



Unlocking Public and Private
Finance for the Poor

The District Development Fund of Laos

A chronological story of a concept
maturing to scale, delivering
community cohesion and development



The UN Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world’s 46 least developed countries (LDCs). With its capital mandate and instruments, UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. This last mile is where available resources for development are scarcest; where market failures are most pronounced; and where benefits from national growth tend to leave people excluded.

UNCDF’s financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyse participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralisation, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilisation.

By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty with a focus on reaching the last mile and addressing exclusion and inequalities of access. At the same time, UNCDF deploys its capital finance mandate in line with SDG 17 on the means of implementation, to unlock public and private finance for the poor at the local level. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile, UNCDF contributes to a number of different SDGs and currently to 28 of 169 targets.

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The UN Capital Development Fund (UNCDF) has been a long-term partner and key participant in the Lao Government’s National Governance and Public Administration Reform programme. By strengthen how finance works at the local levels, UNCDF contributes to SDG1 on eradicating poverty with a focus on reaching the last mile and addressing exclusion and inequalities of access, and to SDG 16 by strengthening government institutions.

The District Development Fund (DDF) 2005-2021, a technical support by UNCDF, with the collaboration of other development partners, has played a central role in the national decentralisation policy and its on-going implementation. The DDF has proven to be an invaluable tool for testing and demonstrating new and improved modalities of public financing, local budget management and capacity development for local governments. The DDF and its projects have reached many Lao citizens and communities, extending public services in health and education, and improving livelihoods through investments for agriculture and small-scale infrastructure access such as roads and bridges. DDF grant finance that has been kindly provided by our development partners has been used directly by local governments and citizens for economic and social capital investments, as a dual approach to poverty reduction. Districts have used DDF system to directly invest \$8 million and provide over 1,000 local economic and social investments, and services, benefiting some 1.7 million residents in rural Laos. DDF has increased the ability of the local government machinery to engage with citizens to lead, decide and manage local services delivery, a fundamental for true sustainability. This growing local sustainability is evident by the fact that Districts have progressively increased their own co-financing with DDF from negligible in the early years to an impressive 26 percent in the current DDF programme. The DDF proved very effective during MDG acceleration testing in Xieng Khouang Province, and the new DDF continues to be an ideal tool in the on-going efforts to localise the SDGs and meet the local targets of our 9th National Socio-Economic Development Plan 2021-2025. I would like to emphasise that the real value of the DDF experience lies in what it has proved possible, especially in the context of our national decentralisation policy implementation.

On behalf of the government of Lao PDR, may I express our sincere appreciation of the generous support of our valued partners UNCDF, UNDP, the Swiss Agency for Development Cooperation (SDC), EU, the Government of Luxembourg, and the Government of Republic of Korea.

H.E. Nisith Keopanya,
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Photo by: UNCDF

Maturing a concept to scale in support of rural communities

The story of decentralisation in Laos can be best told through the lens of the District Development Fund (DDF). A once simple concept and pilot project that has matured to become an inclusive government owned mechanism to implement decentralisation policy.

The DDF project and its evergreen suite of fit for purpose tools and processes have evolved for over a decade and a half to become a conduit for implementing the governments' administrative reform policy and localising the global 2030 agenda.

Touching the lives of all rural generations, older and younger alike, the DDF has opened up many new pathways for communities to thrive and strengthen their resilience, using tacit local knowledge and capacities.

By leveraging these capacities, local governments have been encouraged to engaged with their constituents to identify and implement scaled projects. These local projects have expanded and strengthened the social fabric and economic infrastructures bounding tradition with modernisation to create new solutions to better the conditions and livelihoods for their generation and the next

This short brochure presents this story applying a chronological order of development that highlights the DDF as an integral component of the Lao PDR sub-national decentralisation agenda.

The DDF is an inter-governmental fiscal transfer mechanism combined with a participatory planning process developed by UNCDF and UNDP.

It has proved to be one of the most effective tools in the quest for the inclusive and cost effective transformation of local economies, providing discretionary budget funds and developing technical know-how within local governments to better deliver services.

From its humble beginnings as a proof of concept pilot and capacity building and demonstration project in the southern province of Saravan the DDF, since 2005 has benefited some 1.7 million citizens living in some of the remotest areas in Laos and supported the staffs of 7 provincial and over 70 local administrations.

The first exemplification of the DDF introduced the basic principles of participatory local planning and financing of small scale projects. Essential capacity was built into local governments to involve citizens in development decisions, be able to transparently manage local capital budgets and apply for discretionary grants for local development

By using discretionary grant financing for local small scale infrastructure projects the DDF demonstrated a new citizen oriented localised fiscal transfer system to develop infrastructures that enabled and improved service delivery.

The success of the early pilots led to the scale out of DDF to a significant portion of the country, albeit with a limited budget given the scale of the challenge. However, as found over the last 15 years the real value of the DDF experience and systems development lies not in what it has invested but rather in what it has proved possible.

The DDF has shown that with increased decentralised budgetary authority, flexibility combined with training and early mentoring, that district level staff can manage discretionary budget assignments and collaborate with local communities to address their own development priorities.

This process has empowered local governments to develop, and maintain the infrastructures and services that are needed by the community in their administrative territories. It has introduced local government accountability and transparency and accurate reporting of expenditures and results to the provincial and national authorities.

Real Results Through Simplicity

Over the years DDF has steadily developed in both reach and design. Starting as a pilot in a single province by 2021 DDF had reached 15 out of 18 Provinces.

The DDF provides a fit for purpose solution to aid improved local planning and budget expenditures by communities and their local governments.

The system has been specifically tailored to deliver development results whilst remaining a simple process so that can be used effectively in rural settings.

The DDF Standard Operating Procedures (SOPs) have been conceptualised and generated in Lao language and in a form that is accessible to all members of the sub national civil service and communities. The DDF projects have used the SOPs to deliver trainings and as a tool to measure administrative performance

The simplicity of the DDF system has been complimented with a cost effective sophisticated mentoring and monitoring system. The system ensures that all DDF investments provide positive impacts related to local development, rural livelihoods improvement and to the resilient sustainable futures of the rural communities.

From its introduction to Laos in 2005 the UNCDF DDF has pioneered the use of existing government financial systems for the transfer of service delivery investment grants for the discretionary use by local districts. **The discretionary use aspect of the DDF has empowered the local authorities and communities in Laos to form strong partnerships to collectively and transparently address their development challenges.**

DDF grants and technical support has been provided to district authorities to stimulate both local economic capital development and local social development as a dual approach to poverty reduction. Investing DDF capital totalling US\$ 7,162,068 local governments have also added \$561,262 from their own district funds to deliver development solutions and services to their communities. Over the years, the participating local authorities have progressively increased local co-financing from 0.1 % in the early years to an impressive 26% in the final years of DDF.

DDF grants are "on national balance sheet" transactions that are transferred from UNCDF to the National Bank of Laos (BoL) from where they flow within the national financial system, using a Chart of Account (COA), to relevant Districts' National Treasury accounts. The amounts of funds transferred from UNCDF and received in Districts via the National Treasury Accounts are the same, with essentially **no transaction costs.**

DDF has proven to be an effective, government managed, low-cost programme that supports national decentralisation policy "Sam Sang" and has helped to accelerate and localise the MDG and more recently the SDG goals. The government has acknowledged the role that DDF has played in informing their national Sam-Sang decentralisation policy by demonstrating the feasibility of providing predictable district-level budgets for services. investments.

DDF has has been active in 67 Districts representing about 45% of the country's total Districts. DDF has enabled local Districts to directly invested \$8 million and provide over 1,000 localised socio-economic investments benefitting 837,449 women and 832,460 men in rural Laos.

Changing the lives of communities has been the mantra purveyed by the DDF, as a government wide system that engages citizens and communities under the common challenges of localising the 2030 SDGs, recovering from global shocks such as the pandemic and addressing natural disasters as being witnessed through increasing extreme weather patterns . As many rural communities are still recovering from spill over conflicts that blighted and scared in the region in the 1960's and 1970s' community cohesion and trust in authorities have been boosted by the DDF. This has been achieved through the development of localised projects that have provided far reaching benefits.

The DDF system has supported the co-financing and the implementation of community originated projects that have developed a broad selection of economic and service related infrastructures and increased the social fabric of communities.



Over 256 education sector projects have been completed and funded through the DDF. These projects have included the building of fully equipped schools in remote rural areas. These new schools have extended and have made inclusive the education system. By providing basic reading, writing, math and creativity skills it had provided an uplift to young children and a secure pathway to secondary education. These investments have helped to improve net primary enrolment ratios to over 98.9 percent, helping Laos to achieve this critical SDG metric.

Water is the lifeblood of many rural communities in Laos. Controlling water, feeding valuable crops to increase yearly yields and ensuring drainage to prevent flooding are some of the challenges being faced in the countries remote and mountainous areas. **The DDF system has developed and invested into 231 agriculture related projects**, that has included irrigation schemes to allow for multiple cropping systems to be practiced providing positive gains in nutrition and peoples well being. DDF has invested in roads, culverts, and drainage to limit flooding in low lying areas.

Many Laotian rural and vulnerable communities are often found scattered across provincial territories in traditional settings. Often located in harsh terrains, connectivity is difficult and is commonly subject to damage from severe weather, floods and landslides. The DDF has successfully targeted some of the worst areas by connecting last mile communities with climate resilient roads and bridges . These efforts have created new socio-economic opportunities. It is with this in mind that **the DDF has successfully implemented over 100 public works and road projects.**



Village Voices



Taking Responsibility

"Co-financing of projects in Khoua is a useful model - and it ensures a real prioritisation and ownership of the project making all people take better care of its construction, maintenance and use"

Khoua District Chief



Bright Futures

"With the new school we got all 4 teachers that we needed and can now teach all the children of this area, from kindergarten through to end of Primary, it gives us a bright future"

Head Teacher, remote Mounmeung Village, Oudomxay.



Connecting Neighbours

"The new road means we are now connected to Slaeng Village, and we can now travel in all seasons to visit neighbour markets for trade and take benefit from the services available in Khoua town"

Resident of Namboud Village, Phongsaly Province



Refreshing Our Lives

"Water for our homes and village had to be carried from the mountains each day. The new water supply is very welcomed by all the village and especially the women now the girls can go to school every morning"

Mme. Along, wife of Village Chief, Choulaosenmay village, Bountai district, Phongsaly Province



Local Solutions

"The DDF is a very good system overall as it provides a development budget for our district to finance a local project As a community and local government we can now make our own decisions and priorities that meet our needs"

Deputy Chief Xay District



Bridging Gaps

"The new DDF road at Namboud and Slaeng villages and the upgrading of the bridge at Omtala Village now provides all-year links for 14 villages of Khoua District, and 7 villages of LA District in Oudomsay and 4 villages of Nambak District of Luang Prabang Province"

Head of Public Works, Khoua District

DDF - Inclusive Sub National Investments

Sector / Project		Economic				Social					
		Public Works	Agriculture	Trade - Markets	Waste Management	Health inc WATSAN	Education	Total DDF Assets & Service	Total DDF Gants (US \$, current)	Total Value of Investment inc Local Finance	
Saravan 2005 - 2011		20	9	4	0	37	23	93	1,37059	1,373,844	
SBSD	BBG	49	25	11	0	76	55	216	2,789,918	2,929,414	
2008 - 2012	OEBG	6	14	0	0	8	15	43	28,157	28,157	
SCSD	BBG	24	13	1	0	27	19	84	2,065,091	2,134,382	
2012 - 2016	OEBG	136	165	0	0	138	139	578	832,067	832,067	
GIDP	BBG	13	5	1	3	8	5	35	950,000	1,285,690	
2017 - 2021	OEBG	Transferred Function to Ministry of Finance									
Total BBG		106	52	17	3	148	102	428	7,162,068	7,723,330	
Total OEBG		142	179			146	154	621	860,224	860,224	
Totals		248	231	17	3	294	256	1,049	8,022,292	8,583,554	

Basic Block Grants (BBG) and the operation expenditure block grants (OEBG) have been used since 2005 to support local governments and communities to build new infrastructure and services. The DDF mechanism has leveraged just over US \$8.5 million from various fund flows to deliver over 1000 small scale projects that have been originated and developed by local communities and their administrations to change lives at zero transaction cost.

DDF 1.0 - Origins

The Saravan project provided a proof of concept of the ability of local governments and citizens in rural Laos to manage and account for the use of public budgets.

The original concept being to; *"develop a people centred local government planning system combined with a fiscal transfer mechanism for use by local governments to meet their development needs and peoples aspirations."*

The systems approach to the introduction and fine tuning of the DDF additionally carried a series of practical aims. These aims, being ambitious at the time, included; the improvement of local level delivery of public goods and services and to inform national policy makers on decentralisation and poverty reduction.

Covering a six year period (April 2005 to March 2011) 8 local district governments engaged with their constituents to locally plan for their own development and to effectively and efficiently manage public funds to build and maintain service delivery infrastructures.

The DDF introduced formula-based approach to local government grant allocations to show-case a more transparent and inclusive approach to budget allocation, as a key pillar of decentralisation.

To support a government wide approach to decentralisation the Saravan project acquainted local governments and communities to the art of localised inclusive planning based on the national participatory planning guidelines issued by the Ministry of Planning and Investment. The official MoPI guidelines themselves continued to evolve following lessons learnt from DDF as early results became known.

The DDF system and processes have also benefitted from in-built sustainability that was designed in at the outset through the use of government systems, processes and staffs. The employment of the governments own national financial system meant that DDF funds were transferred directly to a special account owned by the local governments in the nearest branch of a domestic bank. This remained the situation until the later creation of National Treasury Accounts at Districts.



DDF Built Health Centre SARAVAN, UNCDF

DDF 2.0 - Scaling Up, the Maturity Model

The creation of this new tier of sub national governance follows similar decentralisation approaches being adopted in the region and creates a new pathway to advance the DDF system in the future.

This new legislative base allowed for the institutionalisation of the DDF IGFT. Applying lessons learnt the DDF formula ratios were tweaked to give greater weight to poverty (40%), population (25%) and equal share (20%) and added a new criterion of 'size of territory' (15%)

The latter criterion being in recognition of the comparatively higher cost of service delivery in large territories where populations are more widely scattered.

In promulgating the new Budget Law (2015), The Ministry of Finance adopted the DDF formula based approach for sub-national budget allocations. The use and scope of formula-based budgeting was clarified in the amended State Budget Law 2015, adding additional dimensions such as population, number of civil servants, level of poverty, geographical location, remoteness and socio-economic uniqueness of the sectors and the locality.

The DDF-OEBG was recognised by an independent assessment to be an effective and efficient tool in local service delivery and in MDG acceleration.

DDF Khankhai Market, UNCDF



Building on from lessons of DDF 1.0 and the new capacities that were developed within the local administrations, UNCDF technical teams introduced a further system upgrade of performance measures. The distribution formula being adjusted as part of a national scale up of the decentralisation reform deploying through the DDF between 2008 and 2012 (DDF - SBSB).

During the second phase (DDF 2.0) the grants evolved in both scale (53 districts) and in technical scope, adding new elements such as performance metrics and climate adaptation investment menus. The latter to promote localised climate action through bottom up planning and adaptation investment and further expanding the use of the operational expenditure micro-grants (DDF - OEBG) to the 53 participating DDF districts.

The success of the evolving DDF and its constant revision through trial and demonstration assisted the government to effectively advance the national decentralisation policy "Sam Sang" (3-builds) as defined by the 8th National Social Economic Development Plan.

Based on encouraging results driven by the success of the DDF, the decentralisation process was further consolidated in 2015 through a revised set of laws that included: (i) State Budget Law, (ii) Law on Government, (iii) Law on Local Administration and (iv) The Law on The Provincial Peoples' Assembly

These legislative upgrades have deepened the reform process with the establishment of new sub-national representative bodies (The Provincial People's Assembly) for each province.

DDF 3.0 - Localising Climate Action

The universality of the DDF was proven through its use as an effective and efficient instrument to pilot the delivery of climate resilient grants that maintained a level of discretionary use. To accommodate this, required the DDF formula to be augmented by a climate-resilient criterion and investment menu. The Ministry of Natural Resources and Environment (MoNRE) oversaw the DDF climate IGFT to address the anticipated effects of climate change on communities and the identification and development of small scale district infrastructure in the selected provinces of Sekong and Saravan.

The DDF provided a conduit that supported the introduction of an earmarked discretionary grant whereas the decision making and project originations were empowered to local government and their constituents, these were limited (earmarked) by a specific menu. The DDF and its associated local planning fostered new understanding within the communities of climate change the types of adaptation measures and investments that could be made.

The DDF investments realised within this climate window consisted of agriculture irrigation schemes that allowed for multi-annual cropping and connectivity projects. The latter included well constructed rural roads that included adequate drainage and culverts and strong rural bridges with adequate river bank reinforcements that are able to withstand flooding.

The piloting, testing and demonstrating of the DDF system as a tool for local governments to adapt to climate change provided critical inputs to the development of UNCDF's global climate programme that applies a near identical IGFT to finance climate action at local levels.



Photo by: UNCDF

This collaboration showed that (a) DDF system can be used as an effective delivery system of budget and other funds directly for use by Districts for a variety of specified purposes; (b) that district authorities have the ability, with some initial capacity supports, to undertake climate resilience planning and projects; and (c) that climate resilience planning and budgeting can be better achieved at the local level.

DDF 4.0 Leaving No One Behind

The emergence of the 2030 global agenda as defined through the Sustainable Development Goals (SDGs) established new government commitments for decentralisation, this being in addition to the new sub-national



Photo by: UNCDF

governance architecture and new budget practices. The 2030 agenda carries at its core inclusivity that is strategically supported by the Leave No One Behind principles, As a result the DDF system was further enhanced to support new government policy actions that mainstreams the principle of Leaving No One Behind, placing greater emphasis on inclusivity as a policy measure to reduce territorial inequalities, and poverty whilst minimising transaction costs and using on-budget systems

With the government's strong desire to open up access to DDF funding to all districts in line with the national roll out of the 'Sam Sang' decentralisation policy to all districts the DDF transitioned from formula based DDF grant assignments to a more equitable system. The current iteration of DDF (DDF 4.0) applies a SDG/LNOB ranking matrix that ensures the most vulnerable communities receive basic public services and goods specifically targeting the lagging and most rural communities of Laos. With a focus on SDG localisation and awards being based on LNOB criteria any District can now opt to submit a proposal for DDF funds, through their Provincial authorities who are the strategic planners and budget holders under the reformed sub national governance system. To promote sustainability and ownership of local SDG investments, a requirement for co-funding by districts, became a condition of DDF , - whether from District allocation of public budget or by their own resources

In Lao PDR, altitude and location are the key factors setting apart the poorest and most marginalised communities from others. Around 80 percent of Lao PDR is mountainous, and altitude and location are key determinants of livelihood options and access to services. The DDF LNOB mechanism has provided the government with a cost effective tool to provide service reach to these communities

DDF - As a LNOB Policy Implementing Tool

As a value added, the DDF acts as a **practical policy instrument**. Having, through out its evolution functioned as a driver and information gatherer for decentralisation and de-concentration policy. Thus, from the outset, there has been very close similarities and parallels between “*Sam Sang*” decentralisation policy guidelines and the DDF system. DDF and Sam Sang cross-feed each other, beginning with DDF having informed the formulation of the Sam Sang pilot. Following the government’s desire to closer align DDF with the national Sam Sang policy a number of significant changes were made to the current DDF model developed under GPAR GDP (2017-2021) programme.

The current DDF system has been amended to (a) become open to all districts to make a case for DDF funds, (b) added targeting ability for local SDGs (c) use official approved districts plans for DDF purposes, (d) provide for co-financing of district plans from their official budget assignment and DDF funds and (e) applies LNOB principles. DDF operates fully within the national financial system and all DDF transactions are done in the National Treasury Accounts and are on-balance sheet.

The DDF is a very usable and suitable policy instrument that supports and promotes accountability and transparency through out the government planning and budget systems to reach the last mile, leaving no one behind. Critical is that the DDF is on budget and uses the treasury and national banking systems to effect inter-governmental fiscal transfers. Additionally, the DDF is delivered by the institutions of government hence all funds are able to reach communities and citizens without transactional losses being incurred.

The SDGs provide the basis for inclusive and resilient development planning, public sector investments and development targets for Laos. The government has set out a comprehensive set of SDG commitments and targets that are reflected in the national development plan and sector strategies.

The Leave No One Behind strategy is one of the core principles that is being adopted by the government and which can be found embedded within the 9th National Social Economic Development Plan (NSEDPlan) development frameworks and policy.

The DDF specifically addresses this policy direction by applying three LNOB criteria to its investment decision making processes: (1) socio-economic status. (2) geography and (3) vulnerability to shocks.

The DDF also provides value added to local government capacities (LNOB governance criterion) and to central and regional policy makers.



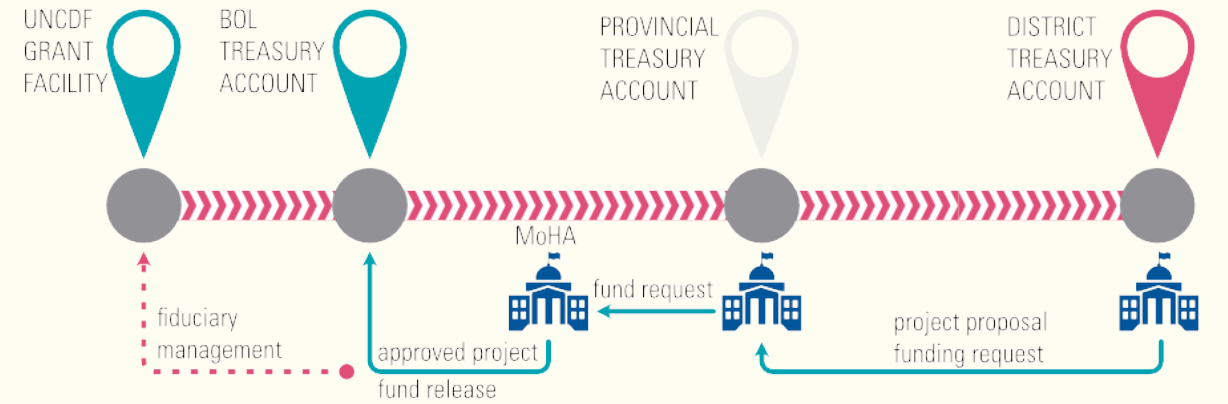
Photo by: UNCDF

DDF - A Compelling Sub National Financing Instrument

From the outset, DDF was designed and has functioned as a government decentralisation mechanism that develops local administrative capacity, local planning and the public financial management processes. DDF implementation under the GPAR-SCSD (2012-2016) underpinned and coincided with the emergence of the government’s “*Sam-Sang*” (3 builds) devolution directive during 2012-2014. The Sam-Sang pilot districts included 21 of the DDF districts, in recognition of DDF role in actioning appropriate fiscal and practical decentralisation measures.

DDF has proven itself as an inherently effective instrument to localise actions that contribute to the achievement of national development goals, the SDGs and local climate action. The DDF mechanism, management tools and related capacity building programs have enabled local authorities to meaningfully engage with local communities, to identify and provide services related to the national development plans and to help to localise the SDGs (Local 2030). The DDF has increased the ability of the local government machinery and communities to lead and manage local services delivery providing for a more sustainable approach. The results of Sam Sang decentralisation policy have highlighted the nuances that the DDF brings in helping local governments in reach higher levels of development performance levels in comparison to those districts not endowed with the DDF grants.

The experience gained from the DDF approach that pushed responsibility and accountability for local development to the sub-national governments and which empowered communities to identify local needs has driven the implementation of Sam-Sang policy since 2012. The learning from DDF lessons, directly informed the amended State Budget Law 2015, the amended Law on Government 2015, the amended Law on Local Administration 2015, the Law on Provincial People’s Assembly (PPA) 2015, the Regulation on City and Municipality and the review of the Investment Promotion Law 2009. While the State Budget Law 2015 provides for formula assignments for local administration, the provincial authority remains as the sub-national budget holder. The inter-governmental fiscal transfer takes place from the central level to the provincial authority and further transfer grants to district administrations under its authority. DDF operates in alignment with these systems **demonstrating that the current financial system is now technically capable of making budget assignments for districts own use.**





Futures

The onset of the COVID pandemic in 2020 and its impact has created permanent scaring of the socio-economic landscapes in many countries. Indeed Laos and its rural communities have been severely affected as family members have returned as their employment in the larger cities and in neighbouring countries disappeared.

Greater stresses are being place on households as the loss of such incomes have in turn reduced household disposable incomes. Families are having to rely more on public services and agriculture as a main stays.

This feature has been further compounded as government transfers have been reduced to a minimum as the pandemic has reduced the possibilities for national and sub national governments to raise revenues.

It is at this critical juncture in time, with a new sub national governance architecture in place and a budget law that promotes greater sub national autonomy and accountability that the importance of continuing to support sub national development through the DDF mechanism presents itself. A revised and new offering of DDF can support predictable fiscal transfers to the provincial government levels.

Following the neighbour country examples of decentralisation reform strategies and the emergence of the new provincial assemblies, the decentralisation model looks set to deepen in Laos.

The DDF as a universal development finance tool, offers an opportunity to reshape fiscal decentralisation to match the sub national governance changes. In this context the basic tools of the DDF can be adjusted and used to empower the PPAs to help Lao transition to a more territorial approach to development planing and financing.

DDF has shown that given more budget autonomy and wider source of funds, local governments can lead the response to sustainable local development

Photo by: UNCDF

Financing of the 9th NSEDP and the SDGs in Laos is of critical importance for the government. With an already heavily constrained public budget, a reduced revenue base as a direct consequence of the pandemic optimisation of public expenditures is of the utmost importance.

The DDF provides a transaction cost free solution to ensure and meet service delivery needs at the local level. The system provides for the optimised and transparent use of the public sector budgets. The universality of the system tools ie the capital grant and the OEBG offers rapid and direct financing solutions to mitigate the short and medium term impacts of the COVID pandemic

The impacts of the pandemic have hit Laos rural communities the hardest. The incomes of many rural households were often heavily supplemented by Laos diaspora. Often rural family members work in low skilled temporary occupations in the neighbouring countries. These employments in tourism, hotels and entertainment sectors have virtually all disappeared with migrant workers returning home.

As a consequence, many rural households are slipping back into poverty. As a result more demands are being placed on to local governments and services for which the DDF BBG and the DDF-OEBG offer suitable and responsive means of financing.



8 Participating
Local Governments



93 Local
Investments



107,710
Beneficiaries



US\$ 1,357,059
grant finance
+0.1% contribution



53 Participating
Local Governments



662 Local
Investments



1,219,693
Beneficiaries



US\$ 2,897,158
DDF grant finance
(BBG+OEBG)
+2.3% contribution


Saravan DDF
2005 to 2011

Design & introduction of DDF Pilot
Testing of formula based grants
Demonstrating participatory planning


01

GPAR SBSD
2008 to 2012

Design & Development of OEBGs
Testing of OEBG as MDG accelerator
DDF scale up to 27 districts



27 Participating
Local Governments



259 Local
Investments



215,695
Beneficiaries



US\$ 2,818,075
DDF grant finance
(BBG+OEBG)
+5.0% contribution

GPAR SCSD
2012 to 2016

Update of grant distribution formula
Performance criteria introduced
Performance monitoring tested
Demonstrated climate resilience grants
DDF scale up to 53 districts

03

GPAR GDP
2017 to 2021

DDF reconfigured for SDG acceleration
Leave Non One Behind criteria developed
Mandatory co-funding introduced
Full integration with national finance system
All transactions use national CoA
DDF scale up to 33 districts



33 Participating
Local Governments



35 Local
Investments



124,541
Beneficiaries

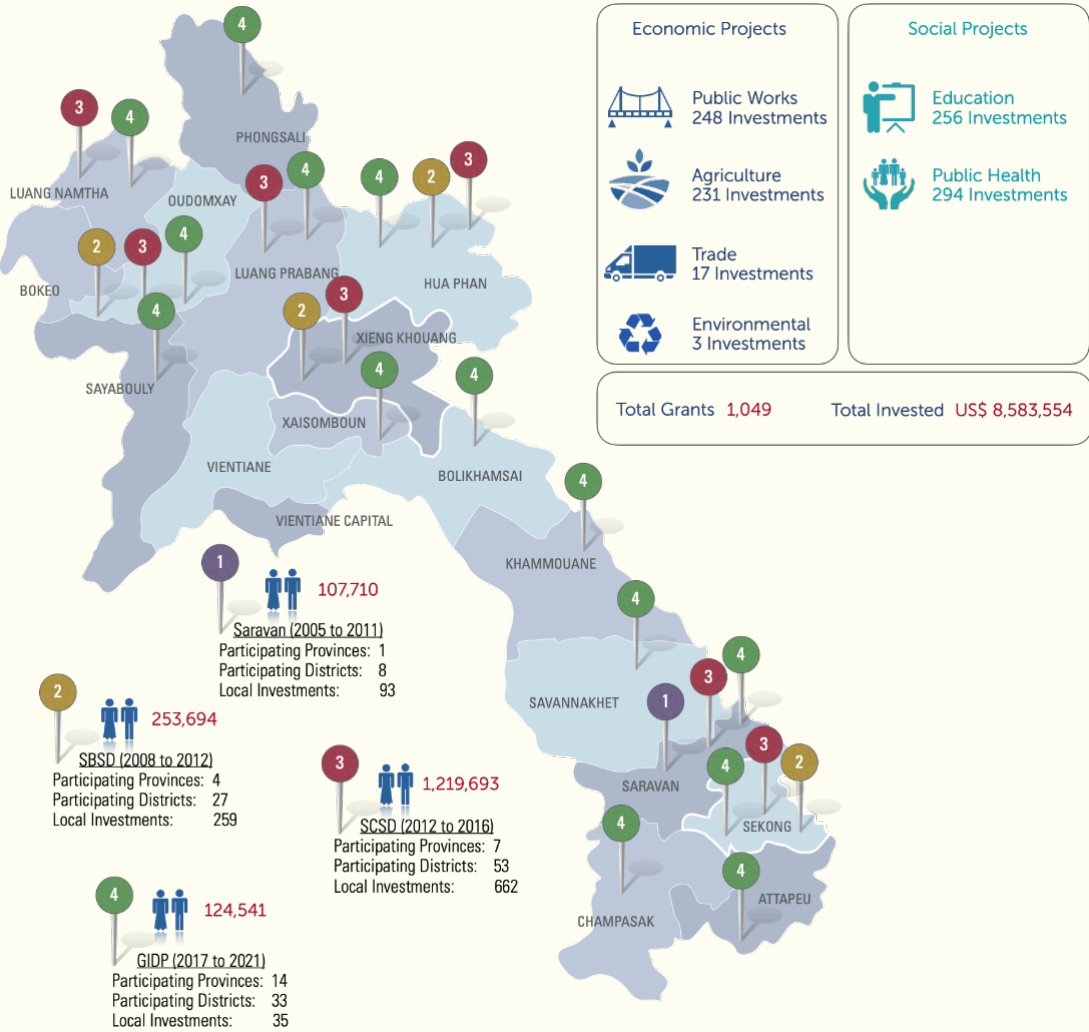


US\$ 950,000
DDF grant finance
+26% contribution

02

04

DDF - Serving the Communities of Lao PDR



The Authors

This document has been authored by a team led by Mr. Nisith Keopanya, Vice-Minister, Ministry of Home Affairs. All of the writing team have been professionally involved in the DDF story since the pilot project in Saravan (2005). The authors have nurtured and developed the DDF into a sustainable, scaleable and cost effective development solution to improve service delivery through last mile investing that empowers local governments and communities. Over a 15 - year period the DDF IGFT has evolved into a policy implementation instrument to advance



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The DDF Team

The DDF and its associated projects have been designed, managed and implement by a dedicated team of professionals, many of which have moved on to new works. The number of people who have been involved in these projects from community level to central government are too numerous to mention but recognition to village chiefs, communities, the provisional support teams and development professionals is noted through this narrative of the DDF. A special mention is made to the following who have assisted the authoring team, providing inputs and references to make possible the chronological recording of the DDF through this narrative Mrs. Vilaythone Sounthonexaymongkhunh, Chief of Cabinet Office, Deputy Manager of NGPAR Programme, Ms. Souksan Thavikham, Partnership Coordinator / Assistant Programme Manager, Ms. Souphavanh Phoonsavanh Svengsuksa, Accountability and Citizen Engagement Coordinator, Ms. Sengaloun Somchanmavong, Finance Coordinator and Ms. Vongdala Sirimanotham, Senior Administrative Assistant/Senior Accountant.



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