

Sector Working Group Uplands
Northern Upland Sustainable Development Programme
(NUSDP)

Consultant Report on
Local Governance and Planning

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1. Introduction

During the last decade significant steps have been undertaken towards a governance reform in Lao PDR. Initial documents, 'Towards Better Governance' (2000) and the 'Policy Paper on Governance' (2003) have provided important platforms for discussion. In its 6th National Socio-Economic Development Plan (NSED 2006-2010) the Government of the Lao PDR highlighted the integral role of governance issues in supporting the achievement of the national growth targets.

Good Governance in Lao PDR

For the Government of the Lao PDR, 'good governance' means: Respecting law and order as the basis of a stable and equitable society; better responding to the needs of people by making government institutions and service delivery more efficient; enhancing transparency by increasing the quality and quantity of information; improving the decision-making process through dialogue and participation; rationalising the relationship both between the central government and between the central and local authorities; and to enhance predictability and accountability under the rule of law by ensuring that state institutions and every natural and legal person abide by the Constitution and the laws of the Lao PDR and the many international conventions to which the Lao PDR is party.

(Source: GoL: Public Service Reform, People's Participation, Rule of Law and Sound Financial Management. A Policy Paper of the Government of Lao PDR on Governance Issues. 2003)

Achieving good governance has been acknowledged by the Lao Government as a long-term process. It has been emphasised as a cross-cutting priority and defined as a "vital link between economic growth and poverty eradication and an essential condition for moving beyond the status of an LDC by the year 2020".

Major components of the government reform towards good governance in Lao PDR are:

- Public Service Improvement
- Strengthening People's Participation
- Ensuring Rule of Law and Access to Justice
- Sound Financial Management

2. Governance in Lao PDR

2.1. Administrative Levels

The Lao PDR is a unitary state which has been formed in 1975. In Lao PDR 4 levels of administration are distinguished: central, province, district and village. The country consists of 17 provinces / municipalities, 141 districts and 10,400 villages¹. In addition, the kum ban (village clusters) level has been introduced only recently and is not yet fully operational in all districts.

In contradiction to original intentions, the kum ban level is not supposed to become an administrative level in the immediate future. It will serve as a planning and implementation level only and to facilitate service provision and linkage between district and village level.

The executive powers of the state rest on the central government, which is headed by the prime minister. His duties include the guidance and supervision of the work of the 13 government ministries and three ministry-level committees, as well as of the governors of provinces and mayors of municipalities. The prime minister appoints all the deputies at these levels of government, as well as the local district governors.

The members of the ruling party, the Lao People's Revolutionary Party (LPRP), exercise the real power in Lao PDR. It is the only legal political party in the country and holds 98 of the 99 seats in the national assembly. In the parliamentary elections of February 2002, all but one of the 166 candidates was from the governing party. Even though the party's role and powers are scarcely mentioned in the Constitution, the LPRP determines national policies through its nine-member politburo and 52-member central committee. The executive branch retains the authority to issue binding decrees, but the party retains the power to make critical decisions.

The current system of government is organised in a centralised pattern with a strongly deconcentrated administration at the provincial level and to a lesser degree at the district level. The main feature of the Lao system is the balance between the vertical line – the central ministries and their field offices at the provincial and district level – and the horizontal line – offices, committees and mass organisations directly under the provincial governor and the district governor. Thus any field office responds to both, the vertical line (central ministry) and a horizontal line (provincial and district authorities).

The kum ban level is not yet sufficiently integrated within the government hierarchy. As it is a relatively recent development², the implementation of related legislation is still under development.

The village is considered as the lowest level of administration of the people and is headed by an elected village chief. The villagers are electing the chief from

¹ cf. National Statistic Centre (www.nsc.gov.la)

² Instruction 09/CPPB

candidates approved by the district within a 'guided process' every two years. The village, through its chief is part of the civil administration.

2.2. Decentralisation

The Lao PDR, same as most socialist countries undergoing transformation and gradually introducing economic changes towards a market economy, started in 1975 as a centralised state. This is at least also partly due to the French colonial history.

Since 1986 and the introduction of the new economic mechanisms, decentralisation has been identified as a political need for further development in Lao PDR. Originally, a decentralisation process has been commenced without the introduction of specific laws and legal regulations pertaining to this form of administrative change. After a short period of re-centralisation, the Government of Lao PDR issued Decree 01 as a first step towards formalised decentralisation in 2000. At the same time, decentralisation has been identified as a national development priority.³

Following the common differentiation between different forms of decentralisation, an administrative decentralisation can be observed in Lao PDR. Administrative decentralisation "distributes the responsibilities to fulfil public duties among governmental authorities on various State levels. Responsibility for regional or local level planning, operational management and in part also for the financing of infrastructures and services is shifted from the central administration to lower-level authorities."⁴ Following international classifications, decentralisation in Lao PDR can be sub-classified as Deconcentration. Deconcentration - as visible in Lao PDR – "refers to the redistribution of decision competencies and responsibilities to regional or local units of the central government (e.g. regional ministerial offices). It represents the weakest form of decentralization. Some argue that this is not even part of decentralization because the shift in responsibility simply takes place *within* the central State hierarchy"⁵.

"Actually, decentralisation policies of the government are implemented based on the transfer of function but not the transfer of power. Provinces have never had full independence in decision-making and operation. Districts are under the close supervision and depending on guidance from provinces. Likewise, village offices have been given an insignificant role in decision-making and in the priority to obtain financial and technical support from the government."⁶

³ cf. Sida: Governance and participation in Laos

⁴ cf. SDC: Guide to Decentralisation, p. 6

⁵ cf. SDC: Guide to Decentralisation, p. 6

⁶ cf. Poppe, Manfred: Integrated Watershed Management Planning in the Lower Mekong Basin. A Comparative Analysis of National and Local Planning Systems in Cambodia, Lao PDR, Thailand and Viet Nam

2.3. Financial Management

MoF Directive No. 475 of March 2002 establishes the revenue sources, expenditures and budget responsibilities that are assigned to the different levels of government, in line with PM Instruction No. 01/2000. In principle, all revenues collected by government institutions and local administrations in the form of fees, taxes and royalties have to be forwarded to the national treasury and are then re-allocated to the various provinces. The provincial administration will in turn allocate funds to the districts.

Based on current legal documents, the central government allocates revenue and expenditure for the budget of the central government and of provinces and districts based on the estimate of economic conditions and the value of annual plans. Budget frames are given from central level to the province. Prioritizations are made both on central and province levels. The provinces determine their own rate of revenues and expenditure in the light of actual economic growth. These become a reference for the districts in their budget planning. Villages will receive between 4 and 15 percent of total revenue collected in its area.

Contrary to former developments and due to occurring financial irregularities, a fiscal centralisation has been introduced since the beginning of 2007. The new Budget Law promulgated in February 2007 aims to address the weaknesses of the intergovernmental fiscal relations originating from the former decentralised management of public finances without adequate monitoring and evaluation mechanisms. The new budget policy aims at further centralising the treasury, customs and tax departments and to develop a new fiscal transfer system.⁷

The recently introduced measures on fiscal centralisation are in contrast to the ongoing decentralisation policy of the Lao Government. There is therefore a possibility that a re-centralisation of administrative and planning responsibilities could follow or at least a tighter control of provincial and district administrations by the central government and Party institutions.

2.4. Local Governance and Civil Society

Civil society in the strict sense of the term does not exist in Lao PDR. The representation of villagers is understood by the Lao Government as being part of the official administration network, reaching down to village level and people's interests are therefore being taken care of by village committees, Nai Ban, local representatives of the mass organisations and especially the Lao Front members. Associations are limited to common interest groups, such as production and marketing associations of farmers or parent-teacher associations. More recently, the Lao Government has agreed to register a number of non-profit associations at national level. The final legislation on the role of non-profit associations is in a draft stage but has not yet been endorsed by the Government of Lao PDR.

⁷ cf. World Bank: Lao PDR Economic Monitor

Only the village elders, religious leaders and traditional clan leaders can be considered as informal representatives of villagers' views, but are limited in their expression of interests.

As stated in the Strategic Plan on Governance, the "development of people's participation and self-reliance has not been given due importance. This is reflected in people being unable to express fully their opinion in order to help in the improvement of the state management system and the delivery of government services to them. People still face difficulties in accessing government services through administrative processes that are complex, lacking in transparency, including the payment of fees at many places with different rates."⁸

Though many officials at national level express their wish to further integrate the village level in planning and implementation, participation of villagers is difficult to achieve. This is due to several factors: a) distance and remoteness of many rural villages, b) ethnic diversity and communication problems, c) major differences between urban and rural situations, d) expectations of villagers towards higher levels to decide for them and e) villagers come up with fairly standardised "shopping lists" and lack new ideas. This leads to a situation where villagers are often not sufficiently integrated and active participation is limited, with the exception of areas with project interventions.

Planning manuals prepared by the Ministry of Planning and Investment, try to direct officials towards active integration of local population. Unfortunately, even if officials would like to follow those guidelines, current capacities of district and provincial government officials and their role as "instructors or teachers" of the people limits the application of participatory methods. In practice, the linkage between planning approaches at village / kum ban level and district / provincial level does often not exist.

⁸ GoL: Strategic Plan on Governance (2006 – 2010). 2006

3. Decentralised Planning System

3.1. Decentralised Government Planning System

New approaches to planning have been developed in response to the decentralisation agenda. The scope of planning has expanded and it is increasingly seen to be an important management tool within the frame of decentralisation. Planning has moved away from being only concerned with the control of individual sectors, and increasingly concerned with:

- the co-ordination of activities across sectors,
- the efficient distribution of resources,
- the orientation towards pro-poor policies,
- the provision of tools and instruments for implementation as well as monitoring and evaluation, and
- the creation of an enabling environment for development activities.

In recent years, a socio-economic development planning system has been developed which takes the decentralisation policy of the Lao Government into account. All levels of administration have been recognised within the planning process. The planning framework assigns clearly defined and specialized roles and responsibilities to different levels of the administration, with a strong emphasis on provincial levels.

The key policy documents outlining the planning system in Lao PDR are:

- Instruction of the Prime Minister regarding the policies to building the province to become the strategic unit, the district as budget planning unit and the village as the implementation unit (2000): PM Instruction 01/2000 defines the functions and responsibilities of the provincial, district and village administration on development planning, budgeting and implementation and provides the policy framework for decentralization and participation in the development process through the strengthening of local capacities, the introduction of bottom-up planning approaches and the promotion of sustainable socio-economic growth. According to this Decree - “provinces are strategic units, districts are planning and financial units, villages are implementing units”.
- The Prime Minister’s Decree 135/PM 2002 on “Formulation and Management of the Socioeconomic Development Plan” establishes the principles and methodologies for the formulation, management, and evaluation of development plans throughout the government system.
According to the Decree, development plans must:
 - reflect the strategic guidelines and objectives of the Party
 - ensure balanced consideration of economic growth, social development and environmental protection as well as national defence and security
 - be formulated through coordination and cooperation of all stakeholders and involvement of the population
 - include strategic analyses, identification of objectives and priorities, monitoring and evaluation

Based on Prime Minister Decree 135, the national level communicates the policy objectives and methods to each level responsible for plan formulation. Sectors produce their own development plans which are then consolidated in meetings at each level.

Finally, the plan is forwarded to the government, party central committee and the National Assembly for approval.

Furthermore, the following legal documents are of importance with regard to the planning system:

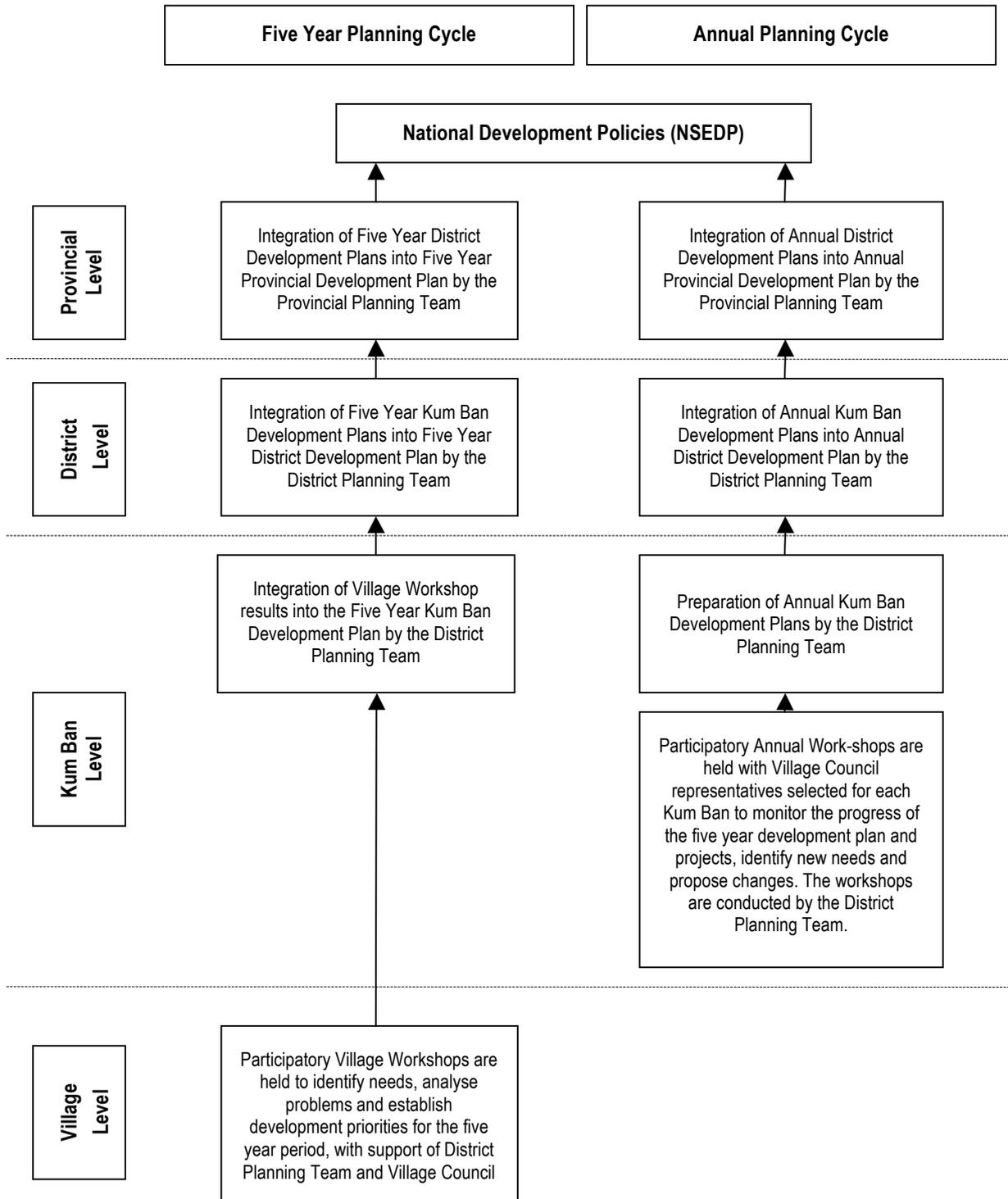
- Advice by Ministry of Finance on division of rights, duties and responsibilities for budget planning and implementation of provinces, municipalities, special zones and districts (2002) (MoF Directive 475)
- Prime Minister Decree on Management of Public Investment Programmes (2002) (PM Decree 58)
- Decree of the President of the Lao PDR on the promulgation of the law on local administration (2003)
- Decree of the Prime Minister on the state budget (updated in 2007, new version not yet available)
- The Law on Local Administration (47/NA, October 2003)

The kum ban development is implemented based on Instruction 09/CPPB from 2004. (The new kum bans replaces the former khet or zones in which the districts used to be divided.) Instruction 09 is a Lao People's Revolutionary Party instruction. For this reason, implementation and administration of kum bans is not yet fully integrated into the administrative system, i.e. the planning offices and the line agencies. There are indications that kum ban committees and the development plans they are supposed to elaborate are dominated by party members and security aspects. The newly created kum ban committees should therefore not be seen as representatives of villagers.

Several studies concluded that the planning system in Lao PDR does not "suffer from a lack of regulation but from a lack of consistent application."⁹ Nevertheless, the planning framework is flexible enough to address conservation and development issues in an integrated manner.

⁹ cf. Poppe: Integrated Watershed Management Planning in the Lower Mekong Basin

The following diagram shows the suggested bottom up planning process as envisaged by the Ministry of Planning and Investment.¹⁰



¹⁰ Committee for Planning and Cooperation: Guidelines for development planning at village / kum ban, district and provincial level. 2002, modified by author

The Five Year Provincial and District Socio-Economic Development Plans are strategic documents which list medium-term social and economic targets and goals for the provinces and districts. They outline sector strategies for achieving those targets. Plans integrate national development and sector policies with the needs and priorities of the province and the districts. Provincial plans take into consideration the five year development plans for districts within the province. The Provincial Department of Planning and Investment is responsible for the finalisation of this plan in coordination with provincial sector departments and mass organization representatives. The plan is approved by the Provincial Governor.

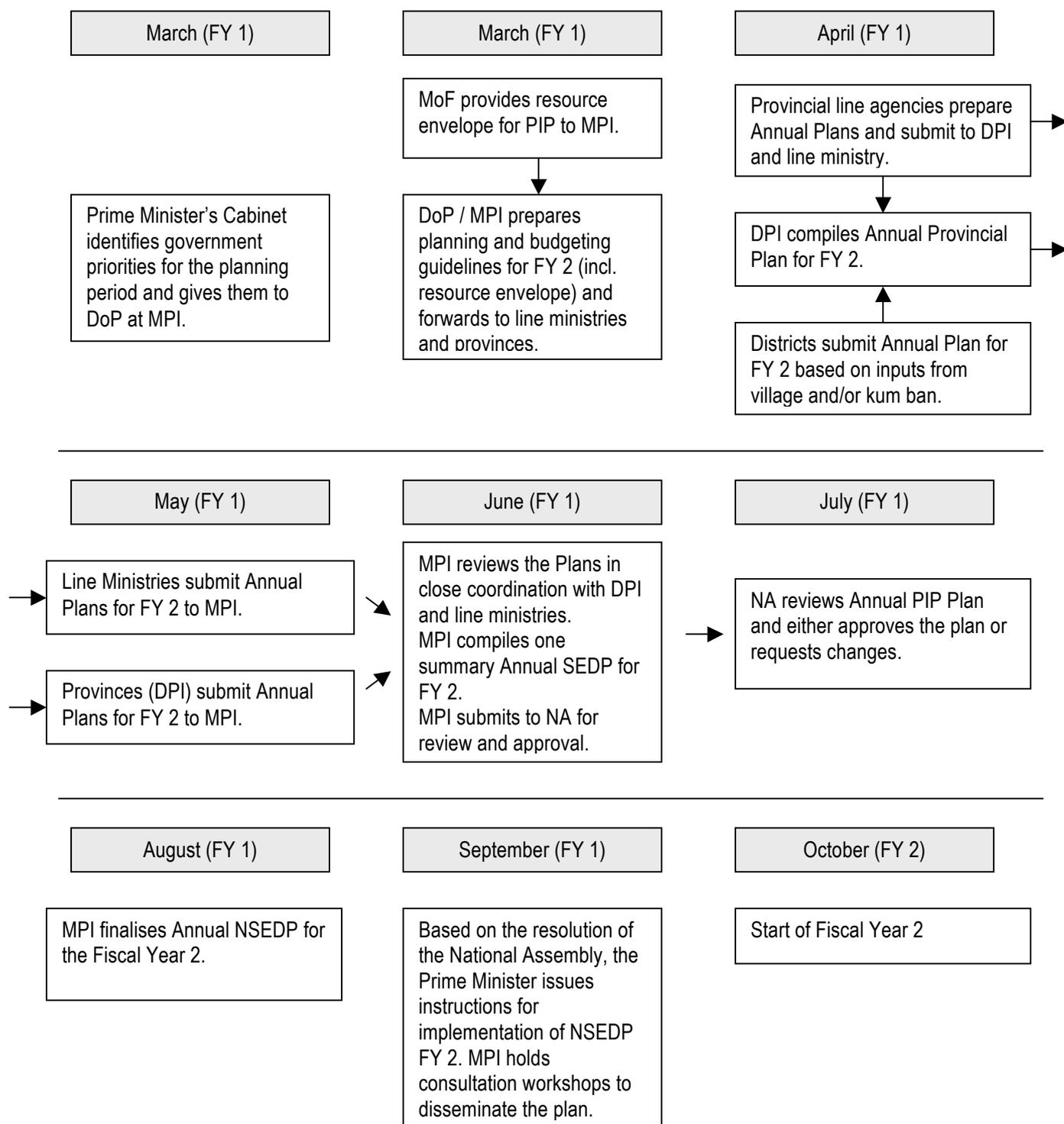
Five Year District Development Plans shall take into consideration the Five Year Kum Ban Plans for the district. They provide a foundation for the preparation of Five Year Provincial and District Development Plans. The District Planning and Investment Office is responsible for its formulation, in coordination with district sector officials and representatives of mass organizations. The Five Year Plan is composed of the following sections: (i) Implementation work done in the past five years; (ii) guidelines, duties and targets for the next five years; (iii) measures for implementation and (iv) attached tables showing socio-economic data and Provincial Investment Programme (PIP) projects.

As designed, the Five Year Kum Ban Development Plans should identify the development needs and priorities for clusters of villages within a district and outline strategies for meeting these needs and priorities. Five Year Kum Ban Development Plans are based on the results of village-level consultations that are held every five years and provide the foundation for preparing the Five Year District Development Plans. The District Planning and Investment Office is responsible for its formulation and coordination with village councils and village heads.

Based on the Provincial and District Five Year Plans, Annual Provincial and District Socio-Economic Development Plans are produced every year to plan priority projects, allocate PIP budget and monitor the implementation of the Five Year Plans. They include detailed information on the status of projects and other development activities and aim to integrate national policies with local needs and priorities. The Annual Development Plans consist of the following sections: (i) Review of implementation activities during the past year, (ii) development plan for the current year; and (iii) attached tables showing socio-economic information and PIP projects in the areas.

The elaboration of Kum Ban Plans follows a similar procedure.

The planning and budgeting process for Annual National Socio-Economic Development Plans for the fiscal year 2¹¹ can be summarised as visualised in the following overview:



¹¹ GoL: Assessment of the NSEDP Monitoring and Evaluation System at the Village and District Level. 2008

The planning procedures as laid down in technical guidelines are not yet fully applied due to severe capacity constraints at lower levels. Especially the development of planning procedures at kum ban level is not yet functioning. The linkage of village planning activities into the higher levels is not yet clarified and therefore hardly put into practice. Consequently, the participation of local people and civil society in the overall planning process is not guaranteed.

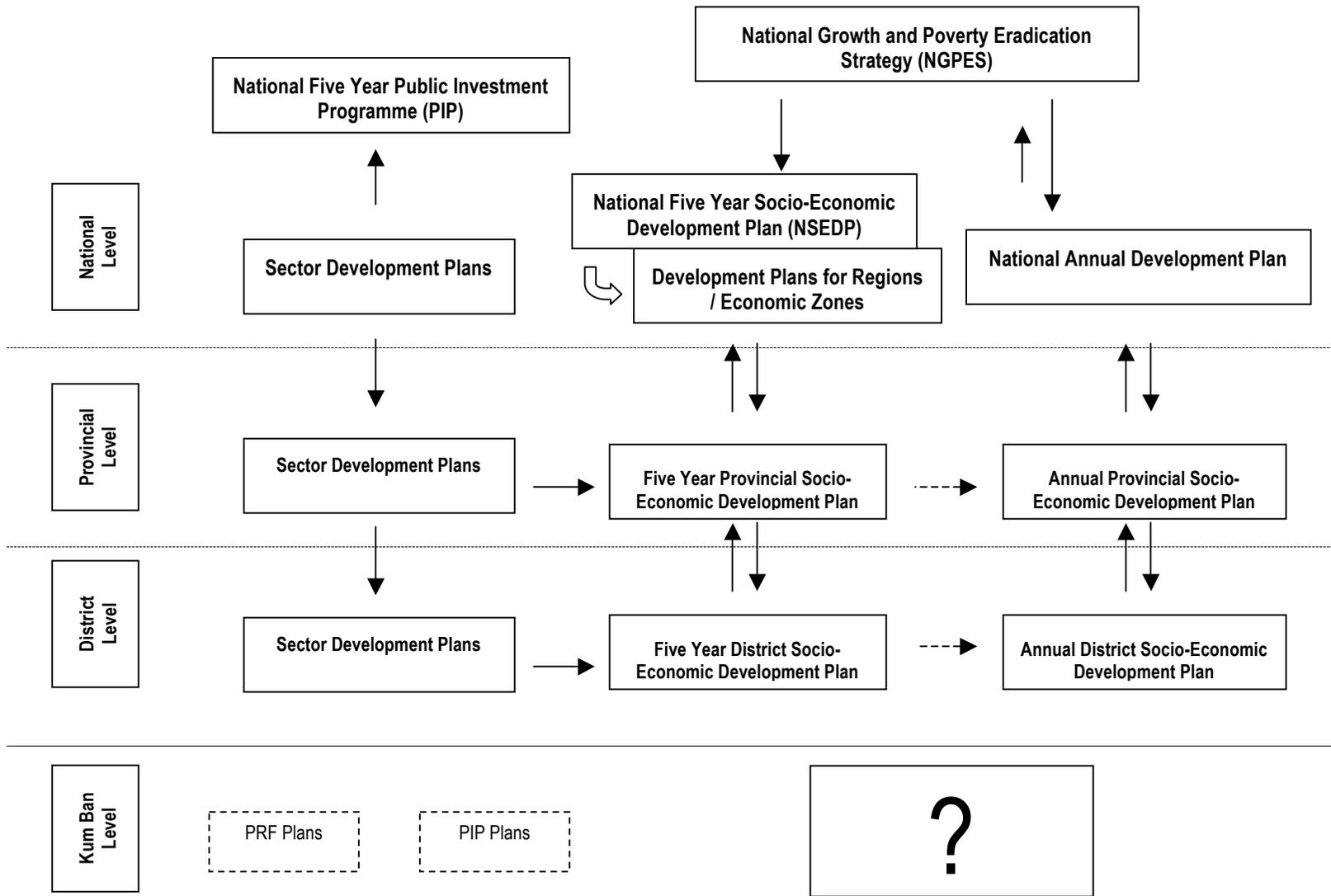
In a number of project intervention areas (e.g. GTZ RDMA) simple, participatory village development plans are prepared with active participation by villagers and facilitation by community development agents or district officials. Usually the Village Development Plans have a validity of 3 years.

Broad sector strategies and targets are developed by each line ministry at central level. These overall guidelines are used by provincial line agencies to formulate their sector development plans. These are then in turn broken down to district sector plans. The sector plans at district and provincial level are generally used for two purposes: a) to be included in the socio-economic development plan in order to access funding through the province administration, and b) to be forwarded back to the national level in order to access e.g. project or sector funds.

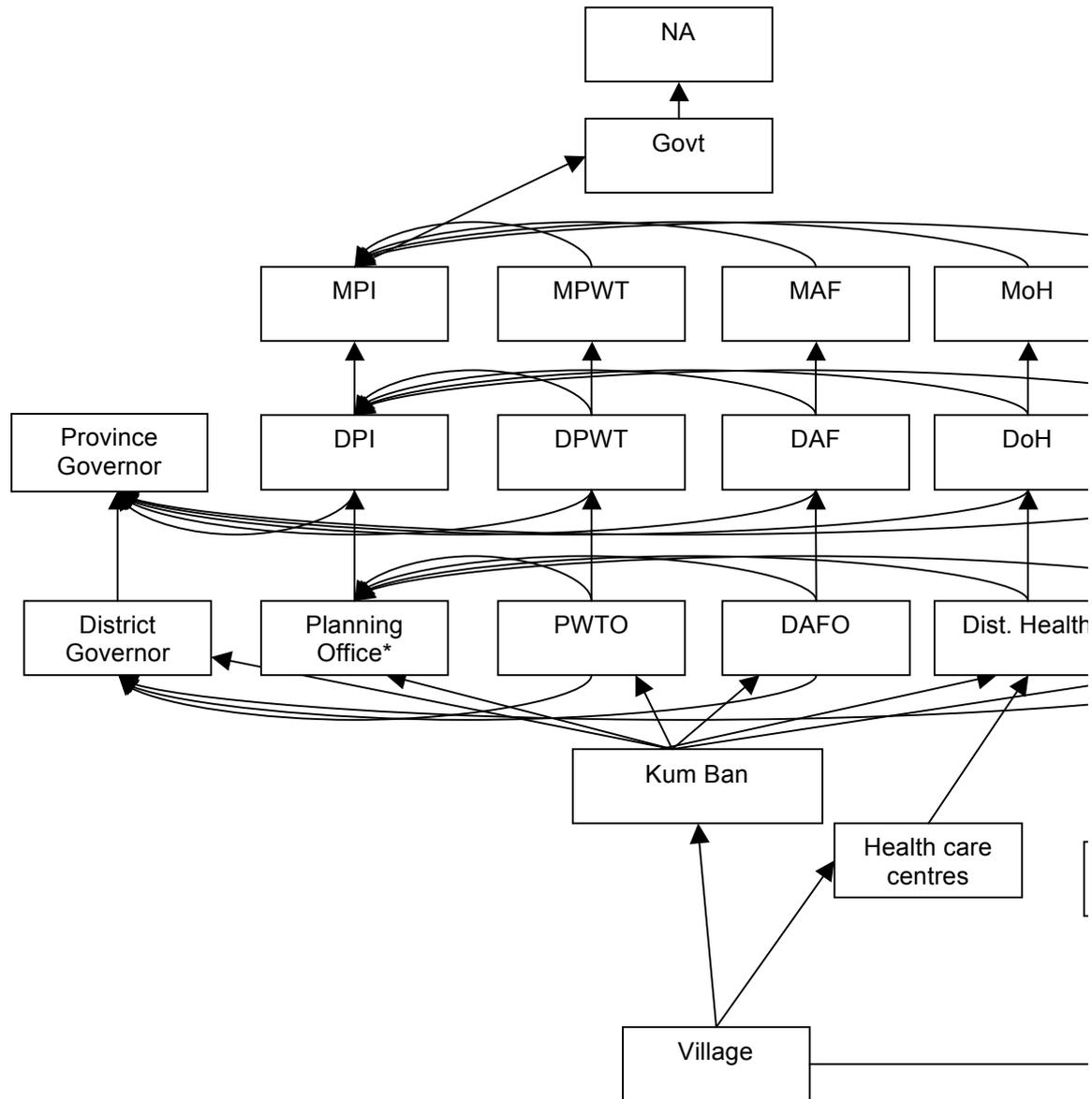
The following planning instruments are in place or have been designed in Lao PDR

Level	Planning instrument	Remark
National	Long-term National Socio-Economic Development Plan Five Year National Socio-Economic Development Plan Sector Development Plans Five Year National Public Investment Programme Annual National Socio-Economic Development Plan Growth and Poverty Eradication Strategy	
Regions	Development Plans for Regions or Economic Zones	
Province	Five Year Socio-Economic Development Plan Annual Socio-Economic Development Plan Sector Development Plans Provincial Agricultural Land Use Plans	not fully implemented
District	Five Year Socio-Economic Development Plan Annual Socio-Economic Development Plan Sector Development Plans District Land Use Plans	not fully implemented
Kum Ban	Five Year Socio-Economic Development Plan Annual Socio-Economic Development Plan	not fully implemented not fully implemented
Village	Participatory Land Use Plans Village Development Plans	in areas with project support in areas with project support

The practical implementation and relationship between the different planning instruments is visualised in the following overview:



The vertical and horizontal reporting flow between the different line of command can be visualised as described in the following diagram¹².



Based on the legal documents, responsibilities for socio-economic development planning are allocated as follows:

National level	Ministry for Planning and Investment
Province level	Provincial Department for Planning and Investment
District level	District Planning Office (DPO)
Kum Ban level	District Planning Office (DPO)
Village level	District Planning Office (DPO)

¹² GoL: Assessment of the NSEDP Monitoring and Evaluation System at the Village and District Level. 200

3.2. New Coordination Level for Rural Development

With the creation of the National Leading Board for Rural Development and Poverty Alleviation (Decree No 060/PM, 2007) and its line offices at provincial and district level (Integrated Rural Development Office) in 2007, responsibilities for coordination of activities at grassroot level (village and kum ban) have been redistributed.

The duties of the Leading Board include:

- Leading and coordination of involved organisations for preparation of investment plans on rural development and poverty reduction,
- Supervision of state projects and those from grants or loans given by international organisations which aim at rural development, elimination of shifting cultivation, allocation of sustainable professional activities to villagers and poverty alleviation,
- Coordination of research, policy design and fund raising related to rural development and poverty alleviation, and
- Leading the implementation of rural development projects.

The National Leading Board holds among other functions the right “to issue rules and regulations, agreements, directives, advises ... related to its duties and roles.”

The National Leading Board is lead by the Deputy Prime Minister as president of the Board and nominated vice presidents as standing board members. The Board is composed of representatives of ministries (Vice Ministers) and other concerned organisations.

4. Selected Actors and Lessons Learnt regarding Governance and Decentralised Planning

1 The GPAR Programme

Already in the middle of the 1990^s, UNDP and UNCDF started to support the Lao Government in its Reform of Public Administration. Their partner at national level is the Public Administration and Civil Service Authority (PACSA).

In an early Public Administration Reform strategy, major components were identified as:

- *Role of government:* effective strategic management and fundamental restructuring of government
- *Central government:* strengthening central mandates, policies and organizational structures
- *Local administration:* capacity building and institutional strengthening at the local level
- *Personnel management:* strengthening different aspects of personnel management within the civil service
- *Financial management:* ensuring cost effective use of scarce financial resources at all levels of government
- *Public sector rules and regulations:* improving rules and regulations pertaining to sound governance and public administration¹³

Both UN agencies originally committed to support the Public Administration reform through the so called GPAR Programme between 1997 and 2002. Further funding has been secured by the Swiss Government to continue programme implementation since 2003. Additional support has been provided by the Swedish Government.

GPAR assisted the Lao Government in managing the process of reform and in supporting key priority reforms incl. the implementation of the decentralization policy.

Since the launch of GPAR pilot projects in four provinces (Sekong, Xieng Khouang, Luang Prabang, Saravane) the support focused among others on government reform at local levels following a sector approach. The implementation at province and district level included pilot sector planning with a strong focus on public participation and government service delivery.

In the Sekong Pilot project, integrated participatory village and kum ban planning processes have been developed and successfully tested. The integration of kum ban planning into the district planning process has been supported in Luang Prabang and Sekong Provinces.

All experiences gained during the pilot phases will be evaluated and it is intended to develop an integrated approach in a next phase.

¹³ cf. UNDP: Trends and Challenges in Public Administration Reform in Asia and the Pacific

Besides its assistance in improving service delivery and planning capacities, GPAR supports the strengthening of financial management procedures of the Ministry of Finance.

Therefore different fund mechanisms have been introduced. This includes District Development Fund (DDF), Provincial Development Fund (PDF) and Agriculture Development Support Fund.

The DDF has been introduced as a tool to strengthen intergovernmental fiscal transfer. The budget is directly transferred to the Ministry of Finance. Following the Lao laws and regulations, the budget will be directly transferred to the respective district.

The procedure of DDF planning is fully embedded in the governmental system and follows a set of minimum performance indicators. After a village meeting with identification of priorities, a screening of activities and prioritisation takes place at kum ban level which is followed by a screening at district level (DPI). DPI together with the District Planning Team ensures that the selected priorities are included in the District Development Plan which will be approved by the District Governor. The approval at district level leads to the integration into the Provincial Plans. After approval by the Provincial Governor, the Provincial Plan will be approved by the National Assembly. After approval by the National Assembly the budget flows from the Ministry of Finance to the district.

The DDF comprises three different block grants: (1) Basic Investment Block Grant, (2) Operational Expenditure Block Grant, and (3) Social Protection Block Grant.

The Basic Investment Block Grant is already fully operational in districts in Salavan, Oudomxay, Houaphanh, Xieng Khouang, Sekong and Khammouane. The available budget varies between 20,000 and 70,000 USD per district depending on the total population figures and the poverty status. 70% of the funds provided through DDF have to be dedicated to investments at village and kum ban level and 30% can be allocated for district investments. A maximum of 7% of the total budget can be spent for preparation and planning of investments.

The Operational Expenditure Block Grant as part of DDF is in its first pilot year. Budget is dedicated for operational costs related to service delivery only and focuses on main sectors incl. agriculture, health and education. The overall annual budget will be approximately 3,000 – 5,000 USD per district. The Agriculture Development Support Fund is a single sector Operational Expenditure Block Grant and is functional in Xieng Khouang Province only.

The Social Protection Block Grant is under preparation. Details are not yet clear.

An example for an PDF will be prepared this year in Khammouane Province and includes an investment block grant.

2 The Poverty Reduction Fund

Launched with the support of the World Bank, the Poverty Reduction Fund was legally established by a Decree of the Prime Minister in 2002 (amended in 2006), as an autonomous organization attached to the Prime Minister Office and overseen by the National Leading Board for Rural Development and Poverty Eradication.

The Poverty Reduction Fund (PRF) has been created in order to support one of the primary goals of the National Socio-economic Development Plan, namely to eradicate poverty in the country and to quit the status of a Least Developed Country by the year 2020.

The PRF is expected to enable poor communities to assess their own needs and priorities and to determine how best to use resources to maximize social and economic development on a sustainable basis. The PRF is engaged in assisting the development of small scale, community-based infrastructure and other activities in the water, transport, education, health, agriculture, and other sectors to reduce poverty in rural villages.

The main objective of the PRF is to support the Government in its efforts to reduce poverty, through empowering local communities and to conduct the following activities:

- assist villagers to develop community infrastructure and gain improved access to services;
- build capacity and empower poor villages in poor districts to plan, manage and implement their own public investments in a decentralized and transparent manner;
- in line with the decentralization policy, strengthen local institutions to support participatory decision-making at the local level, involving a broad range of villagers, including women, the poor and ethnic minorities.

The PRF is designed around seven key principles that provide the basis for sub-project implementation: *simplicity, menu of options, participation, ownership, transparency, wise investment, and empathy ("siding with the poor")*.

The PRF invests on an annual basis: a cycle of activities. The Fund promotes its principles and methods in all the villages of the targeted districts, to incite the villagers to express their needs, to prioritize them at village, kum ban, and district levels, and then organize themselves to carry out the investments. For each community-selected sub-project, the village signs a contract with the PRF; then, the community is responsible for carrying out the work, maintains the investment, and manages the contractors and the bookkeeping, with support from the local authorities, along with the PRF district and provincial teams.¹⁴

¹⁴ PRF: Annual Report. 2007

The coverage of the PRF and available budgets are summarised in the following table:

Cycle	Provinces	No Districts	No villages	No Sub-projects	Planned Budget (USD)
I (2003-04)	Huaphanh Savannakhet Champassak	10	913	248	1,070,000
II (2004-05)	Huaphanh Savannakhet Champassak	14	849	431	3,101,000
III (2005-06)	Huaphanh Savannakhet Champassak Xieng Khouang Saravanh	20	1283	533	4,165,000
IV (2006-07)	Huaphanh Savannakhet Champassak Xieng Khouang Saravanh	21	n/a	546	4,580,000

Source: PRF: Annual Report. 2007

PRF is seen by donors (especially the World Bank) as one tool to make use of increased revenue from hydropower and mining activities towards poverty alleviation and local empowerment.

3 Kum Ban Planning supported by UNDP and MPI

UNDP funds the NSEDP Support Project, which began in 2006 and will run concurrent with the NSEDP until 2010. Under this project, the Department of Planning of the Ministry of Planning and Investment (MPI) developed approaches to participatory planning at village and kum ban level.

The planning process is managed and conducted by MPI teams from the national level. Kum ban planning focus on Public Investment Projects under central management only. Planning does not cover all kum ban in Lao PDR and an upscaling to all districts is not yet envisaged. Therefore the linkage with strategic district development planning is very difficult.

So far there are no integrated planning examples available at kum ban level. Furthermore, there is a huge diversity of planning approaches at village level. Most of them focus on project implementation only and are not sufficiently linked with the national planning system.

4 The SEM II Example

Since 2005, the Swedish Government supports the Science, Technology and Environmental Agency (STEA) and now the newly-created Water Resources and Environment Administration (WREA) through the Strengthening Environmental Management Project (SEM).

The major aim of SEM II is the strengthening of WREA regarding the implementation of laws and regulations as well as the implementation of Environmental Impact Assessments and environmental education and awareness raising at national and provincial level. Since 2006, the project supports integrated spatial planning in all districts in Oudomxay Province.

Originally aimed as an environmental education and awareness raising instrument, the integrated spatial planning has been developed in cooperation with the Ministry of Planning and other local line agencies under the overall supervision of the Province and District Governors.

The planning process at district level has been conducted with participation and active involvement of all line agencies and representatives of the local communities and mass organisations. The process has been facilitated by the use of thematic maps.

After finalization of district plans, a consolidation process at provincial level has been implemented. As a final result, individual district plans as well as one provincial plan have been produced.

An expansion of the project activities within the planning sector has started in Champassak Province and is envisaged in Attapeu Province.

5 Integrated Area-based District Development Planning supported by GTZ

GTZ supports Integrated Area-based District Development Planning in Luang Namtha (Sing and Nalae District) and Sayabouri (Ngeun District). These activities are closely linked with the government planning approach and aim to improve and integrate actors and planning instruments within planning process vertically and horizontally. In addition, planning at district level has been linked with land use planning and development planning at village level.

Furthermore, GTZ supports Village Development Planning in all target districts in Luang Namtha, Sayabouri and Attapeu.

The supported planning approach aims at stronger participation of the local population. Villagers are integrated into the planning process through public participation workshops and public hearings. In addition, it is intended to improve the networking and collaboration between district line agencies and mass organisations. The pilot area-based district plans of Sing, Nalae and Ngeun are also meant as capacity building exercises for the local district officials.

The entire planning process¹⁵ was conducted under the overall supervision of the District Vice-Governor and with guidance provided by the Provincial Department for Planning and Investment. The planning process was conducted by a core planning team which was composed of the following members:

- Head and representative of Provincial Department of Planning and Investment
- Head of District Planning and Investment Office
- Representative of District Governor
- Heads or Representatives of all district line agencies
- Representatives of mass organisations

Besides the core planning team, a number of additional representatives and decision makers were involved in the planning process through workshops, planning sessions and public hearings.

The general planning process can be summarised as follows:

- A. Preparation and training
- B. Data collection and verification
- C. Data analysis and map production
- D. Participatory planning phase
- E. Reporting

Each supported Five Year Socio-Economic District Development Plan consists of the [1] main text, [2] a summary of district sector data, and [3] the thematic maps. The structure of the main text follows governmental guidelines and requirements.

Lessons learnt:

The new planning approach is consistent with Government rules and regulations. Nevertheless, the new approach differs from the standard district planning approach.

The differences of the new approach compared to the standard district planning approach can be summarised as follows:

- Integrated approach [all sectors and mass organisations were involved in the planning process].
- The new planning process is based on the real situation which has been visualised and supported by thematic maps.
- The new plan provides clear development goals, strategies and a vision for the future development of the district.
- Development zones have been identified.
- Realistic priorities have been defined.
- Public participation is guaranteed [Village Development Plans, Village Land Use Plans and public participation meetings and hearings].
- Forms a basis for and facilitates annual planning.

An expansion of district planning to other parts of Luang Namtha, Sayabouri, Bokeo and Attapeu is intended during the next project phase.

¹⁵ GTZ: Integrated Area-based District Development Planning. Draft Planning Manual. 2009

The planning process including all preparatory steps, data collection, map production, coordination meetings and drafting of the planning document covers a time period of approximately 6 months. The overall process costs on average 20,000 Euro.

6 Capacity Building in Public Investment Programme (PCAP 2)

The technical cooperation project "Capacity Building in Public Investment Program (PIP) Management" (PCAP) is an initial collaboration between Committee for Planning and Investment (CPI) and Japan International Cooperation Agency (JICA). The project has commenced in 2004 and aims to strengthen capacity of the staff involved in PIP project management, from planning and assessment to implementation and evaluation by supervising government counterparts in producing and modifying the existing handbooks, namely the Programme Management and PIP Monitoring and Evaluation Manual. The ultimate goal is to ensure that domestic-funded PIP projects will be effectively and efficiently implemented.

Sector Planning with special reference to agriculture and natural resource management

7 District Land Use Zoning implemented by NAFRI

Originally supported by the Lao Swedish Upland Agriculture and Forestry Research Programme, the National Agriculture and Forestry Research Institute (NAFRI) is now independently conducting a district zoning for forestry and agricultural production and agro-ecological zoning.

The district zoning for forestry and agricultural production is scheduled to be conducted in 30 districts all over Lao PDR. Approximately 20 of these zoning plans have been finalised to date. The selected districts were classified as poor districts with a potential for future investment.

The planning process includes a detailed analysis of actual land use and land use change and suitability assessments for major land use forms. These datasets were combined with socio-economic indicators as well as data on infrastructure. The assessments as well as the planning process are partly supported by GIS and ground proofing measures. A final report and a set of thematic maps are the results of the planning process.

Unfortunately this sector plans are not sufficiently coordinated with other sectors and not integrated into annual planning cycles and 5-Year Socio-Economic District Development Plans.

8 Participatory Land Use Planning and Land Allocation implemented by MAF

Will be covered under Component 'Land Use Planning and Natural Resource Management'

5. Proposed Project Interventions

5.1. The approach

In general, the contribution to local governance should be reached by better coordination and increased transparency at all levels of administration. It is in the meantime intended to facilitate and support service delivery by government agencies and harmonise government interventions. A major tool to reach this target will be the harmonisation of planning procedures to better coordinate public investments, to develop tools for guidance of private investments and alignment of project interventions.

The component intends to apply a multi-level approach. Interventions should focus on all levels namely village, kum ban, district, provincial and national level with a strong focus on coordination and implementation at local levels combined with a policy dialogue at national level.

5.2. Description of proposed project interventions in the field of ‘Local Governance and Planning’

Expected Result 1:

Methodology for pro-poor participatory and inclusive planning at village and kum ban level is further developed and applied

Based on land use planning procedures which define village boundaries and provide an overview about available land resources and land use zones within a village and kum ban area, the project intends to conduct participatory village development planning activities in each target village of all kum bans within the target districts.

Planning procedures should be in line with approaches developed by MPI and the Poverty Reduction Fund. The general intention is to harmonise the existing local planning procedures in order to serve all stakeholders present in the kum ban while reflecting the needs and priorities of the local communities. Special considerations have to be given to different gender groups, ethnic diversity as well as poor and marginalised groups of the society. It is envisaged to conduct open planning procedures which are not following a certain menu structure but make use of certain standard procedures and lead to comparable outputs.

All village development plans within a kum ban will be consolidated during meeting and planning sessions at kum ban level. The final result will be a consolidated kum ban plan for each kum ban within a target district. Each kum ban plan should be clearly based on the village development plans and outlining priorities agreed between all village representatives. A broad range of village representatives should be invited in order to guarantee inclusive representation of all village interests.

Each kum ban plan should consist of a prioritised list of activities together with rough budget estimates and responsibilities for each activity depending on amount of investment and sector responsibilities.

The kum ban plan forms the basis for the activity 'Improvement of implementation of kum ban plans' (Expected Result 2) and after the finalisation of kum ban plans in all kum bans of a district the 'Integrated District Planning Process' (Expected Result 3) can start.

This activity will be guided by a full-time International Planning Advisor. Together with his counterparts at the DPI's and DPO's, he is responsible for revision and development of the planning procedure. He will be supported by 3 full-time Lao Provincial Planning Advisors who will advise planning activities undertaken in parallel in each province. The TA team will advise and coordinate with staff of the District Planning Office, staff from all sector departments, mass organisations, the Integrated Rural Development Office and the Poverty Reduction Fund. The entire planning procedure needs to be developed in coordination with the Provincial Department for Planning and Investment.

This activity should be strongly linked with the Component 'Strengthening Village Networks'. Community development facilitators should be integrated into the planning process and play a facilitating role ensuring the inclusiveness of the process.

Planning activities at village, kum ban and district level will be supported through the provision of office equipment to DPI's and DPO's and the provision of means of transportation to organise and participate in planning procedures at village and kum ban as well as for field visits.

**Expected Result 2:
Implementation of participatory village and kum ban plans is improved**

Based on the finalised kum ban plans, the planning team supported by the TA team should assist in identifying and attracting suitable funding sources to implement kum ban plans. Experiences should lead to the development of integrated procedures for project planning, budgeting and approval.

Whenever possible the implementation of activities should be coordinated at village and kum ban level. In case activities exceed budgets available at local level, these should be integrated into the district planning documents. The same applies for activities under the responsibility of a sector department at district or provincial level as well as activities related to more than one kum ban,.

The support to implementation of this plans provides the linkages with the Components on 'Strengthening Village Networks', 'Food Security' and 'Support of Marketing Initiatives'. Possible self-help initiatives should be supported. Training activities and other implementation initiatives should address the issues and priorities defined during the planning process.

Furthermore, this will require establishment of simple M+E procedures for monitoring of village and kum ban plans.

Expected Result 3:

Methodology for integration of village and kum ban plans into integrated district planning procedures is developed and applied

The TA planning team will assist the district core planning team in preparation of integrated district development plans. Based on the approach developed by GTZ RDMA in Luang Namtha and Sayabouri, the procedure should be further developed incorporating experiences gained through WREA SEM II regarding the integration of environmental aspects. This provides a linkage with activities under the Component 'Environmental Initiatives' In addition, the planning procedure should be aligned with sector planning and especially incorporating District Land Use Planning and Zoning conducted by NAFRI. Furthermore, the approach should be further developed to provide guidance for foreign investment as well as project interventions.

Besides incorporation of national and provincial targets and priorities, the planning process should guarantee that priorities included in village and kum ban plans will be integrated into district planning documents. The planning process should be inclusive while considering different gender groups, ethnic differences as well as priorities of poor and marginalized groups of the society.

Allocated budget includes support to the planning process at district level as well as a series of coordination meetings with district and kum ban representatives. In addition to TA provided by the full-time International Planning Advisor and the 3 full-time Lao Provincial Planning Advisors, a GIS Specialist (12 person-month over 4 years) will support the preparation of maps as a tool during the planning procedure. In addition, the GIS Specialist will provide training to build up capacities at provincial level.

Expected Result 4:

Capacities of government officials for participatory decentralised planning and implementation are strengthened

Based on lessons learnt and experiences gained during the initial implementation, all agreed procedures should be well documented. This should lead to a set of manuals and guidelines covering the overall planning and implementation procedures.

To facilitate the further usage and up scaling of activities, a training curriculum should be prepared.

As the development of training materials should be already undertaken after some pilot exercises in parallel to the implementation, the documents and training curriculum should serve as a basis for training-of-trainers and district officials regarding governance and planning.

These activities will be jointly implemented by staff of the DPO with assistance from the TA team in collaboration with DPI, IRDO and MPI and NLBRD.

Expected Result 5:

Capacities of government officials for monitoring and evaluation of implementation of development activities are strengthened

Activities to reach this expected result include the assessment of existing M+E procedures at district level. Based on the assessment, simple M+E procedures will be developed and promoted. Linkages should be established between monitoring and evaluation at village and kum ban level and district procedures. This includes a number of workshops and training events for government staff in monitoring and evaluation procedures.

This activity will be supported by an International M+E Specialist (4 person-month) in combination with a National M+E Specialist (4 person-month).

5.3. Description of proposed project interventions in the field of ‘Policy Dialogue’ related to rural development in upland areas

Expected Result 1:

Policies and strategies regarding development of upland areas are improved

Activities leading to this result include the support to governance and coordination at provincial and national level. Advisory services will focus on the National Leading Board for Rural Development and Poverty Alleviation and the Provincial Steering Committees.

Based on experiences gained at village, kum ban and district level, lessons learnt will be capitalised at provincial and national level. This should lead to the development of policies and strategies regarding further development of upland areas.

Policy development should focus on integrated rural development and therefore include policy maker from all relevant sector departments, ministries and mass organisations.

Expected Result 2:

Capacities of the National Leading Board for Rural Development and Poverty Alleviation are improved towards policy formulation

Recognising the limited capacities of the newly established National Leading Board for Rural Development and Poverty Alleviation, capacity building activities should be directed towards strengthening their role in policy development and coordination of rural development and poverty alleviation.

In addition, assistance in the preparation of strategic policy documents should be provided.

Both activities will be supported by a full-time International Policy Advisor.

5.4. Proposed Logframe with regard to ‘Local Governance and Planning’

Objective	Objectively verifiable indicators	Source of verification
Strengthening governance and integrated planning capacities at all levels		
<p>Expected Result 1: Methodology for pro-poor participatory and inclusive planning at village and kum ban level is developed and applied</p> <p>Activity 1: Assess and revise existing local planning approaches Activity 2: Test and apply integrated planning methods and tools at village and kum ban level</p>	<ul style="list-style-type: none"> - Participatory planning has been conducted in all target kum bans - 75% of all villagers confirm that their own priorities have been reflected in village and kum ban plans 	
<p>Expected Result 2: Implementation of participatory village and kum ban plans is improved</p> <p>Activity 1: Assist in identifying and attracting suitable funding mechanisms to implement kum ban plans Activity 2: Support to development of integrated procedures for implementation planning and approval Activity 3: Promote self-help initiatives Activity 4: Coordinate training and implementation activities Activity 5: Establish simple M+E procedures for village and kum ban plans Activity 6: Support implementation activities</p>	<ul style="list-style-type: none"> - in 75% of the target villages at least 3 of the 5 top priority activities have been implemented or implementation started or the activities have been integrated in the integrated district planning procedures 	
<p>Expected Result 3: Methodology for integration of village and kum ban plans into district planning procedures is developed and applied</p>	<ul style="list-style-type: none"> - improved integrated area-based district development planning has been implemented in all 9 target districts 	

<p>Activity 3: Assist in sector activity and budget planning based on agreed integrated district development plans</p>		
<p>Expected Result 4: Capacities of government officials for decentralised planning and implementation are strengthened</p> <p>Activity 1: Initiate policy dialogue with relevant stakeholders on scaling up of the developed approaches Activity 2: Develop manuals and guidelines Activity 3: Prepare training curriculums Activity 4: Support Training-of-Trainers</p>	<ul style="list-style-type: none"> - manuals and guidelines for planning and implementation procedures are available - xx government officials participated in training events 	
<p>Expected Result 5: Capacities of government officials for monitoring and evaluation of implementation of development activities are strengthened</p> <p>Activity 1: Asses existing M+E procedures at district level Activity 2: Assist in setting up simple M+E procedures at district level Activity 3: Training of government staff in M+E procedures</p>	<ul style="list-style-type: none"> - M+E procedures have been developed and are used by government officials 	

5.5. Proposed Logframe with regard to ‘Policy Advice’

<p>Objective Policies and strategies regarding development of upland areas are improved</p>		
<p>Expected Result 1: Governance and coordination at provincial and national level are strengthened</p> <p>Activity 1: Support to governance and coordination at national level Activity 2: Support to governance and coordination at provincial level</p>		
<p>Expected Result 2: Capacities of the National Leading Board are improved towards policy formulation</p> <p>Activity 1: Support to capacity building of the National Leading Board for Rural Development and Poverty Alleviation Activity 1: Assist in preparation of strategic policy documents</p>		

5.6. Budget Planning 'Local Governance and Planning'

Support to Governance and Planning							
Description	Unit Costs	in Euro				Total Units	Total Costs
		2009	2010	2011	2012		
Personnel							
International Planning Advisor	15,000.00	12.00	12.00	12.00	12.00	48.00	720,000.00
International GIS Advisor	15,000.00	3.00	3.00	3.00	3.00	12.00	180,000.00
National							
3 Provincial planning advisor	1,400.00	36.00	36.00	36.00	36.00	144.00	201,600.00
3 Administrator / driver	400.00	36.00	36.00	36.00	36.00	144.00	57,600.00
Consultants	15,000.00	4.00	4.00	4.00	4.00	16.00	240,000.00
Travel Costs		15,000.00	15,000.00	15,000.00	15,000.00		60,000.00
							1,459,200.00
Equipment + Materials							
Car	4 car	30,000.00	120,000.00				120,000.00
Medium motorbike for provincial support	6 pcs. (3 provinces x 2 medium motorbikes)	2,500.00	15,000.00				15,000.00
Small motorbike for DPO	18 pcs. (3 provinces = 9 districts x 2 small motorbikes)	800.00	14,400.00				14,400.00
Office equipment (DPI)	3 provinces	2,500.00	7,500.00				7,500.00
Office equipment (DPO)	9 districts	1,500.00	13,500.00				13,500.00
Fuel			4,000.00	4,000.00	4,000.00	4,000.00	16,000.00
Various office materials			5,000.00	5,000.00	5,000.00	5,000.00	20,000.00
Miscellaneous			10,000.00	10,000.00	10,000.00	10,000.00	40,000.00
							246,400.00
Local Grants / Implementation Costs							
Integrated Kum Ban Planning	94 kum ban in 9 districts	2,500.00	75,000.00	80,000.00	80,000.00	94.00	235,000.00
Integrated District Planning	9 districts	20,000.00		60,000.00	60,000.00	9.00	180,000.00

Training + Workshops		30,000.00	30,000.00	30,000.00	30,000.00		120,000.00
							535,000.00
Total							2,240,600.00

Policy Advisor							
Description	Unit Costs	in Euro				Total Units	Total Costs
		2009	2010	2011	2012		
Personnel							
International Advisor at the National Leading Board for Rural Development and Poverty Alleviation	15,000.00	12.00	12.00	12.00	12.00	48.00	720,000.00
Travel Costs		5,000.00	5,000.00	10,000.00	10,000.00		30,000.00
							<u>750,000.00</u>
Equipment + Materials							
Office equipment (NLBRD)	2,500.00	2,500.00					2,500.00
Various office materials		3,000.00	3,000.00	3,000.00	3,000.00		12,000.00
							<u>14,500.00</u>
Local Grants / Implementation Costs							
Training + Workshops		5,000.00	5,000.00	5,000.00	5,000.00		20,000.00
							<u>20,000.00</u>
Total							<u><u>784,500.00</u></u>

Annex 1: List of Legal Documents

Advice by Ministry of Finance on division of rights, duties and responsibilities planning and implementation of provinces, municipalities, special zones and (2002)

Advising order on establishing village and developing village groups (kum bar

Advisory Note of the Prime Minister regarding the policies to build the province the strategic unit, the district as budget-planning unit and the village as the im unit (2000)

Agreement of the Minister of Agriculture and Forestry on the organisation and the National Agriculture and Forestry Extension Service

Decree of the President of the Lao PDR on the promulgation of the law on local administration (2003)

Decree of the President of the Lao PDR on the promulgation of the law on the budget (1994)

Decree on the formulation and management of social and economic development (2002)

Decree on the organisation and implementation of the National Leading Board Development and Poverty Alleviation. 2007

Instruction of the Prime Minister regarding the policies to building the province the strategic unit, the district as budget planning unit and the village as the im unit (2000)

Law on Local Administration (2003)

Ministerial Decision on the organisation and activities of the provincial and Vientiane Capital Agriculture and Forestry Offices (2007)

Annex 2: List of References

- Committee for Planning and Cooperation: Guidelines for development planning at the village / kum ban, district and provincial level. 2002
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- GoL: Public Service Reform, People's Participation, Rule of Law and Sound Financial Management. A Policy Paper of the Government of Lao PDR on Governance Issues. 2003
- GoL: Strategic plan on governance (2006 – 2010). 2006
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- PRF: Social and Environmental Guidelines. 2008
- Richter, Iris: Governance and Civil Society in Lao PDR. A Study with Special Reference to Decentralised Planning. 2008
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- Rock, Florian: Comparative Study on Practices and Lessons in Land Use Planning and Land Allocation in Cambodia, Laos, Thailand and Viet Nam. 2004

Rock, Florian: Concept Paper on an Integrated Area-based Planning Approach for the District of Muang Sing, Luang Namtha Province, Lao PDR. 2005

SDC: Guide to decentralisation

SNV: Performance, Participation and Partnership

Sida: Governance and participation in Laos. 2003

UNCDF: Delivering the Goods. Building local government capacity to achieve the Millennium Development Goals. 2006

UNDP (Katrine Plesner): Piloting Kum ban Phathana in Sekong Province. 2006

UNDP: Poverty reduction and human rights. 2003

UNDP: UNDP's engagement in poverty reduction strategy papers. Policy note. 2002

UNDP: The role of economic policies in poverty reduction. Policy note. 2002

UNDP: Trends and Challenges in Public Administration Reform in Asia and the Pacific

UNDP GPAR Luang Prabang Phase II: Decentralised participatory governance and service delivery reform project

World Bank: Community-driven approaches in Lao PDR. Moving beyond service delivery. 2008

World Bank: Lao PDR Economic Monitor. 2007

World Bank: Monitoring and Evaluation for the NSEDP 2006 – 2010. Training Series

WREA (SEM II): Integrated Spatial Planning for Sustainable Development: Guidelines. 2007

Annex 3: List of Abbreviations

DDF	District Development Fund
DPI	Provincial Department for Planning and Investment
DPO	District Planning Office
GoL	Government of Lao PDR
GPAR	Governance and Public Administration Reform Project
GTZ	Gesellschaft für Technische Zusammenarbeit GmbH
MAF	Ministry of Agriculture and Forestry
M+E	Monitoring and Evaluation
MPI	Ministry for Planning and Investment
NAFES	National Agriculture and Forestry Extension Service
NAFRI	National Agriculture and Forestry Research Institute
NGPES	National Growth and Poverty Eradication Strategy
NLBRD	National Leading Board for Rural Development and Poverty Alleviation
NSEDP	National Socio-Economic Development Plan
PDF	Provincial Development Fund
PIP	Public Investment Project
PRF	Poverty Reduction Fund
SEM	Strengthening Environmental Management
SDC	Swiss Development Cooperation
SNV	Netherlands Development Organisation
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
WREA	Water Resources and Environment Authority
LPRP	Lao People's Revolutionary Party
LDC	Least-Developed Country