

## EAST ASIA AND PACIFIC REGION – LAO PDR

### Poverty Reduction Fund II Project (PRF II)

#### BACKGROUND

The Poverty Reduction Fund was established in 2002 and is part of the Government Office. The second phase of the project (PRFII) began in 2011.

The draft 8th National Socio-Economic Development Plan (NSEDP) recognizes that improving access to basic education infrastructure, safe water and roads is critical to address rural poverty. Access to infrastructure has to be improved if the overall policy goal of the NSEDP – graduation from Least Developed Country status by 2020 – can be met.

A lack of infrastructure makes it harder for poor communities to escape poverty. For example, it is harder for them to get an education for their children if there is no school, and no road to the nearest school. It is harder for them to keep their children healthy if there is no health dispensary nearby, or no safe water supply.



#### PROJECT DEVELOPMENT OBJECTIVE

To improve access to and utilization of basic infrastructure and services in the Project's targeted poor communities. This objective will be achieved through inclusive community and local development processes with an emphasis on ensuring sustainability.

The project assists the Government of Lao PDR in its on-going efforts to alleviate poverty by financing community infrastructure, building local capacity and strengthening the ability of local institutions to use participatory decision processes.

#### ACTIVITIES

**Component 1** (USD 43.76 million): *Community Development Grants*. This component provides block grants for small-scale tertiary public infrastructure identified by beneficiary villagers themselves. The block grant ceiling is USD 60,000. The subprojects are identified on a demand driven basis.

**Component 2** (USD 7.15 million): *Local & Community Development Capacity-Building*. This component aims to strengthen and improve:

- Processes that enable community members and local government officials to identify needs and address them in a transparent and accountable manner
- The engagement of district line agencies in bottom-up planning processes
- The Operation and Maintenance of PRF investments
- The quality of Kumban Development Plans as a planning tool for local spatial development.

In addition, this component supports a government sanitation program on a pilot basis.

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**Component 3** (USD 10.81 million): *Project Management and Implementation Support*, including salaries and fees of national, provincial and district PRF staff.

**Component 4** (USD 1.78 million): *Livelihoods and Nutrition Pilot*. This is a new component introduced in 2015. It continues to use the Community-Driven Development platform to improve livelihoods and nutrition in selected PRF villages, through strengthening Self-Help Groups and Village Nutrition Centers. This component builds on and scales up the Japan Social Development Fund-financed pilot in 150 villages, including 64 new villages.

## PROJECT BENEFICIARIES AND BENEFITS

This project covers 42 poor districts in 10 provinces: Huaphanh, Xiengkhouang, Luang Namtha, Luang Prabang, Oudomxay, Phongsaly, Savannakhet, Sekong, Attapeu and Salavan.

Since 2011, PRFII has financed more than **1,000 sub-projects** (including the construction of small scale water supply systems, additional classrooms and dispensaries, and the spot improvement of rural roads)

- Beneficiaries include more than **450,000 rural community members** in about **850 villages**
- In target villages, benefits include increases of:
  - 37% in use of health services
  - 76% in access to safe water resources
  - 30% in access to all weather roads

## FINANCING AND IMPLEMENTATION ARRANGEMENTS

World Bank / IDA funding (mix of grant and credit)	USD 36.6 million
Australia	USD 16.9 million
Government of Lao PDR	USD 10 million
<b>Total financing</b>	<b>USD 63.5 million</b>

In addition, Switzerland also provides USD 13.6 million in parallel financing, and is currently preparing additional funding of about US\$4 million.

- Implementation period: October 2011 to December 2016 (5 years)
- Implementing agency: Poverty Reduction Fund

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