khammuan and Attapeu) for improved implementation monitoring, evaluation and reporting, and c) establish of a nationwide research network to undertake policy research to support planning, monitoring and evaluation. The counterpart organization for this project is MPI-DoP.

PCAP2 intends to study the progress of this project, and seek collaboration on its activities through MPI-DoP. Especially, collaboration in the project's 3 selected provinces on training activities and district level PIP management are feasible.

### **8.3. World Bank “Standard Operating Procedures for ODA Projects”**

The World Bank is conducting a project on the support for ODA project management under the Standard Operating Procedures (SOP). Its objectives are to a) develop a SOP manual, b) develop a Financial Management Manual, and c) conduct training related to SOP and financial management. The counterpart organization for this project is MPI-DIC.

PCAP2 intends to study the progress of this project, and seek collaboration on its activities through MPI-DIC. Especially, collaboration in the fields of developing both manuals and the training activities are feasible.

### **8.4. Other Collaboration Potentials**

There are many other projects and areas that PCAP2 has potential of collaboration. Many JICA experts and projects are located in many of the central government ministries, allowing exchange of information and capacity development measures related to PIP. This helps in supporting the ministries for application of PIP management methods and procedures developed through PCAP2.

JICA is planning to conduct the “Capacity Building Project for Public Financial Management Strengthening Program”, with the MoF as the counterpart organization, starting in 2008. PCAP2 intends to seek collaboration possibilities with the project in the field of PIP budget and financial management and its training scheme.

Collaborations with comprehensive programs such as the Public Financial Management Strengthening Program (PFMSP) supported by World Bank with the MoF as the counterpart organization, and “Support to Governance and Public Administration Reform Project” by UNDP with the Prime Minister’s Office as the counterpart organization, are also considerable.

## **9. Project Monitoring and Reporting**

During the course of the Project and upon its completion, PCAP2 is to submit monitoring reports to the MPI and JICA. These reports are to be prepared in Lao, English and Japanese, and submitted every six months. As the annual term of PCAP2 is from September to August every year, a Mid-Term Report is submitted every January, and an Annual Report every August.

#### **10. Evaluation of PCAP2**

As a normal procedure for all JICA technical cooperation projects, PCAP2 receives two evaluation missions. A Mid-Term Evaluation would be expected in midst or end of 2009, and a Terminal Evaluation around January 2011. A specific schedule is to be discussed among PCAP2, the MPI, and JICA.