

**Lao People's Democratic Republic  
Ministry of Planning and Investment**

**Lao PDR**

**Project for Establishing  
Public Investment Plan under NSEDP  
(PCAP3)**

**Mid-Term  
Progress Report  
(First Year)**

**September 2012**

**Japan International Cooperation Agency**

**IC Net Limited**



JICA Technical Cooperation  
Project for Establishing Public Investment Plan under NSEDP  
Mid-Term Progress Report (First Year)

Abbreviations

ADB	Asian Development Bank
AMP	Aid Management Platform
DPI	(Provincial) Department for Planning and Investment
DPO	District Planning Office
GoL	Government of the Lao PDR
JCC	Joint Coordinating Committee
JICA	Japan International Cooperation Agency
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
PCAP1	Project for Capacity Building in Public Investment Program Management
PCAP2	Project for Enhancing Capacity in Public Investment Program Management
PCAP3	Project for Establishing Public Investment Plan under NSEDP
PDM	Project Design Matrix
SEDP	Socio-Economic Development Plan
SPIS	Simplified Project Information Sheet
TOT	Training of Trainers
UNDP	United Nations Development Programme



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## 1. Project Background

### 1.1 Background

Within the Lao People's Democratic Republic, the Ministry of Planning and Investment (MPI) is the organization with responsibility and authority in all matters related to the management and supervision of public investment projects. MPI verifies the appropriateness of projects in each field, and reviews the development budget for approval at the National Assembly. MPI is also assigned to regularly monitor and evaluate projects, and to report the results to the National Assembly. MPI lacks project management ability, however; so do the Department of Planning and Investment (DPI) in each province and the district-level District Planning Office (DPO), which are its local agencies. As such, public investment projects implemented using the domestic development budget are not carried out effectively. Furthermore, the degree to which these projects contribute to the achievement of the targets set out in the government's five-year National Socio-Economic Development Plan (NSEDP) is unclear, resulting in major discrepancies in planning and implementation.

Given the situation, a Japan International Cooperation Agency (JICA) technical cooperation project was implemented between November 2004 and October 2007, entitled "Project for Capacity Building in Public Investment Program Management" (hereafter referred to as PCAP1), with the goal of ensuring that public investment projects led by the government of Laos (GoL) are assessed, monitored and evaluated appropriately. MPI acted as the counterpart organization for this project. Under PCAP1, management and supervision techniques, including project assessment tools and financial, environmental, and social analyses were developed and compiled as a manual, along with accompanying handbooks. A capacity-building model for MPI and DPI was also formulated, based on which a process of technology transfer and dissemination to various organizations was carried out, focusing primarily on MPI, three monitor provinces (Oudomxay, Khammuan, and Saravan), and a monitor ministry (the Ministry of Agriculture and Forestry).

After PCAP1 was completed, another JICA technical cooperation project was carried out from March 2008 to August 2011, entitled "Project for Enhancing Capacity in Public Investment Program Management" (hereafter referred to as PCAP2). This project aimed to:

- (i) Achieve further improvements in the methods and tools developed through PCAP1 (preparing and managing budgets, sector programs, management and supervision of public investment projects implemented at the district level, and supervision of the counterpart fund<sup>1</sup> for the Official Development Assistance (ODA) projects);
- (ii) Disseminate the methods and tools developed through PCAP1, as listed above, throughout the provinces and to all central government organizations; and
- (iii) Provide support for the formulation of the Public Investment Law.

A revised edition of the resulting manual, containing management methods and tools for public investment projects was compiled. This was an improved version of the manual formulated in PCAP1, and was involved in nationwide dissemination activities. Technical support was also provided to prepare for the Public Investment Law.

PCAP1 and PCAP2 increasingly improved the capacity of MPI and DPI to manage public investment projects, by developing, revising, and disseminating methods and tools for assessing, monitoring, and

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<sup>1</sup> GoL covers part of the cost of ODA projects by using the domestic development budget. In PCAP2, formats and processes were developed to enable those with responsibility for projects on the Lao side to appropriately apply for budgets from this fund.

evaluating projects, as well as various forms for assessing projects. They also did so through training programs. The Public Investment Law was enacted in December 2009, prescribing the obligation to assess public investment projects, and positioning the methods and tools developed through PCAP1 and PCAP2 as national systems under the law.

In assessing public investment projects, efforts must be made to ensure transparency and accountability in project selection. In order to do so, training regarding the methods and forms involved must be carried out with a wider range of central government organizations and provinces. In order to promote further improvements in public investment projects, it is necessary to manage public investment projects within the medium-term financial management planning framework and the NSEDP. As such, the further strengthening of the capacity of relevant organizations presents a challenge for the future.

To address the abovementioned issues and utilize outputs from PCAP1 and PCAP2, a new technical cooperation scheme has been agreed upon, to be implemented within the period from March 2012 to September 2015, entitled “Project for Establishing Public Investment Plan under NSEDP” (hereafter referred to as PCAP3).

In order to realize the primary objective of achieving sound project management that aligns with NSEDP targets, PCAP3 will develop methods and tools for public investment project management from a mid-term perspective, and further enhance the capacity of MPI, DPI and DPIO nationwide. More specifically, PCAP3 involves the following four approaches for achieving its primary objective: i) establish a mid-term public investment framework, ii) develop a process that ensures that project effects will be sustainable after the project completion, iii) improve the ODA project information management method, and iv) strengthen district-level public investment project management.

## 1.2 Initial Stages of Project Implementation

PCAP3 started its first-year project activities in March 2012. The activities that have been implemented as of September 2012 are as follows:

Table 1 Activity Plan and Results, March - September 2012

Activity Details			Original/Revised Plan	2012						
				3	4	5	6	7	8	9
First	①	Formulating and discussing the Inception Report								
All	②	Holding Joint Coordinating Committee Meeting								
	③	Formulating Progress Reports and Work Completion Reports on an annual basis, and Project Completion Report at the end of the project period								
<b>[Output 1] A framework for Mid-Term Public Investment Plan and Financial Management Guidelines established</b>										
First Year	①	Implementation of Baseline Survey, Selection of Pilot and Monitoring Organizations	Original Plan Revised Plan							
	②	Establishment of the draft Mid-term Public Investment Plan and Financial Management Guidelines	Original Plan Revised Plan							
<b>[Output 2] Measures for effective operation and maintenance of public investment projects after its completion are established</b>										
First Year	①	Discussions with the Ministry of Finance regarding the operation and maintenance costs after the completion of the public investment projects	Original Plan Revised Plan							
	②	Establishment of methods and processes for the terminal and ex-post evaluations of public investment projects	Original Plan Revised Plan							
<b>[Output 3] ODA project information management is improved</b>										
First Year	①	Discussions with donors on standardization of ODA projects within the scope of public investment	Original Plan Revised Plan							
	②	Establishment of an improvement process regarding ODA information management	Original Plan Revised Plan							
<b>[Output 4] A mechanism of management and capacity development for district-level public investment projects is established</b>										
First Year	①	Discussions within the MPI and with relevant authorities on establishment and management of district-level public investment projects	Original Plan Revised Plan							
	②	Implementation of a baseline study to select pilot and monitoring organizations	Original Plan Revised Plan							
	③	Development of processes and training methods for establishment and management of district-level public investment projects in the pilot organizations	Original Plan Revised Plan							



The initial stages of PCAP3 involved the compiling of the inception report, which was submitted to the JICA Laos Office. The first Joint Coordinating Committee (JCC) meeting was held on April 30<sup>th</sup>, 2012. The following table outlines the meeting;

**Table 2 First JCC Meeting Outline**

[Date/Time] April 30 <sup>th</sup> , 2012, 2 pm – 4pm		[Location] 6 <sup>th</sup> floor Meeting Room, MPI
[Chairperson] Dr. Khamlien Pholsena, Vice Minister, MPI / PCAP3 Project Director		
[Lao participants] Mr. Phoukhong Bannavong, Director General, Department of Evaluation, MPI / PCAP3 Project Manager Mr. Ouneheauane Chittaphong, Deputy Director General, Department of Planning, MPI / PCAP3 Project Co-Manager Mr. Houmphanh Soukprastih, Deputy Director General, Department of International Cooperation, MPI / PCAP3 Co-Manager		
[Japanese participants] Mr. Masato Iso, Governor, Embassy of Japan Mr. Masato Togawa, Chief Representative, JICA Laos Office Representatives from Embassy of Japan and JICA Laos Office PCAP3 Experts		
[Agenda]		
Time	Agenda	
13:30-14:00	Reception	
14:00-14:10	Opening Remarks by Dr. Khamlien Pholsena, Vice Minister of MPI, Project Director of PCAP3	
14:10-14:40	Presentation (1) “Achievements from PCAP1 through to PCAP2” by Mr. Phoukhong Bannavong, Director General of MPI-DOE, Project Manager of PCAP3	
14:40-15:00	Presentation (2) “Outline of PCAP3” by Mr. Ichiro Okumura, Chief Advisor, PCAP3	
15:00-15:10	Coffee Break	
15:10-15:30	Presentation (3) “Activity Plan for the First Year” by Mr. Hiromi Osada, Deputy Chief Advisor of PCAP3	
15:30-15:40	Q&A Session	
15:40-15:50	Speech by Mr. Masato Togawa, Chief Representative of JICA Laos Office	
15:50-16:00	Closing Remarks by Dr. Khamlien Pholsena	
-		
[Contents] Presentation (1) “Achievement from PCAP1 through to PCAP2” explained the background of public investment management in Lao PDR, and the outputs and outcomes of the two technical cooperation projects. Presentation (2) “Outline of PCAP3” described the status quo of public investment management before the project began, along with the new project design and plan of operation. Presentation (3) “Activity Plan for the First Year” gave information on the activity plan from March 2012 to June 2013, along with details on the baseline survey plan. Dr. Khamlien Pholsena, Vice Minister of MPI, shared his high hopes for the success of the new project, and suggested that the strengthening of district-level public investment management be emphasized, along with the new policy announced by the GoL. Mr. Masato Togawa, Chief Representative of JICA Laos Office explained that PCAP3 will follow PCAP1/PCAP2, but take new steps forward for further improved public investment management in Lao PDR.		

## 2. Activities of the First Year: Baseline Survey Results

### 2.1 Outline of the Baseline Survey

From March to September 2012, PCAP3 employed local consultants through a sub-contract to conduct a comprehensive baseline survey. The following is an outline of the baseline study.

#### (1) Objectives

The following three objectives were set for the baseline survey;

- 1) To collect and organize necessary basic information for PCAP3 activities.
- 2) To collect and organize baseline information for the PCAP3 Project Design Matrix (PDM).
- 3) To collect necessary information for selecting pilot and monitor organizations.

#### (2) Scope

The survey was conducted through the following six approaches:

- Component 1: Collect basic information on administrative organizations.
- Component 2: Gather information and data that can act as a reference in selecting pilots and monitoring provinces.
- Component 3: Gather information on the number of public investment projects managed at the district level.
- Component 4: Gather and analyze data related to the development budget.
- Component 5: Conduct survey of implementation of ex-post and terminal evaluation studies of public investment projects.
- Component 6: Conduct survey of budget and information management systems for ODA projects.

#### (3) Methods

The survey was conducted as follows;

- ❖ Collection and analysis of published information (i.e., websites, foreign aid reports, annual donor reports)
- ❖ Collection and analysis of documents published by GoL (i.e., laws, decrees, regulations, and statistics)
- ❖ Interviews
- ❖ Collection and analysis of public investment-related documents, collected from various organizations

The survey team traveled to six provinces (Oudomxay, Luang Prabang, Bolikhamxay, Savanakheth, Champassak, and Saravan) and to Vientiane Capital, interviewing persons directly and indirectly involved with the development budget and with public investment project management. The team also visited seven central government offices, in order to better understand the current issues involved in public investment management.

#### (4) Schedule

According to the initial schedule, the final report was to be completed by the end of August. However, its completion has been delayed by approximately one month, and it is expected to be finished by the end of September. The major reason for the delay is the difficulty involved in collecting the necessary information from the requested organizations, which has triggered delays in analyses and the compilation of results for incorporation in the report. In terms of intermediate outputs, the interim report was submitted as scheduled, but the draft final report was delayed by one month. The following

chart explains the planned and actual progress of the survey:

## 2.2 Survey Results

			Working calendar									
Activity	Site of Activity		2012									
			March	April	May	June	July	August	Sep.	Oct.		
Selection & Contract of consultants	Vientiane	Plan										
		Actual										
Preparation Works	Vientiane	Plan										
		Actual										
Collection of data & interview	7 sample provinces	Plan										
	Actual											
Data analysis & report compilation	Ministries in	Plan										
	Actual											
Inspection of report	Vientiane	Plan										
		Actual										
Submission of reports	Vientiane	Plan										
		Actual										

Interim Report ↑ Draft Final report ↑ Final Report

This section provides an outline of the survey results, which were as follows:

### (1) Achievement Level of Survey Objectives

Through the completion of all six components, the three survey objectives: 1) collecting and organizing basic information for PCAP3 activities, 2) collecting and organizing baseline information for the PCAP3 Project Design Matrix (PDM), and 3) collecting information for selecting pilot and monitor organizations, were all successfully achieved, and the required analyses are due for completion in the final report.

### (2) Efficacy of PCAP3

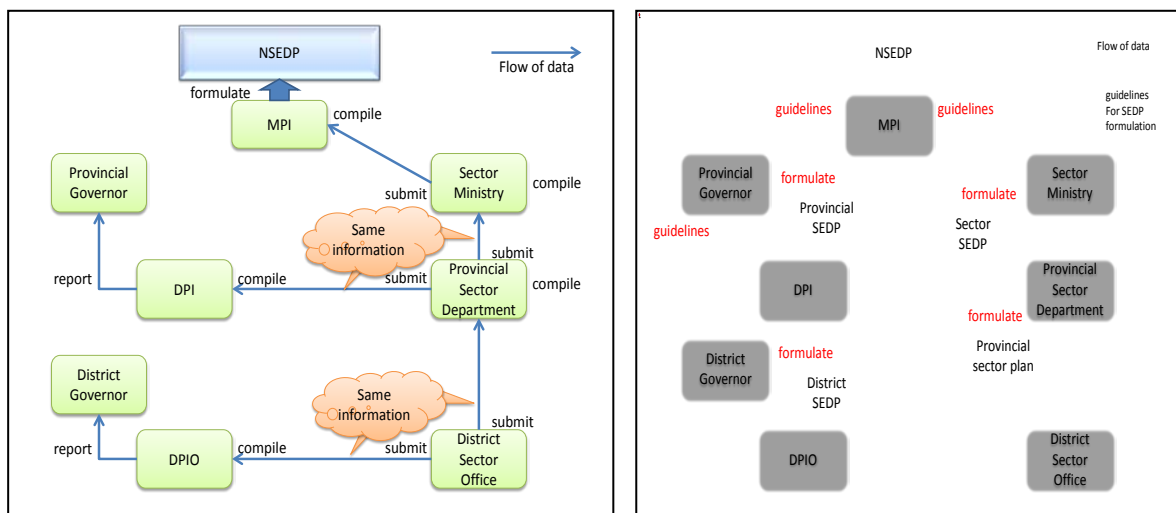
The four outputs of PCAP3 were proven to be relevant through the baseline survey. The implementation decree for the Public Investment Law is now under discussion in government meetings, and is expected to be approved by the Prime Minister soon. The new decree will contribute to the institutionalization of the outputs expected from PCAP3, which are: the establishment of the Public Investment Plan, along with the Financial Management Guidelines (Output 1), the strengthening of public investment project output sustainability by promoting terminal and ex-post evaluation (Output 2), the promotion of more transparent ODA projects through information sharing (Output 3), and the development of district-level public investment project management (Output 4). Through the baseline survey, it was discovered that some preparations have already been made for resolving issues that PCAP3 aims to address. The processes and tools for public investment project management that were developed through PCAP1 and PCAP2 were found to be actively used, and it was confirmed that they continue to be required to strengthen practice. The following is a description of the survey results, by component:

### (3) Outline of Component 1

Basic information regarding government organizations at the central, provincial, and district levels was collected and analyzed. This information was needed to identify the existing level of capacity, as a basis for establishing a capacity development model. It included information on organizational charts, the number of officials in each organization, the legal framework involved in recruiting public servants, the annual government expenditure, and the development budget approval process.

For the development plan formulation process, basic statistics and data were collected from sector offices and departments in districts and provinces that are vertically connected to the sector ministry. The sector ministry provided information that was shared with district and provincial planning organizations at their respective levels. Information was also submitted by each sector ministry to MPI, compiled at MPI, and incorporated into NSEDP targets.

After the NSEDP is announced, guidelines for formulating provincial and district-level Socio-Economic Development Plan (SEDP) will be shared by MPI. At the same time, central government organizations will also be instructed to formulate their sector's SEDP. Therefore, it can be said that data collection is conducted bottom-up, while the formulation of development plans is conducted top-down. The following two figures indicate the flow of data (left), which generally moves upward, and the formulation of guidelines for the development plan (right), which generally flows downward.



**Figure 1 Flow of data and instructions for NSEDP/SEDP formulation**

#### (4) Outline of Component 2

The survey team also collected and analyzed basic information that may be utilized for the selection of pilot and monitor organizations. The contents of this information include project assessments for all projects that have requested budgets, the presence of provincial sector strategies and matching public investment project lists, and the structure of the tax collection and revenue system.

In the planning process of the survey, PCAP3 and MPI selected seven central government ministries and 7 provinces (and Capital) as candidates of the of pilot and monitor organizations. Among these, one ministry and one province will be selected as pilot, and two ministries and 2 provinces will be selected as monitor organizations respectively. Selection will be done through the abovementioned basic information, as well as the response and processes found at each organization during the Survey visit.

One of the key criteria for determining how planning departments have corresponded to PCAP methods and tools is to compare the coverage of project assessment within the listed projects. The following charts show the assessment ratio of key government organizations and provinces respectively.

**Table 3 Assessment Conducted at Selected Ministries, 2011/2012 Annual Development Budget Prerparation**

Ministry <sup>2</sup>	Projects Listed	Project Document Submitted	Submission Ratio	Project Assessment Conducted	Assessment Ratio (by list)	Assessment Ratio (by submission)
	(a)	(b)	(b) / (a)	(c)	(c) / (a)	(c) / (b)
MAF						
MICT						
MEM						
MPWT						
MOES						
MPH						
MICT						

Source: Ministry Planning Department Survey

**Table 4 Assessment Conducted at Selected Provinces, 2011/2012 Annual Development Budget Preparation**

Province	Projects Listed	Project Document Submitted	Submission Ratio (%)	Project Assessment Conducted	Assessment ratio (by list)	Assessment ratio (by submission)
	(a)	(b)	(b) / (a)	(c)	(c) / (a)	(c) / (b)
Oudomxay	462	422	91.3%	344	75.4%	82.7%
Luang Prabang	132	132	100%	59	50.9%	50.9%
Vientiane Capital	565	181	32.0%	181	32.0%	100%
Savannakhet	314	203	64.6%	203	64.6%	100%
Champassak	367	359	97.8%	157	49.5%	50.8%
Saravan	268	268	100%	258	97.4%	97.4%

Source: DPI Survey

As for the current efforts for introducing new approaches such as mind-term planning, budget allocation and district-level public investment project management, Oudomxay Province was progressive in attempting to introduce these approaches in their own style for the past two years, with the initiative of DPI through their own interpretation of the government direction. Oudomxay was found also progressive for both DPI and sector departments in understanding and actively utilizing current methods and tools of public investment management, ever since they were designated as one of the PCAP1 monitor organizations.

### (5) Outline of Component 3

At the Ninth Congress for Lao People's Revolutionary Party held in March 2011, Resolution Three was announced with the instructions to provide more authority to district levels in public investment project management. Some provinces have started shifting part of project responsibilities to district-levels depending on its budget size and technical simplicity. However, since no specific methods or demarcation are officially announced, most provinces are acting based upon their understanding. Through this Survey, the numbers of projects that are shifted from provincial initiatives to districts, along with their processes were asked at study sites. The following chart explains the number of projects that are managed by districts.

<sup>2</sup> MAF=Ministry of Agriculture and Forestry, MIC=Ministry of Industry and Trade, MEM=Ministry of Energy and Mining, MPWT=Ministry of Public Works and Transportation, MOES=Ministry of Education and Sports, MPH=Ministry of Public Health, MICT=Ministry of Information, Culture and Tourism

**Table 5 Number of Public Investment Projects that are Managed by Districts (at Baseline Survey visited Provinces)**

Province/ Fiscal Year		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Oudomxay	District Projects	0	0	10(35)	15(37)	16(34)	30(43)
	All projects	58	81	44(69)	51(74)	60(79)	111(126)
Luang Prabang	District Projects	0	0	0	0	0	15
	All projects	68	79	67	57	123	171
Bolikhambxay	District Projects	0	0	0	0	63	68
	All projects	90	108	102	107	155	169
Savannakhet	District Projects	0	0	0	0	0	0
	All projects	120	127	132	150	208	234
Saravan	District Projects	(68)	16	n.a.	(13)	28	71
	All projects	82(259)	87	67	21(91)	117	156
Champassak	District Projects	0	0	0	0	0	5
	All projects	99	176	176	144	166	199
Vientiane Capital	District Projects	78	75	110	93	129	171
	All projects	379	287	336	291	428	552

\*Numbers in asterisks ( ) show number of projects inclusive of Poverty Reduction Fund

Source: Annual Development Budget Reports (MPI) and interviews with DPI at provinces

After a series of interviews with provincial and district-level officials at study sites, the following approaches and issues were confirmed at each province.

Province	Comments related to shift of district-level public investment project management
Oudomxay	<ul style="list-style-type: none"> <li>✧ Shifting of some project management procedures to districts has started as early as 2005/06. Projects under 500 million Kip were first shifted.</li> <li>✧ Budget allocation to districts was announced at the 2011/12 budget preparation.</li> <li>✧ From 2011/12, projects with budget under 1 billion kip will be managed at the district level. However, project assessment, selection and disbursement are still done at the provincial level.</li> <li>✧ There are plans to shift the disbursement for districts that are ready. However, although payment for recurrent expenses has started for some districts, no districts are yet to be allowed to disburse development budget.</li> <li>✧ Some projects over 1 billion Kip will be shifted to district-level management based on the decision by the province.</li> </ul>
Luang Prabang	<ul style="list-style-type: none"> <li>✧ After the resolution, some management procedures for 2011/12 projects that are under 1 billion Kip are shifted to districts. However, project assessment and selection are still conducted at DPI.</li> <li>✧ In the past, ownership of projects at the district levels was not seen. Ownership will hopefully improve with the new approach.</li> </ul>
Bolikhambxay	<ul style="list-style-type: none"> <li>✧ Even before the Resolution, Paxxan District have been assigned to manage technically simple projects. If they had any difficulties, the provincial levels were available for support.</li> </ul>
Savannakhet	<ul style="list-style-type: none"> <li>✧ District sector offices are involved in co-management of projects within their own district. However, no management duties have been shift from province to DPO and District Finance Office. In 2010/11, there was an attempt to provide budget allocation to district levels, but did not work well.</li> <li>✧ Although reporting from district-level to provincial-level is good, communication among district level sector are not functioning well.</li> <li>✧ Although there are many discussions among the province and districts, the districts refuse to obtain project management authorities for lack of their own capacity.</li> </ul>

Saravan	<ul style="list-style-type: none"> <li>❖ Most of the projects among the 65 that are shifted from province to districts in fiscal 2011/12 was related to building construction (i.e. schools, hospitals and government building). Technically complicated projects such as road, bridge and irrigation are still managed at the provincial level.</li> <li>❖ Thorough capacity development on technical issues and management basics to district-levels is necessary.</li> </ul>
Champassak	<ul style="list-style-type: none"> <li>❖ District is now able to plan, formulate and implement public investment projects of under 10 million Kip. Disbursement and assessment are still under the province. Recently, bidding procedures have been trailed by districts with the instruction of DPI.</li> <li>❖ Projects with a budget over 1 billion Kip and under 5 billion Kip is under responsibility of the district.</li> </ul>
Vientiane Capital	❖ 171 projects (with 33.5 billion Kip) were shifted to district levels.

On one hand, it was found out that Oudomxay and Saravan provinces, and Vientiane Capital have been shifting part of project management duties to district levels in their own terms, before the Resolution was announced. On the other hand, it was also found out that all provinces have somewhat insecurity in relying on district level for project management.

#### (6) Outline of Component 4

The survey team collected and analyzed recent figures of the development budget and its debts. Forecast estimations of the total development budget during the Seventh NSEDP (2011-2015) was also obtained.

The following chart shows the results (2006/07 to 2009/10) and estimations (2010/11 and 2011/12) of the development budget classified by ODA and domestic funding;

**Table 6 Development Budget (by Domestic/ODA) 2006/07 to 2011/12**

	2006/07		2007/08			2008/09			2009/10			2010/11			2011/12			
	Results	Ratio	Results	Ratio	vs. LY	Results	Ratio	vs LY	Results	Ratio	vs LY	Plan	Ratio	vs LY	Plan	Ratio	vs LY	
<b>Ministries</b>																		
Domestic	305,478	13.4%	374,342	14.1%	122.5%	756,316	32.5%	202.0%	1,190,838	20.2%	157.5%	1,026,374	18.2%	86.2%	1,374,000	20.7%	133.9%	
ODA	1,970,035	86.6%	2,280,191	85.9%	115.7%	1,573,735	67.5%	69.0%	4,696,060	79.8%	298.4%	4,604,176	81.8%	98.0%	5,251,120	79.3%	114.1%	
<b>Total</b>	<b>2,275,514</b>	<b>100%</b>	<b>2,654,534</b>	<b>100%</b>	<b>116.7%</b>	<b>2,330,051</b>	<b>100%</b>	<b>87.8%</b>	<b>5,886,898</b>	<b>100%</b>	<b>252.7%</b>	<b>5,630,551</b>	<b>100%</b>	<b>95.6%</b>	<b>6,625,120</b>	<b>100%</b>	<b>117.7%</b>	
<b>Provinces</b>																		
Domestic	236,739	21.3%	313,658	31.8%	132.5%	381,510	38.4%	121.6%	526,801	100.0%	138.1%	733,976	59.7%	139.3%	826,000	64.8%	112.5%	
ODA	876,421	78.7%	673,843	68.2%	76.9%	612,686	61.6%	90.9%	0	0.0%	0.0%	495,824	40.3%	#DIV/0!	448,880	35.2%	90.5%	
<b>Total</b>	<b>1,113,159</b>	<b>100%</b>	<b>987,500</b>	<b>100%</b>	<b>88.7%</b>	<b>994,196</b>	<b>100%</b>	<b>100.7%</b>	<b>526,801</b>	<b>100%</b>	<b>53.0%</b>	<b>1,229,799</b>	<b>100%</b>	<b>233.4%</b>	<b>1,274,880</b>	<b>100%</b>	<b>103.7%</b>	
Domestic Total	542,217	16.0%	688,000	18.9%	126.9%	1,137,826	34.2%	165.4%	1,717,639	26.8%	151.0%	1,760,350	25.7%	102.5%	2,200,000	27.8%	125.0%	
ODA Total	2,846,456	84.0%	2,954,034	81.1%	103.8%	2,186,420	65.8%	74.0%	4,696,060	73.2%	214.8%	5,100,000	74.3%	108.6%	5,700,000	72.2%	111.8%	
Grand Total	3,388,673	100%	3,642,034	100%	107.5%	3,324,246	100%	91.3%	6,413,699	100%	192.9%	6,860,350	100%	107.0%	7,900,000	100%	115.2%	

(Note: ODA results for 2009/10 was not classified among Ministries/Provinces, therefore reflected all in Ministries)

Source: Ministry of Finance Gazette of State Budget, 2006/07 to 2011/12

It can be seen that the development budget continues to rely heavily on ODA. The ratio of ODA within the total budget in 2007/08 was 84%, and reduced to 72% in 2011/12. However, the actual amount within these this period has doubled. In 2008/09, the amount of ODA has seen a sudden drop to 74% compared to its previous year. It is estimated that the world economic crisis in 2007 had somewhat effect to the development partners' contribution of that year, with the intention of recovering its reduced amount in 2009/10. With the intention to refill the decrease, GoL also has drastically increased the domestic funding for 2008/09 and 2009/10.

The following chart shows the same figures categorized by ministries and provinces

**Table 7 Development Budget (by Ministries/ODA) 2006/07 to 2011/12**

	2006/07		2007/08			2008/09			2009/10			2010/11			2011/12		
	Results	Ratio	Results	Ratio	vs. LY	Results	Ratio	vs LY	Results	Ratio	vs LY	Plan	Ratio	vs LY	Plan	Ratio	vs LY
<b>Domestic</b>																	
Ministries	305,478	56.3%	374,342	54.4%	122.5%	756,316	66.5%	202.0%	1,190,838	69.3%	157.5%	1,026,374	58.3%	86.2%	1,374,000	62.5%	133.9%
Provinces	236,739	43.7%	313,658	45.6%	132.5%	381,510	33.5%	121.6%	526,801	30.7%	138.1%	733,976	41.7%	139.3%	826,000	37.5%	112.5%
<b>Total</b>	<b>542,217</b>	<b>100%</b>	<b>688,000</b>	<b>100%</b>	<b>126.9%</b>	<b>1,137,826</b>	<b>100%</b>	<b>165.4%</b>	<b>1,717,639</b>	<b>100%</b>	<b>151.0%</b>	<b>1,760,350</b>	<b>100%</b>	<b>102.5%</b>	<b>2,200,000</b>	<b>100%</b>	<b>125.0%</b>
<b>ODA</b>																	
中央省庁	1,970,035	69.2%	2,280,191	77.2%	115.7%	1,573,735	72.0%	69.0%	4,696,060	100.0%	298.4%	4,604,176	90.3%	98.0%	5,251,120	92.1%	114.1%
県	876,421	30.8%	673,843	22.8%	76.9%	612,686	28.0%	90.9%	0	0.0%	0.0%	495,824	9.7%	#DIV/0!	448,880	7.9%	90.5%
<b>Total</b>	<b>2,846,456</b>	<b>100%</b>	<b>2,954,034</b>	<b>100%</b>	<b>103.8%</b>	<b>2,186,420</b>	<b>100%</b>	<b>74.0%</b>	<b>4,696,060</b>	<b>100%</b>	<b>214.8%</b>	<b>5,100,000</b>	<b>100%</b>	<b>108.8%</b>	<b>5,700,000</b>	<b>100%</b>	<b>111.8%</b>
Ministries	2,275,514	67.2%	2,654,534	72.9%	116.7%	2,330,051	70.1%	87.8%	5,886,898	91.8%	252.7%	5,630,551	82.1%	95.6%	6,625,120	83.9%	117.7%
Provinces	1,113,159	32.8%	987,500	27.1%	88.7%	994,196	29.9%	100.7%	526,801	8.2%	53.0%	1,229,799	17.9%	233.4%	1,274,880	16.1%	103.7%
Grand Total	3,388,673	100%	3,642,034	100%	107.5%	3,324,246	100%	91.3%	6,413,699	100%	192.9%	6,860,350	100%	107.0%	7,900,000	100%	115.2%

(Note: ODA results for 2009/10 was not classified among Ministries/Provinces, therefore reflected all in Ministries)

Source: Ministry of Finance Gazette of State Budget, 2006/07 to 2011/12

Recent budget distribution trend shows that central government organizations (ministries) have large allocation for both domestic funding and ODA. It was known that ODA tends to be managed by ministries, but it is surprising to see that over 60% of the domestic budget for 2011/12 is allocated there, due to many “mega” and “priority” projects being implemented recently.

## (7) Outline of Component 5

Information related to the current implementation status of terminal and ex-post evaluations was collected and analyzed. It was confirmed that all ODA projects have been conducting terminal evaluations or equivalent studies within the procedure determined by each development partner. With regard to ex-post evaluation, the World Bank and Asia Development Bank (ADB) will conduct periodical studies for randomly-chosen projects, and JICA will conduct studies for all projects that cost in excess of 200 million yen.

Terminal and ex-post evaluation in Lao PDR has not yet been conducted in a systematic manner, since the relevant procedures and tools are yet to be developed. Quality inspection for completed infrastructure projects is carried out, but cannot be categorized as “evaluation.”

MPI has recently established a procedure for the regular assessment of new and ongoing projects. However, the objective of these assessments is to provide reference for the justification of annual budget allocations to each project. By introducing the terminal evaluation procedure, a total plan-do-see procedure in the project cycle will be completed, including practical and physical evaluation feedback on sustainability after completion, apart from development budget allocation.

Most infrastructure projects, after their completion and operation, submit a request that maintenance costs be covered for damages that have been found, and these requests are typically considered to represent new public investment “rehabilitation” projects. Ideally, constant, regular, and emergency maintenance should be considered separately, along with the budget allocation for each project. Therefore, in considering methods and tools needed for output 2, as listed above, economic operation and maintenance concepts and budget allocation efforts including “preventive conservation” will be incorporated.

## (8) Outline of Component 6

The Simplified Project Information Sheet (SPIS), developed by PCAP2, is now being used as the standard format for requesting national contributions to budgets for ODA projects. At the same time,



the Department of International Cooperation of MPI (MPI-DIC) is attempting to collect ODA project information from DPI through different formats. However, since the project information required resembles information collected through development partners through the Aid Management Platform (AMP), MPI-DIC’s approach is expected to be integrated with SPIS.

Since accurate ODA project information is required for Lao project owners who request a national contribution budget through SPIS, it is necessary to consider how to share project information within the AMP system. Currently, this information is only shared among development partners and Lao government officials.

An observation of internet access situations at the provincial level found that 16 out of 17 provincial DPIs have computers that can gain access, as do 76% to 94% of provincial sector departments.

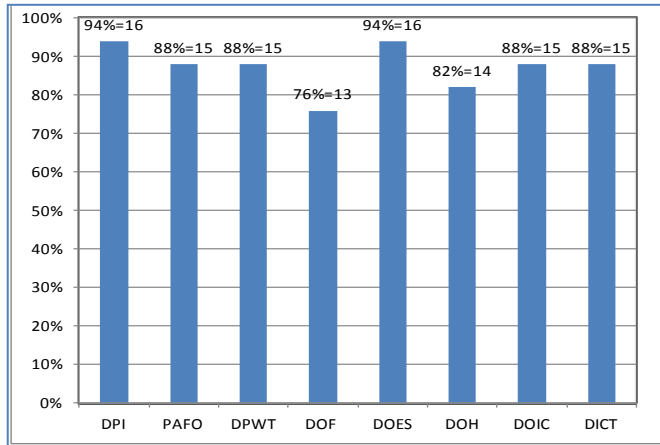


Figure 2 Internet Access Situations in Provincial Departments

### 3. Baseline and Target Indicators for PCAP3

The baseline survey studied the baseline and target indicators for PCAP3. The following subchapters describe the draft indicators that will be included in the PCAP3 PDM. These indicators will be proposed for approval in the second JCC meeting.

#### 3.1 Project Purpose

Five indicators have been chosen for assessing the Project Purpose, or “The Ministry of Planning and Investment and its subordinate organizations in the provinces (DPI) and districts (DPO) manage public investment projects based on the mid-term public investment plan.” The following charts describe these indicators, indicating their baselines and targets, listing reasons for their creation, and sharing any relevant remarks.

[Indicator 1] A guideline to draft Mid-Term Public Investment Plan 2016-2020 that is related to the next NSEDP 2016-2020 is officially announced from the Ministry of Planning and Investment to ministries, government organizations, provinces and districts.	
Baseline	Target
There are some indications that central government and provincial organizations will be instructed to create lists of public investment projects that must be implemented in order to achieve SEDP targets. However, no budget guidelines are provided.	The MPI instructs government organizations about the formulation of a public investment plan that incorporates the following aspects: ✧ A mid-term budget allocation is indicated to each organization. ✧ The allocation of sectors is made clear or suggested. ✧ Specific instructions on the reduction of debt are given.
[Remarks] ➤ MPI has already instructed government organizations to formulate SEDPs and lists of public investment projects that must be implemented in order to achieve its targets. However, its instructions were announced without budget allocations, meaning that the lists of projects had no financial basis for full implementation. ➤ The main objective of public investment plan formulation is to ensure that there are enough financial resources for the implementation of plans. ➤ MPI and the Ministry of Finance need to provide directions for the reduction of development budget debt. Therefore, specific instructions for reducing debt in government organizations must be incorporated into the formulation guidelines of the public investment plan.	

[Indicator 2] Terminal evaluation studies for completed public investment projects are conducted.	
Baseline	Target
✧ The percentage of terminal evaluation studies conducted for domestic budget public investment projects is 0%. ✧ All of the ODA projects of the top three development partners, determined by amount of assistance with infrastructure projects in Lao PDR, have completed terminal evaluations or relevant studies.	✧ The percentage of terminal evaluation studies conducted for the domestic budget public investment projects selected by the planning departments of implementing agencies is 100%. ✧ The terminal evaluation target for all projects will be set up when the total number of projects has been determined.
[Remarks]	

The bases of these targets are as follows:

- Terminal evaluations must be conducted for domestic budget public investment projects nearing their completion.
- The goal for implemented terminal evaluations is 100% of all completed projects.
- The number of projects to be evaluated in the first year will be determined by the capabilities of DPI and the ministry planning departments, since it is feared that it will be difficult to cope with all of the projects without an adjustment of the organizational structure involved. The numbers will be determined throughout the training sessions.

The process for achieving this indicator involves i) the inclusion of a decision process for determining which projects will conduct terminal evaluations, ii) consistency with other evaluation and assessment methods, tools, and processes developed through the PCAP series, iii) the development and dissemination of a “basic” terminal evaluation method that allows evaluators to be put into practice, and iv) the inclusion of operation, maintenance, and repairing budget plans in the evaluation criteria. The bases of these process aspects are as follows;

- The objectives of the terminal evaluations are i) to strengthen the consistency of the project management cycle, from ex-ante evaluation to ex-post evaluation, and, ii) to secure operation and maintenance fees after the completion of infrastructure projects. Therefore, projects nearing completion are considered to be subjects for terminal evaluation.
- For some domestically-funded public investment projects, construction is completed but payment is incomplete. The objective of terminal evaluation is to involve projects that are physically complete. As such, the aforementioned projects are also subject to evaluation.
- For ODA projects, terminal evaluation or other relevant studies must involve their own procedures and methods. Since uniform procedures for domestic budget public investment projects have not been prepared, systematic terminal evaluations will not be conducted on a regular basis.
- The implementation decree for the Public Investment Law will soon be enforced. Instructions for conducting terminal evaluations will be institutionalized through this decree.

[Indicator 3]

Post evaluation studies of completed public investment projects are conducted.

Baseline	Target
<ul style="list-style-type: none"> <li>❖ The percentage of ex-post evaluation studies for domestic budget public investment projects that have been conducted is 0%.</li> <li>❖ For the top three development partners, determined by amount of assistance with infrastructure projects in Lao PDR, all ODA projects have conducted ex-post evaluations or relevant studies.</li> </ul>	<ul style="list-style-type: none"> <li>❖ 100% of the domestic budget public investment projects selected by DPI and the planning departments of implementing agencies have conducted ex-post evaluations.</li> <li>❖ Targets for the ex-post evaluation of all projects will be set up when the total number of projects has been determined.</li> </ul>

[Remarks]

The basis of these targets are as follows:

- Ex-post evaluation is conducted for domestic budget public investment projects that have been completed for less than three years.
- The goal for implementing terminal evaluations is 100% of all completed projects.
- The number of projects to be evaluated in the first year will be determined by the capabilities of DPI and the ministry planning departments, since it is feared that it will be difficult to cope will all projects without adjusting the organizational structure involved. The numbers will be determined throughout the training sessions.

[Indicator 4] Accuracy of information is confirmed through ODA counterpart fund request documents that the Lao side supplies, and the information is shared with the donor projects.	
Baseline	Target
<ul style="list-style-type: none"> <li>✧ Currently, AMP is not connected to Lao government organizations, and so ODA project information is not shared.</li> <li>✧ Among 14 provinces and 5 ministries surveyed, 1 ministry (Ministry of Labor and Social Welfare) and 9 provinces have utilized SPIS formats to request national contribution budgets for ODA projects in 2010/12.</li> <li>✧ Among the total of 144 ODA projects conducted at the 5 ministries, 18 projects were applied through using SPIS formats (12.5% ratio). Also among 200 projects conducted at 14 provinces, 51 (or 20%) used SPIS.</li> <li>✧ The reason why SPIS was not used were; 1) inability to access to project information due to insufficient information management, 2) submission of SPIS not mentioned in the MPI guidelines<sup>3</sup>, and, 3) unclear instructions on SPIS usage.</li> </ul>	<ul style="list-style-type: none"> <li>✧ Lao Government organizations share up-to-date ODA project information provided by AMP.</li> <li>✧ The number of submitted SPIS formats with incomplete information is reduced.</li> <li>✧ The number of submitted SPIS formats that involve information that is different from that in development partner project reports is reduced.</li> </ul>
[Remarks] <ul style="list-style-type: none"> <li>➤ The submission of SPIS started through development and diffusion during PCAP2, meaning that project owner organizations are still in the initial developing stages of usage. Currently, the information sources for completing SPIS are ODA project documents that project owners possess, which highly depends on their collection and management capabilities. If AMP becomes commonly shared, more accurate information will be incorporated into budget requests through SPIS.</li> </ul>	

[Indicator 5] Increased number of projects are managed in the district levels.	
Baseline figure	Target figure
360 projects of the FY2011/2012 in total are currently managed (except the project assessment and payment task) by the districts in the six provinces and the Vientiane Capital, target areas of baseline survey.	<ul style="list-style-type: none"> <li>➤ XX% of the total number of projects which are to be managed by the districts defined by regulations or announcements is managed by the districts.</li> <li>➤ Target figure should be decided upon consultation with the MPI after regulations or announcements are issued.</li> </ul>
[Remarks] Regulations or announcements that clarify the projects to be managed by the districts are not yet issued, therefore it is difficult to decide the target figure as of this moment. Furthermore, currently the number of projects managed by the districts and capacity of the districts vary depending on districts. Therefore, target figure should be decided upon consideration of contents of regulations or announcements and capacity of the districts after regulations or announcements are issued.	

<sup>3</sup> Comments obtained from baseline survey interviews.

### 3.2 Overall Goal

Three indicators have been chosen for the Overall Goal, or “Sector ministries, government organizations and provincial/district sector departments manage public investment projects based on the mid-term public investment framework under the NSEDP.” The following charts explain the baseline and target indicators and the reasons behind them, and share any relevant remarks.

[Indicator 1] The Mid-Term Public Investment Plan for 2016-2020 is utilized by the Lao government in ministries, government organizations, provinces, and districts as the standard development budget planning and monitoring tool.	
Baseline	Target
A mid-term public investment plan does not exist.	Each government organization formulates, implements, and monitors a mid-term public investment plan involving the following aspects: <ul style="list-style-type: none"> <li>➤ The plan follows the budget allocation announced by, or agreed upon with, MPI.</li> <li>➤ The plan follows the instructions given by MPI concerning the management of debt.</li> </ul>
[Remarks] <ul style="list-style-type: none"> <li>◇ As stated in the Project Purpose indicator above, the Mid-Term Public Investment Plan is based on the assumption that financial evidence is clear, and that the government organizations are actively utilizing the plan as a monitoring tool.</li> </ul>	

[Indicator 2] The capital expenditure is managed in a mid-term basis and its debt is seeing reduction.	
Baseline	Target
The following two figures are used as baseline; <ul style="list-style-type: none"> <li>➤ Official debt as indicated in the 2011/12 Gazette.</li> <li>➤ Payment duration calculated from the 2011/12 budget list.</li> </ul>	Achievement of target will be identified through positive trend toward debt reduction by organization, rather than measuring the debt situation of a single year.
[Remarks] <ul style="list-style-type: none"> <li>◇ Official debt figures indicated in the Ministry of Finance Gazette is known as the official debt for the GoL, although it does not indicate the true liabilities to contractors</li> <li>◇ The Payment Duration formula, developed during PCAP2, shows the true liabilities that each organization has to bear. The formula for the payment duration is as follows;</li> </ul> <div style="border: 1px solid black; padding: 10px; margin: 10px auto; width: fit-content;"> <math display="block">[\text{Payment Duration}] = \frac{[\text{Project Costs in total}] - [\text{Amount paid}]}{[\text{Annual Budget Allocation}]}</math> </div> <ul style="list-style-type: none"> <li>◇ Trend of both figures will be measured to study the achievement of this indicator.</li> </ul>	

<p>[Indicator 3]                  Positive and continuous effects that are contributing to the achievement of the NSEDP targets are found in completed public investment projects that are completed, operated, and maintained as planned.</p>	
Baseline	Target
<p>Currently there are no systemized operations and maintenance plans, or means to measure positive impact of projects.</p>	<p>Contribution of completed projects to the NSEDP target to be measured through the following;</p> <ul style="list-style-type: none"> <li>➤ Positive impact of public investment projects are indicated in the evaluation report of the NSEDP 2016-2020.</li> <li>➤ Effects towards development plans are indicated in ex-post evaluation reports.</li> <li>➤ Positive impact including ripple effect is found through interviews and surveys.</li> </ul>
<p>[Remarks]</p> <ul style="list-style-type: none"> <li>✧ Ex-post evaluation will be systemized through PCAP3 activities, and improvement of operations and maintenance will become an important criterion. Contribution towards SEDP targets will be determined through the evaluation.</li> <li>✧ Evaluation reports of NSEDP will also be referred. It is analyzed whether public investment projects have contributed, or provide positive gain towards achievement of NSEDP targets.</li> <li>✧ Through interviews and surveys to project owners and planning officials, positive effects of project(s) are also measured.</li> <li>✧ The effect for this indicator is only shown after projects have confirmed operational effect through appropriate completion and maintenance. To show direct relevance to NSEDP, studies of the mid-term evaluation report for NSEDP 2016-2020, presumably completed around 2018, is essential.</li> </ul>	

### 3.3 Output 1

Three indicators have been set for Output 1, or “A framework for Mid-Term Public Investment Plan and Financial Management Guidelines is established.” Currently, MPI compiles the public investment list annually, but has never formulated a Mid-Term Public Investment Plan. PCAP2 stressed the importance of financial management and developed a tool to measure the financial situation of public investment projects in each province. Several training courses were conducted to disseminate such tool in provinces. However, MPI has not adopted any policies on financial management. The following tables explain the baseline and target indicators and the reasons for them.

[Indicator 1] A draft Mid-Term Public Investment Plan 2011-2015 is prepared in the pilot organizations.	
Baseline	Target
Mid-Term Public Investment Plan 2011-2015 (with financial management background) does not exist.	A Mid-Term Public Investment Plan 2011-2015 incorporating PCAP3 methods is developed in pilot organizations.
[Remarks] For this indicator, a Mid-Term Public Investment Plan 2011-15 and Financial Management Guidelines will be developed with the pilot organizations by January 2013.	

[Indicator 2] A draft Mid-Term Public Investment Financial Management Guidelines 2011-2015 is prepared by the Ministry of Planning and Investment.	
Baseline	Target
No guidelines for 2016-2020 have been developed.	The Financial Management Guidelines for 2016-2020 are prepared by MPI.
[Remarks] For this indicator, PCAP3 and MPI will finalize the content of the Mid-Term Public Investment Plan and Financial Management Guidelines by December 2013.	

[Indicator 3] Methods to develop and monitor the Mid-Term Public Investment Plan and the Mid-Term Financial Management Guidelines are included in the manuals and handbooks.	
Baseline	Target
There are no descriptions on Mid-Term Public Investment Plan in the current manual/handbooks. The concept of Financial Management is included in the current manual and handbooks, but is not linked to official procedures.	Methods of formulating the Mid-Term Public Investment Plan and Financial Management Guidelines are included in the manual/handbooks respectively.
[Reasons/Remarks] For this indicator, PCAP3 will formulate manual/handbooks on the establishment process of the Mid-Term Public Investment Plan and Financial Management Guidelines for 2016-2020 by June 2014.	

### 3.4 Output 2

Five indicators have been set for Output 2, i.e., “Measures for effective operation and maintenance of public investment projects after its completion are established.” The following tables explain the baseline and target indicators and provide remarks on them.

[Indicator 1] The Ministry of Planning and Investment and the Ministry of Finance agrees on budget conditions including costs for maintenance and operation of completed public investment projects.	
Baseline	Target
<ul style="list-style-type: none"> <li>◇ Under the current procedures, a multi-organization committee is formulated to conduct ex-ante evaluation, bidding, monitoring, and observe completion of each public investment project.</li> <li>◇ Currently, there are no frameworks or evaluation systems that reflect operation and maintenance costs in the annual budget.</li> </ul>	<ul style="list-style-type: none"> <li>◇ Basic policy of operations and maintenance costs after completion of public investment projects is reflected in the Public Investment Project Management Manual issued by PCAP3.</li> <li>◇ A procedure to confirm the Ministry of Finance becomes one of the conditions in determining the operations and maintenance costs within terminal evaluation procedures, reflected in the Manual issued by PCAP3.</li> </ul>
[Remarks] The aim of Output 2 is to determine operations and maintenance planning for completed public investment projects. The following items are to be incorporated in the Manual. <ul style="list-style-type: none"> <li>➤ Basic concept of operation and maintenance, and responsibility for their costs.</li> <li>➤ Method of terminal evaluation with specific responsibilities for operation and maintenance as well as their costs.</li> </ul> To estimate the total operation and maintenance costs on a mid-term scale (which may be related to Output 1), it is necessary to include the confirmation process with the Ministry of Finance as a stakeholder for budget expenditure.	

[Indicator 2] Methods and procedures for terminal and post evaluation studies are developed and reflected in the manuals and handbooks.	
Baseline	Target
<ul style="list-style-type: none"> <li>◇ Specific procedures for terminal and ex-post evaluation are not incorporated in the Project Management Manual.</li> </ul>	<ul style="list-style-type: none"> <li>◇ Specific methods and procedures for terminal and ex-post evaluation are incorporated in the Project Management Manual issued by PCAP3.</li> <li>◇ Specific methods and procedures for terminal and ex-post evaluation are incorporated in the Handbooks issued by PCAP3.</li> </ul>
[Remarks] The contents of the manual and handbooks include i) how to maintaining consistency with project assessment procedures that PCAP has developed and disseminated, ii) introduction to the basic procedure of terminal and ex-port evaluation considering the current level of capacity, and, iii) for ex-post evaluation, focus on impact and sustainability criteria.	



[Indicator 3] Methods and procedures of terminal and post evaluation studies are known through training etc. to ministry, province and district organizations concerned.	
Baseline	Target
◇ Specific methods or procedures for terminal and ex-post evaluation are not developed.	◇ Officials in main central government organizations and provincial/district sector organizations that conduct socio-economic infrastructure projects, receive training on terminal and ex-post evaluation.
[Remarks] Indicators 2 and 3 for the Project Purpose, which stipulate the implementation of terminal and ex-post evaluation, are regarded as outcomes of the training.	

[Indicator 4] The Ministry of Planning and Investment announces public investment projects that terminal and post evaluation will be conducted.	
Baseline	Target
Specific instructions or guidelines regarding terminal and/or ex-post evaluation have not been announced.	Official announcement from MPI is made on terminal and ex-post evaluation with the following methods: ◇ 2015/2016 development budget formulation guidelines. ◇ Decree or Agreement announced by Minister of MPI. Other official instructions.
[Remarks] The Public Investment Law issued in December 2009 stipulates that ex-ante, terminal and ex-post evaluation should be conducted under guidance of MPI. Output 2 intends to follow the Law and soon-to-be-issued Implementation Decree, and develop a standardized terminal and ex-post evaluation methods and processes, and include them in the Manual. The methods and processes are expected to be developed by the 2015/2016 financial year; therefore by then a somewhat official announcement from MPI is needed.	

[Indicator 5] Number of public investment projects that submit completion reports; with operations and maintenance plan attached; increases.	
Baseline	Target
The current project completion report format does not specify the requirements of an operation and maintenance plan.	Number of projects that submit an operation and maintenance plan at the completion of the project increases.
[Remarks] Indicator 5 aims to develop a process in which submission of an operations and maintenance plan becomes an obligation at the completion of the project, and the plan is to be checked during terminal evaluation (to be reflected in indicators 1 through to 4). Development and training for terminal and ex-post evaluation are to be done from September to December 2014. Thus full-scale application in the Lao PDR is to be done after January 2015. The 2015/2016 budget year will be the first opportunity to conduct and measure this indicator.	

### 3.5 Output 3

Three indicators have been set for Output 3, or “ODA project information management is improved.” The following tables explain the baseline and target indicators and provide remarks on them.

[Indicator 1] Development partners and the Lao Government are able to read ODA project information inclusive of counterpart funds.	
Baseline	Target
There is no system for development partners and Lao government organizations to share updated ODA project information.	<ul style="list-style-type: none"> <li>✧ A mechanism for development partners and Lao government organizations to share ODA project information is in place.</li> <li>✧ Accurate ODA project information is used when Lao government organizations request a national contribution budget.</li> </ul>
[Remarks] This indicator aims to provide updated ODA project information that is now shared among development partners through AMP, to Lao government organizations when they request a national contribution budget. The process of achieving this indicator is as follows: i) obtain approval from MPI-DIC to share AMP information with Lao government organizations; ii) establish a reasonable environment and tools for information sharing; and iii) diffuse the information nationwide.	
[Indicator 2] Guidelines on ODA project information management are included in the manuals and handbooks.	
Baseline	Target
Currently, no system allows development partners to provide ODA project information from to Lao government organizations. Thus the information is not incorporated in the manual/handbooks.	Methods of utilizing ODA project information provided by development partners are incorporated in the manual/handbooks.
[Remarks] Methods to search and utilize ODA project information to complete SPIS formats will be incorporated in the manual and handbooks. The current procedure suggests that project owners refer to project documents collected from development partners, but the new method will recommend AMP as another information source.	
[Indicator 3] Methods and procedures of ODA project information management are disseminated to ministries, provinces and district organizations concerned.	
Baseline	Target
Currently, no system provides ODA project information from development partners to Lao government organizations. Thus the information is not diffused to government organizations, provinces and districts.	Officials in government organizations, provinces and districts are trained on methods of utilizing ODA project information provided by development partners.
[Remarks] Indicator 4 for the Project Purpose, that stipulates the accuracy of ODA project information shared among development partners and Lao government organizations, is regarded as outcome of the training.	

### 3.6 Output 4

Three indicators have been set for Output 4, or “A mechanism of management and capacity development for district-level public investment projects is established.” The following tables explain the baseline and target indicators and provide remarks on them.

[Indicator 1] The Ministry of Planning and Investment develops and announces roles and responsibilities for district-level public investment project management.	
Baseline figure	Target
The Ministry of Planning and Investment has not yet developed and announced roles and responsibilities for district-level public investment project management.	The Ministry of Planning and Investment has developed and announced roles and responsibilities for district-level public investment project management.
[Remarks] <ul style="list-style-type: none"> <li>✧ Roles and responsibilities for district-level public investment project management are defined by the Implementation Decree of the Public Investment Law, which is currently under cabinet deliberation. Therefore, it is necessary to inform the districts of the said roles and responsibilities.</li> </ul>	

[Indicator 2] Methods and procedures for district-level public investment project management are included in the manuals and handbooks.	
Baseline figure	Target figure
Basic methods and procedures for district-level public investment project management are included in the current version of manuals and handbooks.	Methods and procedures for district-level public investment project management, which meet the below criteria, are included in the revised version of manuals and handbooks; <ul style="list-style-type: none"> <li>✧ Methods and procedures for district-level public investment project management are in line with the new rules and job descriptions.</li> <li>✧ Process and workflow for district-level public investment project management are clearly defined.</li> </ul>
[Remarks] The Ministry of Planning and Investment is considering adjustment of demarcation between the provincial DPIs and district DPOs along the government direction of strengthening districts. Therefore, it is important for the achievement of Output 4 that methods and procedures for district-level public investment project management which follows the new demarcations are clearly mentioned in the manuals and handbooks.	

[Indicator 3] More than 5 provincial Department of Planning and Investment officials are capable of conducting training to district planning offices and district sector departments	
Baseline figure	Target figure
Fewer than 5 provincial Department of Planning and Investment officials are capable of conducting training to district planning offices and district sector departments.	<ul style="list-style-type: none"> <li>➤ More than 5 officials in each DPI complete the TOT</li> <li>➤ Documents regarding an implementation structure of training activities for district planning offices, district sector departments, etc. are developed by each DPI.</li> </ul>
[Remarks] It is necessary that more than 5 DPI officers are trained as trainers. It is also important that documents regarding an implementation structure of the training activities for district planning offices, district sector departments, etc. are developed by each DPI for the achievement of Output 4.	

## **4. Issues, Approaches, and Lessons Learned**

### **4.1 Utilizing Lessons Learned from the Baseline Survey**

The results of the Baseline Survey, including its Final Report, will become a useful output that outlines the status quo of public investment management. Therefore, they will be shared with the counterpart organization to make the most out of them.

### **4.2 Project Implementation Set-up**

Output 1 is the subject closely related to the duties conducted by MPI-DOP, so PCAP3 needs to secure the department's involvement in the project activities. MPI-DOP responded by assigning two of its staff members to work with PCAP3. PCAP3 drafted a proposal on drafting the Mid-Term Public Investment Plan and the Financial Management Guidelines, which MPI-DOP now uses as a reference. To obtain authorization on the proposal from MPI, PCAP3 must work closely with the two staff members. The staff members will be the key players to disseminate the proposal in MPI-DOP, and obtain initial approval from the MPI-DOP Director.

For Output 2, two deputy division chiefs from MPI-DOE have been assigned to PCAP3. These two officials showed a high level of commitment during the Baseline Survey as team leaders in their respective survey sites. Development of terminal and ex-post evaluation will include collaboration with the Ministry of Finance, and the two officials are expected to take strong initiative in this undertaking.

Regarding Output 3, a new chief for the Aid Effectiveness Division of MPI-DIC has been assigned. PCAP3 will continue to communicate closely with the division while conducting development activities.

For Output 4, three officials of MPI-DOE, are officially assigned and have been working on its activities. This will continue for the latter half of the year as well.

### **4.3 Other Issues and Approaches to Address Them**

The "ODA Semi-Annual Report for Financial Year 2011/12" was issued by MPI-DIC in August 2012. This report contains ODA project information collected from AMP. The information pertains to ODA projects that are directly related to the achievement of the Millennium Development Goals. However, in order to express the efforts and commitment to achieving the goals, it is necessary to provide the required amount of Lao Government national contribution funds along with the development partner contribution. This point was raised in the Round Table Meeting Sector Working Group Chair and Co-Chair Meeting in May 2012. Therefore, it is necessary for AMP to increase its features so that the national contribution budget can be collected and analyzed.

## 5. Activity Plans

Due to a slight delay in completing the Baseline Survey, the launching of activities related to development of methods, tools and procedures for some outputs has also been delayed. However, by the end of June 2013 (first year of PCAP3), it is expected that all outputs will be fully developed at pilot organizations as planned, and move on to the validation in the monitor provinces. The following chart compares the original and revised activity plan of PCAP3 in its first year.

Activity Details			Original/Revised Plan	2012												2013					
				3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6		
First	①	Formulating and discussing the Inception Report																			
	②	Holding Joint Coordinating Committee Meeting																			
All	③	Formulating Progress Reports and Work Completion Reports on an annual basis, and Project Completion Report at the end of the project period																			
<b>[Output 1] A framework for Mid-Term Public Investment Plan and Financial Management Guidelines established</b>																					
First Year	①	Implementation of Baseline Survey, Selection of Pilot and Monitoring Organizations	Original Plan Revised Plan																		
	②	Establishment of the draft Mid-term Public Investment Plan and Financial Management Guidelines	Original Plan Revised Plan																		
	③	Holding a joint seminar on the proposed MTPIP and Financial Management Guidelines	Original Plan Revised Plan																		
	④	Formulation of the proposed MTPIP and Financial Management Guidelines by the monitoring organization	Original Plan Revised Plan																		
<b>[Output 2] Measures for effective operation and maintenance of public investment projects after its completion are established</b>																					
First Year	①	Discussions with the Ministry of Finance regarding the operation and maintenance costs after the completion of the public investment projects	Original Plan Revised Plan																		
	②	Establishment of methods and processes for the terminal and ex-post evaluations of public investment projects	Original Plan Revised Plan																		
	③	Pilot project review based on project evaluation studies	Original Plan Revised Plan																		
	④	Revisions based upon the results of the ③ above	Original Plan Revised Plan																		
<b>[Output 3] ODA project information management is improved</b>																					
First Year	①	Discussions with donors on standardization of ODA projects within the scope of public investment	Original Plan Revised Plan																		
	②	Establishment of an improvement process regarding ODA information management	Original Plan Revised Plan																		
	③	Pilot review of new ODA projects	Original Plan Revised Plan																		
<b>[Output 4] A mechanism of management and capacity development for district-level public investment projects is established</b>																					
First Year	①	Discussions within the MPI and with relevant authorities on establishment and management of district-level public investment projects	Original Plan Revised Plan																		
	②	Implementation of a baseline study to select pilot and monitoring organizations	Original Plan Revised Plan																		
	③	Development of processes and training methods for establishment and management of district-level public investment projects in the pilot organizations	Original Plan Revised Plan																		
	④	Preparation of training in monitoring organizations on managing district-level public investment projects	Original Plan Revised Plan																		

Specific activities by output are as follows:

## 5.1 Output 1

The activity plan of the Output 1 in the second half of Year 1 is as follows.

- ② **Establishment of the draft Mid-Term Public Investment Plan and Financial Management Guidelines.**
- ③ **Holding a joint seminar on the proposed Mid-Term Public Investment Plan and Financial Management Guidelines.**
- ④ **Formulation of the proposed Mid-Term Public Investment Plan and Financial Management Guidelines.**

PCAP3 drafted a proposal on the Mid-Term Public Investment Plan and the Financial Management Guidelines and will discuss their principles and contents in MPI. After the approval of the proposal, MPI is expected to provide the provinces and ministries with the instructions on formulating the Mid-Term Public Investment Plan and the Financial Management Guidelines.

Based on the instructions, PCAP3 will draft the Mid-Term Public Investment Plan 2011-15 and Financial Management Guidelines with pilot organizations. Such drafts will be presented to the other provinces and ministries in a seminar to be held in January 2013, with the aim to disseminate their effectiveness. Then, PCAP3 will verify the drafts with the monitor organizations by June 2013.

## 5.2 Output 2

The activity plan of the Output 2 in the second half of Year 1 is as follows.

- ① **Discussions with the Ministry of Finance regarding the operations and maintenance costs after the completion of the public investment projects.**
- ② **Establishment of methods and processes for the terminal and ex-post evaluation of public investment projects**
- ③ **Pilot project review based on project evaluation studies**
- ④ **Revisions based upon the results of the ③above.**

After sharing the issues on operations and maintenance after public investment project completion, along with the necessity of terminal and ex-post evaluation, activities have begun to develop methods, tools and procedures. A prototype is expected to be completed by the end of 2012, and validation will continue until June 2013. Discussions with the Ministry of Finance will continue through the course of development.

## 5.3 Output 3

The activity plan of the Output 3 in the second half of Year 1 is as follows.

- ① **Discussions with donors on standardization of ODA projects within the scope of public investment.**
- ② **Establishment of an improvement process regarding ODA information management.**
- ③ **Pilot review of new ODA projects.**

After observing the update situation of AMP development in MPI-DIC, PCAP3 will develop a proposal for ODA project information sharing with Lao government organizations, and submit it to MPI-DIC and United Nations Development Programme. After the sharing methods are agreed, training at pilot and monitor organizations will be conducted, and the process will be validated during the 2013/2014 budget request process. One assumption is that the completion of AMP will not be delayed.

## 5.4 Output 4

The activity plan of the Output 4 in the second half of Year 1 is as follows.

### ③ Development of Processes and Training Methods for Establishment and Management of District-Level Public Investment Projects in the Pilot Organizations

PCAP3 will develop processes and training methods for the establishment of district-level public investment projects. First, PCAP3 will form a development team comprised of members from MPI, DPIs, DPOs as well as concerned experts. Consideration will be taken so that personnel from the concerned DPI who understand the situation and issues well and the staff from the DPIO who will become actual users can actively get involved in the development process to provide applicable and effective procedures and methods in the district.

#### *Composition of the Joint Development Team for District-Level Project Methodology*

- Team Leader: Director General, MPI-DOE
- Personnel from MPI-DOE: About 2 people, one each from MPI-DOP and MPI-DIC, depending on the developed plans
- Pilot DPI personnel: 2–3 people per organization
- DPO personnel: 1–2 people per organization
- Experts

#### *Process for Establishment and Management of District-Level Public Investment Projects*

Based upon the contents developed in PCAP2, PCAP3 will reflect in the process on establishment and management of district-level public investment projects. The major development items are as follows.

- Definition of district-level public investment projects (Including project type and budget scale)
- Process for establishment of plans for district-level public investment projects
- Cycle and process for annual budget requests related to district-level public investment projects (budget request cycle)
- Process for assessment, monitoring and evaluation of district-level public investment projects (project cycle)

The developed processes will be compiled in a draft manual and handbook by revising the PCAP2 versions.

#### *Development of Training Method for Districts*

PCAP3 will develop systems and methods centering on training for DPOs to improve their own capacity as an organization and the productivity of their personnel in a sustainable way. The specific steps are as follows.

- (A) Creating training systems for the purpose of disseminating knowledge and technical know-how from the provinces to DPOs
- (B) Establishing a system for providing guidance and enabling consultations between the provinces and DPOs (post-training follow-up, etc.)
- (C) Establishing a system in each district that is capable of implementing organizational development and capacity building by such means as holding regular study sessions

### ④ Preparation of Training in Monitoring Organizations on Managing District-Level Public Investment Projects

PCAP3 will prepare implementation of training for the monitoring organizations selected in ② above in accordance with the processes and training methods on establishment and management of district-level public investment projects as developed in ③ above. The main preparations will be i) development of a Training of Trainers (TOT) curriculum and teaching materials for those personnel in the DPIs in the pilot provinces as well as implementation of TOT, and ii) development of a district-level training curriculum and teaching materials for personnel in the DPO and sector office.



