

Summary

I. Outline of the Project	
Country : Lao P.D.R.	Project title : Project for Enhancing Capacity of Public Investment Program Management (PCAP 2)
Issue/Sector : Governance	Cooperation scheme : Technical Cooperation
Division in charge : JICA Laos Office Dept. Division	Total cost : 320,000 (thousand)_yen (1st-3rd year: Actual, 4th year: Estimated) Cost per participant: (thousand)_yen Share of Japan's Contribution: ___%
Period of Cooperation	(R/D): 16/Feb/2008 (Project Period) March 2008 - September 2011
	(Extension): (F/U) :
Partner Country's Implementing Organization : Ministry of Planning and Investment (MPI)	
Supporting Organization in Japan : None	
Related Cooperation Project :	
<p>1-1. Background of the Project</p> <p>The Ministry of Planning and Investment (MPI) has the overall responsibility and authority of managing the Public Investment Program (PIP) scheme. Under this scheme, the main tasks of the ministry and its subordinate organizations are to conduct project assessment for PIP projects and verify their validity in respective sectors. They also provide instructions and advice on management of PIP projects to their implementation agencies, along with implementation of periodic monitoring and evaluation.</p> <p>However, many issues were seen in the management of PIP projects, mainly due to insufficient instruction capacity in the MPI and its provincial subordinate organization, the Department of Planning and Investment (DPI). Domestically funded PIP projects were not planned and implemented properly. It was unclear whether PIP projects had ever contributed to achieving the National Socio-economic Development Plan (NSED) target.</p> <p>Under these circumstances, the Government of Laos requested the Government of Japan for a technical cooperation project, and both parties agreed and signed to conduct the Project for Capacity Building in PIP Management (PCAP) in November 2004.</p> <p>PCAP was implemented from November 2004 for three years, with the aim to improve the system of appraisal, monitoring and evaluation for PIP projects. PCAP developed a Program Manual, a Project Manual and a series of handbooks incorporating project assessment tools in the area of finance, environment and social analyses. PCAP also developed a comprehensive capacity building model for the MPI and DPI, and conducted technical transfer for dissemination in the three monitor provinces, namely Oudomxay, Khammuan and Saravan.</p> <p>After the completion of PCAP in October 2007, a technical cooperation phase named the "Project for Enhancing Capacity of Public Investment Program Management (PCAP II) (herein after referred to as "the Project") was launched in March 2008, and due to complete in August 2011. The main expected outputs of</p>	

the Project are to: a) further improve and customize the manuals and handbooks produced in the first phase of PCAP to ensure that PIP management will be comprehensive, flexible, viable and, most importantly, in line with the Lao context; b) disseminate the standard process, methods and tools for PIP management nationwide; and to c) support its legal framework including the issuance of the Public Investment Law. As outcomes, the Project is expected to have some contribution in ensuring that sector ministries and provincial sector departments effectively implement PIP projects on schedule and in accordance with planned budget execution under an upgraded sector program.

1-2. Project Overview

(1) Overall Goal

Sector ministries and provincial sector departments effectively and efficiently implement PIP projects on schedule and in accordance with planned budget execution under an upgraded sector program.

(2) Project Purpose

MPI and DPI process PIP projects through a new assessment procedure introduced by the Project within strict budget ceiling, and conduct monitoring and evaluation.

(3) Outputs

1. 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.
2. Fiscal discipline is introduced and institutionalized in PIP management.
3. A legal framework of effective and efficient PIP management is developed and strengthened.
4. 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.

(4) Inputs

Japanese side :

Expert: 82.33 M/M

Local Cost: 99,972,000 Yen

Trainees received (TCTP): 10 participants in 2011

Others: Local consultant, Project Secretary, Driver

Laos Side : Counterpart Personnel: 48

Equipment: Project Office

II. Evaluation Team

Members of Evaluation Team	Mr. Yoshiharu YONEYAMA, Deputy Resident Representative, JICA Laos Office Dr. Nobuhisa TAKEDA, Senior Advisor, JICA HQ Ms. Aya MIURA, Project Formulation Advisor, JICA Laos Office Mr. Izumi SAKAYA, Consultant, Prastha Ltd, Inc	
Period of Evaluation	19 June 2011 - 2 July 2011	Type of Evaluation : Terminal Evaluation

III. Results of Evaluation

3-1. Achievement

(1) Project Purpose: MPI and DPI process PIP projects through a new assessment, monitoring and evaluation procedure within strict budget ceiling and submit them to National Assembly for approval.

It is considered that the project purpose will be achieved, to an acceptable level, upon project completion.

The achievement of each of the five indicators are as follows:

Judging from the measurement of the five indicators set up for the project purpose, its achievement level is not high. Among the five indicators, only Indicator 2 shows achievement while the other four indicators have been only partially achieved.

However, aiming at improving the capacity and efficiency of PIP management, the Project has placed its project purpose in line with the organizational mandate to be achieved by the MPI, and set its indicators accordingly. Therefore, the MPI and the Project have set up a common goal so that efforts of both parties can be shared.

The outputs of the Project resulted in satisfactory performances. The Project contributed to strengthen the capacity of the MPI and DPI for PIP project management with new assessment, monitoring and evaluation procedures, though continuous dissemination and the training of PIP management tools for ministries and provinces are necessary to increase transparency and accountability of PIP projects. Also, further improvement is required to strengthen PIP financial management with budget norm and medium-term planning framework.

Enactment of the Public Investment Law, which clearly states requirement of PIP project assessment, enhanced the authorization of tools and formats developed by the Project. PIP project assessment tools and methods contributed well in enhancing accountability and transparency.

(Indicator 1) The number 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 the project.

The Project has developed the standard annual PIP budget procedure, which has been disseminated through the Project Manual. However, according to the assessment by the Project and MPI, the number of PIP projects which have been processed by the standard procedure in the latest annual budget procedure was less than 70% of the total,.

(Indicator 2) Reports of every domestically funded PIP projects at each stage (planning / appraisal, monitoring, evaluation) is improved.

According to the studies conducted by the Project and the MPI, the quality of reports of PIP projects has improved noticeably since the introduction of reporting and assessment formats and procedures developed by the Project.

(Indicator 3) MPI and DPI set and implement budget ceiling at both central and provincial level together with MOF and DOF.

The PIP budget norm was developed and utilized for the PIP budget 2011/12, approved by the National Assembly in June 2011. However, the actual announcement process of the PIP budget norm in the annual PIP budget procedure should be stipulated in the implementation decree of the PI Law.

(Indicator 4) The amount and ratio of debts in annual PIP budgets decrease.

The Project has introduced the calculation method of *due amount* for PIP projects (the amount that the provinces and ministries are to pay to contractors from then on), and the *payment duration* (the period of time the provinces and ministries will take for completing the payment); both indicators expressing the financial conditions of the PIP budget. Although many provinces and ministries began utilizing these methods, PIP budget debts have not shown a decrease during the period from 2006/07 till 2010/11.

(Indicator 5) MPI together with sector ministries develop sector programs with specific annual, regional targets and the distribution of domestically funded PIP projects and ODA projects.

The Project has developed a program management approach for the selection of appropriate PIP projects at the provincial level. Provincial sector departments are beginning to utilize the approach as the criteria for the comparative assessment of PIP projects. However, it is not yet known to what extent the approach has been adopted. Therefore, the indicator has so far been partially achieved.

(2)Output

Output 1: 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

(Indicator 1-1) More than 5 DPI staff in each province are capable of managing PIP projects in accordance with existing manuals and handbooks.

(Indicator 1-2) More than 5 planning department officials in each ministry or other relevant government organizations are capable of managing PIP in accordance with existing manuals and handbooks.

Output 1 has been achieved but not to a full extent. While each DPI has a sufficient number of capable staff for proper PIP management (Indicator1), the number of capable staff in line ministries does not seem sufficient (Indicator 2).

Output 2: Fiscal discipline is introduced and institutionalized in PIP management.

(Indicator 2-1) The “Manual for PIP Project Management” and handbooks are upgraded or developed so as to cover PIP budget planning and management. The manual and handbooks are approved and distributed to all relevant government personnel.

(Indicator 2-2) More than 20 MPI officials and more than 5 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.

(Indicator 2-3) MPI and DPI develop and establish the process of approximating budget estimate, limiting the amount of domestically funded PIP projects and ODA projects within the annual budget ceiling, and planning the budget execution schedule according to the estimate and ceiling.

Overall, Output 2 has been achieved but not at a full extent. The latest version (revised August 2010, Version 3.0) of the “Manual For Public Investment Program (PIP) Project Management” indicates methods of PIP budget management. This manual and five handbooks designed for the MPI, DPI, Ministries, PO and Districts respectively have been approved by the MPI and distributed to all participants attending seminars and training sessions (Indicator 2.1). A large number of DPI officials attended the PIP management training for trainers, which included components related to PIP financial management (Indicator 2.2). However, the process has not yet been formally established, although the MPI and DPI have increasingly become aware of PIP budget management.

Output 3: A legal framework of effective and efficient PIP management is developed and strengthened.

(Indicator 3-1) A PIP management law and relevant specific decrees have been drafted, submitted and approved by National Assembly.

(Indicator 3-2) 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.

(Indicator 3-3) The PIP management law and relevant decrees authorize manuals and handbooks, which are developed and upgraded in the Project, are as a standard PIP management tool and disseminate

nationwide.

The Public Investment Law (PI Law) came into effect in December 2009, and in it Chapter 4 *Execution of Public Investment Plan & Project* specifies responsible organizations and legal procedures for reviewing, changing, suspending, and discontinuing PIP projects. Also, its Article 27 stipulates that assessment of PIP projects shall comply with technical aspects and tools determined by the MPI. The above three points show that indicators are covered, therefore Output 3 has been achieved and will be further reinforced when the Prime Minister's Decree is approved.

Output 4: MPI officials, DPI officials of all the provinces, and planning department officials of all the ministries, upgrade PIP management knowledge and skills of Official Development Assistance (ODA) counterpart fund management, district-level PIP management and sector program management.

(Indicator 4-1) The "Manual for PIP Project Management" and handbooks are upgraded or developed so as to cover ODA counterpart fund management and District-level PIP management. The manual and handbooks are approved and distributed to all relevant government personnel.

(Indicator 4-2) The "Manual for PIP Program Management" is upgraded, approved and distributed to all government personnel related to PIP management.

(Indicator 4-3) More than 20 MPI officials and more than 5 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.

Output 4 has been mostly achieved. The latest version (Version 3.0) of the *Manual for Public Investment Program (PIP) Project Management* includes procedures and methods for ODA counterpart fund management and the introduction of the SPIS format. PIP management at the district level is also included in the manual. The manual and the five handbooks have been approved by the MPI and distributed to all participants attending the seminars and training sessions (Indicator 4-1). The *Manual for PIP Program Management* is integrated in the *Manual for Public Investment Program (PIP) Project Management*. (Indicator 4-2).

The numbers of MPI and DPI officials who are capable of both managing PIP and training relevant officials exceeded the targets. However, the equivalent number of line ministries was not fulfilled. (Indicator 4-3).

3-2. Summary of Evaluation Results

(1) Relevance

The relevance of the Project is very high.

- In the Lao PDR, development projects are implemented as part of the Public Investment Program (PIP) under the five-year National Social Economic Development Plan (NSEDP). One of the priorities of the current 7th NSEDP (2011-2015) is human resource development at both central and local levels to ensure their sufficient capacity to drive the nation towards achieving the MDGs. Besides, effective PIP management is important to meet the targets stipulated in the 7th NSEDP.
- The Project matches the needs of the MPI-DOP/DOE/DIC, DPI and planning departments of line ministries that were described as the direct beneficiaries or the target group, as they required capacity development for PIP management.
- Japan's ODA policy towards the Lao PDR mentioned that capacity development of government officials and institutional building in the field of public administration is one of the focal issues for cooperation.

- JICA has successfully completed the technical cooperation project: “Project for Capacity Building in PIP Management (PCAP)”, from 2004 to 2007, as the first phase of the Project. Moreover, JICA has abundant experience in assistance in the field of governance with the Ministry of Finance and the Ministry of Home Affairs.

(2) Effectiveness

The effectiveness of the Project is fair, though not high.

- Based on the measurement of each indicator, the achievement of the project purpose is not high. Among five indicators, only Indicator 2 shows achievement while the other four indicators have been only partially achieved.
- The main cause of this is that the project purpose and its indicators aimed for *full operation based on the established system* as well as *the immediate effect of the operation*, while its activities and outputs aim solely at the *establishment of the system*. Therefore, there was a logical separation between the activity and output levels, and the project purpose level – resulting in some effect on the evaluation results indicating the effectiveness of the Project.
- The results of training in Vietnam and Malaysia were effectively utilized for the Project. The budget norm system learned through the training in Vietnam, especially, was reflected in the preparation of PI Law and its implementation decree. The networking system of project management learned in the Malaysia training is expected to be applied to Laos in the future.
- Many factors have promoted the smooth implementation of the Project, along with the realization of its positive effects (Refer to 3.3).

(3) Efficiency

The efficiency of Project is considered to be high.

- The Japanese Experts have fully dedicated themselves to the Project, transferring knowledge and skills to C/P members. While most Experts provided their services on a “shuttle-type” visit basis, they had effectively conducted their activities with the help of Laotian experts.
- The allocation of Laotian C/P members has been appropriate as their capability is good enough to conduct activities.
- Laotian experts appointed by the Project contributed well as liaisons between Japanese experts and Laotian C/P members.
- The four Outputs have been mostly achieved as planned through the Project. The degree of achievement of the outputs is high enough in proportion to its inputs, indicating a high degree of efficiency.

(4) Impact

Although the likeliness of achieving the overall goal is not yet clear, the Project has established a positive direction for its achievement. Besides this, the following positive impacts of the Project were also observed.

- With the introduction of the standard PIP project assessment procedure, it seems that the transparency of the selection of projects has been increased as clear and objective data are now required.
- The format developed by the Project for the ODA counterpart fund (national contribution budget) – namely the SPIS format – has been incorporated into the ODA database.
- The Project has contributed to another JICA project “Capacity Building Project for Public Financial Management Strengthening Program” (LAFCAP), as the operation and management knowhow of the

Project, including training system and development of manuals, has been shared. Besides, constant collaboration with Japan Overseas Cooperation Volunteer (JOCV) members assigned to the DPI resulted in the smooth transfer of PIP management knowledge and knowhow in provinces, and has been effectively-utilized by its actual users.

- The officials in the MPI and DPI, with PIP management knowledge and skills developed through the Project, including the first phase (PCAP), efficiently managed other donor's projects such as the World Bank's Khammuan Development Project.
- Negative impacts have been hardly observed.

(5) Sustainability

The sustainability of the Project is not totally secured since financial aspects could be a major constraint.

<Policy and Institutional Aspect>

- Since the Project is completely consistent with government policy, including the 7th NSEDP, sustainability will be maintained in this aspect.
- The PI Law, now in effect, assures the legal authority of the PIP management procedure developed by the Project.
- The MPI has established a committee, consisting of members of the departments concerned, to sustain and disseminate the effects of the Project.
- The MPI holds an annual internal training session for DPI staff where PIP management, including the standard procedure developed by the Projects, is incorporated as one of the subjects.

<Technical Aspect>

- The targeted number of MPI and DPI staff are now capable of both managing PIP in accordance with the manuals and handbooks developed by the Project, and training relevant provincial and district officials.
- However, the number of such capable staff in line ministries is not yet sufficient.

<Financial Aspect>

- During the course of the Project, while the Lao government was supposed to share an agreed and specified portion of the training cost, the expected amount was not fully provided due to budget constraints.
- The MPI announced that it will assure budget annually to continue training which has been conducted by the Project.

3-3. Factors that promoted realization of effects

(1) Aspects related to project planning

- The Project contributed to the improvement of PIP management through the development of manuals and handbooks describing procedures and tools in line with the existing government regulation. Upgrading of regulations to the Public Investment Law, and subsequent Implementation Decree, further institutionalized the PIP management tools developed by the Project.
- The results of training in the Third Country were fully utilized for the Project output.

(2) Aspects related to the implementation process

- Communications between Japanese Experts and Laotian C/P members have been adequate and frequent without any major problems.
- The Project provided the training for the PIP management tool to provincial DPI and major Ministries. Training was combined with On-the-Job Training (OJT) to guide and monitor provincial DPI officials

and project owners during the actual practice of PIP proposals and assessment preparation. Such a combination of training and OJT enhanced their capacity effectively.

3-4. Factors inhibiting better sustainability and impact

(1) Aspects related to project planning

The Project purpose and its indicators aimed for *full operation based on the established system* as well as *the immediate effect of the operation*, while its activities and outputs aim solely at the *establishment of the system*. Therefore, there was a logical separation between the activity and output levels, and the project purpose level – resulting in some effect on the evaluation results indicating the effectiveness of the Project.

(2) Aspects related to the implementation process

During the course of the Project, while the Lao government was supposed to share an agreed and specified portion of the training cost, the expected amount was not fully provided because of budget constraints. Although this did not affect training activities of the Project – partly due to efficient designation and implementation of training, and partly due to the sharp appreciation of the Japanese currency – budget limitations of the Lao Government could hinder the sustainability of the Project after its completion.

3-5. Conclusion

- The Project outputs are likely to be fulfilled mostly as planned with satisfactory performances.
- From the viewpoint of the five evaluation criteria, the Project has achieved fair “effectiveness” and high “relevance” and “efficiency”. As for “impact”, it is not clear that the Overall Goal will be achieved in the few years following termination of the Project. Meanwhile, a number of positive impacts were observed. It is observed that, whereas institutional and technical aspects of the sustainability are secured, financial sustainability is not fully guaranteed at the moment considering the budget limitation of the Lao Government. In total, the “sustainability” of the Project is not totally secured.
- Based on the measurement of each indicator, the achievement of the project purpose is not high. Among the five indicators, only Indicator 2 shows achievement while the other four indicators have been only partially achieved. Therefore, the effectiveness of the Project is fair, though not high.
- However, the above largely resulted from the project design mentioned in 3-4(1) and, in general, it is concluded that the “establishment of the system” and “capacity development” at which the project aimed were mostly achieved.
- It is considered that the project purpose will be achieved, to an acceptable level, upon project completion. Therefore, it is concluded that the project will be completed in August 2011 as scheduled.

3-6. Recommendations

(1) Issue to be undertaken during the Project

- 1) The Implementation Decree of the Public Investment Law should be approved and issued as soon as possible, describing further details of PIP management procedures, including authorized tools and formats as well as financial management such as budget norm.
- 2) It is necessary to continue further dissemination of PIP Management Manuals and Handbooks to Ministries and Provinces to ensure wider usage of its procedure and formats.
- 3) It is important to monitor and obtain feedback on PIP Management tools from Ministries and Provincial DPI for further improvement of PIP management. The final seminar of the Project can provide such an

opportunity.

- 4) The PCAP 2 Project Management Committee of the MPI should consider further action to sustain Project activities for the improvement of PIP management.

(2) Issues to be considered for sustaining self-help efforts after completion of the Project

- 1) The MPI should continue to provide guidance and training to Ministries and Provincial DPI for PIP management and assessment tools by utilizing MPI trainers. The MPI should also facilitate Provincial DPI to train POs and district officers. Necessary financial arrangements should be considered to sustain PIP management training.
- 2) Further improvement of the district-level PIP management method is needed. Effective coordination among central government organizations, provinces and districts should be enhanced, based on the Public Investment Law and its Implementation Decree.
- 3) In order to disseminate the PIP management process and its tools, related documents and information should be distributed widely to Ministries and Provinces. The regular training for Provincial DPI officers organized by the MPI should continue to include the PIP management curriculum. Furthermore, the MPI should negotiate with National Universities and other educational institutions to disseminate PIP management methodology and tools.
- 4) For further improvement of PIP financial management, the MPI should provide guidelines for the preparation of a timely annual PIP budget with indicative ceiling, based on budget norm and 5-Year Public Investment Plan framework with indicative budget estimates.
- 5) The linkage with PIP budget and recurrent budget should be strengthened to ensure effective arrangement of maintenance and technical promotion projects not related to construction projects.
- 6) Further integration of SPIS and ODA database is expected. It is necessary for the MPI-DIC to develop a common format and procedure for improving management of the ODA National Contribution Budget and the ODA Standard Operating Procedure.

3-7. Lessons Learnt

(1) Institutionalization of PIP management

The Project contributed to the improvement of PIP management for developing manuals and handbooks describing procedure and tools, based on the existing government regulation. Upgrading of the regulation to the Public Investment Law and subsequent Implementation Decree further institutionalized the PIP management tools developed by the Project.

(2) Project management based on task teams

The MPI organized the Project Management Committee to manage and coordinate three Departments involved in the project. The Project also organized various teams to implement particular tasks such as training, developing manuals, drafting Law and Decree, and self-evaluation. The formation of such task teams effectively mobilized participation of appropriate persons from different Departments in the Project. As a result, a large number of MPI personnel were actively involved in the Project.

(3) Capacity improvement with combination of training and OJT

The Project provided PIP management tool training to Provincial DPI and major Ministries. Training was combined with on-the-job training to guide and monitor Provincial DPI and project owners in the actual practice of the preparation of PIP proposals and assessment of proposals. Such a combination of training and OJT enhanced their capacity effectively.

(4) Continuity of commitment and key persons involved in the Project

The Project Director and Managers, as well as key staff such as trainers, have been continuously involved in the Project since the Phase 1 Project. Active involvement and continuous commitment from key MPI personnel led to the effective implementation of the Project.

(5) Utilization of Laotian experts

Laotian experts appointed by the Japanese Experts played an important role in the smooth communication and cooperation between Japanese Experts and Laotian C/P, as many of the Japanese Experts came to Laos on a “shuttle-type” basis, and did not always stay in Laos.