

Decentralization reform process for better service delivery: Case of District Development Fund

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Outline of Presentation

- **Background**
- **Evolution of national decentralization reform process**
- **District Development Fund & Three Builds policy (Samsang)**
- **DDF Planning process**
- **Current DDF implementation**
- **Some DDF findings**
- **Direction for the DDF**

Background of Decentralization reform process for better service delivery

- Lao PDR State and government was established in 1975
- 1991 Constitution
 - A major landmark and a milestone as it defines the establishment of the institutions of a modern state,
 - Legislature, Judiciary and Executive, as the main institutions of the State.
- 1992 the government established a Department of Administration and Civil Service under the PMO as to be a focal point in the development of the country's public administration system, including coordinating donor support to this end.
- 2011 established Ministry of Home Affairs (HOHA)
- In parallel, National Governance Public Administration Reform Programme (NGPAR) also upgraded, it is to provide the assistance for governance and public administration reform under leadership of MOHA

Evolution of national decentralization reform process

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➔ 2000

- ➔ PM01/2000 focused primarily in strengthening procedures on planning and budgeting to support the implementation of local development plans.

➔ 2012

- ➔ PM 16/2012, which translates the 9th Party Congress policy directive of ‘building the province as a strategic unit, building the district as a strengthening full function unit, and building the village as development unit’; - known as the *Samsang* or “*Three Builds*”.
- High level political support
- Critical to reform processes
- Distribution of authority and hence power, across levels
- ➔ 2012-2014 pilot in 51 districts (34% nationally) and 109 villages

Evolution of national decentralization reform process

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Three Builds from 2014 forward

- ▶ **focus more on the district level**
 - ▶ **As the lowest level of the Laos' public administration and**
 - ▶ **As closest to the people (Central, Provincial and district level) and**
- ▶ **incrementally expand Three Builds to the remaining districts**

Evolution of national decentralization reform process

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Significant challenge of Three Builds:

1) Capacity development

- 1) Districts have been **designated as the service delivery point**, so staff posted at the district need to possess high level of practical experience to be able to guide and implement local development activities.
- 2) Despite the quota provided to districts to recruit additional staff, the pool of qualified people who can perform identified functions is very limited.
- 3) Because many districts are remote, not many potential applicants are attracted to work in these areas where the opportunity for professional mobility and training are limited.

2) Insufficient funding to districts

Local authorities do not have adequate resources to go and conduct information campaigns and service outreach, organize and conduct training and implement local development activities

District Development Fund (DDF) supports to

Three Builds policy

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- 2006, was initially designed as a district capital financing mechanism for priority service investments. It has since undergone a number of re-designs and upgrades.
- 2018- DDF investment fund upgrade
 - To strengthen districts' own capacity to deliver key basic services (as per Three Builds national policy) and with clear focus to fast track implementation of local SDGs included in Provincial and District Socio-Economic Development Plans.
 - DDF will provide districts with financial management processes so that districts can achieve a “comprehensive district” effectiveness rating in accordance with the Sam Sang policy.

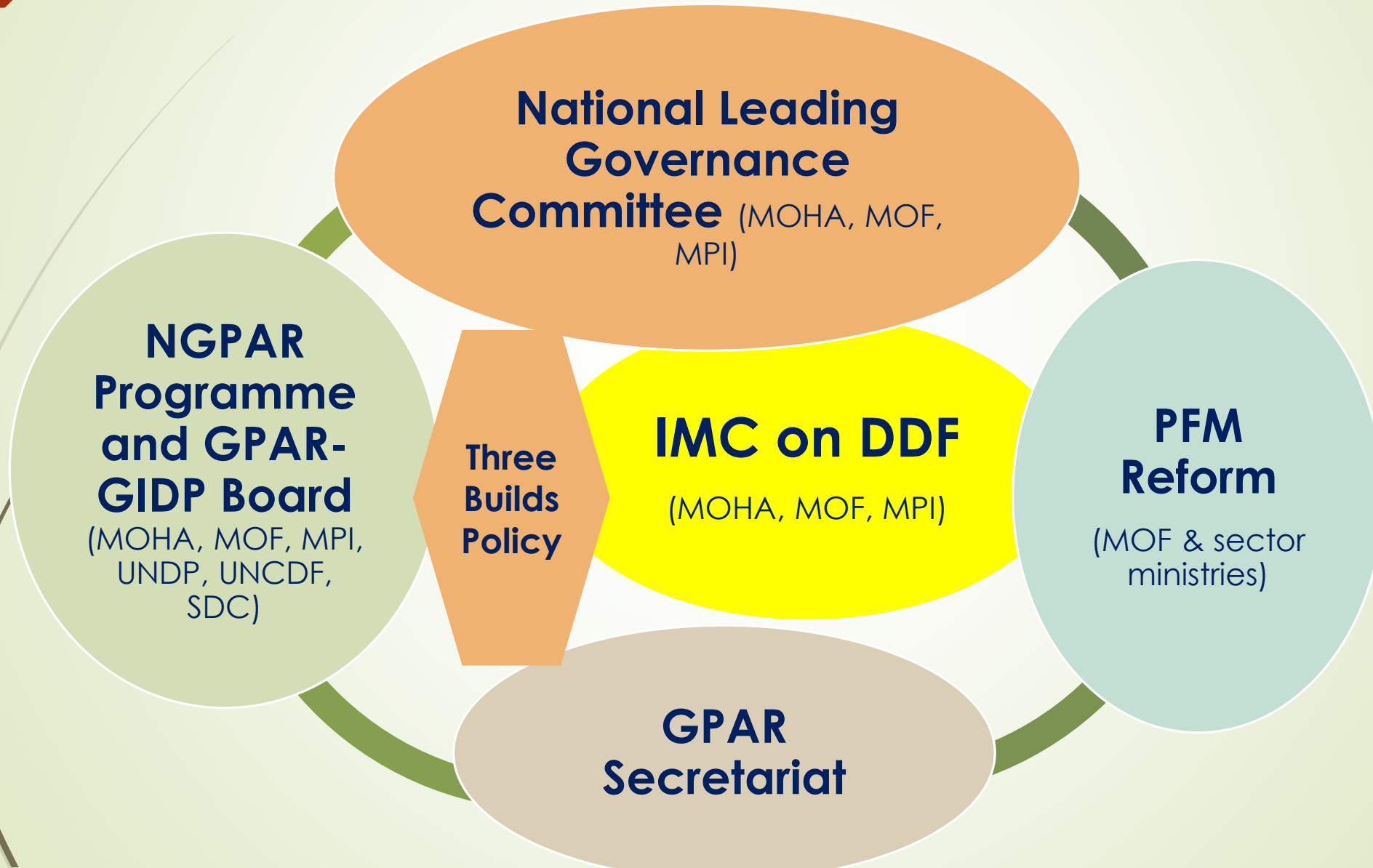
DDF “Repositioning” Rationale

**“SUSTAINABLE”
DEVELOPMENT
FINANCING for local
service delivery and
development,**

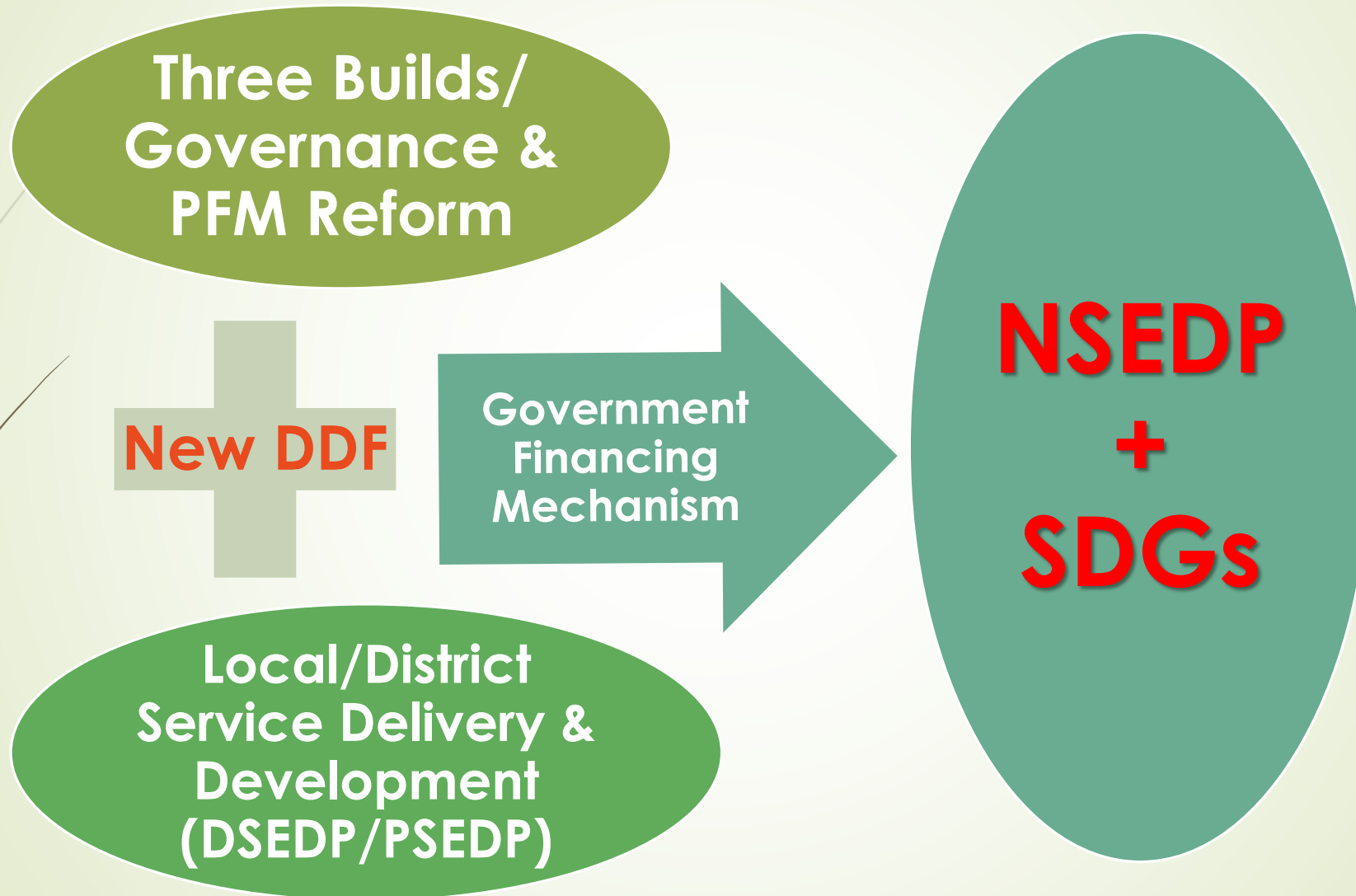
guided by **Vientiane
Declaration**

- **Sustainability of district financing mechanism** through inter-governmental fiscal transfer in support of the Sam-Sang/Three Builds policy and Public Finance Management reform
- **National/central and local ownership and alignment** through increased support to and **use of country systems** (e.g. national planning framework, ODA on budget etc.)
- **Harmonization of development assistance and simplification of procedures** under **Government leadership**

Government Lead in DDF “Repositioning”



“Upgrade” DDF - Objective



Brief comparison of Old DDF (2006-2016) vs New DDF (2018-)

Aspects	Old DDF	New DDF
Demand or Supply driven	<p>Supply driven.</p> <p>Awarded to all districts in a selected Province, regardless of interest, needs or other comparative criteria.</p>	<p>Demand driven.</p> <p>In line with government's nationwide policy on assignment of great roles & responsibilities to sub-national levels (Three Builds – 3 Builds), DDF is now open equally to all districts (148) to seek co-funding from DDF.</p>

Brief comparison of Old DDF (Con.) (2006-2016) vs New DDF (2018-)

Aspects	Old DDF	New DDF	Remarks
Prioritisation / selection	District Admin + Community	District Admin + Community	<p>Old DDF did parallel planning exercise with Communities in chosen district(s). Costly / not scalable and inefficient as majority of communities fail to get any DDF funds.</p> <p>New DDF fully integrated into govt planning system (validation that participatory planning process applied for successful projects only)</p>

Brief comparison of Old DDF (Con.) (2006-2016) vs New DDF (2018-)

Aspects	Old DDF	New DDF
Links to Province strategic planning and / national scrutiny	No. Prioritised by DSC (without direct Provincial of national strategic influence)	Yes After District prioritization and Province scrutiny, DDF proposals are; I. assessed; by national Inter-Ministry Committee (DDF IMC – MPI/MoF/MoHA) II. against criteria on financial / co-financing from State budget, & strategic planning / NSEDP & SDG and on inclusiveness.

Brief comparison of Old DDF (Con.) (2006-2016) vs New DDF (2018-)

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Aspects	Old DDF	New DDF	Remarks
Co-financing from State Budget	No (100% ODA). Seen by districts/provinces as project activity.	Yes. DDF offers opportunity of co-financing of districts own agreed plans (i.e has State budget)	Co-financing from State Budget ensures (i) proposal is a real local priority and (ii) included in Provincial Plan in support of NSEDP/SDGs.
Block grants	Untied envelope used to stimulate district discussions & then fund district priorities	District priorities seek DDF co-funding, after District Project Committee discussions & prioritization by district teams	

Brief comparison of Old DDF (Con.) (2006-2016) vs New DDF (2018-)

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Aspects	Old DDF	New DDF	Remarks
Sustainability / scale-up	DDF parallel planning exercise (albeit using MPI guidelines) is costly, and inefficient as most communities not successful; cannot be applied nationwide by GoL for same reasons.	Designed to be sustainable. Uses existing government systems, staff and integrating into government planning system, finance system, and budget (co-finance by State budget funds at local level)	Broader questions on the existing needs-based national planning approach that is done without known budget parameters. Local participatory planning Guidelines (MPI) costly if carried out, and same questions over efficiency, effectiveness and sustainability/scale-up. Broader rethink on appropriate level & best methods to respond to people's local priorities?

DDF Planning Process

➤ **Planning for DDF at district level**

- Defines objectives, targets, policies and implementation methods well in advance based on known economic rules which are expected to be accomplished within the pre-determined timeframe

➤ **Village level participatory planning**

- Brainstorming of ideas from citizens and other concerned parties to jointly identify objectives, targets, direction and implementation arrangements for development and resolving arising problems through the participation of villagers in prioritizing their own village development activities.

DDF Planning Process (con.)

- The village participatory planning is also based on the general planning principles such as: combined integrated top-down and bottom-up approaches, where both approaches have to be consistent as:
- (1) GoL sets out the strategic direction, policy and overall development targets aiming at continuous economic growth and reducing poverty and improving for better livelihoods of citizens.
- (2) Citizens themselves and concerned parties will decide on activity identification in accordance with their potentials and based on actual local context, ensuring the contribution to their own socio-economic development plan and investment plans at each stage to fulfill the development targets set by the GoL.

DDF Planning Process using Bottom-up Approach:

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Village level

- Providing data and identify the needs, Summarizing those needs into a village development plan and submit to Kumban level

Kumban level

- Review and consider as a Kumban development plan by prioritizing the needs before submission to district level for consideration of Kumban plans sector by sector

District level

- Prioritizing the district needs and consolidating them as a district development plan before submission to province according to each vertical line sector

Provincial level

- Review, consolidation and prioritization then submitting the consolidated development plans to the Ministry of Planning and Investment

Main tasks of the participatory planning process

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- The main tasks of the participatory planning process are listed below:
- Task 1: Establishment of planning and training teams;
- Task 2: Data collection and consolidation;
- Task 3: Design and use of mapping tools for research and data analysis;
- Task 4: Participatory planning;
- Task 5: Drafting district socio-economic development plan (draft version)
- Task 6: Organizing consultation meetings for the district socio-economic plan
- Task 7: Finalizing the district development plan, adopting the plan and submitting the plan to province

Current DDF implementation

- **First year of new upgraded DDF**
 - has strengthened districts' own capacity to deliver key basic services / local SDGs included in Provincial and District Socio-Economic Development Plans.
 - provides districts with finance and technical support to strengthen district-level public financial management processes
 - simultaneously delivering priority public services.
- **2018, over 70 Expressions of Interest (EOI)**
- **Down to 12 Projects, in line with available funding.**
- **\$340,000 will be invested during 2019, benefiting 12,167 HH.**
- **It is a condition of DDF that a minimum 15% of the investment cost comes from local state budget.**

Current DDF implementation

Total Allocations of 12 Districts

Total project value in USD	443,428.16	3,771,777,731
Total project value in LAK		
Total Other fund USD	822.95	
Total Other fund LAK	7,000,000	
Total Comm. Contri USD	37,875.33	
Total Comm. Contri. LAK	322,165,695	
Total Co-financing in USD	65,847.70	
Total Co-financing in LAK	560,097,209	
Total DDF Fund in USD	338,882.17	
Total DDF Fund in LAK		2,882,514,827

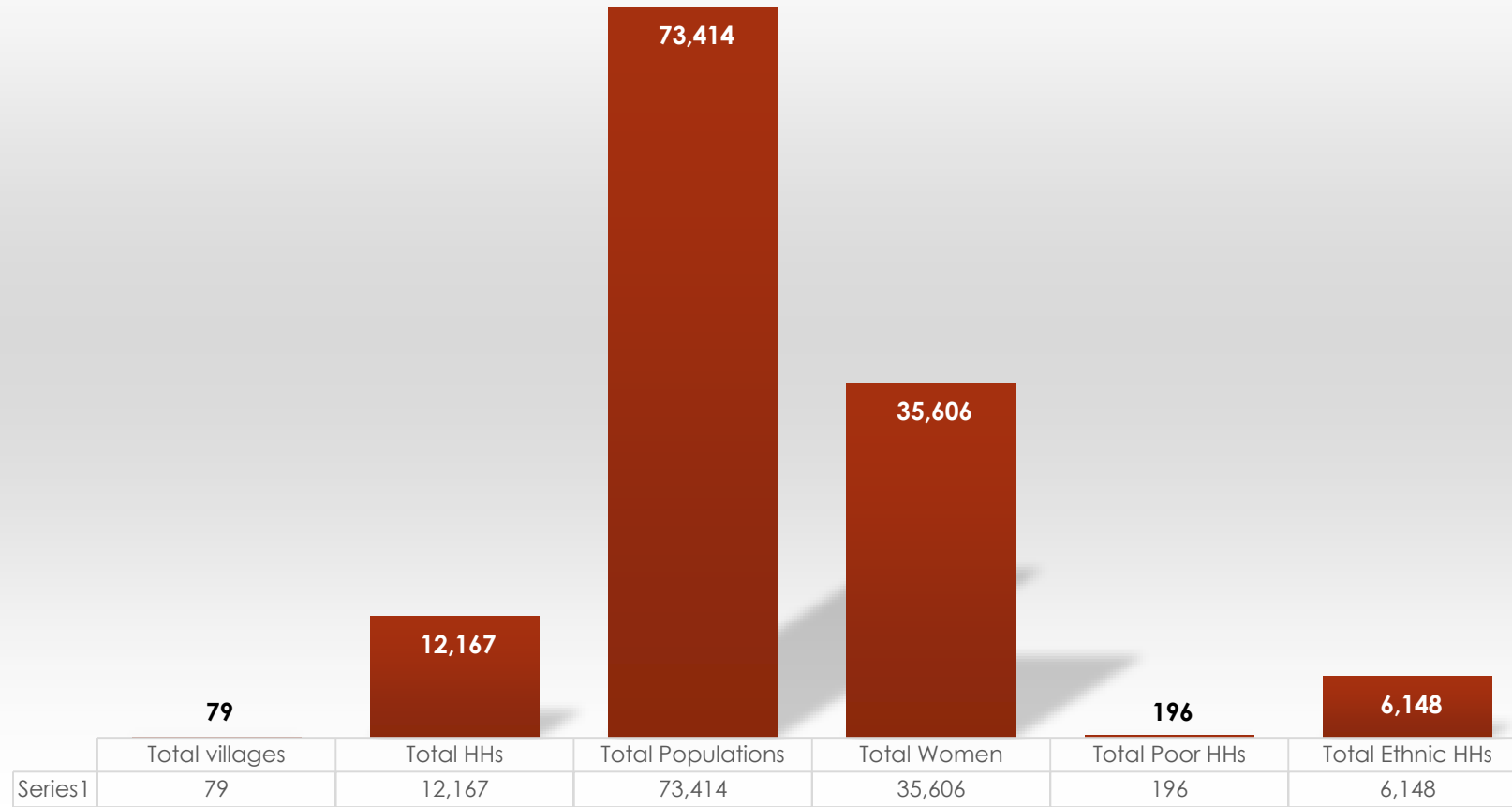
Current DDF implementation

Average Allocations Per District

Total project value in USD	36,952.35
Total project value in LAK	314,314,810.92
Total Other fund USD	68.58
Total Other fund LAK	583,333.33
Total Comm. Contri USD	3,156.28
Total Comm. Contri. LAK	26,847,141.25
Total Co-financing in USD	5,487.31
Total Co-financing in LAK	46,674,767.42
Total DDF Fund in USD	28,240.18
Total DDF Fund in LAK	240,209,568.92

Current DDF implementation

Total Beneficiaries



Some DDF findings

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➤ Previously DDF

- Was not in full alignment with national planning system,
- Parallel planning exercise, which are (a) too expensive for the State to scale out to all districts and (b) not sustainable in the long-term.
- To apply comprehensive Participatory Planning as per Participatory Planning Manual (PPM) is very costly.
- Where funds are very short better to spend on actual local investments and services rather than on costly planning exercises, that essentially yield same results as local administrations' own approach

➤ Updated DDF

- DDF proposals are drawn from the approved district and province development plans
- fully integrated into the national planning system
- fully part of national financial system – within national Treasury system and National Accounting Budget Codes

Some DDF findings

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- **DDF has proved to be an effective tool to help facilitate the national decentralization policy, particularly the Three Builds, in implementation at the sub-national level.**
- **Through DDF, the capacity of the State actors to implement policy reforms at District is visible improved.**
- **The hands-on and project focussed approach of DDF demonstrates that this form of applied learning is more effective in transferring useable skills to local institutions and staff, than more formal training courses and workshops.**
- **Updated DDF includes community oversight during implementation stages of projects.**

Direction for the DDF

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- Districts can lead effective participatory planning process (as well as cross sector planning) and demonstrate evidence-based decision making and implementation, including community to participate in monitoring and oversight activities. However, some design challenges are emerging around fiscal decentralisation matters, and may present opportunities to re-cast DDF to play a greater supporting role in supporting decentralised public financial management.
- The national GPAR Programme is currently preparing for the first round assessment for the updated DDF mechanism and tools.
- The assessment will also aiming for how to make DDF to be more effectively aligned with the new cycle of Lao National Socio-Economic Development Plan's targets (2020-2025) for the attainment of graduate from least developed country, SDG attainment and poverty reduction targets.
- There is a permanent need to strengthen the capacity of administration both central and local level especially for Three Built Policy .

Thank you for your attention