

District Development Fund and Strengthening Local Services Delivery in Lao People Democratic Republic

Chantha Onxayvieng* Shukui Tan

College of Public Administration, Huazhong University of Science and Technology

430074 Wuhan City, Hubei Province, PR. China

*E-mail of the corresponding author: chantha_76@yahoo.com

Abstract

The District Development Fund program or model was introduced in Lao People Democratic Republic in 2005, with the technical and financial support of United Nations Capital Development Fund, as a core part of the Governance and Public Administration Reform Programme, which was jointly supported by United Nations Capital Development Fund and United Nations Development Programme. The District Development Fund program was designed to be an effective approach and support methodology suitable for a low capacity environment in order to help deliver better public services to rural and remote communities in Lao PDR. The DDF has since been expanded to fifty two (52) Districts (of a total of 148 Districts) across the country. DDF aims to sustainably improve local public services delivery through the strengthening of capacity of local district administration and demonstrating improved financial management systems and procedures that can contribute positively in this objective. It does this by providing both discretionary development grants together with capacity development and support to improvements systems and procedures for local development.

However, there has been little external research undertaken to date on “assessment of the District Development Fund program as an effective approach to strengthen public service improvement for decentralized and better service delivery in Lao PDR, and whether the District Development Fund program has positively affected the capacity of local authorities to delivery prioritized local public services”. This article addresses this by looking at the empirical results from the DDF program and draws on experiences on how DDF program has been operating and contributing on the ground in building local capacities, in financial management, planning and budgeting, to enhance the local authorities’ ability to finance local priority services.

The DDF for government has become the viability and positive results of empowering local authorities and communities as part of public administration reform, that is not only a government fund transfer mechanism a form of fiscal decentralization but also has proven to be very well suited to the low capacity environment in Lao PDR. A better people-focused service delivery has mostly been achieved by empowering sub-national administrations to take a more effective role in leading local socio-economic development, which is to bring about tangible improvements in public services to people and a real reduction in local poverty.

The most significant lesson of the DDF experience in Laos has been its ability to achieve results that have led to improvements in pro poor service delivery combined with improvements in the capacity of local administration in planning, budgeting and monitoring services. A critical lesson in achieving these results has been ensuring that new systems and procedures fully align with existing government processes. This not only helps to improve capacity development but also ensures innovations, which is more cost effective and scalable in future by working through existing governance systems. Greater district and community oversight and accountability result in funds being well spent with minimum leakages.

This article, to a large extent, is entering new ground where there is little other independent research or documentation available. Thus the approach relies on conducting structured evaluation dialogue with the direct stakeholders, including the Ministry of Home Affairs, Governance of Public Administration Reform /District Development Fund project team, national and local practitioners and representatives of the communities involved, combined with a review of the available documents and data. The methodological tools used were interviews, workshops, focus group discussions, data analysis and document review.

Keywords: Service delivery, Building capacity, Financial management, Planning and budgeting management, Local authority, District development fund approach.

1. Introduction

This introductory section provides a brief overview of the country context and decentralization status and the related challenges to effective local service delivery therein,- which provides the inspiration for this article. It

then looks at the context of Public Service Delivery in Lao PDR, followed by a review of some relevant literature. Next the article describes the research approach and methodology used here, which is followed by the experiences and findings from District Development approach in Laos. The analysis and discussion section considers some key findings and lesson before moving on to the conclusion and recommendations section and to whether the DDF approach has indeed contributed to building local Human Resource abilities for planning, financial management and local development execution, as manifest in the effective delivery of local priority public services.

Local participation is often proposed as an approach to better service delivery and poverty eradication with focus on targeting and strengthening demand for good governance (PACSA & GPAR-SBSD 2006). It is generally accepted that there are two main ways for inducing local participation; community development and decentralization of resources and authority to local governments. Community development represents the Demand side, whereby local communities are better informed and able to request more responsive public services. Decentralization of resources and authority to local government represents a strengthening of the Supply side that should increase the capacity of local governments to provide local priority services by increasing their financial resources, strengthening the Human Resources (HR) skills and rationalizing their administrative functions. (“LOCALIZING DEVELOPMENT: DOES PARTICIPATION WORK?” - World Bank 2009). The District Development Fund sometimes known as the Decentralized Financing and Development Programme (DFDP) in Nepal, the Local Governance Development Fund Project (LGDP) in Bangladesh and the District Development Fund programme (DDF) in Laos. The DDF programme in Laos provides an excellent opportunity to review the validity of the premise from experiences gained in the Lao context.

In Lao PDR, public administration reform is firmly viewed as a means to an end – it is regarded as a necessary condition to deliver more equitable and people-centered services, and in a more effective way. Re-enforcing the commitment to a more participatory approach, the National Growth and Poverty Eradication Strategy (NGPES) adopted by the National Assembly in 2003, recognized that poverty eradication requires local level, community-based planning and public service delivery favoring the poor. People-responsive socio-economic development is now firmly a key element of government policy to achieve the Millennium Development Goals (MDGs) and the goals of the National Socio-Economic Development Plans (NSED 2006). It is one of the main reasons behind the ongoing public administration reform in Laos.

The government’s Governance and Public Administration Reform Programme (GPAR) is an initiative aimed to strengthen the functioning performance of public administration at national, provincial and district levels. A main focus of the Lao government’s policy and its national GPAR program is achieving more people-responsive service delivery, especially at the local level. The objective is to achieve this goal through increased capacity and long term reform in the local administration, leading to better delivery of services that will improve the lives of the poor, especially in rural areas of Lao PDR. GPAR has moved more from institutional reform towards improving public administration practices and capacities in support of better service delivery. These include piloting decentralized service delivery, supporting a number of projects at the national and sub-national levels. These projects have helped to develop a series of policies, laws and regulations, and introduced initiatives and guidelines to improve service delivery, notably among them is the District Development Fund (DDF) a mechanism of capital and operational block grants coupled with capacity development targeting local development priorities and services (Nisith Keopanya, 2013).

In Lao PDR, public administration reform is firmly viewed as a means to an end – it is regarded as a necessary condition to deliver more equitable and people-centered services, and in a more effective way. Re-enforcing the commitment to a more participatory approach, the National Growth and Poverty Eradication Strategy (NGPES) adopted by the National Assembly in 2003, recognized that poverty eradication requires local level, community-based planning and public service delivery favoring the poor. People-responsive socio-economic development is now firmly a key element of government policy to achieve the Millennium Development Goals (MDGs) and the goals of the National Socio-Economic Development Plans (NSED 2006). It is one of the main reasons behind the ongoing public administration reform in Laos.

The government’s Governance and Public Administration Reform Programme (GPAR) is an initiative aimed to strengthen the functioning performance of public administration at national, provincial and district levels. A main focus of the Lao government’s policy and its national GPAR program is achieving more people-responsive service delivery, especially at the local level. The objective is to achieve this goal through increased capacity and long term reform in the local administration, leading to better delivery of services that will improve the lives of the poor, especially in rural areas of Lao PDR. GPAR has moved more from institutional reform towards

improving public administration practices and capacities in support of better service delivery. These include piloting decentralized service delivery, supporting a number of projects at the national and sub-national levels. These projects have helped to develop a series of policies, laws and regulations, and introduced initiatives and guidelines to improve service delivery, notably among them is the District Development Fund (DDF) a mechanism of capital and operational block grants coupled with capacity development targeting local development priorities and services (Nisith Keopanya, 2013).

However, there are broader limitations imposed by the macro political economy context in Laos. As has reported elsewhere (Winter. M, 2002; Jorge. M.V, 2006). Another note, the provincial administration in general was endowed with most of the planning and budgeting responsibilities, and the provincial governors in particular with authority over the provincial and district tax offices. In addition, devolution in Lao PDR reached a point where provinces were able to set interest rates and exchange rates for the local currency, for a period of time effectively dismantling the central state banking system (Keeulers and Sibounheuang, 1999). In Laos the main elements of the local political system, which are defined in Articles 3 and 5 of the Constitution do not specifically provide for a decentralized form of authority. Article 3 emphasizes the leading role of the Lao People's Revolutionary Party and Article 5 effectively means that all state organs (including local level administration) are organized as hierarchical organizations that are ultimately managed by centralized authorities. People's formal participation is through a single National Assembly with elected representatives from multi-member constituencies at provincial level, which encompasses a number of districts – typically 4-12. Thus while the National Assembly members provide a mechanism for citizens at the local level to raise concerns on a national platform, the actual organization of administrative functions and practices are beyond its aegis of responsibility.

In principle, Prime Minister Instruction No.01/PM 2000 opened the way for administrative and fiscal decentralization in Lao PDR. However, initial attempts at addressing the practical implementation aspects of central-local roles and responsibilities, however, were only partially successful. Among the reasons commonly cited for the difficulties of implementing an effective model for greater local authority and better service delivery was the lack of accountability and transparency in the fiscal transfer system and the legacy of near fiscal autonomy of the provinces in Laos. Because of the high degree of fiscal autonomy of the provinces and resulting imbalances in expenditures between them, the Government has had to centralize revenues from the provincial to the national level as a prior step before “re-decentralizing” expenditure to the districts. Changes to the Budget Law, the most recent revisions of which took place in July 2008, establish the basis for these fiscal transfers, framed by the objectives of the National Socio-Economic Development Plan.

To strengthen the public services and address various weaknesses, in October 2003 the Prime Minister issued Decree 82/ 2003 on public service regulations with supporting instructions. The instructions set out the responsibilities of public servants at central, provincial and district levels. The Law on Local Administration of October 2003, states ‘the organization and functions of the local administration are implemented in accordance with the principle of centralized democracy and deconcentration’, which divides responsibility among management levels, does little to strengthen the PM Decree 82/2003 in terms of the division of responsibilities for policy making, oversight and implementation.

Thus, currently, decentralization in Laos as a policy of the state finds expression as a deconcentration of state authority, where sub-national units have the responsibility of implementing centrally determined policies. This also extends to the financial management system, including Budget allocations, a fact that is important when analyzing the role and impact of the DDF system in Lao PDR.

Arising out of the centralized system of administration, sub-national levels of administration have had very limited authority and discretion over resources required to deliver local public service priorities. In effect, districts administration does not operate as a true horizontal level of local administration, but rather as many separate offices each implementing its own line Ministry's policies and priorities, and being totally reliant on the Sector line ministry for financial resources. Budgets are normally distributed via the Provincial administration level, where some additional degree of control is also exercised over the Districts. This lack of local resources and authority unresponsive of effective prioritization of local service delivery and give rise to unfocused poverty eradication at districts level. Conversely, if indeed the generally proposed management theories are true, there should be measurable increase in the administrative ability and effectiveness towards better delivery at districts administration where the DDF system has been operating.

The hypothesis is that the provision of discretionary block grants (the DDF) to districts coupled with human resource development and more efficient fiscal transfer to districts will help empower local authorities and develop their capacity to deliver decentralized services in manner that is more effective and efficient, and that

this will contribute to the provision of additional or new public service interventions that would not otherwise become available.

2. Literature Review

Recent literature has challenged the citizen as consumer view of new public management as too narrow (deLeon and Denhardt, 2000) and argues citizen deliberation is at the core of public service delivery (Denhardt, 2003; Mintrom, 2003). Local officials have been experimenting with new forms of citizen engagement recognizing that citizens' engagement is critical to effective service delivery and democracy (Crocker, Potapchuck, and Schechter, 1998). Government plays a critical role as convener, securing citizen access and participation. The empirical shows a process of managerial learning over time (Borins, 2001; Rashman and Randor, 2005). Where local government experimentation with market delivery has moved beyond a primary concern with cost reduction and competition to increasing recognition of the importance of monitoring and citizen satisfaction, the costs of contracting and the need for citizen engagement in service delivery.

It has become increasingly clear that budget allocations, when used as indicators of the supply of public services, are poor predictors of the actual quantity and quality of public services, especially in countries with poor accountability and weak institutions (Devarajan and Reinikka 2002). The efficiency of service delivery is greatly influenced by the use of funds for different types of expenditure like wages, construction or physical inputs. The allocation of resources in turn depends on the quality of governance. In addition, the number of people involved in decision making and service delivery and the dependency on the discretionary behavior of individuals provide opportunities for the leakage of funds. Furthermore the difficult working conditions and uncompetitive salaries can reduce the accountability of service provision, fostering absenteeism and low quality (World Bank 2003; WB/IMF 2005; WB 2011).

Therefore, an increase in public expenditure is likely to increase outcomes only if institutions or mechanism are in place to ensure the efficient use of resources. Large variations in the record of governments in delivering public services and reducing poverty often can be attributed to differences in the incentives for politicians to allocate public resources. Such misallocations can be traced to constraints on the extent to which poor people can hold governments accountable, such as lack of information about service quality, lack of credibility of political promises, and polarization of voters on social and ideological grounds. Greater political accountability – and by implication, greater people participation in the local decision making and results monitoring processes- improves public services and reduces corruption (United Nations 2005; OECD 2009, 2010; ETHOS 2011; UNDP 2011).

A generally accepted trend aimed at increasing participation and transparency in public service delivery is decentralization. While decentralization may lead to greater accountability and hence should led to increased prospects that services would reach targeted groups, the possibility of the local elite capturing the services, suggests that decentralization is not a panacea that cures all ills. There is evidence that decentralization might only reduce poverty through better targeting of service delivery in countries with sufficient capacity and willingness of policymakers to ensure a pro-poor development process. Thus strengthening the institutional capability at the local level is essential if decentralization is to be effective. In addition, improving service delivery requires strengthening the relationships of accountability among policymakers, service providers, and users (Jütting, J. 2004; World Bank 2003).

Similarly, they need to be aware of the distinction between the term “services” as generally used in the governance and administrative reform (GPAR) context which often relate to the provision of local administrative services, such as registration of births, marriages and deaths, the registration of land, the issue business licenses, travel permits and the like, - with the provision of tangible public services under DDF, such as construction of a school or provision of mobile health clinics, etc. The latter tangible services can be viewed more as outcomes, or impacts that aim to improve the quality of people's lives. When assessing the effectiveness of the DDF as an effective approach to improve local services, they are primarily looking at the outcome level – the tangible services provided that directly impact on people's lives. However, the government is nevertheless mindful of the related capacity development supports provided to enable this tangible services delivery, including in participatory planning, better financial management and improved implementation procedures and other core areas of reform in service delivery systems.

This review of application of the District Development Fund approach in Lao PDR is of particular interest as good governance practices are an integral part of the design and implementation methodology of DDF. Thus, its assessment may shed further light on some of the relevant literature referred to above.

3. Research Approach and Methodology

To a large extent researchers are entering a new ground and there is little other independent research or documentation available. Thus, the approach relies on conducting structured evaluation dialogue with direct stakeholders, including the main implementing agency - the Ministry of Home Affairs (MOHA), the GPAR/DDF project team, national and local practitioners and representatives of the communities involved, combined with a review of the available documents and data.

The strategy employed is to develop a hypothesis based on pre-mission reading of the documents and on prior local knowledge. This hypothesis then tested during the field work by against emerging findings through structure dialogue with the actors involved at different levels. This approach enabled the researcher to interact with a large number of the project stakeholders as GPAR, government officials, local stakeholders and service users as representatives of the communities involved over a relatively short space of time, combined with documentary and data analysis.

The methodological tools used were interviews, workshops, focus group discussion, data analysis and document review. This research captured quantitative and qualitative results on key variables, notably on capacity building and service delivery improvements and applied these to obtain a composite measure enabling an assessment of the effectiveness of the DDF approach in the local environment.

4. Findings from District Development Approach in Lao PDR

4.1 DDF Background

Given the afore mentioned constraints of only deconcentration of state authority facing local administration and service delivery in Laos, arising from a lack of effective model of decentralisation or devolution of authority and resources to local authorities, the DDF model was introduced to pilot and demonstrate the viability and positive results of empowering local authorities and communities as part of the Governance and Public Administration Reform (GPAR) programme. Since 2006, GPAR in Laos has been promoting the conditions for better and more equitable local service delivery, with the technical and financial support from UNDP and UNCDF. Better people-focused service delivery has mostly been achieved by empowering sub-national administrations to take a more effective role in leading local socio-economic development.

The District Development Fund (DDF) is a government fund transfer mechanism, – a form of fiscal decentralization - where regular block grants are transferred from the central level to the district level to finance local development activities. The objective of the DDF is to improve public service delivery through demonstrating and strengthening the capacity testing improved financial management procedures. The DDF has supported decentralized planning and financing of local infrastructure and services since 2006, and has been widened to include both capital and operational expenditure block grants. The DDF aligns with the government's fiscal year (FY) from October to September and this fact, coupled with the initial planning and capacity development period, means that for the purpose of this article that research is based on the hard data available from FY 2006/07 to FY 2010/11 – covering some 35 districts in 5 provinces (See Figure 1 and Table 1)- Saravane, Sekong, Huaphan, Xiengkhouang and Oudomxay in the country's 145 districts.

From 2012 DDF is implemented as a key component of the new national Governance and Public Administration Reform programme for Strengthening Capacity and Service Delivery of Local Administrations (GPAR-SCSD) project (2012-2015), and has included both capital of District Development Fund-Basic Block Grant (DDF-BBG) and District Development Fund- Operational Expenditure Block Grant (DDF-OEBG).



Figure 1. DDF Geographical coverage in 5 provinces (2006-2011)

Source: GPAR SBSB data base, 2006

Table 1. DDF Geographical coverage in 5 provinces

Province	DDF source
<u>Houaphan</u> (HP)	DDF (GPAR SBSB)
<u>Oudomxay</u> (ODX)	DDF (GPAR SBSB)
<u>Saravane</u> (SV)	DDF (GPAR Saravane & SBSB)
<u>Sekong</u> (SK)	DDF (GPAR SBSB)
<u>Xiengkhouang</u> (XK)	DDF (GPAR XK & SBSB)

Note: Description for the figure 1. DDF Geographical in 5 provinces.

The overall objective of GPAR SCSD Joint Programme is to ensure increased capacity in local administration leading to better delivery of services, which improve the lives of the poor, especially in rural areas of Lao PDR. This realize through two specific outcomes. First, to improve policies and capacities of local administrations to initiate and monitor, locally prioritize MDGs service delivery intervention, and the other to improve capacities of district administrations to finance and implement service infrastructure and delivery that lead to improve access to public services. FY 2012/13-2013/14, scaling to 52 districts in 7 provinces of the 148 districts in the country – Saravane, Sekong, Xiengkouang, Houphan, Oudomexai, Luangnamtha, Luangprabang (see Figure 2 and Table 2).

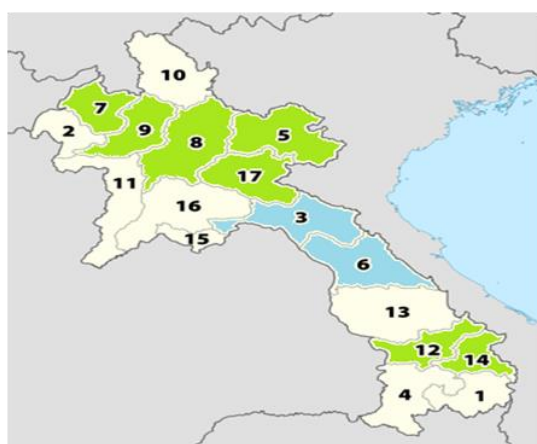


Figure 2. DDF Geographical coverage in 7 provinces in Lao PDR (2012-2014)

Source: GPAR SCSD data base 2013

Table 2. DDF Geographical coverage in 7 provinces

Map	DDF Province	DDF Provinces
3.	<u>Bolikhamsay</u>	DDF (Lux-Dev)
5.	<u>Huaphan</u>	DDF (GPAR SCSD)
6.	<u>Khammouane</u>	DDF (WB)
7.	<u>Luang Namtha</u>	DDF (GPAR SCSD)
8.	<u>Luang Prabang</u>	DDF (GPAR SCSD)
9.	<u>Oudomxay</u>	DDF (GPAR SCSD)
12.	<u>Saravane</u>	DDF (GPAR SCSD)
14.	<u>Sekong</u>	DDF (GPAR SCSD)
17.	<u>Xiengkhouang</u>	DDF (GPAR SCSD)

Note: Description for the figure 2. DDF Geographical in 7 provinces.

4.2 DDF Investments

During the period under review 2006-2011, some 4.25 \$ million USD has been successfully invested by the local administration in collaboration with the local communities in 303 jointly selected priority small scale infrastructures and service delivery interventions. This is spread across four main sectors of Health (111 projects,

covered 29%), Public Works (66 projects, covered 28%), Education (78 projects, covered 22%), Agriculture (34 projects, covered 10%), Trade (14 projects, covered 5%) and Technical support (covered 6%) of the total investment (see Figure 3 and Table 3).

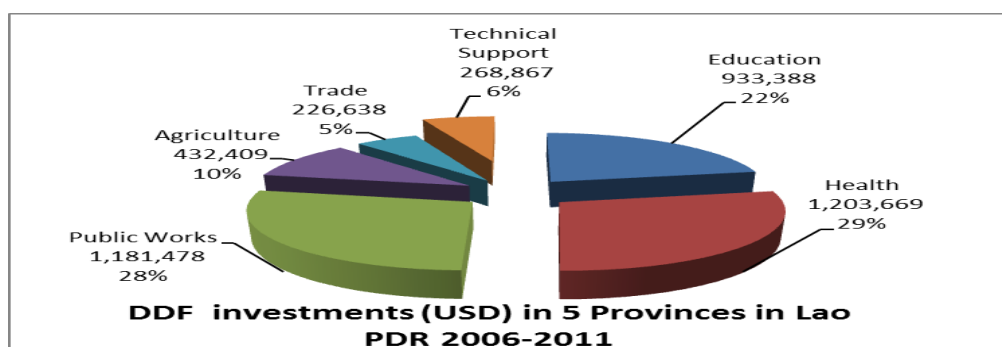


Figure 3. DDF investments in 35 districts of 5 provinces 2006-2011, breakdown by sector and percentage.

Table 3. DDF Investment in 5 Provinces 2006-2011 (SV, SK, XK, HP and ODX)

Sector	Number of Project	DDF Capital invested local tangible services	OEBG (Non-Capital/Operational expenditure)*	TOTAL (Lao Kip)
Education	78	7,414,941,730	52,160,000	7,467,101,730
Health	111	9,576,875,382	52,475,000	9,629,350,382
Public Works	66	9,400,019,782	51,805,000	9,451,824,782
Agriculture	34	3,406,488,847	52,783,000	3,459,271,847
Trade	14	1,813,106,998	-	1,813,106,998
Technical Support	-	2,134,320,970	16,612,000	2,150,932,970
Total	303	33,745,753,709	225,835,000	33,971,588,709
Equivalent to USD		4,218,219	28,229	4,246,449

From 2012, DDF is implemented as a key component of the new national GPAR-SCSD project (2012-2015), and has included both capital (DDF-BBG) and operational expenditure block grant (DDF-OEBG). During the FY 2012/13-2013/14, a total USD 1.65 million has been invested for 52 districts in 7 provinces –Saravane, Sekong, Xiengkouang, Houphan, Oudomexai, Luangnamtha and Luangprabang. This represents 79% of overall 66 project target districts by year 2015 as defined by the project design document. DDF-BBG has implemented for 2 provinces- Saravan and Sekong of total 12 districts, with a total of USD 1.12 million to deliver 45 Small Scale Infrastructures (SSI), which spread across 4 main sectors of education, health (including WATSAN), PWT (road and bridge) and Agriculture (Irrigation). DDF-OEBG has expanded to 52 districts with a total of USD 534,238 to deliver 367 activities, which was again spread across 4 main sectors e.g. Education, Health, Public Work and Transport, and Agriculture. Since FY 2012/13, DDF has more invested in the basic infrastructure as PWT (102 projects, covered 38%) and Health/WATSAN (103 projects, covered 26%). (see Table 4, Table 5, Table 6 and Figure 4).

Table 4. DDF-OEBG and DDF-BBG investment (37 Districts /6 provinces) FY 2012-2013

S/N	Province	DDF OEBG and DDF BBG 2012-2013						Grand Total	
		Dist	OEBG Project	Total Cost (Lao Kip)	Dist	BBG Project	Total Cost (Lao Kip)	Total Project	Total Cost (Lao Kip)
1	Saravane	7	29	383,778,000	8	23	3,456,001,000	52	729,378,100
2	Sekong	4	16	191,605,000	-	-	-	16	191,605,000
3	Xiangkouang	8	37	383,538,000	-	-	-	37	383,538,000
4	Huaphan	10	39	431,504,000	-	-	-	39	431,504,000
5	Oudomxay	7	34	335,824,000	-	-	-	34	335,824,000
6	Luangnamtha	1	4	47,874,000	-	-	-	4	47,874,000
Total		37	159	1,774,123,000	8	23	3,456,001,000	182	5,230,124,000
Equivalent to USD				222,238			432,920		655,158

Table 5. DDF-OEBG and DDF-BBG investment (52 Districts/ 7 provinces) FY 2013-2014

S/N	Province	DDF OEBG and DDF BBG 2013-2014						Grand Total	
		Dist	OEBG Project	Total Cost (Lao Kip)	Dist	BBG Project	Total Cost (Lao Kip)	Total Project	Total Cost (Lao Kip)
1	Saravane	8	32	364,795,000	8	16	4,088,795,000	48	8,293,369,000
2	Sekong	4	15	182,399,000	4	6	1,123,166,299	21	1,497,170,299
3	Xiengkouang	7	28	322,254,200	-	-	-	28	705,792,200
4	Huaphan	9	32	410,294,000	-	-	-	32	841,798,000
5	Oudomxay	7	32	319,195,000	-	-	-	32	655,019,000
6	Luangnamtha	5	21	227,805,000	-	-	-	21	275,679,000
7	Luangprabang	12	48	547,017,800	-	-	-	48	547,017,800
Total		52	208	2,373,760,000	12	22	5,211,961,299	230	7,585,721,299
Equivalent to USD				312,000			686,000		998,000

Table 6. OEBG & BBG investment (52 districts/7provinces), FY 2012-2014, breakdown by sector

Sector	DDF OEBG and DDF BBG 2012-2014					Grand Total	
	OEBG	Total Cost (KIP)	BBG	Total Cost (KIP)	Total Project	Total Cost (KIP)	
	Project		Project				
Education	88	1,114,969,910	6	1,033,593,887	94	2,148,563,797	
Health	87	998,541,340	7	502,841,975	94	1,501,383,315	
WATSAN	-	-	9	1,859,230,440	9	1,859,230,440	
Agriculture	107	1,120,056,750	6	732,463,000	113	1,852,519,750	
PWT	85	914,315,000	17	3,935,542,006	102	4,849,857,006	
TSS 7%	-	-	-	604,650,991	-	604,290,991	
Total	367	4,147,883,000	45	8,667,962,299	412	12,815,845,299	
Equivalent to USD		534,238		1,118,920		1,653,158	

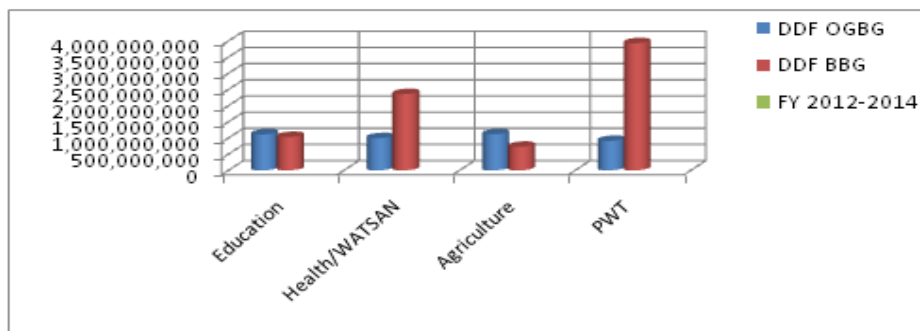


Figure 4. DDF-OEBG and DDF-BBG investments in 52 districts of 7 provinces, FY 2012-2014, breakdown by sector

4.3 DDF beneficiaries

There are different approaches and opinions on how the beneficiaries of local small scale infrastructure and service interventions should be calculated. Who exactly are the beneficiaries and can generally observed or reported improvements in livelihoods be attributed entirely to the target intervention in question? For example, when DDF is used to build a new primary school are the beneficiaries the set of students that will immediately benefit by attending school that year only? – or is it for the full five years attendance? – or is it the entire population of students that will use those facilities over 20 / 30 years? – or is it the entire community the beneficiaries by having a place to school their children? And how do you attribute the perceived benefit to that school building? Perhaps, the increase in class attendance was partly due to the new school but perhaps other factors also played a part, e.g. an increase in teacher numbers or skills, a new road that allowed travel to school, a new water system in the village that released the time for children, who are the usual water carriers to attend school? Or who are the beneficiaries of a local bridge that DDF constructs? – is it only the immediate villages or everybody who crosses it over its lifetime?

This subject is too complex to debate and settle in this article, but is important to be aware of the issue and challenges of defining beneficiaries and attributing value, and specifically how beneficiaries are calculated and measured by DDF as shown in this article. The DDF support Team based in the Ministry of Home Affairs used a measure of direct beneficiaries only. This means, for example, that in the case of a new school or bridge, it is the immediate benefiting villages are counted- and only once. Thus the beneficiaries are only those villagers identified during the planning stage, and with no annual multiplication for the expected life of the project. This is a simple and appropriate measurement, albeit somewhat conservative in estimating the number of beneficiaries. Under this measurement from FY 2006/11 to 2013/14, the DDF approach has directly benefited some 3,736 villages, 1,609,612 local residents. It is notable that there is a half all bias in favour of women beneficiaries from the priority projects selected by the participating communities under the DDF system. In the year 2006-2011, women do relatively slightly better in health Education and Trade, with men doing slightly better under Agriculture and PWT projects (see Figure 5 and Table 7).

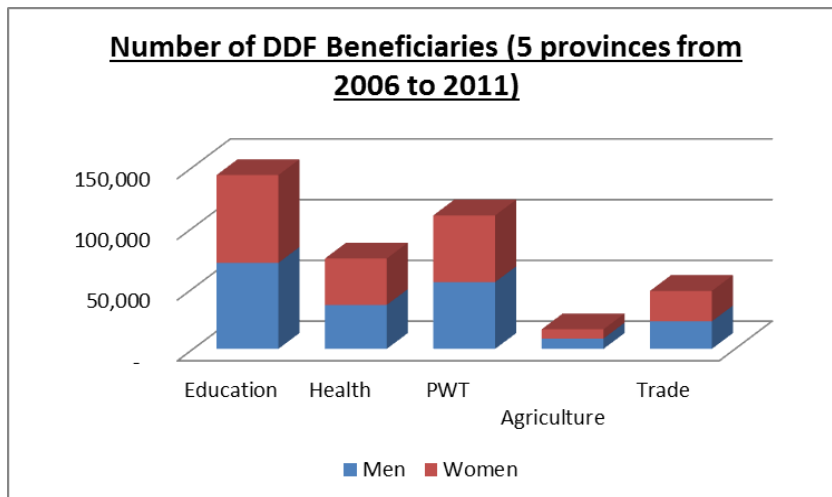


Figure 5. Summary of DDF Beneficiaries (35 districts/5 provinces, FY 2006-2011, breakdown by sector and gender.

Table 7. Number of DDF Beneficiaries (5 provinces from 2006 to 2011)

Sector	Village	Men	Women	Total Beneficiary
Education	265	70,840	72,241	143,081
Health	168	36,185	38,161	74,346
PWT	224	54,983	54,871	109,854
Agriculture	40	8,534	7,530	16,064
Trade	106	22,667	25,053	47,720
Total	803	193,209	197,856	391,065

However, DDF in 2012-2014, has showed that women do sharply increasing under Health and Education, with men doing sharply better from Agriculture and PWT projects. For DDF BBG in 2012-2014, women still do slightly better in Health and WATSAN, at the same time both men and women do equal in Education Agriculture and PWT (see Figure 6 and Table 8; Figure 7 and Table 9). It is also noteworthy those in absolute terms that the monetary size of the pro-women interventions is much greater than those of the men. Based on these results it can be concluded that the DDF approach is gender sensitive.

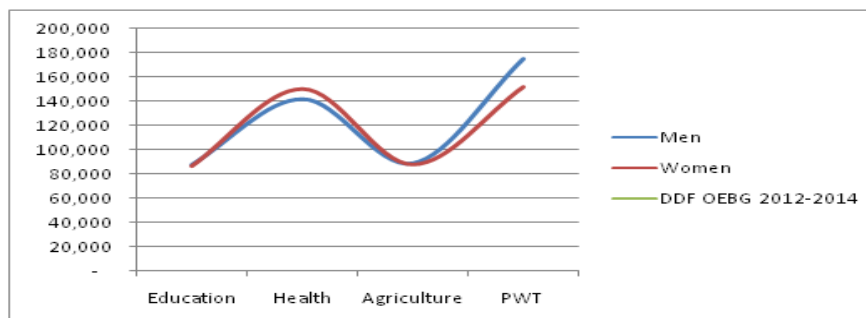


Figure 6. Summary Beneficiaries of DDF-OEBG, FY 2012/13-2013/14, breakdown by sector and gender.

Table 8. Summary Beneficiaries of DDF-OEBG, 2 FY 2012/13 -2013/14

S/N	Sector	Number of Project	Grant (Lao Kip)	Beneficiary			
				Village	House Hold	Total People	Women
1	Education	88	1,114,969,910	576	31,598	174,039	86,681
2	Health	87	998,541,340	754	51,433	291,866	150,414
3	Agriculture	107	1,120,056,750	524	41,100	176,640	88,003
4	PWT	85	914,315,000	672	57,477	326,537	152,008
TOTAL		367	4,147,883,000	2,526	181,608	969,082	477,106

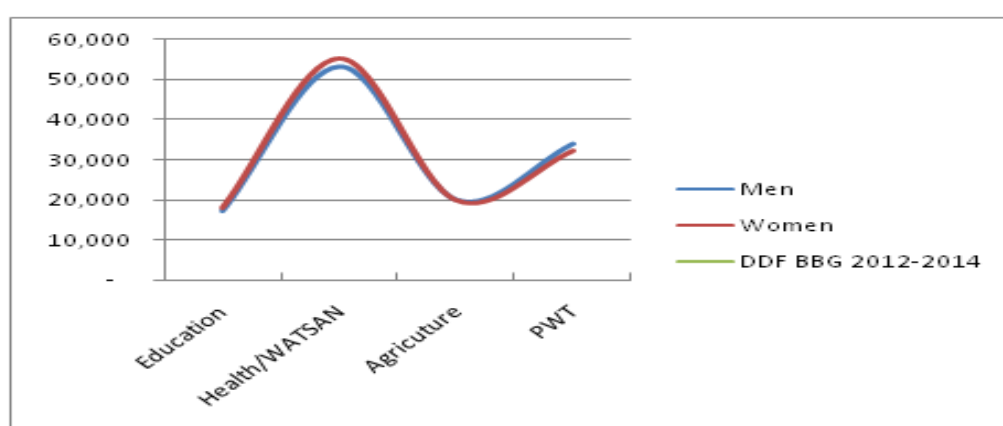


Figure 7. Summary Beneficiaries of DDF-BBG, FY 2012/13-2013/14, breakdown by sector and gender.

Table 9. Summary Beneficiaries of DDF-BBG, 2 FY 2012/13-2013/14

Sector	Number of Project	Grant (Lao Kip)	Beneficiary			
			Village	House Hold	Total People	Women
Education	6	1,033,593,887	66	5,366	35,220	17,983
Health /WATSAN	16	2,362,072,415	175	18,965	108,261	55,122
Agriculture	6	732,463,000	62	7,849	39,859	19,863
PWT	17	3,935,542,006	104	11,108	66,125	32,187
TSS 7%	-	604,290,991	-	-	-	-
Total	45	8,667,962,229	407	43,288	249,465	125,155

4.4 DDF Capacity Development

Trainings and capacity development of officials, community leaders and village committees are an integral part of the DDF approach. Thus both the Demand side as well as the Supply side are being addressed under this approach. Since 2006 to 2011, over 3,000 local officials were not only given training, but went on to successfully manage and implement over 300 local investments in priority service delivery. This ability to actually deliver on

real service projects stands as the ultimate testament to the suitability and effectiveness of the DDF type approach to strengthen public service improvement for decentralized service delivery in a low capacity environment. Since the start of training under SCSD in relation to FY 2012/13, a total of 13 batches of Training/refreshment have been given on DDF- OEBG guidelines and on DDF -BBG guidelines for 52 districts, in seven provinces - Saravane, Sekong, Xiengkhouang, Houaphan, Oudomxai, Luang namtha and Luangprabang . A total 1,157 local government staff, including 170 women, participated in these trainings. Participants included the members from the Provincial Support Teams (PST), District Development Support Teams & Committees (DDST & DDSC), and additionally for MOHA staff. From FY 2006/07-2010/11 to 2012/13, over 4,200 local officials were trained and implemented over 700 local investments in service delivery, including 894 women (see Table 10). Since 2005 to 2013, DDF has supported some essential office equipments to local administration, including 181 set computers and printers, 8 copy machines, 6 fax machines, 27 filing cabinets and 35 motorbikes to local administration at district level, with a total amount USD 225,000 (see Table 11).

Table 10. DDF Capacity Development and Training 2006-2011 to 2012-2013

DDF Capacity Development & Training	GPAR-Saravane 2006-2010		GPAR-SBSD 2007-2011		NGPAR-SCSD 2012-2013		Totals	
	Total	Women	Total	Women	Total	Women	Total	Women
Gov. Officials	1,755	531	1,304	193	1,157	170	4,216	894
Villages head/ KB head	755	57	876	263	-	-	1,631	320
Villagers/ Communities	10,593	4,518	5,210	1,512	-	-	15,803	6,030
Totals:	13,103	5,106	7,390	1,968	1,157	170	21,650	7,244

Table 11. Equipments and Motor bikes supported to Local Administration in FY 2005-2013

Equipment and Motorbike	Units	GPAR-Saravane 2005-2010	GPAR SBSD 2007-2011	NGPAR 2012-2013	Total
Computer+ Printer	Set	33	31	117	181
Copy machine	Unit	8	0	0	8
Fax machine	Unit	6	0	0	6
Filing cabinet	Unit	0	27	0	27
Moto bike	Unit	8	27	0	35
Grand total supported the equipments and motorbikes				USD 225,000	

5. Analysis and Discussion

Based on the hard data and the community feedback, it can be stated that the DDF approach of providing a package of block grants together with hands-on capacity development has proven to be very well suited to the low capacity environment in Lao PDR. To date, using the DDF approach, over 4,200 local government officials can now better serve their local communities through participatory planning and budgeting of agreed priorities for small scale infrastructure improvements in key public services covers in Health, Education, Agriculture and Public Works/WATSAN. The improved working methods under the DDF guidelines and manuals address core

skills and practices for local officials. These include participatory and bottom-up planning, budgeting and procurement, project implementation and reporting. The use of these systems leads to increased transparency, participation and accountability among participating Districts.

The Laos experience gained through implementing the DDF over the years has demonstrated the benefits arising from empowering the local authorities to manage and deliver small scale investments themselves and that it can more effectively target needs and services that have been locally identified and prioritized. It was also reported that DDF approach represented better value for money of locally managed investments, with examples of road construction costing 40% less and school construction 15% cheaper, for the same specifications and quality. The district chiefs explained this advantage arose from the fact that the DDF funds were untied funds made available to the directly district and thereby allowed the districts to budget these across competing local services/sectors, ensuring peer competition and oversight on the allocation and expenditure of these funds. Another important lesson emerging from the success of the DDF approach is about sustainability. By design, the DDF activities are fully managed by district administrations and government officials and use government systems. Thus, the DDF approach has become fully embedded into the normal work of participating district administrations. Also very importantly, the design and implementation of the DDF system has provided space for different sectors of local society, community leadership and women representatives to participate in a meaningful way in the process of making investment decisions as well as monitoring progress.

Of course, the overarching purpose for improving the skills and effectiveness of local officials is to bring about tangible improvements in public services to people and a real reduction in local poverty. To date, over 700 examples of locally selected infrastructure priorities have been built through this practical cooperation between the local administration and communities, in support of greater service delivery on the ground. This number is continuing to expand each year. Overall it can be seen that the DDF approach embodies a number of important innovations in strengthening decentralization related to building the capacity of district administration to plan, prioritize operational block grant funding for recurrent expenditure on outreach services in critical areas of local service delivery such as health, education, etc.

6. Conclusion and Recommendations

One of the most significant lessons of the DDF experience in Lao has been its ability to achieve results that have led to improvements in pro poor service delivery combined with improvements in the capacity of local administration in planning, budgeting and monitoring services. A critical lesson in achieving these results has been ensuring that new systems and procedures fully align with existing government processes. This not only helps improve capacity development but ensures innovations can be more cost effectiveness and scalable in future by working through existing governance systems. Greater district and community oversight and accountability result in funds being well spent with minimum leakages. This is primarily due to the close working partnership between the district administration, local staff at kumban (cluster village) level and the community

Overall the hypothesis put forward in this article has been borne out by the findings :- the provision of discretionary block grants (the DDF) to districts coupled with human resource development and more efficient fiscal transfer to districts has indeed clearly help empower local authorities and develop their capacity to deliver decentralized services in manner that is more effective, effective and efficient, and that this has contributed to the provision of additional or new public service interventions that would not otherwise become available.

However, while DDF has shown to be an effective approach to strengthen public service improvement for decentralized and better service delivery in Lao PDR by developing capacity of local authorities, nevertheless there are a number of fundamental questions still requiring further discussion and debate with government and other stakeholders. These are more about the future application and wider adoption of a DDF type approach and less about the internal workings or results of DDF itself, which appear to be very effective. The tangible benefits and results already achieved in 5 Provinces since 2006 are clear from the above information. The DDF approach is still on-going in Laos and has widen its scope in terms of both, geographical coverage – it is being implemented in 52 Districts of 7 provinces by 2014- and in facilities as it now includes an operational expenditure block (non-capital and non-wages) grant facility too.

But the government has not yet fully adopted this proven system and treasury funds are not usually being channel via this approach but continue along the original sector budget lines from centre sector agencies. The political and legal impediments to changing this arrangement have been referred to earlier and seem to be a challenge that is difficult to address. Nevertheless, there are grounds for optimism. Since FY 2012/13 the

government has issued the PM Instruction 16/2012 on “3 Builds” pilot, which is to define the basic principles and administrative framework to give effect to the Party Resolution 03/2012. The Lao government is piloting a new system aimed at devolving more authority and resources to district authorities. It has been clearly stated on a number of occasions by government that this new national pilot known as “Sam Sang” in Lao language (or ‘Three Constructions or 3 Builds’) springs in part at least from the good experiences and results demonstrated under the DDF system. An obvious topic for future debate is around how the DDF could more directly support and align with the government’s own pilot Sam Sang, especially in the 21 common districts of 51 districts in total.

The potential benefits to public administration reform in Laos could be great from such a closer alignment of Sam Sang (3Builds) and DDF interventions and supports and to truly empower local authorities and develop their capacity to deliver decentralized services in manner that is more effective, effective and efficient, and that this will contribute to poverty reduction through the provision of additional or new public service interventions that would not otherwise become available.

In this study, there are a number of fundamental issues still requiring to further study on how the government could implement wider adoption of a DDF type approach to support and align with pilot Sam Sang in terms of contributing to the public service interventions and strengthening capacity of local authorities to serve better service delivery, poverty eradication and socio-economic development of the country. In addition, a programme of improvement needs to be matched to the plurality and diversity of public preferences, which raises the problematic issues of the appropriate balance between national frameworks and local directions. Further research should make a sustained attention to analyze the nature and determinants of DDF approach improvements not only because these are inherently intellectual mysteries but also to be better equipped and contributed to policy debates in the future.

References

- Andrew. P. and Prasong. J. (2004). Saravane Governance, Public Administration and Decentralized Service Delivery Project. Baseline Institutional Assessment. GHK. August 2004. Available: <http://www.erc.undp.org/evaluationadmin/downloaddocument.html>.
- Borins, S. (2002) ‘New Public Management, North American Style’ in K. McLaughlin, S. Osborne and E. Ferlie (eds) *The New Public Management: Current Trends and Future Prospects*. London: Routledge.
- DDF. NGPAR SCSD (2014). Progress Report on DDF Component in FY 2013-2014. Prepared by District Development Fund project. NGPAR SCSD, October 2014.
- DDF. NGPAR SCSD. (2013). Progress Report on DDF Component in FY 2012-2013. Prepared by District Development Fund project. NGPAR SCSD, October 2013.
- DDF. NGPAR SCSD. (2012). Guidelines on Allocation and Use of DDF-Basic Block Grants. MOHA-NGPAR SCSD. Guideline No. 02/2012.
- DDF. NGPAR SCSD. (2012). DDF Investment Planning Guidelines for Use of DDF Basic Block Grants. NGPAR SCSD. Instruction No. 03/2012.
- DDF. NGPAR SCSD. (2012). Instruction for DDF Financial Management and Budget Execution Programmes. Instruction NGPAR SCSD No. 04/2012.
- DDF. NGPAR SCSD. (2012). Implementation Guidelines on DDF-Basic Block Grant. MOHA-NGPAR SCSD. Instruction No. 05/2012.
- DDF. NGPAR SCSD. (2012). Manual for Assessment of Districts’ Performance Under the NGPAR SCSD Program. MOHA-NGPAR SCSD. Guideline No. 07/2012.
- DDF. NGPAR SCSD. (2012). Procurement Manual for District Level. Under the NGPAR SCSD Program. MOHA-NGPAR SCSD. 2012.

- DPAC. Lao PDR (2003). *The Decree on Civil Service Management of Lao PDR*. No. 82/PM, 19 May 2003. Department of Public Administration and Civil Service. Prime Minister's Office. Lao PDR.
- Denhardt, J. V., Denhardt, R. B. (2003). *The New Public Service: Serving, not steering*. London: England, Armonk: New York.
- Devarajan, Shantanayan, and Ritva Reinikka. (2002). "Making Services Work for Poor People." Paper presented at the African Economic Research Consortium. May 2002. Processed.
- deLeon . (2000). The Political Theory of Reinvention. *Public Administration Review* 60(2): 89-97.
- Denhardt, J. V., Denhardt, R. B. (2000). The New Public Management: Serving Rather Than Steering. *Public Administration Review*, 80 (8), 549-559.
- ETHOS. (2011). ETHOS, Centre for Governance and Leadership, Civil Service College, Singapore ETHOS. Issue 9, June 2011. Available: <http://www.ccollege.gov.sg/ethos>.
- Government of Lao PDR. (2012). Instruction No. 16/PM, 2012 on "Pilot of 3 builds" to build provinces as strategic units, districts as overall strengthening units, and build villages as development units.
- Government of Lao PDR. (2011). Rural Development and Poverty Eradication Plan 2011-2015. National Leading Committee for Rural Development and Poverty Eradication, Lao PDR. October 2011.
- Government. Lao PDR and United Nations. (2008). Millennium Development Goals: Progress Report of Lao PDR. Vientiane, 2008.
- Government of Lao PDR. (2008). The National Budget Law. Ministry of Finance. Amended July 2008.
- GPAR. (2006). Programme Document of Governance and Public Administration Reform Project Support for Better Service Delivery (GPAR SBSB) 2006-2011.
- Government of Lao PDR. (2003). The National Growth and Poverty Eradication Strategy of Lao PDR (NGPES-Lao PDR). Prime Minister's Office, 2003.
- Government of Lao PDR. (2000). Instruction on No. 01/PM, 2000 on "3 builds" to build the provinces into strategic units, districts into budget-planning units and villages into implementation units.
- Jorge. M.V, Juan L. G. and Guevera. Y (2006). Fiscal Decentralization in the People's Democratic Republic of Lao. Working Paper 06-22, September 2006. International Studies Program. Andrew Young School of Policy Studies, Georgia State University.
- Jütting, J. (2004). 'Decentralization and Poverty in Developing Countries: Exploring the Impact'. OECD Development Centre Working Paper No. 236. Paris: OECD.
- Keuleer. P and Langsy. S. (1999). Central-Local Relationship in the Lao PDR: Historical Overview, Current Situation and Trends, in Central-Local Relations in Asia-Pacific, Convergence or Divergence? Mark Tuner (Ed) London.
- MOHA and NGPAR SCSD. (2014). Executive Summary Report on DDF FY 2006/2007 to 2013-2014. Prepared by Ministry of Home Affairs (MOHA) and NGPAR SCSD, 2014.
- Lao PDR and UNDP. (2010). Accelerating Progress Towards the MDGs: Innovative options for reaching the unreached, 15 September 2010. Available: <http://www.la.undp.org>.
- MPI. Lao PDR. (2011). The 7th Five Years National Socio-Economic Development Plan (NSED) 2011-2015. Ministry of Planning and Investment (MPI). Lao PDR.
- MPI. Lao PDR. (2011). Lao PDR Country Report 2011: Survey on Monitoring the Paris Declaration on Aid

- Effectiveness. March 2011., Ministry of Planning and Investment (MPI), Lao PDR.
- MPI. Lao PDR. (2006). The 6th Five Years National Socio-Economic Development Plan (NSEDP) 2006-2010. Ministry of Planning and Investment (MPI). Lao PDR.
- Mintron, M. (2003). Market Organizations and Deliberative Democracy: Choice and Voice in Public Service Delivery. *Administration & Society*, 35 (1), 52-81. London: England, Armonk: New York.
- Nisith. K. (2013). "Public Administration Reform to improve service delivery in Lao PDR". Paper presented at the National Conference on Good Governance and People Centered Services, Myanmar, 17-18 August 2013. Nisith Keopanya is a Director General, Planning and Coordination Department, Ministry of Home Affairs, Lao PDR.
- National Assembly, Lao PDR. (2003). The Constitution of Lao People Democratic Republic, Amended version, 30 May 2003.
- Nalbandian, J. (1999). Facilitating Community, Enabling Democracy: New Roles for Local Government Managers. *Public Administration Review*, 59 (3), 187-197.
- National Assembly. Lao PDR. (2003). The Local Administration Law of Lao PDR. No. 03/NA, Vientiane, 21 October 2003.
- OECD. (2010). DAC Statistics. Available at: www.oecd.org/statisticsdata/.
- PACSA., GPAR-SBSD. (2006). Working Document: Strategic Plan on Governance of Lao PDR, 2006-2010. Prepared by Public Administration and Civil Service Authority (PACSA) and Governance of Public Administration Reform Project-Support for Better Service Delivery (GPAR-SBSD).
- Potapchuk., Crocker., and Schechter. (1998). Building Community: Exploring the Role of Social Capital and Local Government. *National Civic Review*. Vol 87, Issue 3. 253-272.
- LPRP. (2011). *The Resolution of the IX Party Congress. May 2011*. Lao People's Revolutionary Party. Available: http://en.wikipedia.org/wiki/9th_Party_Congress_of_Lao_PDR. (31 July 2014).
- LPRP. (2006). The Resolution of the VIII Party Congress. April 2006. Lao People's Revolutionary Party.
- Richard Slater and Khamlouang Keoka. (2012). Report for SDC: "Trends in the Governance Sector of the Lao PDR". Published by the Swiss Agency for Development and Cooperation (SDC), Vientiane (Feb 2012).
- Rashman, L., & Randor, Z. (2005). Learning to Improve: Approaches to Improving Local Government Services. *Public Money & Management*, 25 (1), 19-26.
- Sclar, E. (2000). You Don't Always Get What You Pay For: The Economics of Privatization. Ithaca: Cornell University Press.
- UNCDF. (2012). Annual Report 2012: A YEAR OF INNOVATION: Creating opportunities for inclusive growth in the least developed countries. Published by the Partnerships Unit. UN Capital Development Fund. New York. Third Quarter. pp 49. Available: <http://www.uncdf.org>.
- UNCDF. (2009). Final Report of the Mid Term Review of GPAR Saravane: Final Project Report on Decentralized Service Delivery Project, Saravane Province. Lao PDR. April 2009. Available: <http://www.erc.undp.org/evaluationadmin/downloaddocument.html>.
- UNCDF. (2005). United Nations Capital Development Fund (UNCDF): Country Programme Document for The Lao PDR.
- UNCDF. (2004). Local Governance and Service Delivery to the Poor: Bangladesh Case Study. Paper presented at the Workshop on "Local Government Pro-Poor Service Delivery" 9th – 13th Feb 2004. Jointly sponsored by

ADB and UNCDF. GHK. Available: http://www.ghkco.com/the_ghk_team.

UNCDF. (2004). Local Government Infrastructure and Service Delivery: A Case Study of The Decentralised Financing & Development Programme-Nepal. Paper presented at the Workshop on “Local Government Pro-Poor Service Delivery” 9th – 13th Feb 2004. Jointly sponsored by ADB and UNCDF. GHK. Available: http://www.ghkco.com/the_ghk_team.

UNDP. (2012). United Nations Development Programme (UNDP): Country Programme Document for The Lao PDR. Supported to the Governance of Public Administration Reform programme for Strengthening Capacity and Service Delivery (GPAR SCSD) of Local Administration 2006-2015. Feb. 2012.

UNDP. (2006). United Nations Development Programme (UNDP): Country Programme Document for The Lao PDR. Supported to the Governance of Public Administration Reform Programme to Support for Better Service Delivery (GPAR SBS) 2006-2011.

UN. (2005). The Fifth Global Forum on Reinventing Government: Capacity Development Workshops, Mexico, November 2003. Department of Economic and Social Affairs. United Nations, New York, 2005. pp. 43-47

World Bank. (2011). World wide Governance Indicators (WGI) project. Available: <http://www.info.worldbank.org/governance/wgi/index.aspx#home>.

World Bank. (2009). “LOCALIZING DEVELOPMENT: DOES PARTICIPATION WORK?”.

World Bank (2005). Lao PDR Economic Monitor. The World Bank, Vientiane Office. Available: <http://www.Siteresource.Worldbank.org/INTLAOPDR/Resources/293582-10965101070/LaoEconomicMonitor>.

World Bank and IMF (2005). Global Monitoring Report 2005: Millennium Development Goals: From Consensus to Momentum. Washington, DC: World Bank and IMF.

World Bank. (2003). World Development Report 2004. Making Services Work for Poor People. Washington, DC: World Bank.

Winter. Mike. (2002). Lao PDR-Fact Finding Mission Report. Prepared for the UNCDF.