Decentralised funding and partnerships for rural development

Case study from Lao PDR

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Poverty reduction
Sustainable Development Goals
Vulnerable populations in poor and remote areas

Local development
Improved local development planning and public participation

Health
Improved health coverage and maternal and child health services

Skills for tourism
Access to and quality of vocational training in the tourism sector

Governance
Strengthening the rule of law

INGO and multilateral project in local development

LAO/030
One bilateral programme coordinated at national level implemented in four provinces focusing on the poorest districts

Improved socio-economic situation and access to social services

Local planning based on priorities and needs at village levels
Mountains  70 %
Uplands  20 %
Nice and flat  10 %

Lao-Tai  54%
Mon-Khmer  35 %
Hmong-Mien  9%
Sino-Tibetan  2%

Mountains
Remoteness
Marginalization
LAO/030 Local Development Programme

**Overall Goal**
- Reduce Poverty
- End hunger and malnutrition
- Improve environmental management

**Specific Objective**
Improve living standards and bring 229 target villages above the poverty line

**Focus areas**
- Governance strengthening
- Community-led development
- Infrastructure access

**Budget (EUR)**
- Luxembourg: 32 409 343
- Switzerland: 1 562 200 (2020-22)
- Total: 33 971 543
- COVID-19: 1 000 000

May 2017 → Dec 2022
Poverty in Lao uplands linked to insufficient:

- Governance capacity in promoting local development
- Participation and opportunities of households and communities
- Access to basic social infrastructure and services

Caused by limits to:

- Law and policy enforcement
- Decentralised planning
- Development monitoring
- Financial prioritization
- Investment management
- Donor coordination
- Accountability measures
- Knowledge management
- HR capacity and management

- Leadership and representation
- Participatory principles
- Empowering measures
- Fund control
- Community assertiveness
- Development vision and plan
- Effective communication
- Information access
- Accountability of leaders

- Infrastructure investment
- Poverty focus of investments
- Staff allocation
- Stringency in procurement
- Supervision and control
- Community maintenance
- Public participation
- Village management
- Utilization
4 Provinces
14 districts
229 villages
152,000 people
74% minority pop.
21 ethnic groups
Objective

Strengthen the capacity of government agencies in sustainable poverty reduction.

Facilitate policy and strategy dialog

Ministry of Planning and Investment - Central and local
- SEDP preparation and monitoring
- Village, district, province development planning
- Statistics, MIS, mapping, and IT application
- Investment management
- Development partner coordination

Department of Rural Development – MAF
- Sub-sector Working Group on Rural Development
- Technical working groups
- Poverty assessment (decree 348)
- Facilitate policy dialog and networking

Derived outcomes
- Integrated development planning
- Multi-sectoral collaboration
- Decentralization decree carried out in practice

Governance Component - Governance strengthening
- Community-led development
- Infrastructure access

7,672,251 EUR
23%
Community-led development

**Objective**
Sustainable socio-economic development based on participatory local development planning and implementation

**Main interventions in 229 villages**
- Village development planning
- 3588 projects via Village Development Funds for
- Capacity strengthening of Village Development Committees
- IT and internet access for VDCs and schools

**VDF mechanism**
- Fund delegated to each community for their management
- Democratic selection of interventions
- Average fund 37,000 EUR for 16 actions per village
- Coordination by District Planning Office
- Technical support by line agencies
- Implementation by communities

**Derived outcomes**
- Community empowerment
- Inter-agency and community collaboration
- Link between planning and funding

13,056,553 EUR
38%
Objective
Improved access to basic rural infrastructure in most needy communities.
Strengthen GOL systems

Main interventions
• 243 infrastructure projects completed
• Capacity strengthening of multisectoral agencies
• User group formation
• Operations and management funds

IDF mechanism
• Funds delegated to four provinces for their management
• Prioritization based on village poverty indicators
• Coordination by Provincial Planning Office
• Design and procurement by relevant line agency
• Construction by companies selected through open bidding

Derived outcomes
• GOL planning, procurement, implementation, and monitoring
• Multisectoral collaboration towards overall poverty targets
• Community ownership

10,577,411 EUR
31 %
Delegation

LuxDev → Coordinator → Implementor

VDF 9 m EUR → 229 Target villages

LuxDev → Provincial Planning Department

IDF 9 m EUR → Sector departments

LuxDev → Department of Planning MPI → Provincial Planning Department

Governance 4 m EUR
Expenditure by Result area - EUR

- Coordination
- Infrastructure
- Governance
Online training
Socio-economic results

3588 Community-led activities in agriculture, climate change actions, sanitation, clean water, school upgrade, road access, vocational training.

243 Rural infrastructure projects

Outcomes:
Access to education facilities clean water, sanitation, communication, productive activities, training, and capital and financial services

229 Village development plans and funds

Impact:
• Improved health
• Higher education outcomes
• Food security
• Public participation
• Sector collaboration

229 Schools benefitting from:
• Child centred education
• Reading programme
• Online-learning
• Teachers’ training

70 % of budget spent at village level
System strengthening

229 Villages strengthened
• Village development planning
• Delegated village funds
• Capacity strengthening
• IT and internet use

10 Sectors collaborating effectively for integrated local development

Development planning
• Integrated local planning systems
• Management information systems
• Funded plans at all levels

Decentralization
• Vertical mandates according to decentralization policy
6 good principles
Sectors and mass organizations

Planning  Health  Education  Agriculture  Environment  Public Works  Commerce  Women’s Union  Youth Union

Components

Governance strengthening
Community-led development
Infrastructure access

Respond to needs and opportunities
Basis for integrated planning and action
Support system strengthening

Principles

Poverty focus
Participation
Integration
Flexibility
Alignment
Delegation
Sustainability

Support mechanisms

Funding
Capacity str.
Accountability

Gender
Environment & CC
Governance

Cross-cutting issues
Road ahead

Institutionalize

Upscale

Partner