

## District Development Fund - DDF

Improving Sub-national Government Planning and Budgeting to support Service Delivery

DDF in GPAR Saravane and GPAR SBSB



Lao PDR

### Project Description

UNCDF works to help reduce poverty through local development programmes and microfinance operations. UNCDF promotes poverty reduction in direct partnership with local authorities and community institutions. UNCDF supports programmes which promote a decentralized participatory approach to the provision of basic infrastructure and the management of natural resources, in order to ensure that local investments match local needs, are managed efficiently, and are sustainable in the long run. UNCDF uses seed capital to develop local institutional capacities in planning and financial management by coupling technical assistance with real resource management responsibilities. DDF is one of these instruments to support local financing for public service provision. DDF is successful in operations worldwide such as in Asia, Africa and American Latin.

The District Development Fund Facility (DDF) is intended to provide frameworks and resources to districts to address strategic developmental priorities at the local level. It is a facility that primarily supports expansion of infrastructure to improve service delivery at kum ban and district levels. The DDF facility in Lao PDR is conceived to be delivered in a variety of forms: Basic Block Grants (BBGs), Operational Expenditure Block Grant (OEBGs) and Social Protection Block Grants (SPBGs). In all of its forms, the DDF facility is intended to operate as a stimulus and foundation for inter-governmental fiscal transfers (IGFTs).

Currently, the DDF facility operating in Lao PDR is the BBG system; it has been piloted by GPAR Saravane in Saravane province since 2005 and is in the process of expanding into 4 provinces, namely Oudomxay, Houaphanh, Xiengkhouang and Sekong. The DDF modality aims to build and strengthen the capacity of village and district authorities for participatory planning, local budgeting/financing and project and financial management. It aims to ensure effective, accountable and transparent public service delivery through participatory monitoring and evaluation in the governance system. Thus, DDF serves as a strategic capacity development tool, and is more than an investment tool for poverty reduction.

Aggregated BBG allocations from the DDF are made for each province and these provincial allocations are then further broken down into district allocations. Annual allocations to selected provinces are calculated on the basis of a population based formula, such that each province will be allocated a maximum annual allocation of USD 1.50 per capita. BBG annual allocations to districts within each province are determined as a function of their population size, their relative poverty and equal share. The larger the population of a district and the poorer it is, the larger will be the share of the total provincial BBG funding pool that is allocated to it.

Of the total BBG allocation made to a District:

- 30% or less will be used for financing sector level expenditure responsibilities
- 70% or more will be used to finance Kum Ban level expenditure responsibilities
- 5% of total will be for technical support services provided by District Planning Committee and District Planning Team from district level
- Eligibility for the fund is based on positive and negative menu
- Total local contributions (from local communities) for planned district investments do not exceed 15% of the total budgeted cost of each planned investment project. The contribution can be in cash, in-kind, labor, materials, etc.

### Main Objectives and Activities in 2010 and prior

### Duration

April 2005 – June 2011

### Location

Odomxay, Huaphanh, Xiengkhouang, Saravane and Sekong Provinces  
Other development partners are exploring the adoption of the DDF modality in Khammouane and Phongsaly (World Bank) and in Borikhamxay province (Lux Development).

### Project budget

Total budget: for both GPAR Saravane and GPAR SBSB: USD 4,733,208 (including BBG, SPF and OEBG) for 5 fiscal years.

Current year budget: USD1,579,000.

### Project Partners

Implementing Partner: Public Administration and Civil Service Authority (PACSA), Office of the Prime Minister and Saravane Office of the Governor  
Responsible Parties: UNCDF and PACSA +concerned provincial and district authorities of the five provinces.  
Other Partners: Ministry of Finance and Ministry of Planning and Investment.

Development Partners include Luxembourg, the Swiss Agency for Development and Cooperation, SNV, UNV (+ SIDA, European Commission and World Bank for pilot projects at the provincial level).

### Contributing donor(s)

- DDF team is fully equipped with national and international staff
- Transferring of fund of first 50% of 2009/2010 annual allocation based on district approved investments plans to 20 districts
- Conducting participatory planning processes and priority selection of all 35 districts (27 under SBSB and 8 under GPAR SP) for fiscal year 2009/2010/2011
- Transferring second 50% of the 2009/2010 annual allocation to 12 existing districts. 8 districts will be completed soon.
- Conducting assessment of minimum conditions of 28 districts
- Preparation of district investment plans and budgets 2010/2011 of 35 districts
- Conducting a series of training on participatory planning for village heads; and on planning, budgeting, financial management and procurement for district officials for new 9 districts and some of the new staff of the existing districts
- Documenting DDF lessons learned and best practices completed in Lao and English languages – report will be available.
- Designing of other 2 Grant modalities (in addition to the ongoing BBG): Social Protection Fund and Operational Expenditure Block Grant. Two technical missions completed in 2010.
- Handing over equipment to support DDF implementation to 20 districts.
- Organizing GoL internal DDF workshop on DDF Lessons and Best Practices with 5 DDF provinces, Khammouane, Borikhamxay provinces, Ministry of Finance and Ministry of Planning and Investment.
- Organizing a National Workshop on DDF Lessons and Best Practices with key development partners and senior GoL officials.
- Organizing a field visit to DDF project areas for the development partners.
- Conducting internal DDF Impact Assessment by GoL ministries.

Luxembourg: USD 3,524,920  
 UNCDF: USD 1,208,288

### Project Delivery

Estimated till December 2010: USD 2,943,138

### Funding Shortfall

\$6,065 or higher (fluctuation of exchange rate at the time of fund transfer)

### Project Document

<http://www.undplao.org/whatwedo/programmesdemgov.php>

### Key Results, Reports and Publications to date

The followings are key physical results from DDF projects under GPAR Saravane and GPAR SBSB.

- A series of training sessions on participatory planning, budgeting, financial management and procurement for district authorities is on-going in both Saravane and the 4 provinces under GPAR SBSB.
- MoUs between UNCDF, GoL were signed one for each of the project
- Total DDF investment projects completed: 190 (106 in SBSB 4 provinces and 84 in Saravane (2006-2010).
- **Education sector:** 47 projects completed (20 in Saravane provinces and 27 projects in 4 provinces under GPAR SBSB).
- **Health Sector:** 69 projects completed (34 in Saravane and 35 in 4 provinces under GPAR SBSB).
- **Public Works and Transport:** 45 projects completed (17 in Saravane and 28 in 4 provinces under GPAR SBSB).
- **Agriculture:** 15 projects completed (9 in Saravane and 6 in 4 provinces under GPAR SBSB).
- Industry & Trade: 14 projects completed (4 in Saravane and 10 in 4 provinces under GPAR SBSB).
- 90% of all District Annual Investment Plans for fiscal year 2009/2010 completed.
- DDF Lessons learnt report is available in Lao and English languages.
- All 35 districts in 5 provinces have received equipment to support DDF implementation.

### Thematic Area

**Corporate Thematic Area:**

Democratic Governance

**UNCP/CPAP Outcomes:**

Outcome 8: Increased efficiency, effectiveness, transparency and accountability of the public administration at both central and local levels.

Output 8.2: Strengthened capacities of provincial and district administration for decentralized planning, management and public service delivery.

### Millennium Development Goal

**Goals 1-7**, through improved governance and accountable use of public resources. Governance and public administration is a cross-cutting theme that supports the provision of public goods and services to country citizens. If all citizens equally and transparently benefit from government services, their livelihood opportunities will increase and their lives will be improved.

## Contact

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