



August 2004, Issue 1
Vientiane, Lao PDR

Newsletter

Poverty Reduction Fund

The Poverty Reduction Fund (PRF) is an innovative effort of the Lao Government which aims to support one of the primary goals of the National Five-year Socio-economic Development Plan (2001-2005) and the National Growth and Poverty Eradication Strategy; i.e. to reduce poverty in the country by half by 2010 and to quit the status of Least Developed Country by the year 2020.

Legally established by a Decree of the Prime Minister (No. 073/PM), the PRF, is supported by the World Bank in the form of a low-interest loan, repayable over a forty-year term. The Lao Government is also making a contribution, and the Prime Ministers' Decree allows the PRF to receive and use funds from many other sources.

PRF plans to spend 75% of the current funding directly at village level. Grants are given to communities for approved sub-projects. To access a grant and participate in the PRF Project, the villagers themselves must initiate, plan, implement, manage and maintain their own village development sub-projects.

Vision of PRF

" Strong, capable communities, in even the most remote rural areas, working together and finding solutions to meet their present and future needs in response to Government's directions ."

All sub-projects and activities proposed by villagers must conform to the PRF objectives and to seven important principles:

- ◆ **Simplicity**
- ◆ **Menu of options**
- ◆ **Participation**
- ◆ **Ownership**
- ◆ **Transparency and accountability**
- ◆ **Wise investment**
- ◆ **Empathy ("siding with the poor")**

Basic facts of PRF

- Project title: *Poverty Reduction Fund*
- Loan: IDA, Credit no. *3675 LA from World Bank*
- Amount of Loan: *US\$ 19,345,000*
- Government contribution: *US\$ 1,330,000*
- Date of establishment: *31 May 02*
- Expected end date: *December 2007*
- Loan effective date: *3 February 2003*
- Project launched at field level: *April 2003*
- Current Geographic Coverage (Cycle I: 2003-2004)
Poorest rural areas in Huaphanh, Savannakhet, Champasack
 - **10 districts**
 - **121 khets (sub-districts)**
 - **913 villages**
- Geographic Coverage (Cycle II: 2004-2005)
Expanding into the same three provinces
 - **14 districts**
 - **188 khets**
 - **approx. 1,413 villages**

Mission of PRF

- ▶ to support and establish local capacity, procedures and systems in line with the Government of Lao PDR's decentralization policy,
- ▶ to efficiently and effectively channel and utilize various funding resources including loans, government and other donor's funds,
- ▶ to reduce the poverty of rural communities - through a program of highly participative, accountable grant-based, village-managed activities such as small scale infrastructure projects, life skills development and income generation,
- ▶ to enable rural poor and ethnic minorities to benefit from the country's move towards improving socio-economic conditions for all citizens.

Annual Review and Strengthening Workshop, July 2004

Long but enjoyable and exciting travel from south to north made the PRF staff tired. They were on their way to Luang Prabang, one of the Lao PDR's two World Heritage sites, to learn more about PRF's output and performance in its first year of implementation. The participants came from National Office (Vientiane), Huaphanh, Savannakhet and Champsack and also included some invited guests (government officials) from Luang Prabang Province and national level. At the workshop, the participants shared experiences and lessons learned from past implementation in each province in order to help PRF improve performance in Cycle II. Everyone was very satisfied with the workshop and requested PRF management to organize a similar workshop again. Although all staff are working on the same project, some had never met each other before, so this workshop was an opportunity to bring together all staff so that they could hear and learn from each other. Feedback and proposed solutions from the participants will be used as a reference for future action.



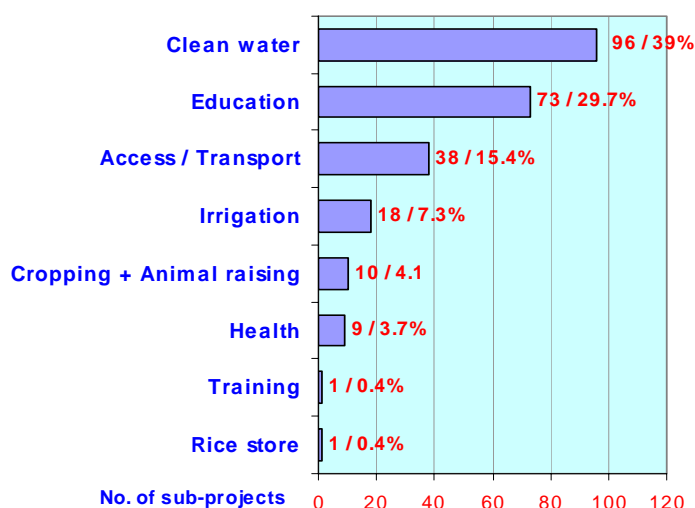
Above: Group photo of some participants

Below: After visiting EU-funded projects, all participants went to see the famous "Tat Kuang See" water fall of Luang Prabang



Type of activities being implemented by rural communities

PRF is delivering development resources directly to the village level. Following the "PRF Process", villagers choose, plan, implement and manage their own sub-projects. The process for implementing sub-projects starts at village level. Several meetings are held for planning alone. The graph below shows the type and number of sub-projects being implemented in Cycle I. Approximately 40% of the sub-projects are related to clean / domestic water.



246 sub-projects being implemented in 3 provinces

For implementation of PRF sub-projects, individual villages are grouped together at a Khet (sub-district) level, and the Khet is used as the primary administrative unit.

Total PRF expenditure for sub-projects in Cycle I is expected to be Kip 11,064,010,673 (approximately US\$ 1,069,930). At the end of August 2004, Kip 7,183,514,870 (approximately US\$ 692,988) had been transferred to Khets. 249 sub-projects were initially planned for implementation in 10 districts. 246 are now being implemented and of these 87 (35%) have been completed. The other sub-projects are progressing well with the great majority of them very nearly completed. - Two school construction sub-projects were dropped when it was found that actual budget requirements were significantly higher than budget estimates, and one gravity fed system was dropped because of technical problems.

It is hoped that all Cycle I sub-projects will be finished by October 2004. Cycle II is already starting - Village Needs and Priorities Assessments are underway - and plans for expansion into 4 new districts (3 in Huaphanh and 1 in Savannakhet) are well advanced. Staff recruitment for the new districts is almost completed.

We welcome comments from readers for our improvement. Please send your comments to: Monitoring and Evaluation Unit, Poverty Reduction Fund at Committee for Planning and Cooperation.
Tel. [856-21] 261479 - 261 480, Fax 261 481, e-mail: info@prflaos.org, prflao@laotel.com; www.prflaos.org