

2012:3

Sida Evaluation

Mark McGillivray
David Carpenter
Stewart Norup

Evaluation Study of Long-Term Development Co-operation between Laos and Sweden



Evaluation Study of Long-Term Development Co-operation between Laos and Sweden

Mark McGillivray
David Carpenter
Stewart Norup

Authors: Mark McGillivray, David Carpenter, Stewart Norup.

The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

Sida Evaluation 2012:3

Commissioned by Sida, Unit for Monitoring and Evaluation

Published by: Sida, 2012

Copyright: Sida and the authors

Date of final report: February 2012

Printed by: Citat/Edita 2012

Art.no.: Sida61467en

URN:NBN: urn:nbn:se:sida-61467en

ISBN 978-91-586-4189-1

This publication can be downloaded/ordered from www.Sida.se/publications

Foreword

This report is one of three reports commissioned by Sida to an independent team to review the development co-operation to countries in Asia (Laos, Sri Lanka and Vietnam), where Sweden has phased out support or is planning to phase out development co-operation and summarise the experiences and lessons learned. It was predated by an earlier, preparatory phase in 2009 that comprehensively documented and described this co-operation. It is also complemented by a synthesis report, which not only compiles the lessons and summarises the three country reports, but also comparatively analyses the conclusions and lessons.

This evaluation provides an overview of the results and lessons of the bilateral development co-operation from 1974 until Sweden closed its embassy in 2011. Furthermore, it attempts an assessment of how and if this assistance contributed to reducing poverty in the country. Evaluating 38 years of co-operation between two countries is difficult, as was outlining the terms of reference for the assignment. What also made this evaluation difficult was that it is simply difficult to neatly catch nearly forty years of events and much will be left out. On a note of self-critique, one could question the choice of case studies for this particular evaluation as not being the most representative. However, this fault lies not with the evaluators, but with Sida and the challenge of defining and delineating such a task. Especially difficult to grasp in a written report are the relations that have been built up between individuals via all the contact points that development co-operation provided.

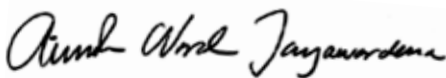
In 1974, near the end of the Second Indochinese War, Sweden initiated development co-operation with the Lao People's Democratic Republic with USD 20,000 for a range of economic analyses that led to it becoming a program country in 1977. Support then went to the forestry, road and health sectors and, over time, was expanded to include research cooperation, legal education & reform, public administration, human rights, and major infrastructure projects. Major results identified from the selected case studies are in the areas of development of rural roads and reforms for institutional devel-

opment for more effective roads development. Likewise in statistics there are major results in the building up of Lao's first statistical institution. Sweden became a trusted long term partner and this laid the foundation for work with higher level of aid effectiveness, phasing out of tied aid, alignment to government priorities and stronger coherence between the strategy and the support.

At the time of writing, Lao PDR still has the Least Developed Country status. However, the country has made substantial progress on a number of Millennium Development Goals, MDGs. It has lowered income poverty, reduced child mortality and increased primary school enrolment. Laos started off from extremely low levels, devastated by a brutal war, which makes this all the more impressive. The authors conclude that poverty levels would have been higher in Laos if Sweden did not support strategic areas. Sweden learnt many useful lessons along the way on how to effectively and efficiently deliver aid. We worked with respect for ownership and had sustainability in mind. We improved our contextual analyses and in mainstreaming gender equality and environmental concerns. We developed support toward underlying causes to problems and moved into institutional development where we developed special knowledge. We built trustful relations that enabled us to work on contentious issues.

Lessons learned need to be taken forward in the hopes that they will be of value and inform not only Swedish development co-operation in other countries but also that by other donors. We hope also that organically forged relationships from these 38 years will endure and prosper and lead to new opportunities in areas beyond development co-operation.

The views in the report are those of the independent evaluators and not the views of Sida.



Annika Nordin Jayawardena
 Head of the Unit for Monitoring & Evaluation
 Department for Organisational Development
 Sida

Table of Contents

Acronyms	11
Preface	13
Acknowledgements	15
Executive Summary	16
Part One – Swedish Development Co-operation With Laos:	
Setting The Context	24
1. Purpose, Scope and Method of Evaluation	24
1.1 Introduction	24
1.2 Purpose and Scope	25
1.3 Evaluation Methods and Conceptual Framework.....	26
1.4 Evaluation Questions	28
1.5 Proceeding Chapters	31
2. Laos National Development Profile	32
2.1 Economic Change in Laos since 1975 – A Concise History	32
2.2 Multidimensional Development Achievements in Laos.....	34
2.3 Development Co-operation with Laos	40
2.4 The ODA Enabling Environment in Laos	51
2.5 Effectiveness of Aid to Laos: Some Stylized Facts.....	53
Part Two – Swedish Development Co-operation with Laos	57
3. Economic Recovery and Reconstruction: 1974 to 1985.....	57
3.1 Political and Economic Synopsis	57
3.2 Summary of Swedish Aid during this Period	58
3.3 Case Study 1 – ‘From Volvos to Organisations’: Swedish Assistance to the Transport and Communication Sector between 1977 and 1986.....	60

3.4	Significance for this Evaluation.....	64
4.	Building Institutions and Sharpening the Poverty Focus: 1986–1996	65
4.1	Political and Economic Synopsis	65
4.2	A Summary of Swedish Aid during this Period....	66
4.3	Case Study 2 – ‘From the National to the Local’: Swedish Assistance to the Transport Sector during the 1990s and Beyond	69
4.4	Case Study 3 – The Forestry Inventory Project: a Missed Opportunity?.....	73
4.5	Significance for this Evaluation.....	77
5.	Supporting Reforms, Human Rights, and Developing Capacity: 1997–2010	79
5.1	Political and Economic Synopsis	79
5.2	A Summary of Swedish Aid during this Period....	80
5.3	Case Study 4: Governance and Public Administrative Reform in Luang Prabang	83
5.4	Case Study 5: Developing Statistics Capacity within the Government of Laos.....	88
5.5	Case Study 6: Sida support to the National University of Laos.....	93
5.6	Significance for this Evaluation.....	96
	Part Three – Synthesis	98
6.	The Characteristics of Swedish Development Co-operation with Laos.....	98
6.1	Introduction	98
6.2	A Long-term Approach.....	98
6.3	A Difficult Balance between Principles and Pragmatism	100
6.4	Flexibility and Learning	101
6.5	Poverty Reduction and the Aid Quality Evaluation Framework	102
7.	Conclusions and Lessons Learned.....	106
7.1	Introduction	106
7.2	Evaluation Sub-questions	106

Table Index

Table 2.1 ODA from DAC Donor Countries, Laos, 1960 to 2008	42
---	----

Table 2.2 Sectoral Composition of Total ODA to Laos, 1995 to 2008	47
Table 2.3 Sectoral Composition of Swedish ODA to Laos, 1995 to 2008	48
Table A.1 Phases of Swedish Development Co-operation with Laos – Thematic Case Studies	117

Figure Index

Figure 2.1 Real GDP Growth, Laos, 1985 to 2008	33
Figure 2.2 Human Development, Laos 1970 to 2008.....	35
Figure 2.3 Infant and Child Mortality Rates, Laos, 1970 to 2008	36
Figure 2.4 Relative Development Achievements, Laos, 1970 to 2008	37
Figure 2.5 Relative Achievements in Infant and Child Health, Laos, 1970 to 2008	38
Figure 2.6 Income Poverty, Laos, 1991 to 2007	38
Figure 2.7 Income Inequality, Laos, 1985 to 2002.....	39
Figure 2.8 Official Development Assistance to Laos, 1960 to 2008	41
Figure 2.9 ODA Relative to Key National Aggregates, Laos, 1960 to 2008	44
Figure 2.10 ODA and other Foreign Financial Inflows, Laos, 1960 to 2008	45
Figure 2.11 Aid Supported Activities, Laos, 1977 to 2008.....	47
Figure 2.12 ODA Instability, 1960 to 2008.....	50
Figure 2.13 ODA Absorptive Capacity Drivers, Laos, 1974 to 2008.....	50
Figure 2.14 ODA and Human Development, Laos, 1980 to 2008	56
Figure D.1 Life Expectancy, Laos, 1960 to 2008.....	127
Figure D.2 Adult Literacy, Laos, 1970 to 2008.....	127
Figure D.3 School Enrolment, Laos, 1970 to 2008	128
Figure D.4 Primary and Secondary School Enrolment, Laos, 1971 to 2008	128
Figure D.5 Income per capita, Laos, 1984 to 2008.....	129

Appendices

Appendix A: Research Methodology.....112
 Appendix B: Key Informants.....118
 Appendix C: The Aid Quality Evaluation Framework..... 122
 Appendix D: Statistical Figures 127
 Appendix E: List of Development Co-operation Programs
 and Projects Between Sweden and Laos 130

References 137

Acronyms

AC	Absorptive Capacity
ADB	Asian Development Bank
AfD	Agence française de Développement
AHS	Annual Household Survey
AQEF	Aid Quality Evaluation Framework
BAC	Basic Access Component
BTC	Belgian development agency
CPIA	Country Policy and Institution Performance
DCTPC	Department of Communication, Transport, Post, and Construction
DoS	Department of Statistics
DPACS	Department of Public Administration and Civil Service
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GoL	Government of Laos
GPAR	Governance and Public Administration Reform
GPAR-LP	GPAR in Luang Prabang
HDI	Human Development Index
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KOICA	Korea International Cooperation Agency
Lao PDR	Lao People's Democratic Republic
LDC	least-developed country
LECs	Lao Expenditure and Consumption Survey
LNADA	Lao PDR National Data Archive
LSB	Lao Statistics Bureau
LSFCP	Lao-Swedish Forestry Co-operation Program
LSRP	Lao-Swedish Road Sector Program
MAF	Ministry of Agriculture and Forestry
MCTPC	Ministry of Communication, Transport, Post, and Construction

MCTPCA	Ministry of Construction, Transport, Post, Communication and Aviation
MoFA	Ministry of Foreign Affairs
MTP	Ministry of Transport and Post
NEM	New Economic Mechanism
NGOs	Non-governmental organisations
NGPES	National Growth and Poverty Eradication Strategy
NOFIP	National Office of Forest Inventory and Planning
NPEP	National Poverty Eradication Program
NRS	National Reconnaissance Survey
NUOL	National University of Laos
ODA	official development assistance
OECD	Organisation of Economic Co-operation and Development
OECD DAC	OECD Development Assistance Committee
OOF	other official financing
OoG	Office of the Governor
PFM	public sector financial management
PGD	Policy for Global Development
PPP	purchasing power parity
PRoMMS	Provincial Roads Maintenance Management System
PST	Project Support Team
RMF	Road Maintenance Fund
SAREC	Swedish Agency for Research Cooperation
SDF	Service Delivery Fund
SFEs	State Forestry Enterprises
Sida	Swedish International Development Cooperation Agency
SIDA	Swedish International Development Authority
SMEC	Snowy Mountains Engineering Corporation
SSC	State Statistics Centre
TFAP	Tropical Forestry Action Plan
TOR	Terms of Reference
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WCED	World Conference on Environment and Development

Preface

The overall goal of the Swedish International Development Cooperation Agency (Sida) is to contribute to making it possible for poor people to improve their living conditions.

In 2007 the Swedish Government decided to reduce the number of countries with which Sweden carried out development co-operation. This included cessation of development co-operation with Laos, Sri Lanka, and Vietnam, and in accordance with Swedish development co-operation strategies, Sida and the embassies/ country teams of those three countries initiated an evaluation study to document the long periods of development co-operation and assess results and experiences. Part One of this exercise was documentation to provide an historical account of the development co-operation with Laos, Sri Lanka and Vietnam. This was undertaken in 2009–2010.

In 2010, via an international competitive bidding process, Sida awarded a contract to GHD to undertake Part Two: an evaluation study of long-term development co-operation between Sweden and the three countries. This report covers the evaluation results for Laos, with separate reports being provided for Vietnam and Sri Lanka.

The Evaluation Team included the following key members:

- Prof. Mark McGillivray, Team Leader: Prof McGillivray is a well-recognised international development economist with experience as Chief Economist for the Australian International Development Assistance Agency (AusAID), as well as Deputy Director for the United Nations World Institute for Development Economics Research (WIDER).
- Dr David Carpenter, Deputy Team Leader: Dr Carpenter has evaluation and research experience across several countries while working with AusAID. He was manager of AusAID's Australian Research Development Program and the ASEAN-Australian Development Cooperation Program.
- Mr Andrew Laing, Senior Evaluation Specialist: Mr Laing is an international development economist recognised for his work in

public financial management analysis and reporting for agencies such as the World Bank, DfID, AusAID and the UN.

- Mr Stewart Norup, M&E Advisor: Mr Norup has experience as M&E Advisor on international projects for Hassall & Associates International and then GHD for the last 10 years.
- Dr Sango Mahanty, Senior Research Specialist/Gender Adviser: Dr Mahanty has over 15 years of experience in development co-operation working as an academic, a consultant and an NGO coordinator. Dr Mahanty has extensive experience in social research and multidisciplinary research methodologies.

Acknowledgements

An evaluation report such as this one depends on inputs from a large number of people.

The Evaluation Team would like to acknowledge with thanks the input of each of the key informants listed in Appendix B. Without them the report, in particular the case studies, could not have been written. The Evaluation Team would in particular like to thank the following key informants: Lisbet Bostrand, Carl Mossberg, Khampong Nammavongmixay, Sombath Southivong, Bounthavy Sisouphanthong and Phonesaly Souksavath.

The Evaluation Team would also like to thank Sengdara Kattignasack for invaluable support during the field work in Laos.

Very special thanks are due to Brigitte Junker and Katarina Kotoglou. Brigitte and Katarina managed this evaluation project within Sida, and did so with outstanding professionalism.

Executive Summary

This report assesses the contribution Sweden has made to development and poverty reduction in Laos over the 38 years of development co-operation, from the inception of the program in 1974 to its end in 2011.

The overall purpose of this evaluation is to provide:

1. An historical account of the development co-operation between Sweden and Laos by documenting and recording what has taken place and been achieved over the years; and
2. A summary of the experiences and lessons-learned from the co-operation in order to guide the Government of Laos as well as other donors and international partners that may step in after Sida, regarding the possible continuation of the different projects or programs, but also future development co-operation per se.

The primary aim of this evaluation is to provide Sida with an understanding of how its development activities have supported poverty reduction in Laos over time. Specific objectives include analysing the background and development context for interventions, analysing the reported results and impacts, and formulating conclusions and general lessons learned.

Evaluating 38 years of development co-operation is a complex task. An informative and rigorous methodological approach is required. This evaluation employs qualitative and quantitative methods in a complementary way to interrogate different types of evidence about the context, evolution and outcomes of Swedish development co-operation with Laos. This approach is grounded in the understanding that adopting different but complementary lines of enquiry invariably leads to more robust and credible research studies. In the spirit of complementarity this evaluation does not emphasise one line of enquiry over another but uses the insights arising from quantitative analysis to inform qualitative investigation and vice versa.

In accordance with contemporary international development thinking this evaluation adopts a multidimensional conceptualisa-

tion of poverty. This conceptualisation is based on the recognition that quality of life or well-being depends not only on income, but on levels of health, education, participation, personal security, political participation and many other factors. It is also based on the recognition that high levels of income do not necessarily always closely correlate with high levels of health, education and other dimensions of well-being.

Such an evaluation also requires a comprehensive and rigorous evaluation framework. This evaluation relies heavily on an Aid Quality Evaluation Framework (AQEF). The AQEF is a conceptual tool that can be applied to almost any development aid activity. This framework is based on cutting edge knowledge of drivers of aid effectiveness. Under this framework aid effectiveness is defined in terms of the impact of aid on multidimensional poverty reduction. The AQEF consists of five components, against which the quality of aid is assessed. They are: (1) absorptive capacity; (2) quality of public sector financial management; (3) consistency with Paris Declaration principles; (4) consistency of aid delivery with partner country sectoral priorities; and (5) consistency of aid delivery with donor country program strategies.

Consistent with the evaluation's objective, the primary question addressed is as follows.

- How, and to what extent, did Swedish development co-operation contribute to poverty reduction in Laos?

The reference to 'contribution' in the primary evaluation question highlights the focus on exploring the *plausible associations* between Sida's aid and changes in poverty, rather than supplying definitive proof of any causal relationship between the two.

The evaluation also addresses four other (sub-) questions:

- (1) To what extent did Sida's aid respond to pressing multidimensional development needs in Laos?
- (2) To what extent has Sida's development co-operation program in Laos been effectively and efficiently delivered?
- (3) How and to what extent did Sida's development co-operation nurture an enabling environment for poverty reduction in Laos?
- (4) What lessons can be learned from Sweden's development co-operation with Laos to improve development effectiveness in the future? Answering the fourth sub-question

draws together the analysis in sub-questions one to three to identify the most salient lessons for development co-operation programs.

The report notes that Sweden has been a major donor of official development assistance (ODA) to Laos. Sweden provided \$US714 million dollars (in constant 2008 prices) in ODA to Laos during the period 1974 to 2008. Sweden was the largest OECD bilateral donor in terms of aid volume in each year from 1975 to 1993 and the second largest during 1976 to 2008, providing 8.6 percent of its total ODA during this latter period. This equates to 3.9 percent of total aid, bilateral and multilateral, to Laos over this period. These numbers do not include aid from the Soviet Union and other former Eastern Bloc countries owing to a lack of comparable data.

The report's quantitative analysis found that:

- After finding itself in a desperately poor development situation in the mid-1970s, Laos has achieved strong multidimensional development and poverty outcomes since the 1990s, although still remains poor by developing country standards;
- Laos has received high levels of aid relative to population and GDP, and also relative to other foreign inflows;
- There have been reasonably steady year-on-year increases in aid receipts;
- The sectoral focus of development co-operation in Laos has been consistent with its pressing development needs;
- The level of aid to Laos has been such that it would be reasonable to look for attribution between these inflows and national development outcomes in this country;
- The aid operating environment became increasingly crowded in Laos, owing to large increases in the number of donors in the country and the proliferation of aid supported activities; and
- The total volume of aid to Laos leads to questions regarding the ability of its economy to efficiently use these inflows for development purposes given international evidence on absorptive capacity constraints.

The first four of these characteristics are pleasing from a development perspective. While alone they clearly do not provide sufficient evidence that aid to Laos has been effective, they are consistent with development effectiveness principles. Added to these findings are the

results of a simple statistical analysis that pointed to positive associations between human development achievements in Laos and the total amounts of aid it has received from the international donor community. The last three characteristics are not consistent with effective aid, and suggest that one should be cautious in causally linking the improved multidimensional development outcomes in Laos to the aid it has received, these associations notwithstanding.

What might this imply for Swedish development co-operation? As mentioned, Sweden has been a major donor to Laos during the 1980s when it was the largest bilateral donor, providing just under 30 percent of total aid receipts. While this does not ensure that Swedish aid has had national level impacts in Laos, it does provide grounds for investigating whether such impacts have occurred, especially if it can be shown that Sweden supported highly strategic, pivotal activities that were efficiently delivered.

This question, among others, was addressed in the case studies discussed in the report. The case studies were selected in consultation with Sida. The principal case selection criterion was the expected value of the case study in fulfilling the overall aim of the evaluation and, in so doing, responding to the above questions. Also taken into account was the likely richness of information in to key time periods, people, and events. Judgement calls are unavoidable in selecting from a large number of potential case studies.

The case studies were examined in the context of key phases of the history of development co-operation between Sweden and Laos. These phases and the case studies are as follows:

Phase I: Economic Recovery and Reconstruction: 1974 to 1985

Case Study 1: Assistance to the Transport and Communication Sector between 1977 and 1986

Phase II: Building Institutions and Sharpening the Poverty Focus: 1986 to 1996

Case Study 2: Assistance to the Transport Sector

Case Study 3: Forestry Inventory Project

Phase III: Supporting Reforms, Human Rights, and Developing Capacity: 1997 to 2010

Case Study 4: Governance and Public Administrative Reform in Luang Prabang

Case Study 5: Developing Statistics Capacity within the Government of Laos

Case Study 6: Support to the National University of Laos

More than 70 key informants were interviewed for these case studies, both in Laos and Sweden.

Investigation of Phase I co-operation found that while it addressed an important development need and was aligned to Government of Laos priorities, its effectiveness was limited owing to a lack of co-ordination among donors and, in particular, limited local capacity. Assistance to the transport sector in Phase II was found to be effective development co-operation. The forestry inventory project was less effective on the grounds that it did not achieve its intended results. Phase III co-operation was much more effective overall, developing statistical capacity within the Government of Laos in particular. One of the reasons for this co-operation being more successful was its focus on building local human capacity. Insufficient recognition of this constraint to effective development co-operation had been shown during early phases. Further details of the evaluation findings for these case studies are provided below.

Based on both the detailed investigation involved in the case studies and the quantitative analysis of the broader operating environment, the responses to each evaluation question are provided in what follows.

In answer to the first evaluation sub-question, there appears to be clear evidence that Sida responded to pressing multidimensional development needs in Laos.

Laos faced many significant development challenges in 1975, with one of the most pressing being the need to rebuild infrastructure owing to the damage done during the War in Vietnam. The Sida focus on building transport and communications infrastructure in the 1970s and 1980s was a response to this need.

Given that Laos is predominantly a rural society, that poverty is more widespread in rural areas compared to urban areas and that roads provide access to markets and health services, Sida's shift in the 1990s and beyond from the national road network towards provincial roads was also an appropriate response to a pressing need. It is one that seems to have had positive impacts on achievements in income and health, and lifted many Lao people out of income poverty.

Throughout the 1990s and beyond it became increasingly clear that a lack of capacity in management and governance were not only major constraints to growth and development in general but also to

aid effectiveness in Laos. In short, these constraints were increasingly recognised as a pressing development need, one that had to be addressed by donors operating in Laos. The support for the better management of forestry resources from the mid-1980s and for governance and public administration reform and greater statistics capacity from the mid-1990s is clearly consistent with this need.

The extent of poverty is higher in Laos than in the developing country group as a whole. Income levels and achievements in health and education are lower, despite the impressive achievements of Laos since the early 1990s. Sida's adoption in 1995 of poverty reduction as the overarching objective of its development co-operation program in Laos is consistent with these facts. So too was its ongoing support for forestry (given the importance of this sector for the livelihood of Lao people and as an important driver of economic growth) and roads (for the reasons mentioned above), general support for the Government of Laos poverty initiatives and emphasis on human rights (given the link between the promotion of these rights and poverty reduction) from the mid-2000s onwards.

Regarding the second evaluation sub-question, the evidence of effective and efficient delivery of Swedish development co-operation in Laos is mixed. Evidence of effective and efficient aid delivery is scarcest during the first phase of development co-operation, between 1974 and 1985. While it seems that Sida's priorities were aligned with those of the Lao government, there is evidence of significant tying, of a lack of harmonisation among donors and, in particular, of very limited capacity to efficiently absorb aid inflows for development purposes.

Had Sweden ended its development co-operation with Laos in 1985, then the inescapable conclusion would have been that on balance this co-operation would have been a failure on development effectiveness criteria. But of course it did not end in 1985, and it is in this context that co-operation during this first phase needs to be viewed. Consistent with the long-term approach and solidarity principle evident in the delivery of Swedish development aid to Laos, it is reasonable to argue that had Sweden not been as active a donor as it was in the first phase, it would not have established an important prerequisite for effective development co-operation in Laos. That prerequisite is to be seen as a trusted, long-term development co-operation partner.

Evidence suggests that the second and third phases of development co-operation between Sweden and Laos, between the years 1986 and 1996 and 1996 and 2010, respectively, saw much more effectiveness and efficiency in aid delivery. Aid tying was phased out; there was strong alignment with Government of Laos priorities, clear and seemingly effective attempts at harmonisation of donor activities and consistency between activities on the ground and the Swedish country program. While there are questions about the appropriateness of the design of the Forest Inventory Project, the overall conclusion is that Swedish aid to Laos was delivered most effectively and efficiently from the mid-1980s onward.

In response to the third evaluation sub-question, there is clear evidence that after a slow start Sida's development co-operation nurtured such an environment in Laos, or put differently provided the pre-conditions for sustained poverty reduction.

Key elements in nurturing an enabling environment are local government capacity and removing impediments to poor people acting in a way that improves their living standards. Swedish support for governance and improved public administrative has been successful, as has support for the National University of Laos and the State Statistical Centre. The benefits of this support are many and include better pro-poor service delivery, greater mobilisation of domestic revenues and a better evidence base for policy development and implementation. All of these benefits are conducive to greater poverty reduction and sustained development outcomes into the future. Support for provincial road construction has been important in enabling poor people to have better market and health services access, which is vital to improve their living conditions.

Overall, beginning from a very low level, capacity has been increased in Laos as much of this is as a result of Swedish development co-operation.

With respect to the fourth evaluation sub-question, there are three main lessons learned from the evaluation of Swedish development co-operation with Laos. The lessons learned, which if acted upon can improve future development effectiveness are:

1. Adopt a long-term approach, developing a sound relationship with the partner government that facilitates frank and open dialogue;

2. Pursue an effective balance between principles and pragmatism; and
3. Be flexible and learn while doing.

These are generic lessons for aid delivery, applying to both bilateral and multilateral co-operation. While they apply primarily to donors, they also provide important insights for partner country governments in their dealings with donors, in particular the first lesson.

The primary evaluation question – how, and to what extent, did Sida’s development assistance contribute to poverty reduction in Laos? – is rarely easy to answer for any development co-operation program.

Aid levels to Laos are relatively high by international standards, and certainly large enough relative to its population and the size of its economy to expect some relationship between these inflows and development achievements. Donors have, it seems, responded to important national development needs within Laos and have provided relatively steady year-on-year aid levels. There also appears to have been co-ordination between donors, to the extent that a number of donors have harmonised their activities with those of Sweden. In addition, and fundamentally, there is clear evidence of solid gains in income poverty reduction, in health and education and in human development generally in Laos.

There is, however, evidence of poor donor practice in this aspect of Swedish aid delivery and there is no reason to believe that this has not also occurred with other donors. There is also evidence of a lack of local capacity to use aid efficiently, aid levels in excess of that which might be efficiently absorbed, and increasing proliferation of aid activities in Laos.

On balance, it is reasonable to posit that the overall development co-operation effort in Laos has contributed to poverty reduction in Laos: at very least poverty levels would be higher in Laos in the absence of such co-operation.

Sweden’s effort needs to be judged in this context, but also against the evidence that on balance its aid has been delivered effectively and efficiently and has addressed important development needs.

On these grounds it is entirely reasonable to conclude that Swedish development co-operation has made a substantive contribution to poverty reduction in Laos. The extent of this contribution remains, however, a matter of speculation.

Part One – Swedish Development Co-operation With Laos: Setting The Context

1. PURPOSE, SCOPE AND METHOD OF EVALUATION

1.1 Introduction

Swedish development co-operation with Laos commenced in 1974. The mid-1970s was a particularly pivotal time in the history of Laos. The royalist government of Laos was overthrown by the Pathet Lao in 1975 and the country was officially re-named the Lao Peoples' Democratic Republic. Laos had been affected very badly during the Second Indo-Chinese War that ended in 1975, having experienced heavier bombardment than that inflicted on Germany in World War II. The country faced enormous development challenges – severe poverty was widespread, infrastructure was in a poor state, internal conflicts were ongoing and government institutions were weak and ineffective.

Sweden allocated \$US20,000 to its development co-operation program with Laos in 1974.¹ From these very humble beginnings, Sweden's program expanded in size. Following the suspension of aid from the United States in 1976 and the winding back of aid from other OECD donor countries, Sweden quickly became a principal source of aid funds to Laos. From 1975 to 1993, Sweden provided more development aid to Laos than any other OECD country. It was the second largest donor, after Japan, over the period 1975 to 2008. Sweden provided, in 2008 prices, \$US714 million in official development assistance to Laos, which was seven percent of the OECD total during this period.²

¹ This amount is in 1974 prices. In 2008 prices it equates to \$US80,000.

² Data presented here have been obtained from OECD DAC *International Development Statistics On-line Database* (OECD, 2010). Note that it has often been claimed that Sweden was the first Western country other than Japan to engage in development co-operation with the newly founded Lao Peoples' Democratic Republic (see, for example Nordic Consulting Group, 2010). This claim is not supported by information in the above database. In each of the years 1975 to 1977 there were eight donors in addition to Sweden and Japan engaging in development co-operation with Laos. Sweden might have been the first Western country to be formally invited by the new Lao Peoples' Democratic Republic government to engage in development co-operation, but it was clearly not the only donor active in Laos in 1977. Nordic Consulting Group (2010) also refers to disagreement over when Swedish development co-operation with Laos commenced. The OECD database makes it clear this is in 1974.

Swedish development co-operation with Laos has been characterised by long-term partnerships around key activities. The nature of these activities has changed over time, in part due to changes in international thinking on development assistance but also due to changing needs in Laos owing to its economic and social transition over time. In the early years Swedish development co-operation focused on the strengthening of physical infrastructure (roads and hydropower) and commercial forestry. From the mid-1980s to the early 1990s, the focus shifted toward support for institutional development and capacity building, and thereafter to public sector strengthening, human rights and governance (Nordic Consulting Group, 2010).

This report assesses the contribution Sweden has made to development and poverty reduction in Laos over the 38 years of assistance, from the inception of the development co-operation program in 1974 to its end in 2011. It is one of three evaluation reports commissioned by Sida in countries where it is, or has, phased out official development co-operation, the other two reports focus on Sri Lanka and Vietnam. This chapter outlines the purpose and scope of this evaluation and introduces the evaluation questions, as well as briefly discussing the methodological approach.

1.2 Purpose and Scope

The overall purpose of this evaluation is to provide:

1. an historical account of the development co-operation between Sweden by documenting and recording what has taken place and been achieved over the years; and
2. a summary of the experiences and lessons-learned from the co-operation in order to guide the Government of Laos as well as other donors and international partners that may step in after Sida, regarding the possible continuation of the different projects or programs, but also future development co-operation *per se*.

The primary aim of this evaluation is to provide Sida with an understanding of how its development activities have supported poverty reduction in Laos over time. Specific objectives include analysing the background and development context for interventions, analysing the reported results and impacts, and formulating conclusions and general lessons-learned.

Efforts and achievements are assessed against the context prevailing at the time when decisions were made, and the overall development objective of poverty reduction as formulated in national devel-

opment plans, poverty reduction strategies and Swedish development plans, policies and strategies.

With regard to impact, this evaluation does not seek to attribute in any quantitative way a causal link between Swedish development co-operation and poverty reduction, or other high level development outcomes in Laos. Such an exercise requires precise knowledge of development outcomes that would have arisen in the absence of Swedish development co-operation. This is an extremely complex and highly speculative task, and one that is beyond the scope of this evaluation. This evaluation does, however, point to various stylised facts or statistical associations between development co-operation and development outcomes in Laos. The report speculates about whether these associations might be causal, but goes no further than that. The evaluation uses a multidisciplinary, mixed method approach to assess the impact of Swedish aid, as discussed below.

This report does not exhaustively document the full suite of development interventions funded by Sweden over the 38 year history of engagement as this task was undertaken as part of Phase 1 of this broader project (see Nordic Consulting Group, 2010). Instead this report uses a case study approach to discuss particular themes underlying Swedish aid in critical periods of Laos' history, and situates that within the broader political and economic context existing at the time, with reference to key policy shifts in development co-operation between Laos and Sweden.

1.3 Evaluation Methods and Conceptual Framework

1.3.1 Methods

This study employs complementary qualitative and quantitative methods to interrogate different types of evidence about the context, evolution and outcomes of Swedish development co-operation with Laos. This approach was used in order: (i) to credibly and robustly address the evaluation questions outlined above; and (ii) to address data limitations that are inherent to this kind of longitudinal study. The research methodology employed and the principles underpinning the selected approach are discussed in further detail in Appendix A.

The quantitative analysis in this report is used to profile the broader development context in Laos and ODA allocation by Sweden and other donors over time. Quantitative data are used to track changes in quality of life – poverty in particular. Information is presented on

parameters such as per capita income, annual rates of growth, life expectancy, adult literacy, child and infant mortality, maternal mortality and the percentage and absolute number of people living below the income poverty line. Changes over time in such variables are examined and inferences about aid effectiveness are made. A challenge for the analysis was data availability, especially in the early years of Swedish development co-operation.

The historical nature of this evaluation, assessing Sida's 38 year engagement in Laos, requires an assessment of the cumulative impact of many activities over several decades, which distinguishes it from a typical project or program evaluation. To address this requirement, the qualitative component of this evaluation drew on two types of case study. The first, a longitudinal case study, enabled a view of Sida's long-term role in one sector, and to examine how bilateral relationships and approaches to aid delivery evolved over time. The second type of case study is thematic, selected to reflect particular approaches to aid delivery and important thematic issues underpinning Swedish aid during particular periods.

All cases were selected in consultation with Sida at the inception stage from a large set of potential cases. In an ideal evaluation world all aid activities in the country program under consideration would be evaluated, be they projects, discrete components of projects or programs would be evaluation. Yet this is beyond the resources of practically all long term evaluations, including this evaluation. Choices and judgments must therefore be made. Recognising that it is rarely self-evident as to which cases are the most appropriate, clear and transparent general selection criteria need to be employed. These criteria are outlined in Appendix A.

Case studies have been examined through semi-structured interviews, focus groups and a review of existing documentation. Over 70 key informants were interviewed in Laos and Sweden (see Appendix B for more details). This qualitative information is used extensively when discussing the performance of particular interventions, relations between Sweden and the GoL, changes in Swedish policy, and the impact of these changes.

1.3.2 The Aid Quality Evaluation Framework

This evaluation is guided by the Aid Quality Evaluation Framework (AQEF) which was developed by the authors in response to the complexity

of this large scale, historical evaluation³. The AQEF is a conceptual tool that can be applied to almost any development aid activity. This framework is based on cutting edge knowledge of those factors that drive aid effectiveness. Under this framework aid effectiveness is defined in terms of the impact of aid on multidimensional poverty reduction, either directly or via impacts on the drivers of poverty reduction.

“The AQEF is comprised of five components. Assessments of aid quality can be made against each of these components using a mix of quantitative and qualitative data. The five components of the AQEF are: 1. absorptive capacity; 2. quality of public sector financial management; 3. consistency with Paris Declaration principles; 4. consistency with partner country sectoral priorities; and 5. consistency with donor country program strategies (or equivalents). The importance of the first two components is discussed further in Chapter 2 and all components are discussed in Chapters 6 and 7, with reference to the data presented in Chapters 2 through 5. Further details of the AQEF can be found in Appendix C.

1.4 Evaluation Questions

The primary question this evaluation addresses is:

How, and to what extent, did Sida’s development assistance contribute to poverty reduction in Laos?

This question is directly drawn from the terms of reference and addresses the OECD DAC impact criterion. Poverty reduction (in various guises) has long been the overarching objective of Swedish aid, from that outlined in Proposition 1962:100 (the ‘bible of Swedish development co-operation’) through to the present day (Danielson and Wohlgemuth, 2003, p.3). As such, poverty reduction constitutes an appropriate yardstick for assessing the impact of Sida’s aid to Laos over the considerable time period covered by this evaluation. The reference to ‘contribution’ in the primary evaluation question highlights the focus on exploring the *plausible* associations between Sida’s aid and changes in poverty, rather than supplying definitive proof of any causal relationship between the two. This recognises that there are many determinants of poverty in partner countries and that isolating the precise contribution of any one is an extremely demanding task. It also recognises that many donor nations have

³ For a detailed outline of the AQEF see Carpenter *et al.* (2011)

been active in Laos, and attributing the precise contribution to poverty reduction of any one donor is even more demanding.

To the extent that poverty reduction has been the principal aim of Sweden's country program in Laos, addressing this question involves the application of component 5 of the AQEF. Consideration of the broad enabling environment is also important for considering this question. This includes examining the absorptive capacity of the recipient country (component 1 of the AQEF) and the quality of public fiscal management (component 2 of the AQEF). These are widely acknowledged to be important for the effective and efficient use of aid funds for development purposes.

In accordance with contemporary international development thinking this evaluation adopts a multidimensional conception of poverty. It is widely accepted in policy and research circles that poverty is multidimensional in nature. This is based on the recognition that quality of life or well-being depends not only on income, but on levels of health, education, participation, personal security, political participation and many other factors. It is also based on the recognition that high levels of income do not necessarily always correlate with high levels of health, education and other dimensions of well-being. This means that an individual might have an income level which is high enough for them not to live in poverty with respect to income, but might well be living in poverty with respect to these other dimensions. The World Bank, the United Nations Development Program (UNDP) and other thought leading development agencies have long embraced this concept.

Sub-question 1: *To what extent did Sida's aid respond to pressing multi-dimensional development needs in Laos?*

Sub-question 1 is directed at the appropriateness and relevance of the sectoral and geographic allocation of Sida's development co-operation over time as well as the consistency of this with country strategies in Laos. This recognises that to be effective, aid must be targeted at the most pressing development needs of each recipient country at a particular point in time. Addressing this sub-question involves an analysis of components 4 and 5 of the AQEF.

Sub-question 2: *To what extent has Sida's development co-operation program in Laos been effectively and efficiently delivered?*

Aid may be allocated according to pressing needs, but it must be well delivered if it is to contribute to poverty reduction. This area of the evaluation explores the extent to which Sida's development co-operation exemplified internationally agreed principles of good aid

delivery practice, most recently articulated in the Paris Declaration (component 3 of the AQEF). This analysis demands the careful and nuanced application of these principles – see Appendix C for an explanation of why it is valid to apply the Paris Principles retrospectively.

Woven into this analysis is an exploration of the different ways of working that Sida adopted throughout the period of development co-operation and how these may have evolved in response to multi-dimensional needs. This includes an assessment of the choice of modalities, channels, partner organisations and the relative efficiency of these arrangements as aid delivery mechanisms. The analysis under this sub-question directly addresses the OECD DAC criteria of efficiency and effectiveness.

In-depth case studies illustrate how these choices and strategies have worked in particular contexts and at particular points in time.

Sub question 3: *How and to what extent did Sida's development co-operation nurture an enabling environment for poverty reduction in Laos?*

The third sub-question acknowledges that although aid may be well targeted and well delivered, it must also be undertaken in, and actively contribute to, a supportive enabling environment if it is to have a sustainable impact on poverty reduction. This analysis considers Sida's approaches to influencing policy and building the capacity of the government, civil society and the capacity of individuals to improve their lives. The relative effectiveness of these more indirect forms of development co-operation is assessed to help understand which particular approaches worked well in influencing the enabling environment and the reasons why. This assists judgements about the sustainability of Sida's long-term co-operation program.

Detailed case studies explore how these challenges were approached in particular instances and the degree to which they were able to influence aspects of the enabling environment. This question directly addresses the OECD DAC criteria of sustainability.

Sub question 4: *What lessons can be learned from Sweden's development co-operation with Laos to improve development effectiveness in the future?*

The fourth sub-question draws together the analysis in sub-questions 1–3 to identify the most salient lessons for development co-operation programs.

1.5 Proceeding Chapters

This report consists of six additional chapters. Chapter 2 looks at the 'big picture'. That is, it provides the broader development context within

which development co-operation between Sweden and Laos can be understood and evaluated. This includes looking at the broad operating environment faced by donors in Laos, the development achievements of Laos over the 38-year period of co-operation, and Sweden's actual aid allocation. In accordance with the application of the AQEF, this chapter also introduces data on consistency with the Paris Declaration principle of aid predictability, the quality of public sector fiscal management, and the capacity of Laos to effectively absorb aid. The chapter ends with some stylised facts regarding ODA and development achievements in Laos that are considered later in this report.

Chapter 2 is a quantitative chapter. Chapters 3, 4, and 5 are more qualitative in nature and discuss Sweden's aid to Laos during three important historical periods. Chapter 3 covers the early period of Swedish aid from 1974 to 1985⁴. This chapter includes a case study on Swedish support to the transport sector. Chapter 4 covers the 10 year period from 1986 to 1996 and includes case studies on the transport sector (building on from the case study in the previous chapter), and the Forest Inventory Project, a sub project within the Laos-Swedish Forestry Co-operation Program. Chapter 5 focuses on the period up to the phase out of Swedish aid in 2010. Included therein are case studies of Sweden's support to Governance and Public Administration Reform (GPAR), research capacity building of the National University of Laos (NUOL), and capacity building of the State Statistics Centre (SSC) and the Department of Statistics (DoS).

Chapters 6 and 7 present a synthesis of key issues. Chapter 6 discusses the main thematic issues that have been introduced over the previous four chapters and how they have shaped and constrained the effectiveness of Swedish aid over time. Chapter 7 answers the primary evaluation question and sub-questions and introduces a number of lessons-learned for Sida and other donors when delivering aid to other states facing similar development challenges to Laos.

⁴ For narrative purposes it was important to break up the long period of Sweden's aid to Laos into discrete periods of time. With regard to the first period, the year 1974 marks the time when Sweden first provided ODA to Laos, while the year 1985 was chosen as an end point because it was the year before the important economic reform policies that reshaped the Lao economy. The second period (1986–1995) was chosen as it was the period of intense reforms and reflected Sweden's focus on building institutional capacity and the sharpening of the poverty focus resulting from the 1995 Country Strategy. The final period (1997–2011) marks a transition to a focus on empowerment and governance and includes the phase out period.

2. LAOS NATIONAL DEVELOPMENT PROFILE

2.1 Economic Change in Laos since 1975 – A Concise History

The government of Laos faced an extraordinarily difficult set of development problems following the ascension of the Pathet Lao to power in 1975. As mentioned in the preceding chapter, severe poverty was widespread in Laos, infrastructure was in a poor state, internal conflicts were ongoing, and government institutions lacked capacity. To further complicate matters the level of official development assistance from Western donor countries in 1975 had been more than halved from that of the previous year. The communist Lao government's response to these challenges was the imposition of a Soviet-style command economy system, replacing the private sector with state enterprises and co-operatives, centralising investment, production, trade, and pricing and creating barriers to internal and foreign trade. Data on economic performance in Laos for the mid-1970s to early 1980s are scarce, but it is thought that the economy grew at modest rates of less than two to three percent.

Within a few years, the Lao Government questioned the efficacy of these economic policies, in particular the extent to which command economic approaches could address pressing development challenges. It was not until 1986 that the government introduced major changes to its economic policy. This year saw the announcement of the New Economic Mechanism (NEM), which resulted in profound changes to the Lao economy. The NEM introduced a range of reforms designed to create conditions conducive to private sector activity. Prices were set by market forces, not by the government, farmers were allowed to own land and sell crops on the open market, and state firms were given increased decision-making authority, while losing most of their subsidies. The government also set the exchange rate close to market levels, replaced import barriers with tariffs, and gave private sector firms direct access to imports and credit. In the early NEM years real GDP growth was negative, but jumped appreciably to 14 percent in 1989 (see Figure 2.1).

Pivotal for the Lao economy was the year 1989, as it marked the final demise of the Soviet Union, which had been the largest provider of aid to Laos since 1975. The Soviets announced a sharp reduction in aid in 1989 and in 1990 this flow was cut off completely. The demise of the Soviet Union was accompanied by the rise of the World Bank and

International Monetary Fund in Laos. In 1989 the Lao government reached agreement with the World Bank and the Fund on a range of reforms in addition to those implemented under the NEM. These reforms included: the privatisation of state owned enterprises, the introduction of policies designed to increase private sector and foreign investment, the strengthening of the banking sector, the adoption of a floating exchange rate and the reduction of tariffs.

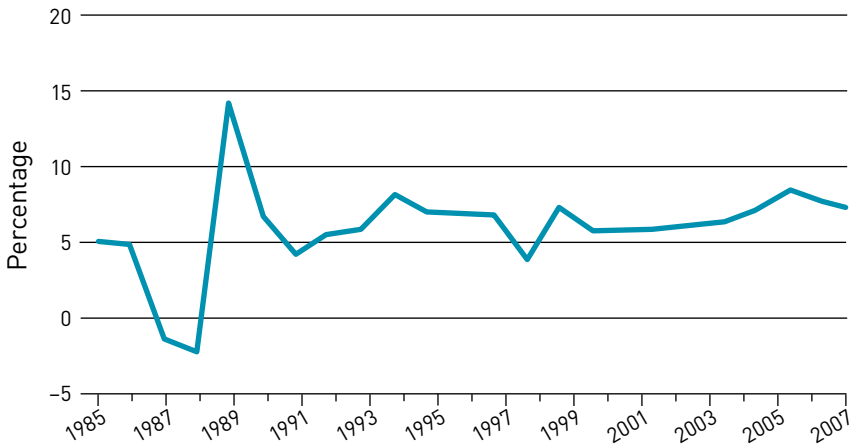


Figure 2.1 Real GDP Growth, Laos, 1985 to 2007

Economic growth fell appreciably in both 1990 and 1991 (see Figure 2.1), as is often the case in the early years of substantial economic reforms. The Lao economy soon recovered, however, and has maintained a strong growth performance since 1992. Economic growth averaged an impressive 6.6 percent between 1992 and 2008. In comparison, the developing country group as a whole achieved an average rate of economic growth of five percent over the same period (World Bank, 2010). The lowest annual economic growth rate since 1992 was in 1998, and was in large part due to impacts of the Asian Economic Crisis of 1997. Growth in 1998 fell to four percent, from seven percent in 1997.

Throughout its history the Lao economy has been dominated by the agriculture sector. This remains the case today. Subsistence agriculture accounts for half of GDP and provides 80 percent of employ-

ment. Tourism is a rapidly growing sector and the Government of Laos is heavily promoting infrastructure development and foreign direct investment.

2.2 Multidimensional Development Achievements in Laos⁵

The Laos post 1975 development experience can be summarised in three sentences. First, it started from an incredibly low base, facing tremendously difficult development challenges. Second, after some period of mixed fortunes, from the early- to mid-1990s it has achieved impressive development progress to the present. Third, despite this progress Laos is still relatively poor and lags far behind the rest of the developing world in many poverty and human development dimensions. These observations are evident from Figures 2.2 to 2.7 below and from Figures D.1 to D.5 in Appendix D.

Laos' achievements in human development have without exception improved from one year to the next, as evidenced from its 1970–2008 Human Development Scores (HDI) – see Figure 2.2.⁶ These improvements have, however, been rather uneven, particularly from 1970 to the late 1980s. Yearly increases in Lao HDI scores during this period varied from just under four percent in 1981 to 0.2 percent in 1984. From 1989 onwards Laos has achieved an average rate of increase in its HDI of just under two percent.

Achievements in health, education and income are shown in Appendix D, in Figures D.1 to D.5. Life expectancy and adult literacy have increased continually since 1960, from extremely low levels. Life expectancy was as low as 42 and 46 years in 1960 and 1975, respectively. The increases in life expectancy have been experienced by both males and females, and based on Figure D.1 there appears to be no gender bias against females in this health indicator⁷. That these achievements have continually increased is common in developing countries, but as is shown below, Laos has performed better

⁵ Data presented in this section unless otherwise indicated are taken from UNDP (2010) and from World Bank (2010). Gaps in yearly coverage and the first year of coverage reflect data availability. Some data have been estimated using standard techniques. Further details are available from the authors of this report.

⁶ The HDI combines life expectancy, adult literacy, gross school enrolment and purchasing power parity GDP per capita into a single number or score.

⁷ It is well known that females live longer than males for purely biological reasons. The difference between female and male life expectancy in Laos is roughly what one would expect on these grounds, hence the conclusion that there appears to be no gender bias in this regard.

than most other countries in these areas. School enrolment at all levels of education increased reasonably sharply from the early- to mid-1970s to 1980, but declined in a number of years thereafter. Overall, these rates are far higher in 2008, more than doubling from 24 to 59 percent. Income per capita follows a broadly similar trend, and in 2008 is more than twice its 1984 level despite substantial declines in the late 1980s.

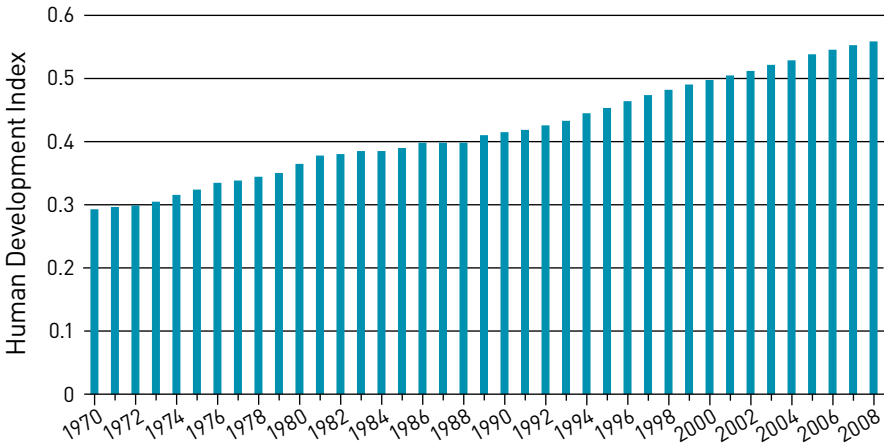


Figure 2.2 Human Development, Laos 1970 to 2008

Key indicators of achievement in the health dimension are infant and child mortality rates. In 1970, a staggering 141 out of every 1,000 Lao children died prior to their first birthday and a further 70 out of 1,000 died before reaching their fifth birthday (meaning that a total of 211 children out of every 1,000 children did not reach their fifth birthday). This is depicted in Figure 2.3. Progress in reducing these numbers has been very strong, with the number dying prior to their first birthday falling to 48 per 1,000 and the number dying prior to their fifth birthday falling to 61 per 1,000. These rates fell most rapidly between 1990 and 2000.

It is informative to compare Laos' multidimensional development achievements to those of all developing countries. Figure 2.4 provides comparisons based on the HDI, life expectancy, adult literacy, school enrolment and GDP per capita for the period 1970 to 2008. These comparisons are obtained by dividing Laos' achievements in these variables by those for all low and middle income countries for which requisite data are available. If the resulting ratio is greater than one,

Laos has higher achievements than these countries, while the reverse is true if the ratio is less than one. Two points emerge from Figure 2.4. The first is the improvement in Laos' level of achievement over time relative to all developing countries. This underscores how impressive its achievements have been. The second is that despite this progress it still lags behind the developing country group as a whole in all of the achievement variables shown. While its HDI is very close to that of all other developing countries, its GDP per capita is roughly one fifth that of all developing countries. This underscores the scale of the development challenge still facing the Government of Laos, especially given that achievement in income is a key driver of achievements in other dimensions of development and poverty.

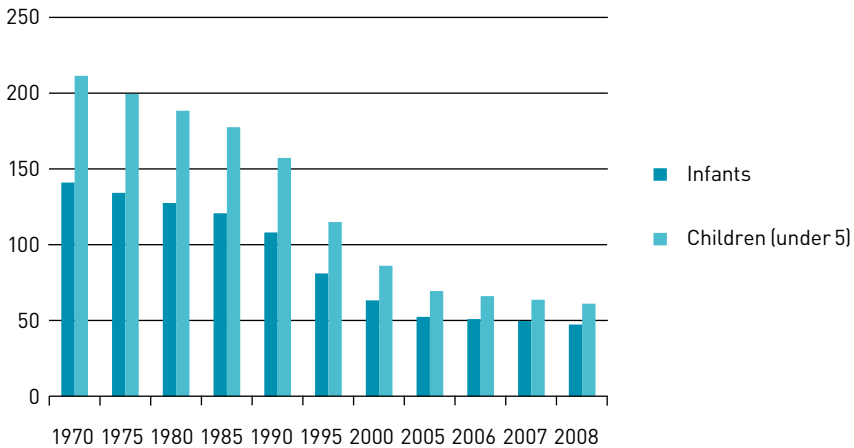


Figure 2.3 Infant and Child Mortality Rates, Laos, 1970 to 2008

Relative achievements in infant and child mortality are shown in Figure 2.5. The data shown in this figure are obtained by dividing the achievements of all low and middle income countries by those of Laos. This means that the data can be interpreted in the same way as those in Figure 2.4, with the ratio being an increasing function of Lao achievements relative to those of all middle and low income countries. The information shown in this figure is striking. In 1970 Laos lagged behind the developing world as a whole in terms of achievements in child health, and continually fell further behind until the mid-1980s. From the mid-1980s Laos started to close this gap, and in the mid-2000s actually surpassed its fellow developing countries by achieving lower child and infant mortality than the

developing world as a whole. This reinforces the comments made above regarding Laos’ performance in reducing child and infant mortality.⁸

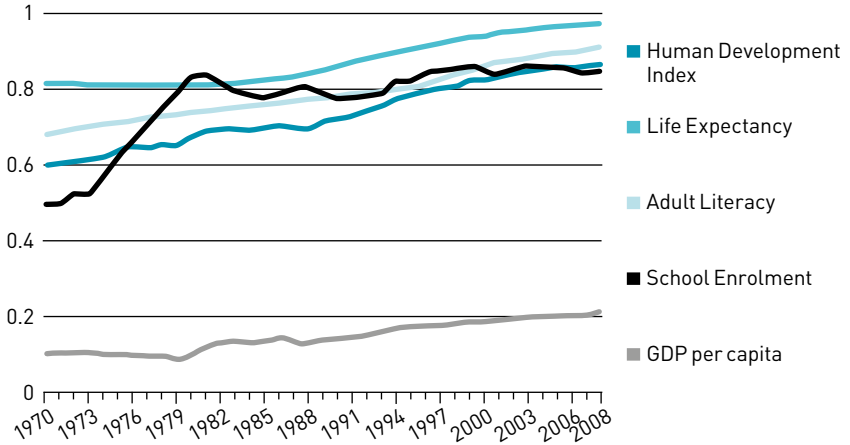


Figure 2.4 Relative Development Achievements, Laos, 1970 to 2008

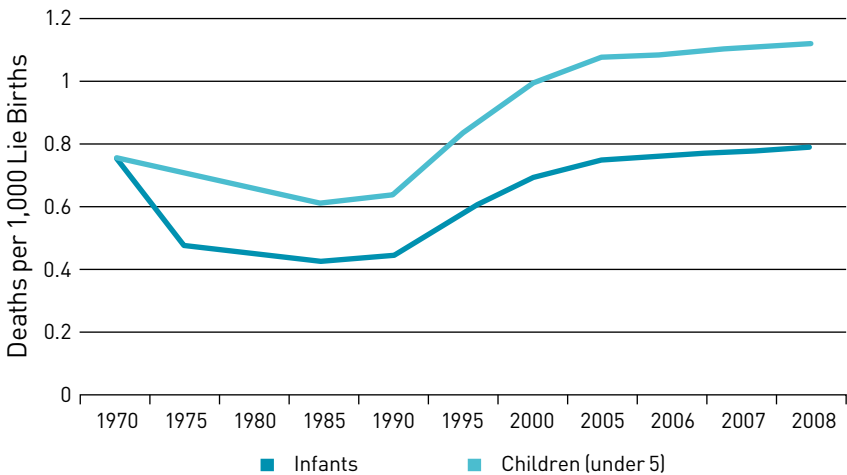


Figure 2.5 Relative Achievements in Infant and Child Health, Laos, 1970 to 2008

⁸ While not wishing to labour the point regarding child and infant health in Laos, a brief comparison with Vietnam is interesting. Laos’ child mortality rate was 48 in 2008. That is only one percentage point higher than that of its neighbour, Vietnam, some 33 years earlier, in 1975. Vietnam’s child mortality rate in 2008 was 20.

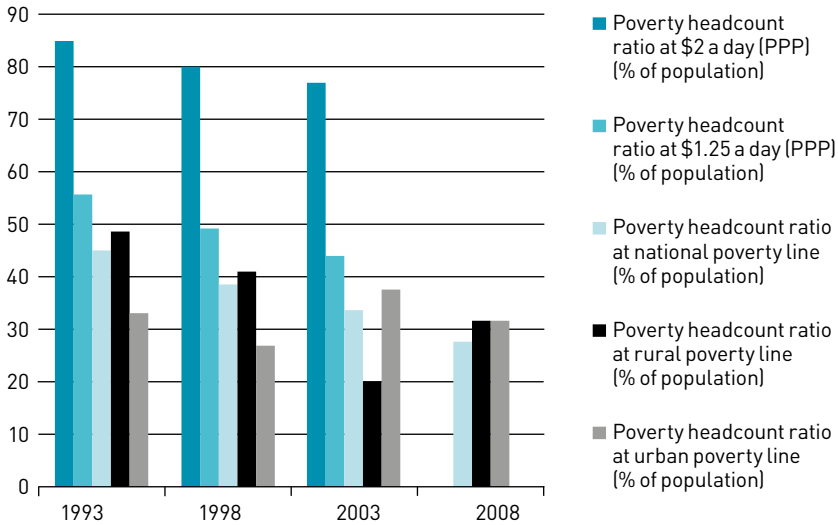


Figure 2.6 Income Poverty, Laos, 1993 to 2008

Statistical information on income poverty in Laos is very limited, with data on the proportion of the population living below absolute poverty lines available only from 1993 onward. Figure 2.6 provides information on five measures of income poverty. The most commonly used measure – the percentage of people living below the extreme poverty line of \$1.25 per day – records falls in poverty in Laos between 1993 and 2003, the latest year for which data on this indicator are available. The proportion of Laos' population living on less than two dollars per day has declined over the same period, falling from 85 percent to 77 percent in 2003. This is much higher than the proportion of the population living on less than two dollars per day in the East Asian region as a whole in 2002, which was 52 percent⁹. The equivalent number for the world in this year was 53 percent (Ravallion and Chen, 2008). Income poverty in Laos by regional and world standards would appear, therefore, to be very high. The proportion of the rural population living below the national poverty line fell between 1993 and 2008, from 45 to 28 percent. The proportion of the urban population living below the urban poverty line rose between 1998 and 2003, but then fell from 2003 to 2008. Rural poverty, after falling between 1993 and 2003, rose between 2003 and 2008, to 32 percent of the rural population. The overall message

⁹ World Bank regional definitions are used in reporting poverty data. According to this definition, Southeast Asia, in which Laos is located, is part of the broader East Asia.

from Figure 2.6 is that income poverty is declining but remains high by international standards.

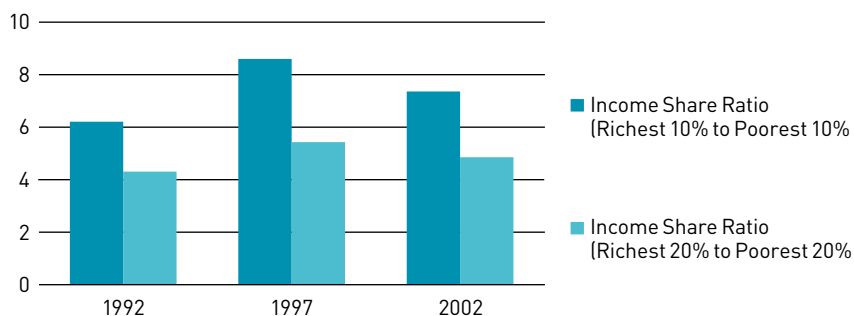


Figure 2.7 Income Inequality, Laos, 1992 to 2002

Empirical information on income inequality is also limited in Laos, only being available from 1992; these data are shown in Figure 2.7. Measured by the incomes of the richest 10 and 20 percent of the population relative to those of the poorest 10 and 20 percent, income inequality rose between 1992 and 1997, but has fallen between the second of these years and 2002, the latest year for which requisite data are available. The ratio of the incomes of the richest 20 and poorest 20 percent of the Lao population follows the same trend. Another measure of income inequality is the Gini coefficient. The most recent Gini coefficient for Laos is for 2002, which had a value of 32.63. The world average Gini coefficient for 2002 was 40.4, suggesting that income inequality in Laos is low by world standards.

2.3 Development Co-operation with Laos¹⁰

2.3.1 Official Development Assistance Levels

Development co-operation between donor nations and Laos commenced soon after the latter's independence in 1954. As was noted in Chapter 1, Swedish development co-operation with Laos commenced in 1974. Total official development assistance (ODA) increased in volume rapidly during the early 1960s, reaching \$560 million in 1966,

¹⁰ Data presented in this section are taken from the OECD DAC (OECD, 2010). The earliest aid data published by the OECD are for the year 1960, hence the coverage of this section. The unit of currency referred to is the United States dollar. All aid dollar amounts are in constant 2008 prices. Aid from the former Soviet Union is not included in OECD ODA data, and is not therefore included in the statistics presented in the charts and tables of this chapter.

the highest annual volume of ODA ever received by Laos. Ninety percent of all ODA during 1960 to 1966 came from the United States. As is shown in Figure 2.8, ODA fell substantially from 1966, owing almost entirely to the scaling-down of support from the United States. Support from the United States was eventually withdrawn in 1976. ODA to Laos reached its lowest post-1960 level in 1983, when it fell to \$30 million. From the mid-1980s total ODA to Laos gradually rose, reaching \$500 million in 2008. Much of the upward trend is due to support from bilateral DAC donors, although multilateral support also follows an upward trend; however, there were large declines in ODA volume from these agencies between 1998 and 2000.

Swedish ODA to Laos grew rapidly from a very small base in 1974, when \$80,000 (in 2008 prices) was allocated to the country program, to \$32 million in 1979, the second highest annual level of support for Laos from Sweden. Swedish ODA to Laos trended upward until the late 1980s, reaching its highest annual level of \$32.1 million in 1988. It subsequently followed a much flatter trend and was \$20.8 million in 2008. This information is shown in Figure 2.8.

Laos has received bilateral ODA from all but one of the current DAC member countries. As shown in Table 2.1, the top three donors in terms of ODA volume since 1960 have been the United States, Japan and France. These donors have provided more than 70 percent of Laos' bilateral ODA since 1960. The United States has been by far the largest donor, providing close to half of all bilateral ODA to Laos, owing largely to its dominance as a donor in the 1960s. During this decade the United States provided 85 percent of all bilateral ODA to Laos.

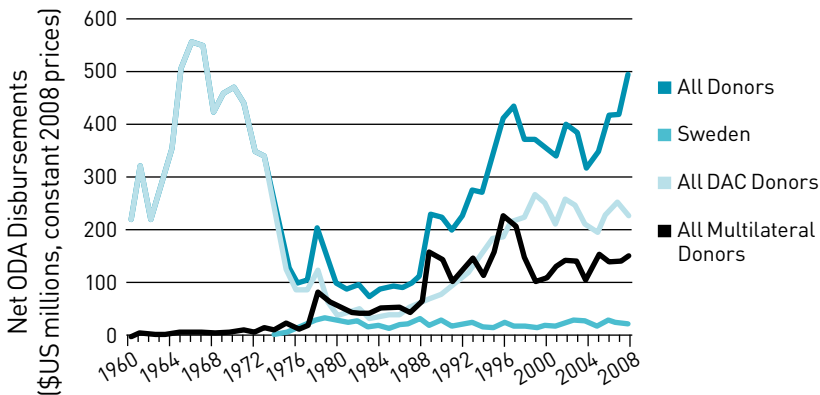


Figure 2.8 Official Development Assistance to Laos, 1960 to 2008

Table 2.1 ODA from DAC Donor Countries, Laos, 1960 to 2008

Donor	1960 to 1969		1970 to 1979		1980 to 1989		1990 to 1999		2000 to 2008		1960 to 2008		1976 to 2008	
	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank	% Share	Rank
Australia	1.09	5	3.51	6	12.20	3	7.78	5	6.77	5	4.39	6	7.58	5
Austria	0.00	10	0.00	16	0.02	15	0.05	20	0.01	23	0.01	21	0.03	21
Belgium	0.01	8	0.11	14	0.10	11	0.91	11	2.05	11	0.60	15	1.30	13
Canada	0.45	7	0.67	9	0.03	13	0.50	13	1.04	15	0.60	14	0.83	14
Denmark	0.00	10	0.11	15	-0.01	23	0.44	14	1.21	13	0.34	16	0.77	15
European Commission	0.00	10	0.40	10	2.74	5	5.95	6	4.86	6	2.19	8	4.86	6
Finland	0.00	10	0.00	18	0.02	14	0.57	12	1.13	14	0.33	17	0.73	16
France	5.11	2	7.72	3	2.25	6	8.28	4	9.82	2	7.04	3	8.08	4
Germany	0.90	6	4.47	4	-2.59	24	9.49	3	8.45	4	4.49	5	8.42	3
Greece	0.00	10	0.00	18	0.00	16	0.00	23	0.00	24	0.00	24	0.00	24
Ireland	0.00	10	0.00	18	0.00	16	0.09	19	0.42	19	0.10	19	0.22	19
Italy	0.00	10	0.00	17	0.12	10	0.05	21	0.16	20	0.05	20	0.11	20
Japan	3.08	4	11.36	2	27.58	2	45.10	1	39.52	1	20.38	2	38.98	1
Korea, Republic	0.00	10	0.00	18	0.00	16	0.14	18	3.12	8	0.66	13	1.48	12
Luxembourg	0.00	10	0.00	18	0.00	16	0.29	16	3.69	7	0.81	12	1.79	10
Netherlands	0.00	10	2.68	8	9.72	4	1.28	10	0.76	16	1.39	9	3.09	7
New Zealand	0.00	10	0.17	12	0.04	12	0.28	17	0.70	17	0.23	18	0.46	18
Norway	0.00	10	0.17	13	0.28	8	3.12	7	2.60	9	1.10	10	2.44	8
Portugal	0.00	10	0.00	18	0.00	16	0.00	23	0.01	21	0.00	22	0.01	22
Spain	0.00	10	0.00	18	0.00	16	0.00	22	0.01	22	0.00	23	0.00	23
Sweden	0.00	10	4.33	5	45.95	1	11.26	2	9.10	3	6.74	4	14.83	2
Switzerland	0.00	9	0.34	11	1.35	7	2.40	8	1.69	12	0.88	11	1.80	9
United Kingdom	4.68	3	3.09	7	0.20	9	0.43	15	0.44	18	2.56	7	0.51	17
United States	84.67	1	60.86	1	0.00	16	1.60	9	2.42	10	45.11	1	1.69	11

Sweden has been a major donor to Laos, as is evident from Table 2.1. It was the largest donor during the 1980s providing almost half of all bilateral aid, and 28 per cent of total aid receipts during this period. It was the number two and three ranked donor by volume in the periods 1990 to 1999 and 2000 to 2008, respectively. Over the entire period 1960 to 2008 it is the fourth largest ODA donor by volume of the 24 donors listed in Table 2.1, providing 6.74 percent of Laos' bilateral ODA since 1960. This equates to 5.4 percent of total aid, bilateral and multilateral, to Laos. More pertinent to this evaluation are ODA levels since 1976, after the end of the Indo-Chinese War and the withdrawal of the United States. During the period 1976 to 2008, Sweden is the second largest provider of bilateral aid to Laos, providing 14.83 percent of total such flows. This equates to 8.5 percent of total ODA flows for this period. This is shown in the last two columns of Table 2.1. By far the largest donor over this period has been Japan, which has provided just under 40 percent of total bilateral aid to Laos, and as much as 45 percent of total bilateral aid to Laos during the 1990s. The data shown in Figure 2.8 and Table 1 are for OECD donors only. No account is taken of support from Eastern Bloc countries, the Soviet Union in particular. Aid data for these donors are very scarce, and will almost certainly not be directly comparable to OECD ODA data. It has, however, been estimated that the Soviet Union was the principal provider of aid, broadly defined, to Laos between 1975 and 1989. If correct, this would mean that the Soviet Union provided at least \$US320 million (in constant 2008 prices) in aid to Laos during 1975 to 1989, or around 13 percent of total aid to this country. These numbers should be taken as very rough approximations, but do give some idea of the level of support from the Soviet Union.

The level of ODA to a developing country is important in its own right from various perspectives, but what matters from a development impact perspective is its level relative to various national aggregates of the recipient country, including GDP and population size.¹¹ ODA relative to these aggregates for Laos is shown in Figure 2.9. Putting aside the huge United States-driven declines in aid levels from the mid-1960s to mid-1970s, the main message coming from this figure is that,

¹¹ ODA relative to partner government revenues and expenditure is also important, but unfortunately data unavailability does not permit these comparisons in the case of Laos.

relative to these aggregates, ODA volumes to Laos were very large by international standards. In the case of GDP, developing countries typically receive ODA levels that are between one and two percent of their GDPs and no more than \$50 per capita.¹² Sub-Saharan Africa in the past few years has received around \$40. ODA relative to GDP received by Laos averaged 13 percent of GDP between 1984 and 2008, and ODA per capita from 1976 (when United States ODA fell to zero) to 2008 averaged \$53. Not only are these flows large by international standards, they are of a level that one could reasonably expect to observe some relationship with national development outcomes, good or bad depending on the quality of the ODA.

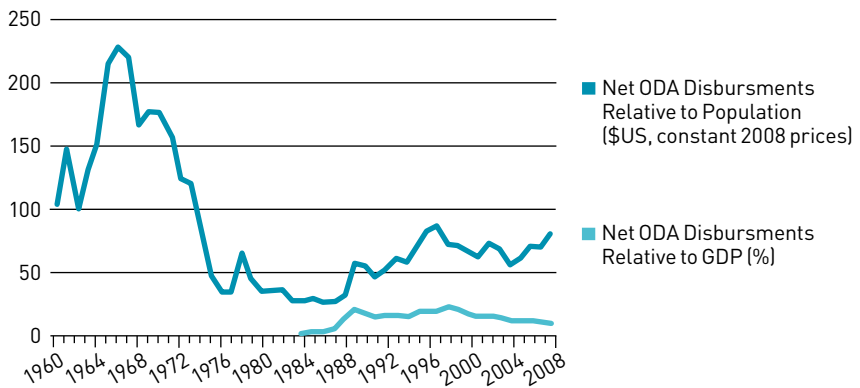


Figure 2.9 ODA Relative to Key National Aggregates, Laos, 1960 to 2008

Developing countries, including Laos, receive foreign inflows from a variety of sources. Inflows other than ODA can potentially complement aid in a way that enhances its development impact. Laos' ODA receipts, along with inflows of other official financing (OOF) and total private inflows are shown in Figure 2.10. OOF is other developmental flows from foreign governments and multilateral organisations that are not sufficiently concessional to be defined as ODA. Total private inflows include foreign direct investment, private lending and remittances. Each has the potential to have pro-development impacts, augmenting ODA. A key message from Figure 2.10 is that Laos has been highly reliant on ODA relative to other foreign inflows and, purely on the basis of volumes, that poten-

¹² Note that small island developing countries can receive per capita amounts into the many hundreds of dollars, but these countries are non-typical cases.

tial for the above mentioned complementarity is limited. Also evident from Figure 2.10 is the huge one-off spike in private foreign inflows in 2006¹³. Whether these flows become more important quantitatively in future years remains to be seen.

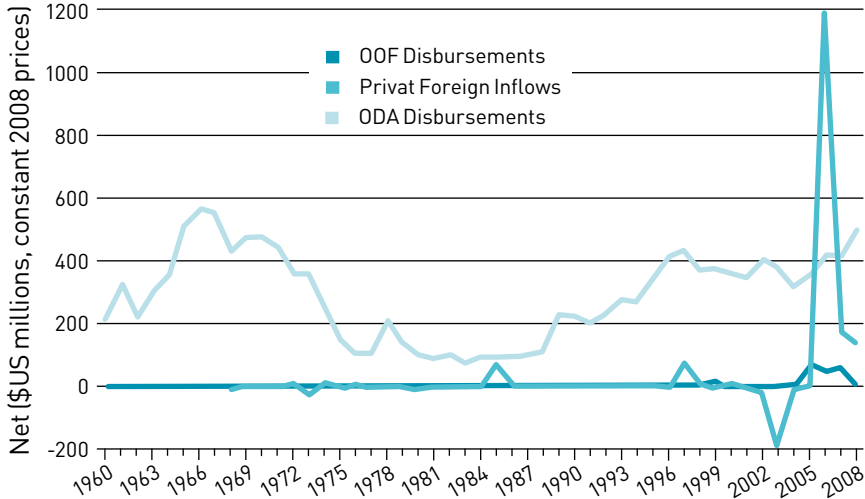


Figure 2.10 ODA and other Foreign Financial Inflows, Laos, 1960 to 2008

2.3.2 ODA Composition by Sector

The sectoral composition of all donor and Swedish ODA to Laos are respectively shown in Tables 2.2 and 2.3.¹⁴ The sectors are those defined by the OECD-DAC. Economic Infrastructure and Services has been by far the most supported sector by all donors combined. Agriculture, Forestry and Fishing is the second most supported sector by all donors combined, and the most heavily supported sector by Sweden since 1995. The second and third most supported sectors by Sweden are Economic Infrastructure and Services and Gov-

¹³ According to OECD DAC (2010), the spike in 2006 was due to huge increases in non-bank export credits and private bank lending to Laos. The total level of foreign flows (in 2008 prices) in 2006 was \$US1.18 billion. Non-bank export credits were \$US608 million and private bank lending was \$US564 million in this year. In 2005, these inflows were \$US-0.24 and \$US-1.46 million, respectively. OECD (2010) does not report the country or countries from which these flows originate.

¹⁴ Data on the composition of ODA by sector for years prior to 1995 are not published by the OECD DAC. The data shown in Tables 2.2 and 2.3 relate to ODA commitments. Disbursement data are only available from 2002 onwards.

ernment and Civil Society, respectively. Recalling that Laos has been characterised as a country that has been challenged in terms of physical infrastructure and public sector governance, that has a large agricultural sector and traditionally high poverty in rural areas, the sectoral focus of Sweden’s development co-operation is consistent with what appear to be the country’s pressing development needs. The same comments can be made of the combined donor effort in Laos given the information shown in Table 2.2.

A list of the activities implemented under the development co-operation program between Sweden and Laos was prepared under part one of the evaluation process and is provided in Appendix E.

2.3.3 Aid Supported Activities

Aid can be examined not only in dollar amounts but also in terms of the number of activities that donors support.¹⁵ This can be important for a number of reasons. For example, donors might support activities that are too large, thereby encountering a diminishing margin of impact, or they might also spread their aid too thinly, supporting too many small activities with potentially negligible impacts. Recognising that most activities impose some burden on partner countries and that all countries have capacity constraints, funding large numbers of activities can have adverse development consequences. While each of these concerns has been expressed by the international development community, it is the last that has been uppermost in the minds of donors in recent years, particularly considering the proliferation of donor financed activities in the last 10 or so years.

¹⁵ An aid activity is defined by the OECD DAC as a discrete entity or exercise that can take many forms, such as a project or a program or a component thereof, a cash transfer or delivery of goods, a training course, a research project, a debt relief operation or a contribution to a non-governmental organisation (OECD, 2011). Each activity will have its own budget, is assigned a DAC purpose code and reported by agencies to the OECD DAC. Care needs to be assigned when reading activities data, especially regarding comparisons across donors owing to different reporting practices. Some donors (such as the EU) can report a number of activities as a single activity or vice versa, breaking up a program or project into numerous individual activities.

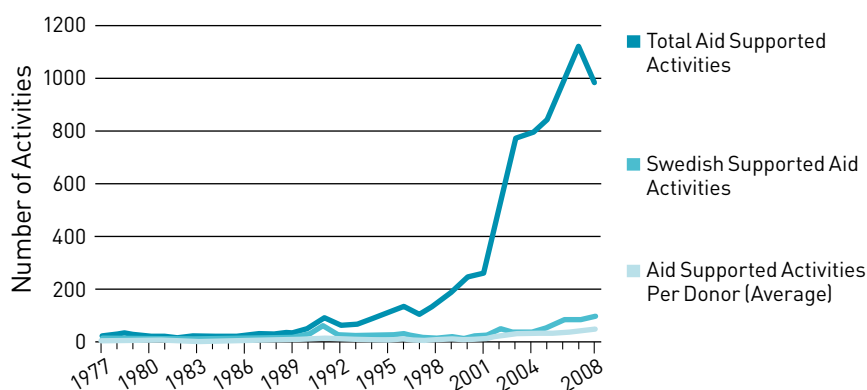


Figure 2.11 Aid Supported Activities, Laos, 1977 to 2008

Table 2.2 Sectoral Composition of Total ODA to Laos, 1995 to 2008

Sector	Percentage of Total ODA			
	1995 to 2000	2001 to 2005	2006 to 2008	1995 to 2008
Education	6.12	9.50	10.10	8.36
Health	5.86	7.08	10.16	7.35
Population & Reproductive Health	0.13	1.56	1.96	1.11
Water & Sanitation	4.07	1.69	7.45	3.96
Government & Civil Society	3.46	7.20	12.49	7.03
Other Social Infrastructure & Services	1.27	4.41	3.05	2.90
Economic Infrastructure & Services	42.01	32.62	17.82	32.67
Agriculture, Forestry and Fishing	10.11	12.63	16.92	12.69
Industry, Mining & Construction	0.12	0.81	2.05	0.84
Trade Policies & Regulation	0.05	0.14	1.43	0.41
Multisector/Cross Cutting	11.55	12.97	7.58	11.15
Of which: General Environment Protection	1.43	2.21	1.08	1.65

Sector	Percentage of Total ODA			
	1995 to 2000	2001 to 2005	2006 to 2008	1995 to 2008
Commodity Aid/General Program Assistance	8.51	5.52	5.07	6.55
Debt Action	3.46	0.73	0.05	1.61
Humanitarian Aid	2.60	0.86	0.95	1.54
Donor Administrative Costs	0.03	0.17	0.47	0.19
NGO Support	0.06	0.30	1.26	0.43
Refugees	0.01	0.01	0.00	0.01
Sectors Not Specified	0.58	0.96	0.79	0.77

Table 2.3 Sectoral Composition of Swedish ODA to Laos, 1995 to 2008

Sector	Percentage of Total Swedish ODA			
	1995 to 2000	2001 to 2005	2006 to 2008	1995 to 2008
Education	0.65	17.73	0.00	7.78
Health	3.07	1.26	2.86	2.27
Population & Reproductive Health	0.00	0.00	0.05	0.01
Water & Sanitation	8.33	0.00	0.00	3.47
Government & Civil Society	8.99	17.02	10.17	12.58
Other Social Infrastructure & Services	0.41	2.44	0.02	1.21
Economic Infrastructure & Services	19.76	41.50	0.02	25.80
Agriculture, Forestry and Fishing	53.88	4.56	66.33	35.00
Industry, Mining & Construction	0.00	0.00	17.29	2.77
Trade Policies & Regulation	0.00	0.00	0.00	0.00
Multisector/Cross Cutting	2.89	15.22	1.35	7.86
Of which: General Environment Protection	2.57	11.44	1.25	6.11
Commodity Aid/General Program Assistance	0.00	0.00	0.00	0.00

Sector	Percentage of Total Swedish ODA			
	1995 to 2000	2001 to 2005	2006 to 2008	1995 to 2008
Debt Action	0.00	0.00	0.00	0.00
Humanitarian Aid	1.56	0.00	1.52	0.89
Donor Administrative Costs	0.25	0.02	0.29	0.16
NGO Support	0.00	0.00	0.00	0.00
Refugees	0.00	0.00	0.00	0.00
Sectors Not Specified	0.20	0.24	0.09	0.20

Data on the number of aid supported activities in Laos are shown in Figures 2.12 and 2.13. The first of these figures provides information on the number of aid supported activities since 1977.¹⁶ The yearly average between 1977 and 2008 has been 23 activities. The number of all donor supported activities has proliferated significantly during the same period. It has risen from 17 in 1977 to 1,117 in 2007, and was 962 in 2008.¹⁷ The number of donors active in Laos has risen from five in 1977 to 29 in 2007, falling back to 24 in 2008. As is evident from the reasonably stable average number of donor supported activities in Laos, it is primarily the increase in the number of donors in the country that has driven proliferation. Irrespective of what drove the proliferation, it certainly raises questions regarding the effectiveness of aid to Laos.¹⁸ This is not a criticism of Swedish aid to Laos, but of the overall donor effort in this country.

¹⁶ OECD (2010) only provides information at the activity level for 1995 onwards. Earlier versions of OECD (2010) did report such data for earlier years. The data shown in Figures 2.11 and 2.12 and Figure A2.6 for 1977 to 1994 were obtained from these earlier versions some years ago for a previous study in which one of the authors of this report was involved.

¹⁷ The level of Swedish supported activities reported by Sida to the OECD DAC in Laos ranged from three in 1977 to 84 in 2008. Note that Sida staff involved in the Laos country program do not consider the latter statistic to be an accurate depiction of the program in that year.

¹⁸ It should be acknowledged that it is not necessarily the case that all these activities will necessarily have been delivered in Laos. Some may have been delivered in donor countries but allocated to their Lao country programs. These activities are likely to represent only a tiny proportion of total activities. It should also be acknowledged that part of the observed increase in aid activities could be due more comprehensive reporting. Yet even if this is accounted for, it would be unlikely in the extreme to alter the conclusion that there has been significantly increased proliferation of activities in Laos.

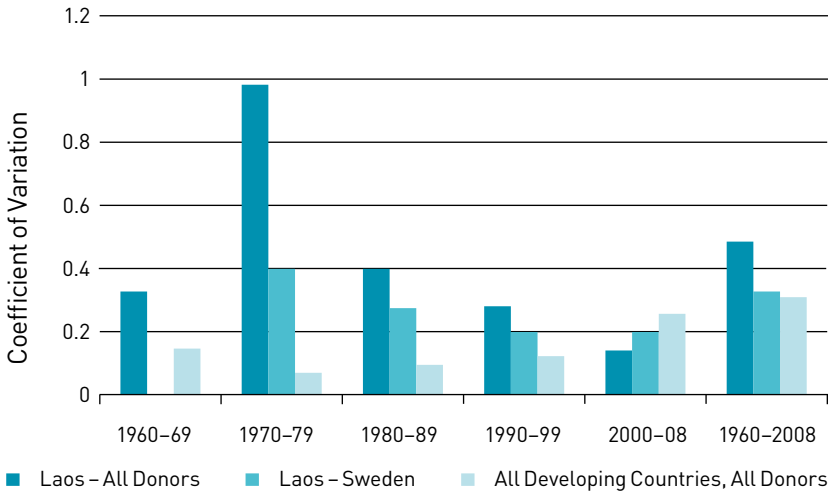


Figure 2.12 ODA Instability, 1960 to 2008

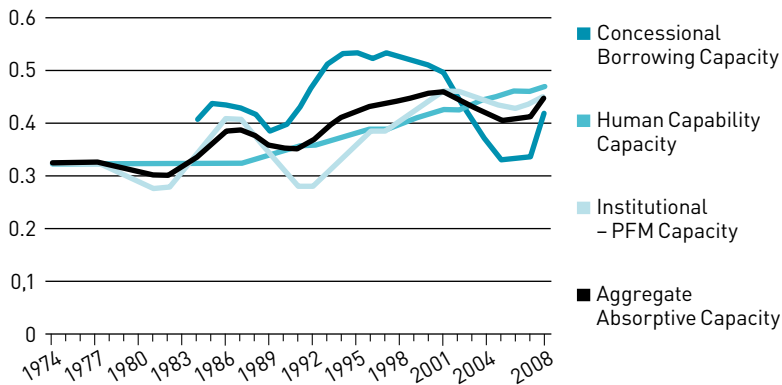


Figure 2.13 ODA Absorptive Capacity Drivers, Laos, 1974 to 2008

2.3.4 ODA Predictability

Important pre-requisites for maximising aid effectiveness are the predictability and stability of aid over time. Aid predictability is an indicator of the Paris Declaration principle of alignment, and an important element of AQEF component 3. There are many ways aid stability and predictability can be measured, but a widely used and easily interpreted measure is the coefficient of variation in aid dis-

bursed to the recipient country.¹⁹ There is no threshold level of stability that deems aid especially effective nor any agreed benchmark for donors to reach. Sweden's aid to Laos over the period 1960 to 2008 has been more stable statistically than aid from all donors to this country, although less stable than total aid to all developing countries. It is also evident that there is greater instability in total (all donor) aid to Laos than aid to all other developing countries during 1960 to 2008. While this is obviously in large part due to huge variations in aid to Laos during the 1970s, during the 1980s and 1990s total aid to this country is substantially more unstable than to the developing world as a whole. Aid levels change over time for many reasons and are often driven by changing development conditions within and among countries. Changes from one year to the next do not necessarily mean that they were unanticipated by the recipient. These points notwithstanding, the relatively large variation in the combined donor effort in Laos does suggest that its effectiveness might have been less than would otherwise have been the case.

2.4 The ODA Enabling Environment in Laos

The ability of aid to achieve sustained development results depends on many factors. Two especially important factors are the capacity of the partner government to efficiently absorb aid for development purposes and the quality a government's public sector fiscal management. As mentioned, these factors are components 1 and 2, respectively of the AQEF.

The capacity of the partner country to efficiently absorb aid is assessed against the amount of inflows it receives relative to the size of its economy as measured by GDP. International research has found that the incremental impact of aid on partner country growth follows

¹⁹ See, for example, Gemmell and McGillivray, 1998 and Bulíř and Hamann, 2001. The coefficient of variation is the standard deviation of aid divided by its mean, each for the time period in question. The measure of aid used was Gross ODA Disbursements at constant 2008 prices. Disbursements are used, as opposed to commitments, on the grounds that they represent the actual amount of aid received by the partner country, which is what matters most for aid effectiveness. Commitments tend to be more stable and predictable over time than disbursements given that they result from conscious programming decisions. The measure of predictability preferred by the OECD DAC in monitoring progress under the Paris Declaration is the proportion of aid disbursed within the fiscal year for which it was scheduled. This measure is not currently used mainly because it is not possible to get historical information on scheduled aid.

an inverted U-shaped relationship. That is, this impact initially rises with increases in aid relative to GDP, reaches a maximum and then commences to fall (Feeny and McGillivray, 2011). The fall is attributed to absorptive capacity constraints within the partner country. These arise for a number of reasons, including the ability of the partner country government to administer aid inflows and work effectively with donors, and the economic policy stance of these governments.

Feeny and McGillivray (2009) find that the incremental impact of aid on growth in countries with especially weak institutions, and policies that are not growth and development efficient (i.e. those with a World Bank Country Policy and Institution Performance (CPIA) score in the bottom quintile of country scores) falls when it reaches a maximum at 14 percent of GDP, and continues to decline at all higher levels of aid. Laos falls into this group for most years since 1977, when CPIA scores were first allocated. The Feeny and McGillivray finding applies to the typical country in the bottom CPIA quintile, on average among these countries. For this reason it is used as a rough rule of thumb for aid allocation decisions. If aid to a particular bottom CPIA country substantially exceeds this number, then donors need to look very carefully at the country to ensure it has the capacity to absorb such an inflow.

In the case of Laos, aid from all donors combined exceeded 14 percent of GDP 11 times between 1984 and 2008 and was as high as 21.5% in 1998.²⁰ This does raise questions regarding the capacity of the Lao economy to efficiently absorb ODA during this period, and therefore of the development effectiveness of these inflows. This is not to say that these inflows were ineffective. Nor does it say anything of the effectiveness of Swedish ODA to Laos. But combined with the large increase in the number of aid supported activities and the numbers of donors operating in Laos, it does suggest that the broader enabling environment was not as conducive to growth, and related multi-dimensional outcomes, than otherwise may have been the case.

The AQEF identifies four key drivers of absorptive capacity. The first is concessional borrowing capacity. If a country is close to what is considered the limit to what it can efficiently borrow, then its capacity to absorb aid is limited and *vice versa*. The second is human capacity, as proxied by the HDI. High human capacity indicates a high capacity to efficiently use aid and vice versa. The third driver

²⁰ GDP data are not available prior to 1984, so assessments for earlier years cannot be undertaken with (the former year being the first for which GDP data are available).

is private sector capacity, as proxied by World Bank IFC doing business indicators. This represents the ability of the private sector to take advantage of the many opportunities, direct and indirect, of aid. The fourth driver is the quality of public sector financial management (PFM), as proxied by World Bank's Public Expenditure and Financial Accountability and CPIA ratings.

AQEF component 2 – the quality of PFM – has already been partly addressed through the investigation of the drivers of absorptive capacity. A more thorough analysis of this issue involves assessments regarding the extent to which economic policies are effectively built into the government budget, the accuracy of recurrent budget expenditure and revenue forecasts, transparency of budgets, accuracy of reporting of foreign and domestic debt and the extent of on-budget reporting of donor assistance. Owing to very limited data it is not possible to undertake robust and comprehensive analysis of this issue. This analysis points to an overall upward trend in PFM quality from the early 1990s after sharp declines in the mid- to late-1980s.

2.5 Effectiveness of Aid to Laos: Some Stylized Facts

What does the preceding overview suggest about the donor effort in Laos since the mid-1970s, and in particular of Swedish development co-operation with this country? The following characteristics were observed:

- After finding itself in a desperately poor development situation in the mid-1970s, Laos has achieved strong multidimensional development and poverty outcomes since the 1990s, although still remains poor by developing country standards;
- Laos has received high levels of aid relative to population and GDP, and also relative to other foreign inflows;
- There have been reasonably steady year-on-year increases in aid receipts since the mid '80s;
- The sectoral focus of development co-operation in Laos has been consistent with its pressing development needs;
- The level of aid to Laos has been such that it would be reasonable to look for attribution between these inflows and national development outcomes in this country;
- The aid operating environment became increasingly crowded in Laos, owing to large increases in the number of donors in the country and the proliferation of aid supported activities; and

- The total volume of aid to Laos leads to questions regarding the ability of its economy to efficiently use these inflows for development purposes given international evidence on absorptive capacity constraints.

The first four of these characteristics are pleasing from a development perspective. While alone they clearly do not provide sufficient evidence that aid to Laos has been effective, they are consistent with development effectiveness principles. The last three characteristics are not consistent with effective aid, and suggest that one should be cautious in causally linking the improved multidimensional outcomes in Laos to the aid it has received.

What might this imply for Swedish development co-operation? Recall that Sweden has been a major donor to Laos. This was especially so during the 1980s when it was the largest bilateral donor, providing just under 30 percent of total aid receipts. While this does not ensure that Swedish aid has had national level impacts in Laos, it does provide grounds for investigating whether such impacts have occurred, especially if it can be shown that Sweden supported highly strategic, pivotal activities that were efficiently delivered. The discussion and analysis that follows in succeeding chapters focuses on this issue.

Against this backdrop it is useful to examine more closely the association between ODA to Laos and its multidimensional achievements in human development, health, education and income. A number of associations, in the form of scatter plots, were examined. These scatter plots map the association between ODA and the HDI, ODA and life expectancy, ODA and adult literacy, ODA and school enrolment, ODA and GDP per capita and ODA and growth in GDP per capita growth. These development achievement variables have been used quite extensively in the research literature on aid

effectiveness and per capita GDP growth in particular.²¹ The scatter plots show what can be considered to be stylised facts, in the sense that they show simplified observations of empirical associations. They do not necessarily imply causality between the variables in question, but they can point to a particular association that is at the core of the evaluation questions being considered and therefore they are deserving of further scrutiny.

ODA to Laos is strongly associated with higher human development, as is made clear by Figure 2.14. More precisely, the scatter plot tells us that 62.6 percent of the variation in Laos's HDI over the period 1980 to 2008 is predicted by its ODA per capita receipts over the same period. Similar predictions were obtained by comparing ODA per capita with life expectancy, literacy and schooling, but not for income per capita. That for income per capita is much lower, indicating a weak statistical association. The association with the HDI and the education and health indicators is obviously good news from a multidimensional development perspective. It is also associated with higher incomes, although these associations, unlike those for the above outcomes, are very weak statistically, not being significant in this sense based on standard statistical tests. As mentioned above, these associations should in no way be taken as evidence of casual relationships for a variety of methodological reasons. There is, in particular, no attempt to control for other determinants of the development achievement variables or to allow for endogeneity, in which aid both influences and is influenced by these variables. The

²¹ Scatter plots using other measures of aid, including aid relative to GDP, were also produced. Various time lags were also assigned to the aid variables on the grounds that the impact of aid on development achievements can take time to observe, especially in the case of health and education outcomes. Virtually the same picture emerges from these scatter plots. There are many different criteria that can be used to determine the type of regression line fitted that is fitted to the data. It can be a straight line, reflecting a linear relationship between the two variables in question. Alternatively it can be curved, reflecting a logarithmic, exponential or other non-linear functional relationship between these variables. A common criterion is to select the regression line that provides was chosen on the basis of that which provided the highest R^2 , which is the percentage of variation in the variable on the vertical axis that is predicated by the variable on the horizontal axis. For this report we restrict ourselves to lines of best fit that correspond to either a linear or logarithmic relationship. Not only are these functional forms easy to interpret and make intuitive sense, but are consistent with relationships found in more complex and empirically rigorous aid effectiveness research. It was also the case, coincidentally, that these functional forms usually provided higher R^2 s than other alternatives.

scatter plots do, however, point to stylised facts about simple associations between aid and development achievements in Laos that are consistent with effective development co-operation. This does not necessarily mean that Swedish aid was effective but reinforces the contention that knowledge of this broader context should inform the interpretation of the evaluation results that follow in this report. The information conveyed by these scatter plots is returned to in Chapter 7 of this report, when the evaluation questions are addressed.

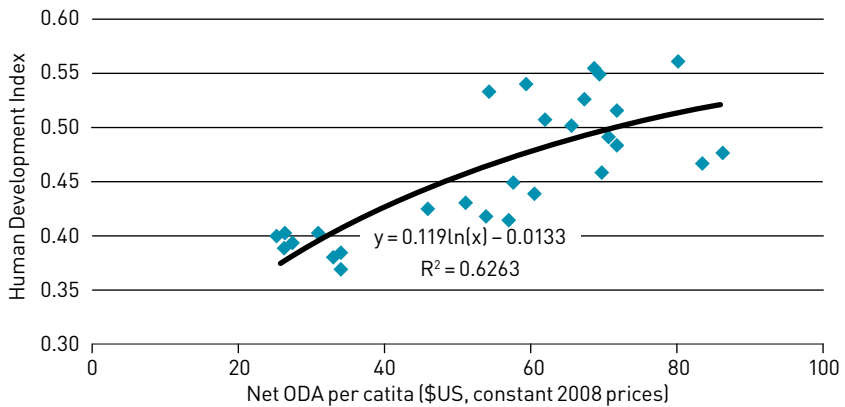


Figure 2.14 ODA and Human Development, Laos, 1980 to 2008

Part Two – Swedish Development Co-operation with Laos

3. ECONOMIC RECOVERY AND RECONSTRUCTION: 1974 TO 1985

3.1 Political and Economic Synopsis

Laos emerged from the conflict of the 1960s and 1970s confronting a series of political, social and economic challenges. Politically, the country had experienced considerable upheaval during the revolution of 1975, which ended in the overthrow of the Royalists and victory for the socialist Pathet Lao. The resultant Lao People's Democratic Republic (Lao PDR) was a single-party state modelled on the Soviet Union and characterised by a high degree of control over daily life. The previous constitution was abolished and a new version was not developed for nearly two decades. A pact was signed granting Vietnam the right to station a considerable numbers of troops and government advisers in Lao PDR. An armed insurgency by elements of the Hmong ethnic minority opposed to the new Government flared in central areas of the country and resulted in sporadic outbreaks of violence.

Physically Laos had sustained widespread damage in the conflicts that dogged the region over the 1960s and 1970s. Much of the eastern part of the country had been subjected to an intensive bombing campaign by the United States, which had been intent on targeting the Ho Chi Minh trail to cut North Vietnam supply lines during the conflict. The result was the destruction of transport and communication infrastructure and considerable loss of life, especially among the ethnic minorities who dwelt in upland areas.

Economically, the period between 1975 and 1984 was characterised by Government attempts to establish socialist relations of production in the mould of neighbouring Vietnam and the Soviet Union. Early experiments during the mid-late 1970s, notably the collectivisation of agriculture, proved extremely unpopular and fuelled widespread resentment. They also contributed to shortages of food, basic commodities, and the general economic hardship experienced by Laotians during this period.

A major shift occurred in 1979 when the Government announced the abandonment of previous attempts to turn Laos into a socialist economy through policies such as collectivisation. The Government initiated the first five-year medium-term development plan in 1981, which brought a measure of much needed coherence to the development agenda. The Government's efforts were hampered, however, by an acute shortage of trained personnel, resulting from the massive exodus of the educated classes between 1975 and 1978, and also from the loss of assistance from the US following 1975.

3.2 Summary of Swedish Aid during this Period

Sweden's initial involvement in Lao PDR must be understood against the background of the Second Indo-Chinese War and strong public sentiment in Sweden. Laos became a program country for SIDA in 1977, just as the nation was emerging from decades of war, including the 1975 revolution that established the Lao PDR.²² Globally Sweden's development co-operation during this time was driven by the 'solidarity principle' (Wohlgemuth and Danielson, 2003). Swedish aid had always been directed at poverty reduction (referred to as "raising living standards" during this time), but it was considered particularly important to demonstrate solidarity with various post-colonial struggles across the globe. This policy was applied to the new state of Lao PDR, along with the then Democratic Republic of Vietnam, the liberalisation movement in Southern Africa, and the developing world in general (Wohlgemuth and Danielson, 2003).

Between 1977 and 1985 Swedish ODA to Laos totalled \$190 million²³, almost 20 percent of all development assistance from OECD DAC member countries.²⁴ The first Swedish funded OECD DAC recorded development co-operation expenditure in Lao PDR are early economic analyses undertaken in 1974, precursors to the provision of broader program support. An agreement to provide co-operation up to \$35 million was signed by both governments for the period 1977–1978, which included import support financing

²² Note that this report uses the acronym SIDA when discussing the Swedish International Development Authority between its inception in 1965 and before its transformation to Sida in 1995 – the Swedish International Development Co-operation Agency

²³ United States dollars at constant 2008 prices.

²⁴ Calculated using figures from the OECD DAC database, US dollars at constant 2008 prices.

(up to \$30 million) and the provision of funds for consultancy services (up to \$5 million).

Development co-operation with Laos was programmed thereafter on an annual basis until 1980 when the first two-year government-to-government agreements were entered into. The 1979–1980 agreement provided up to \$45 million in areas such as import support, forestry equipment, and consultancy services. Development co-operation during this period was not guided by any longer-term strategy, a situation that persisted until 1995. Sweden was an important donor during this period, not least because of the symbolism associated with being the one of the few Western nations to support the fledgling socialist republic. The 1975 Revolution and subsequent withdrawal of the US were accompanied by an increase in assistance from the Soviet Union and Vietnam. Reliable estimates of the quantum of assistance that Laos received from these sources are difficult to find, but it is widely believed to be significant. Sweden was by far the largest DAC donor, with a small number of other DAC members providing small amounts of aid during this period.

A clear priority in the 1970s and 1980s was the physical reconstruction of transport and communication infrastructure in the wake of the damage sustained during previous conflicts. Responding to this Sweden's assistance in this early period was capital intensive in nature. A major portion of development co-operation was devoted to 'import support' – grants for purchasing goods. The supply of transport equipment and assistance for road construction accounted for approximately 130 MSEK of Sweden's development co-operation between 1977 and 1987.

A second pillar of Swedish assistance during this period was directed at a further challenge facing the new Government – the shortage of foreign exchange with which to finance imports of key goods and services. In the 1970s the country's forest resources were considered to be a potential source. Sweden allocated 130 MSEK between 1977 and 1987 to establish state forestry enterprises in two locations – Muong Mai and Tha Bok. A major objective of this assistance was the creation of forestry industries that, in the long run, could result in a secure source of foreign exchange.

The evolution of Swedish assistance to the transport sector since this early period has been described as a "familiar pattern" from capital intensive development to an increasing focus on institutional development (SHER Consultants, 2010). The remainder of this

chapter explores this early assistance between 1977 and the mid-1980s, discussing the emergence of this pattern. The further evolution of Swedish support in this area beyond the mid-1980s is discussed in a subsequent case study in Chapter 4.

3.3 Case Study 1 – ‘From Volvos to Organisations’: Swedish Assistance to the Transport and Communication Sector between 1977 and 1986

In the early stages of co-operation, Sweden’s assistance responded primarily to the need to rebuild transport and communication infrastructure after the prolonged and damaging conflict. This was clearly reflected in the priorities of the Government of Laos, which had allocated over 30 percent of revenue and 27 percent of external assistance towards the transport sector in the first five-year plan (1981–1985). The maintenance of this equipment and the associated organisational and institutional issues were largely secondary considerations. This may have also reflected prevailing thinking in the 1960s and ‘70s, which tended to view development as largely a technical endeavour involving the transfer of capital and skills to fill gaps (Wohlgemuth and Danielson, 2003).

During the late 1970s and early 1980s, Swedish assistance to the transport and communication sector was focused on two areas – the provision of ‘Bailey Bridges’ through import support and the supply of heavy vehicles to assist various line Ministries to meet their transport needs. The latter created an imperative to provide servicing and mechanical parts for the vehicles supplied. This led to SIDA funding the establishment in 1981 of a workshop at KM 14 – an area to the north of Vientiane – managed by Swedish vehicle manufacturer Volvo. The ‘KM 14 Workshop’ as it became known, was staffed by a mix of Swedes in managerial roles and Laotians in administrative and technical positions. The provision of prefabricated Bailey Bridges was a comparatively simpler enterprise, involving the import and transport of components to the required location. The overall objectives of these various components of support are mostly unstated in documentation, although a major evaluation in 1989 refers to reducing transport costs as an aim of Swedish support.

There were few other donors in the transport sector in the late 1970s and early 1980s. Russia had been the largest donor since the 1975 revolution, having established several workshops across the country. The Government of Australia through the Snowy Moun-

tains Engineering Corporation (SMEC) had also established one workshop. However, by 1981 the large network of workshops previously established by the US Government was a “graveyard beyond economic repair” (SIDA, 1982).

The organisation of the transport sector was chaotic during these early years. Each ministry pursued the establishment of their own fleet of transportation vehicles while the possibility of centralised maintenance arrangements was ignored. The result was a proliferation of vehicle makes, each used by a different government ministry and serviced by a different workshop, usually supported by a different foreign country. Not surprisingly coordination was haphazard. The diversity of makes and technical requirements had the further effect of exacerbating shortages of skilled technical staff. A review of Swedish assistance in 1982 noted that the KM 14 Workshop could only perform repair and maintenance tasks on Volvo vehicles, thereby further contributing to the segmentation of the sector (SIDA, 1982).

Dissatisfaction with this state of affairs and the results of Sweden’s initial support was increasingly evident by the early 1980s. A review of Swedish assistance to the transport sector in 1984 was unequivocal:

“The key problem behind the present situation within the communications sector seems to be the staffing situation. There is a shortage of qualified and experienced staff on all levels, mechanics, drivers, operators as well as foremen, supervisors, and engineers.” (Granberg, 1984)

The 1984 review argued that these issues explained the limited success of previous Swedish assistance. It further recommended that the highest priority be accorded to training rather than procurement of equipment. This insight became the catalyst for a prolonged process of refocusing Sweden’s assistance on staffing and organisational issues.

The problems were understood as a shortage of staff and an absence of skills, the solution for which was to train greater numbers of individual staff. The assumption underlying this strategy was that training provided to individuals in technical, administrative, and managerial issues would be applied once learnt and spill over into, or be demanded by, the rest of the organization once its benefits had been demonstrated. This “natural extension” would in turn render the ministry in question more efficient and successful in fulfilling its mandate (Rafiqui, 2003).

The 1984 review was also significant for precipitating the first large scale Swedish support to road construction. Earlier that year the GoL had submitted a request for Swedish assistance to the con-

struction of national Road 13 South – the major trunk route south from Vientiane. The review endorsed Swedish assistance and recommended a study be commissioned to advise on the technical aspects of the construction. The review also recommended further equipment and training for units of the GoL involved in road maintenance.

By 1986, a package of Swedish support to the construction of National Road 13 between Vientiane and the town of Pak Kading had begun to take shape. There was a discernible shift in SIDA's approach by this stage. Prior to the full project starting, an interim package of support commenced in 1986 to allow the Ministry of Transport and Post (MTP) to proceed with limited construction activities. The interim support was directed towards three objectives that all specify capacity building and training as key elements. The links between road construction, equipment maintenance, and organisational issues were again highlighted in 1987 discussions, when the progress of the interim support was reviewed. These discussions noted that

“...the objective [of the interim support] has not been entirely fulfilled mainly due to the organisational problems within the road enterprise and breakdowns of the equipment due to lack of daily maintenance.” (SIDA, 1987)

By 1989, organisational issues and their bearing on other technical elements of assistance in the transport sector were embedded in the discourse of Lao-Swedish co-operation in the road sector. The 1989 review of road sector assistance noted that

“The technical assistance has been less than effective in assisting MCTPCA [Ministry of Construction, Transport, Post, Communication and Aviation] in creating an effective organisation for road management and administration, which is major objective of Swedish support.” (Eliasson et al, 1989)

Recognition that an effective organisation was needed, not just trained individuals was significant because it implied a much deeper engagement with the Government of Laos over the long-term. It would no longer suffice to construct a road and train individual staff directly associated with maintaining that road. Other more complex questions would need to be answered jointly. For example, how would the roles and responsibilities of the restructured MCTPCA change as a contracting organisation, rather than one that carried out construction and maintenance activities itself?

The challenges experienced by the KM 14 workshop during the late 1980s further highlighted the importance of considering wider institutional questions. The workshop had been the recipient of sig-

nificant Swedish assistance since 1980. However, changes in the political and economic context in Laos – notably the adoption of the New Economic Mechanism in 1986 – created a difficult operating environment for the organisation. Faced with reduced subsidies from the Government and increasing competition from the private sector, the organisation struggled to respond decisively, despite much prompting from Sida. Swedish assistance was eventually phased out in 1990, but a retrospective assessment in 1994 found that a number of constraints could have been avoided had Sida employed a cultural and political analysis of institutions (Hedlund, 1994).

There is some evidence that Sida heeded these lessons, commissioning a major analysis of institutional change in the road sector between 1975 and 1994 (Sida, 1995). Furthermore, institutional development and capacity building received special mention in the very first country program strategy for Laos adopted by Sida in 1995. The first comprehensive program of assistance to the road sector, the Lao-Sweden road sector co-operation program, was specifically designed with twin objectives of road construction and institutional development.

By the mid-1980s, the intended effects and impacts of Swedish support to the transport and communication sector were yet to emerge. The KM 14 workshop continued to experience difficulties and initial support to National Road 13 South had been plagued by maintenance problems associated with organisational capacity. The provision of Bailey Bridges however was seen to be more successful. The 1984 review hints at this, suggesting that “[t]he general opinion is that the Bailey Bridge program, which contained some 100 bridges, is efficient and successful”. A comprehensive evaluation in 1990 echoed this view, pointing to the important role of Bailey Bridges in providing access to the seaport of Da Nang in Vietnam and in maintaining the connectedness of the wider road network (SIDA, 1990).

3.4 Significance for this Evaluation

This case study illustrates how, during the 8-year period between 1977 and 1984, Sweden responded to key challenges facing the newly emerging nation of Lao PDR. A significant proportion of Sweden’s support was directed at the transport and communication problems that were clear and expressed priorities of the GoL. In this respect, this case study is an example of relevant and timely targeting of development co-operation – an important precondition for effective aid.

It is difficult to avoid the conclusion that, overall, aid to Lao PDR during this period was not as effective as it could have been. Reviews in 1982 and 1984 point to the difficulties of supporting the emergence of a cohesive well organised transport sector in an environment characterised by poor donor coordination and severe shortages of skilled and trained personnel. The case study illustrates that absorptive capacity was clearly low during this period, with the consequence that the GoL was not well positioned to use aid efficiently and effectively.

Swedish aid was tied during this period, a point highlighted by the Volvo workshop at KM 14. While this reflected widespread donor practice during this period, this also hampered the effectiveness of development co-operation. In the case of transport workshops this practice had the consequence of encouraging the proliferation of vehicle makes, since ministries that received support were required to purchase vehicles from the donor. At the same time, this actively discouraged a more coordinated approach to maintenance by the GoL since each vehicle make required the importation of parts from a respective donor. Weak coordination among donors further exacerbated the segmentation of the transport and communication sector during this period.

4. BUILDING INSTITUTIONS AND SHARPENING THE POVERTY FOCUS: 1986–1996

4.1 Political and Economic Synopsis

The year 1986 was significant in the economic and political development of Lao PDR. The leadership of the GoL introduced the ‘New Economic Mechanism’ (NEM), effectively signalling the abandonment of state control and ownership over the economy that had been in place since 1975. The state bureaucracy was reduced in size, state subsidies were abolished, property rights were returned to farmers and a range of economic reforms were instituted to establish the foundations of a market economy. The short term effects of these changes were painful for many Laotians. In particular, the abolition of state subsidies and price regulation contributed to increased unemployment and rising prices.

The weakening and subsequent collapse of the Soviet Union in the late 1980s and early 1990s had important implications for the position of Laos internationally (Nordic Consulting Group, 2010). Symbolically, the end of the USSR was further confirmation that the move toward a market economy instituted by the leadership of the GoL was the correct course of action. Practically however, it meant a sharp reduction in the amount of external support that Laos could expect from its former mentor. By one estimate, the collapse of the Soviet Union led to reduction in the income received by Lao PDR by two thirds and a consequent reduction in Government spending from 32 percent of GDP in 1988 to 18 per cent in 1992/930 (NSC et al, 2003, p. 3). Facing a severe shortage of resources, the GoL turned to France and Japan for emergency assistance. Further support was also sought from international financing institutions – chiefly the World Bank, Asian Development Bank (ADB), and the International Monetary Fund (IMF). Much of the assistance provided through these channels was conditional upon the structural adjustment of the Laos economy, providing further impetus to the direction of the reforms initiated by the NEM. In 1989, Laos also normalised relations with the People’s Republic of China. The cumulative result of these shifts was a surge in the number of donors providing assistance to Laos.

Building on these developments, the 1990s saw Laos drawn increasingly into the global and regional economy. As noted in Chapter 2, the country began to benefit from booming economic growth in the Southeast Asian region, especially in neighbouring Thailand. Economic growth began to contribute to progress in multidimensional poverty, including improvements in child health, education and incomes.

The early 1990s witnessed increasing attention to administrative change within the GoL, spurred on by the economic reform process. A new constitution was promulgated in 1991, the first time since 1975, changing the focus of government rule from issuance of decrees to laws and regulations (Nordic Consulting Group, 2010). The decentralisation of fiscal and planning authority from the central to sub national levels of government emerged as a major influence. The GoL had first attempted decentralisation to the provinces in 1986, ‘recentralising’ in 1991 when capacity and legislative constraints had proved insurmountable (Chagnon et al, 2003). Decentralisation did not end at that stage however, re-emerging as a major priority during the late 1990s.

4.2 A Summary of Swedish Aid during this Period

Total aid to Laos during the 10 year period between 1986 and 1996 amounted to approximately \$2.47 billion. Of this Sweden provided \$236 million – or some 9 percent of all development assistance recorded in OECD DAC statistics. Relatively speaking, the size of Sweden’s financial contribution was much less in comparison with the earlier period in the development co-operation relationship. In absolute terms however, development co-operation between Sweden and Laos continued to increase, averaging \$21 million per year over this period (US\$ at constant 2008 prices).²⁵

Until 1995, development co-operation continued to be programmed on the basis of consultations every 2 years with little formalised strategic coherence. Nineteen ninety five marked a significant evolution however when the first country strategy for development co-operation with Laos was developed. The strategy confirmed the central place of poverty reduction in Sweden’s aid while

²⁵ These amounts are recorded by the DAC and therefore exclude aid from former eastern bloc countries as well as private sector flows.

also placing a strong emphasis on institutional development and education as a primary means of achieving this objective.

Efforts to better articulate the strategic direction of Swedish development co-operation were already evident by the late 1980s. A mid-term review of the 1986–88 development co-operation agreement in 1987 is notable as one of the first recorded occasions when Swedish officials comprehensively explained the long-term philosophy underpinning Swedish aid to GoL counterparts (see Sida, 1987a). These key pillars were described as being: the promotion of economic growth, economic and social equality, democracy and politico-economic independence, and human rights. The review pointed out that the Swedish Parliament was attaching greater importance to questions of human rights and democracy, and that violations of human rights were taken into account when determining the volume and content of future assistance. This stance was congruent with other statements from Sweden in international forums such as United Nations Roundtable discussions on Laos, and was likely to have been influenced both by international charters to which Sweden is a signatory and the Swedish Parliament's enactment of human rights legislation. The 1987 mid-term review also introduced a fifth primary objective – protection of the environment – arising from World Conference on Environment and Development (WCED) discussions which took place earlier in the same year.

In response to these new directions, the bilateral agreement between 1988 and 1990 widened the scope of development co-operation to encompass several new sectors. Support for the development of the Xeset hydropower station represented a particularly large commitment in a new area, pursued in parallel with financing from the ADB. Other new sectors included health, water supply and sanitation, statistics, and the 'rule of law'. The latter stemmed from the opportunities presented by the promulgation of the new constitution and Sida's emergent focus on human rights. This initial involvement in the legal sector was also significant since Sweden was the first donor to be invited by GoL to assist in this area. There were other signs that the relationship between Sweden and Laos had begun to mature and deepen, resulting in the emergence of new modes of exchange and dialogue. During 1988 consultations between SIDA and GoL, the head of the Swedish delegation, Carl Tham (the then Director General of SIDA), invited Lao officials to visit Sweden to "study the economic, social and

political life of the country” (SIDA, 1988). The consultations also made reference to a recent visit by Swedish Undersecretary of State Säve Söderbergh who had discussed widening co-operation with Laos in the following areas: commercial co-operation, cultural co-operation and exchange of groups and individuals.

As previously discussed, developments on the international stage during the late 1980s and early 1990s had encouraged Laos to seek assistance from a broad range of donors. The increase in international co-operation partners had important implications for the way in which Sweden worked. The Roundtable Conferences – regular events facilitated by the UNDP – on Laos gained new importance as a forum for communication and coordination among donors. As highlighted in Chapter 2 of this report, OECD DAC data illustrate a jump in the number of development activities from 40 in 1989 to 89 in 1991. Sweden was responsible for a large proportion of this increase, the portfolio having grown from 40 to 63 activities over these two years. The 3rd Roundtable Conference held in Geneva in 1989 brought donor concerns about coordination and low levels of utilisation of external assistance to the fore for the first time. These concerns became a theme in subsequent discussions in 1991 and 1994. Sweden became a strong advocate of a more active GoL role, speaking out strongly in collective forums such as the Roundtable Conferences while also voicing concern directly to the Ministries concerned.²⁶

These broad developments in Swedish development co-operation with Laos are explored in more depth through two case studies. The first continues to trace the evolution of Sweden’s long running support to the transport sector, focusing on key shifts during the 1990s while the second focuses on one of the projects under the Lao-Swedish Forestry Co-operation Program. In sectoral terms, transport and forestry represent two significant and long running pillars of Swedish aid to Laos and both cases expose a range of key issues that influenced development co-operation during this period.

²⁶ For example, two letters were sent by SIDA’s Development Cooperation Office to the Ministry of Agriculture, Forestry and Fisheries in 1991 and 1992 urging greater attention to donor coordination.

4.3 Case Study 2 – ‘From the National to the Local’: Swedish Assistance to the Transport Sector during the 1990s and Beyond

4.3.1 Key Shifts in Lao-Swedish Co-operation in the Transport Sector

Sida’s approach to the transport sector in Laos evolved significantly during the 1990s, moving away from a focus on central level ministries and the national road network towards provincial and community roads. Broadly speaking, the trajectory of Sweden’s assistance to the road sector continued in this direction until the phase out of Swedish development co-operation with Laos commenced in 2007. Alongside this, Sida continued to grapple with the complexities of institutional development, discussed in case study 1 in the previous chapter.

The completion of National Road 13 South in 1996 was an opportunity for Sida and the GoL to refocus Swedish assistance. A coalescence of four factors had a decisive influence in the shape of the forward program.

Firstly, there was growing consensus among international partners in the early to mid-1990s that the rural road network, not just major trunk routes, needed attention. Most donors had stated an interest in supporting the country’s intention to develop the rural road network at the Donor Coordination Meeting in Vientiane in February 1996 (ILO, 1996). A detailed Public Expenditure Review by the World Bank in 1994 reflected on existing patterns of assistance suggesting that “the emphasis should shift from the construction of national roads towards rural roads so as to allow subsistence farmers to market their surplus products (World Bank 1994, cited in ILO, 1996). ADB, also a major multilateral donor in the roads sector, had also indicated that their previous focus on trunk routes would be reduced between 1996 and 1999. This shift in donor attitudes is likely to have influenced Sida thinking.

Secondly, by the mid-1990s a greater number of donors had become involved in the road sector. Sweden had been a “pace setter” during the 1980s, but the ADB, World Bank, and Japan had begun to commit substantial loan and grant funds to road rehabilitation and construction towards the late 1980s. Donor coordination and harmonisation was to play an increasingly influential role on Sweden’s strategy in the road sector from the mid-1990s to the phase out period between 2007 and 2010. One effect of the increase in donor activity was that it allowed for Sida to become more focused in its

approach to the sector. At the same time, donor coordination became a pressing concern.

A third factor related to the introduction of Sida country strategies in 1995 and the renewal of poverty reduction as a core focus across all development co-operation. Swedish development co-operation (including in the road sector) had until this point been established on a project-by-project basis resulting in a variety of goals and objectives across the portfolio. The overarching objective enshrined in the 1995 country strategy was “to contribute to alleviation of poverty in the villages”. For the first time, all Sida-financed projects would be explicitly oriented towards this single objective, an approach which implied attention to rural roads.

Fourthly, changes in GoL policy played a significant role in focusing Sweden’s attention towards roads at the provincial and district levels. Decentralisation of government functions in Laos has been a prolonged and uneven process since the mid-1980s. Decree 163, issued in October 1994, signalled the GoL’s intent in this regard. The Decree implied the transfer of executive power from the centre to the provinces, with considerable impacts for the organisation of the road sector. The respective Provincial Governor and Director of the Provincial Department of Communication, Transport, Post, and Construction (DCTPC) would now have responsibility for the prioritization of funds for road works, within the framework established by the Ministry of Communication, Transport, Post, and Construction (MCTPC) (Sida, 1996). Sida was officially informed of these particular changes in policy and their implications for the road sector during annual discussions in 1996. These changes further emphasized the importance of working at the sub national level.

It was in the context of these factors that a new road sector co-operation program emerged in 1997. The objective of the first phase of the new Lao-Swedish Road Sector Program (LSRP I), was “to ease poverty through increasing access and decreasing transport costs” (Sida, 1997) – a direct reflection of the new country strategy. This differed slightly from that of the earlier Lao-Sweden road co-operation program which had focused on construction of national road 13 as a means to facilitate economic growth. LSRP I also marked the first time Sida had focused on roads at a sub national level, working in Oudomxay and Luang Prabang provinces in the north and Khammouane in central Laos. Improving access for rural

populations and the strengthening of provincial road administration were major themes. In line with this focus, the new program provided for funding to UNDP for an Integrated Rural Access Planning (IRAP) component to introduce a “systematic bottom-up process to planning” to provincial administration (Sida, 1997). LSRP I therefore marked a decisive shift in Swedish assistance towards a sharper focus on poverty reduction through rural roads.

Poor maintenance practices, and their deeper institutional causes, remained a problem. An evaluation of LSRP I in 2000 was positive about the physical progress achieved but also found that routine maintenance had been neglected, placing the entire investment in jeopardy (cited in SHER Consultants, 2010). Recognition of the need for maintenance was found to be low among provincial administration, and inaction was compounded by the difficulty of financing maintenance from provincial budgets. A review of the work of LSRP I on community roads during the same year found that institutions established for road maintenance at the village level were not functioning (Bokeberg et al, 2000). These lessons highlighted that Sida’s approach to institutional development required more work.

Successive phases of LSRP between 2001 and 2010 took up these challenges, continuing to refine the approach to institutional development. A major achievement at the provincial level was the development of the Provincial Roads Maintenance Management System (PRoMMS). PRoMMS has been hugely influential for provincial and district road management, a point strongly emphasized in interviews with officials in Champassak, Luang Prabang, and Oudomxay as part of the present study. PRoMMS has now been adopted nationally, including by other donors in the sector. Building on the IRAP of LSRP I and II, LSRP III introduced a Basic Access Component (BAC) which included Participatory Rural Transport Planning (PRTP) – a methodology for involving communities closely in the construction and ongoing maintenance of roads.

4.3.2 The Impacts of Sweden’s Assistance to the Transport Sector

Interviews conducted as part of the present study suggest that the institutions established through this assistance at various levels remain viable. Village level interviewees involved in local maintenance committees reported that these were generally continuing to function. As levels of income have increased some villages (e.g. Pak Ou in Luang Prabang) have been able to employ contractors for maintenance in

place of their own labour. However, some officials in Oudomxay and Luang Prabang expressed the view that more training on maintenance could have been provided to villagers and that knowledge was still concentrated in relatively few people. Systems introduced by Sida in the district and provincial roads administration attracted favourable comment from key informants interviewed in Luang Prabang, Oudomxay, and Champassak. P_RoMMS has been institutionalised although problems persist, including shortages of trained staff and difficulties in undertaking regular data collection to keep the system updated. However, the problem most frequently raised relates to the budgetary resources to address the road maintenance that P_RoMMS identifies. Accordingly, in recent years Sida and other donors have directed considerable effort towards a Road Maintenance Fund (RMF) to help address these ongoing budgetary issues. Successful systems such as P_RoMMS will remain a partial, albeit critical, solution to sound road maintenance until the RMF is able to transfer sufficient funds to provincial road maintenance agencies.

There is no doubt that the shift towards local roads and greater focus on poverty reduction has resulted in real positive changes in the lives of people across the target provinces. Improved access to nearby centres and associated positive impacts on livelihoods was a major theme derived from interviews conducted for the present study. For example, one interviewee in Pak Ou village, Luang Prabang province, described how the costs of transporting her goods to the nearby market had been significantly reduced after the road had been built linking her village to a nearby district town as part of LSRPI. Another village-based informant in Nong Sano village, Champassak province explained how a community road built with Sida assistance enabled him to sell rice at the market in a nearby town. This in turn had enabled him to purchase a tractor and a motorbike, which he had used to sell a greater quantity of rice, leading to a material improvement in his family's living situation. A large proportion of interviewees in Luang Prabang, Oudomxay, and Champassak provinces remarked favourably upon access to health services, describing dramatically reduced travel times. Importantly, these improvements were thought to have a strong positive impact on women and children.

The interviews also highlighted other issues that hint at the complexity of the relationship between road access and poverty reduction. For instance, one woman from Pak Ou village, Luang Prabang, a diabetic, described the difficulty of getting to the hospital for her

medication during the wet season when the unsealed road (constructed during LSRP II) was less passable. Another informant from Nam Lien village in Houn District, Oudomxay, lamented the difficulties (and high cost) of inducing rice traders to come to the village because of the poor condition of the road. LSRP III had improved a nearby local road but access to this from the village involved negotiating a heavily degraded track that was not passable during the wet season.

Many of these personal accounts of change explored through the qualitative component of this study reflect the considerable body of statistical evidence on impact collected during phase III of LSRP. A study by Warr in 2005 found that 13 percent of the decrease in rural poverty between 1997/98 and 2002/03 could be attributed to improved road access alone. In the three financial years 2005/6 to 2008/9 a total of 1,067 km of basic access roads was constructed to provide 386 villages with access to the main road network. This represents an 18 percent reduction in the 2,225 villages identified as lacking access in the National Growth and Poverty Eradication Strategy (SHER Consultants, 2010). An analysis of baseline (2006) and impact (2010) studies was conducted in one of district in each of the eight provinces associated with LSRP II and III. This analysis highlighted, inter alia, a doubling of average household income, although this masked some variation between provinces (SHER Consultants, 2010). On balance, the evidence available suggests that the poverty impacts of Sida's assistance to the roads sector have been significantly positive.

4.4 Case Study 3 – The Forestry Inventory Project: a Missed Opportunity?

4.4.1 Changes in the Policy Context

The agriculture and forestry sector has consistently been a major part of the Government of Laos' national development agenda. Forests play an important role in the Lao PDR economy and the livelihood of Lao people. During the 1990s, the contribution of forests to GDP was estimated at 15 percent, accounting for approximately 40 percent of export earnings (Cameron et al, 1995).

In the late 1970s and 1980s the forestry sector was approached primarily as potential source of foreign exchange, a major priority for the GoL to finance the reconstruction and economic development process. However, by the late 1980s and early 1990s, a number of important developments took place that had implications for for-

est management practices. Internationally, there was a growing emphasis on sustainable management of forestry resources. The Tropical Forestry Action Plan (TFAP) embodied this emerging perspective. The TFAP was launched by four international organizations – the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Program (UNDP), the World Bank, and the World Resources Institute in 1985 in response to growing global concern with the rate of deforestation.

The changing tenor of international discussions on forests exerted an influence on GoL policy at the time. A major turning point was the First National Forestry Conference in 1989 which highlighted deforestation as a serious issue and created the foundation for a new approach to national forestry policy. The new forest policy called for preservation and conservation of biological diversity by improving management systems as well as the use of forests for the country's economic development. A Tropical Forestry Action Plan for Laos was developed in 1990 and adopted one year later as part of an effort to implement the new policy direction (Manivong and Sopathilath, 2007). In short, the imperatives driving the formulation of forest policy in Laos evolved considerably over the period of the late 1980s and early 1990s.

4.4.2 What was Intended? The Objectives of the Forestry Inventory Project

Sweden had been a major contributor to the development of a nascent forestry industry since 1977, and had supported the establishment of two State Forestry Enterprises (SFEs) at Tha Bok and Muong Mai from 1980. Swedish involvement in the area of forestry inventory commenced as early as 1980 in connection with the establishment of the SFEs. Much of this early assistance focused on the provision of equipment to enable the new enterprises to manage commercial logging operations and generate foreign exchange. This initial support was continued under the first and second phases of the Lao-Swedish Forestry Co-operation Program (LSFCP I and II).

The Forest Inventory Project was positioned as one of six 'sub-programs' under the aegis of the third phase of the Lao-Swedish Forestry Co-operation Programme (LSFCP III) implemented between 1991 and 1995²⁷. As such, the overall objectives to which it was expected to

²⁷ The Forestry Inventory project had another component, which was to periodically update forest cover statistics. The comments that follow do not apply to this component.

contribute were those of the broader program. These can be broadly summarised as: promoting the long-term sustainable use of forest land and resources in balance with rural economic development; instituting participatory approaches; and developing the capacity of the Ministry of Agriculture and Forestry (MAF) to play the strategic policy-making role required of it. The emphasis on sustainable development and participatory approaches reflects the imperatives prevalent at the time. The new policy directions that emerged from the TFAP and National Forestry Conference, as well as the changing role of the Department of Forestry post-NEM, were all highly current and extremely relevant to the GoL and Sweden, a long standing donor in the sector, was a natural choice as development partner. Minutes from the 1991 semi-annual discussions between SIDA and MAF disclose that the GoL explicitly requested that Sweden take account of the emerging policy priorities in the design of LSFCEP III.

The Forestry Inventory Project was to play a key role in this forward agenda. The objective to which the project addressed itself was to build the capacity of the National Office of Forest Inventory and Planning (NOFIP) within MAF so as “...to provide the Lao Government with the information required to improve and formulate regional policies and strategies”.²⁸ Over the short-term, the project was to define the role of NOFIP with respect to range of operational functions including operational inventories, training, forestry research, and land use mapping. Other short-term objectives focused on execution of a range of technical functions, including mapping surveys and land use planning models. These objectives were clearly appropriate and relevant at the time, given the role of NOFIP in broader forestry policy development and the lack of capacity that continued to hinder its operation.

4.4.3 What was Done? Implementation

Implementation commenced in 1991 when SIDA engaged Swedforest as consultants to manage the third phase of LSFCEP. The budget for the overall program was 120 MSEK, with the Forestry Inventory Project accounting for 13.1 MSEK, or just under 11 percent of the total.

Delivery of the project was focused in eight areas associated with various technical functions of the NOFIP. In addition to defining the organisation’s role in a comprehensive document, the consulting

²⁸ As outlined in the 1994 evaluation of the Forest Inventory Project, see Nilsson 1994.

team worked with NOFIP to complete the National Reconnaissance Survey (NRS), the results of which were contained in a National Inventory Report published in 1992. A major area of activity during implementation was the development of a national inventory process and associated capacities, including a field team for data collection and units for the requisite data processing and production. The evaluation of the project in 1994 describes considerable progress in all these areas, with the important exception of the production and communication of the results. Personnel that had been initially assigned to this task were engaged in other areas making progress in this area difficult. The development of a system for communicating results was originally intended but had not occurred by the completion of the project in 1995. Despite these difficulties, implementation of the project proceeded largely according to schedule.

4.4.4 What did the Project Achieve? Results

The 1994 evaluation found that the Forestry Inventory Project had been well implemented and had been instrumental in developing improved technical functionality within NOFIP. Seen from a long-term perspective, the project put in place systems and processes that underpinned GoL policy and donor strategy in the area.

The completion of the NRS in 1995 was an especially important result in this regard. As the evaluation noted, “*the NRS constituted the first well organised study of the forest resources of Laos and has therefore already served the purpose of giving a broad picture of the forestry situation*” (Nilsson, 1994). The NRS highlighted for the first time, the loss of forest that had occurred in Laos between 1982 and 1989. This information was critical in the ongoing development of new forest and land use policies that were emerging during the 1990s. The development of a process for compiling the National Forest Inventory (NFI), a major intended result of the project, was also completed to a high standard. Ongoing updates and revision notwithstanding, the NFI process formed the basis for ongoing monitoring of the changes in the state of the nation’s forests for subsequent years. The importance of the forestry inventory function within current discussions between GoL and potential donors on REDD confirms the ongoing relevance of Sida’s work in this area.²⁹

²⁹ For instance, the centrality of the Forest Inventory and Planning Division (formerly NOFIP) in the set-up of a national REDD system is described in an annual review of REDD conducted in 2010 by the Ministry of Agriculture (MAF, 2010).

Nevertheless, from a strategic perspective, the areas in which the project struggled were arguably the most significant. The problems experienced developing capacity for data processing, analysis, and communicating the results, undermined the impact of the project on policy. For example, the NRS had been completed to a high standard, had highlighted issues of apparent policy relevance, but had not been utilised to any great extent. As the 1994 evaluation comments,

*“in the development objectives of the Forest Inventory Project it has been envisaged that NOFIP **should provide the Lao Government with the information to improve and formulate (national policies,) regional policies, plans and strategies.** It is obvious that this formulation does not correspond to the fact that NOFIP is mainly an operational unit with no direct links to the policy development and planning level which is in the Prime Minister’s office.”* (emphasis from original)

As a result, the Forest Inventory Project was largely ineffective in achieving its most important long term objective of contributing to policy development.

4.5 Significance for this Evaluation

The two case studies explored in this chapter highlight how, during the 10 year period between 1986 and 1996, Swedish development co-operation with Laos evolved, broadening in scope and increasing in financial size. Changes in the context, especially the entry of more bilateral and multilateral donors to Laos, significantly altered the environment in which Sida operated and there is significant evidence that the agency was acutely aware of this reality and sought to improve coordination. Sweden had also, however, contributed to the proliferation of development activities during this period.

Case study 2, when considered with the case study in the previous chapter, merits a number of observations about Sweden’s assistance to the transport sector. These observations have implications for our assessment of the effectiveness of Swedish aid to Laos, which are taken up further in Chapters 6 and 7.

Firstly, Sweden’s assistance to the transport sector, especially the increasing focus on rural roads, has been important to addressing poverty. As noted in Chapter 2, high levels of rural poverty have been (and remain) a significant development challenge for Laos. Secondly, the evolution of Swedish assistance to transport – from national to rural roads and towards an increasing focus on institutional capacity – highlight strong alignment with GoL policies (especially decentrali-

sation, as it occurred at that time) and a prolonged attempt to address absorptive capacity constraints. However, the latter challenge remains an unfinished agenda. As a result, the sustainability of these gains remains far from assured. Overall however, these observations suggest that Swedish assistance to the transport sector was effective in contributing to the multidimensional poverty gains noted in Chapter 2.

The Forestry Inventory Project highlights Swedish alignment with GoL priorities, an important precondition of effective aid. However, the project failed to achieve its intended policy impact, in large part due to its approach to developing institutional capacity. The survey work completed through the project was an important foundation for later work in the forestry sector. Assessed on its own however, it is difficult to view the Forest Inventory Project as an example of effective development co-operation.

As these two case studies illustrate, Sweden attempted to address absorptive capacity, but met with significant challenges during this period. The approaches employed were reflective of the state of thinking on institutional development during the 1990s. A retrospective study in institutional development in LSFCEP III (and its successor, LSCFP IV) noted that it tended to focus on organisational development and competence building rather than addressing formal and informal behaviour constraints – ‘institutions’ in a wider sense (Rafiqui, 2003). An approach that was more cognisant of these factors may have, for example, identified the range of incentives that drive policy influence in the Lao context. This perspective was missing during that particular period, with the result that Sweden’s assistance may not have been as effective as it might have been.

5. SUPPORTING REFORMS, HUMAN RIGHTS, AND DEVELOPING CAPACITY: 1997–2010

5.1 Political and Economic Synopsis

The Lao economy experienced consistently high growth rates during the 1990s, with real per capita GDP increasing 4.6 percent between 1993 and 1998. The Asian Financial Crisis limited GDP growth between 1997 and 2000, and the associated devaluation of the Lao Kip led to increases in the prices of imported commodities. By late 2000 the recovery was considered to be well underway (Vadnjal et al, 2002). The Lao economy once again displayed strong growth during the first decade of the 21st Century. As we have noted in Chapter 2, this was accompanied by further improvements in health and education achievement and human development generally. Despite this, GDP per capita remained low by developing country standards.

Alongside this growth Laos made significant progress in poverty reduction. As noted in Chapter 2, the percentage of the population living below the poverty line fell from 38.6 percent in 1998 to 27.6 percent in 2007. Nevertheless, there was growing awareness within the GoL of the unevenness of these gains. This picture grew more refined in the late 1990s as successive surveys were carried out to understand the characteristics of poverty. These highlighted a number of disparities. Firstly, the most pronounced reductions were occurring among lowland-dwelling groups, while those in the upland areas, appeared to benefitting the least from economic growth. There were ethnic and geographic overlays to this pattern, with the majority ethnic Lao (or ‘Lao Lum’) inhabiting the less poor lowland areas, and ethnic minorities populating the poorer less accessible mountainous areas, mostly in the northern provinces (NSC et al 2006). Secondly, urban-rural differences emerged as a clear feature of poverty in the Lao context, urban areas having benefitted from greater access to services and linkages with sources of economic growth in the region. These differences were significant, the percentage of the rural population below the rural poverty line actually increasing substantially in the mid-2000s (see Chapter 2).

In 2003, the GoL presented its strategy to tackle these problems – the National Poverty Eradication Program (NPEP) – to international co-operation partners at the 8th Round Table Meeting. This was the culmination of an extended process that first began in 1996, when the 6th Party Congress endorsed the long-term goal of “freeing the country from the status of least-developed country (LDC) by 2020” (Committee for Planning and Investment, 2003, p. 4). The NPEP explicitly recognised the uneven

nature of poverty reduction and placed considerable emphasis on targeting resources at the poorest districts across the country. This was the first time that the GoL had a comprehensive and long-term strategy to addressing poverty. The NPEP had been refined since it was first introduced and was renamed the ‘National Growth and Poverty Eradication Strategy’ (NGPES) in February 2004.

Politically, this period witnessed little formal change to the political architecture of Laos. Nevertheless the re-emergence of decentralisation as a policy priority in the late 1990s was a notable development. Alongside this, a program of administrative reform continued, with the stated objective of “achieving a stable and open people’s democracy where the rights of people are guaranteed by an efficient administration of the law and with the broad and active participation in all national and international activities” (Sida, 2003). The 1991 constitution was amended in 2003, to enable the creation of ‘municipalities’, a new level of administration that was envisaged to provide a vehicle for decentralisation. Broadly speaking, the focus of the GoL during this period shifted to improving administration of the law, within the parameters established by the existing legal framework, rather than on further major reform of this framework.

5.2 A Summary of Swedish Aid During this Period

Swedish development co-operation with Laos totalled \$310 million over the period between 1996 and 2009.³⁰ This amount represents 5.5 percent of the total ODA flows to Laos in this period, continuing the decline in levels of Swedish aid relative to other donors. In absolute terms however, the Sida program budget for Laos remained stable, even increasing slightly over previous periods. The annual average level of disbursement stood at \$24 million over the period.

Swedish development co-operation was guided by 4-year country strategies, a regular process that had commenced with the first strategy in 1995. During consultations that preceded the 1999–2001 strategy, the Swedish delegate emphasized the importance of progressing human rights and democracy, continuing a theme that had first appeared in discussions between the two sides in the late 1980s. No new sectors were introduced, largely continuing existing programs in roads, forestry, rule of law, drugs, and statistics. OECD DAC data suggest that year on year, the number of discrete Swedish

³⁰ US dollars at constant 2008 prices

activities remained largely stable during this period, having declined from the highs of the early 1990s.

The 2001–2003 country strategy retained the same sectoral focus as the previous strategy, allocating the largest proportion of funds to programs in the forestry and roads sectors – two long-running pillars of Swedish development co-operation in Laos. An evaluation of this strategy in 2002 – the first time this had been done in Laos – was critical of this continuity, especially in the forestry and natural resource management sector. While the sectoral profile of Swedish aid did not change, OECD DAC data are suggestive of a significant increase in both the number of activities and the number of donors. This was also noted in Chapter 2.

A change in the emphasis of the 2004–2008 country strategy reflected two important policy developments on both the Swedish and Lao side. Firstly, the explicit recognition of the inequalities in poverty reduction, and the emphasis on targeting the poorest areas reflected the Government's NGPES, which had been presented to donors in 2003. Secondly, the strategy reflected the new Policy for Global Development (PGD) that had been adopted by Swedish Parliament in 2003. Sweden was the first member of the OECD DAC to adopt such a comprehensive government-wide approach to development. The PGD committed the Swedish government to a consistent approach to development in areas such as trade, agriculture, environment, security, migration, and economic policy. The policy introduced a strong rights-based perspective and pro-poor approach to the Swedish aid program which influenced policy development and engagement in its partner countries. The PGD has eight themes: democracy and good governance; respect for human rights; gender equality; sustainable use of natural resources and protection of the environment; economic growth; social development and security; conflict prevention and resolution; and global public goods. The influence of the PGD on the 2004–2008 country strategy is reflected in the amplified focus on human rights. The promotion and strengthening human rights, democracy, and the rule of law forms one of the two major objectives of the strategy, the other being poverty reduction on a long-term environmentally sound basis.

Not surprisingly, the focus on human rights sometimes sat awkwardly with GoL policies, creating occasional tensions in the bilateral relationship. Prominent examples of such contentious issues

include GoL policies on shifting cultivation and ‘forced resettlements’. The latter emerged in 2005 during discussions over a proposed Sida-funded project focused on uplands development. As correspondence from the time highlights, Sida officials were concerned about lending unwitting support to forced relocations through the proposed project and made their position clear to other donors as well as the GoL.

Nevertheless the fact that Sweden and Laos were able to discuss human rights was indicative of the trust that had developed in the relationship over many years. A key mechanism was the informal bilateral working group on human rights, which involved officials from Sida and the Ministry for Foreign Affairs of the GoL meeting on 14 occasions between 2001 and 2010.³¹ This was the first time that the GoL had had such an arrangement with any donor.

The proliferation of aid activities during this period received renewed focus in 2005 with the signing of the Paris Declaration, which signalled wide commitment from donors and their partner governments to, *inter alia*, harmonisation and alignment in the interests of greater aid effectiveness. As in Vietnam, Sweden played an active role in pushing for a local Lao-specific version of this international agreement. The Vientiane Declaration was signed by the GoL and representatives of 23 donors in November 2006.

In 2007, the Swedish Government took the decision to scale down and end development co-operation with Lao PDR by December 2011. The decision, which appeared to take the GoL by surprise, was made after a review of Swedish development co-operation had been conducted with a view to rationalising the number of program countries. The strategy for the phase out process (2008–2011) retained the objectives of the previous country strategy while also aiming to “consolidate results, achieve the sub-goals set for co-operation, and follow up and document more than thirty years of development co-operation with Laos” (Sida, 2008).

Many of the issues outlined above – the changes in GoL policies, the introduction of the PGD, and the phase out process – are explored in further depth through three case studies. The Governance and Public Administration Reform in Luang Prabang project is an insightful example of Sida’s support to decentralisation, a major GoL priority during this period. The case study on the Lao-Swedish

³¹ Key informant interviews with MoFA officials.

Statistics Project illustrates Sida's efforts to develop functional capacity in an area that was central to the poverty reduction agenda. Finally, the case study on research co-operation highlights an area that began modestly but had grown into a significant activity by 2010. This case also provides insight to the challenges of phasing out development co-operation.

5.3 Case Study 4: Governance and Public Administrative Reform in Luang Prabang

5.3.1 Context: The Re-emergence of Decentralisation

Decentralisation has been a prolonged process in Laos since the nation emerged from conflict in 1975. After a chaotic period between 1975 and 1981, a strongly centralised system of government emerged during the early 1980s. An early experiment with decentralisation in the late 1980s led to a widespread breakdown in basic administrative functions as provinces struggled to raise revenue and pay civil servants. Chastened, the period between 1991 and 1998 was characterised by a drive to re-centralise GoL fiscal and planning authority from the provinces. Then, in 2000, after two years of gradual steps, the Prime Minister launched Decree 01 on decentralisation. Decree 01 granted provinces, districts and villages more authority to set strategies and plans, to raise revenues, and to implement public services. At the same time, decentralization became one of the eight national development priorities.

The national Governance and Public Administration Reform Program (GPAR) had its roots in the hesitant steps towards decentralisation taken by the GoL between 1998 and 2000. The GPAR Programme began in 1997 as a vehicle for donors (initially UNDP) to support this process. The focus of the program at this early stage was on developing the central level capacity at the Department of Public Administration and Civil Service (DPACS), assembling civil service data, creating instructive resources, and assessing all levels of government. Following Decree 01 however, the immediate priority moved towards cautious piloting of decentralization at the provincial level.

5.3.2 What was Intended? The Objectives of GPAR in Luang Prabang

GPAR in Luang Prabang (GPAR-LP) was conceived as the first of four pilots to trial the implementation of Decree 01 in a provincial con-

text. The overall objective of phase I (2002–2005) was to assist the local administration authorities in the design and implementation of a better governance system, featuring accountability, predictability, sound public sector management, optimized service delivery, participation and transparency, in order to provide cost-effective services to the public. This evolved during phase II (2006–2010) to a more explicit focus on poverty reduction and economic growth through sustainable improvements in policies, pro-poor services, transparency, and accountability.

Sida first received a request to support the project from GoL in May 2000. Initial assessments by the Swedish Embassy were favourable. The project was considered highly relevant to the GoL's decentralization agenda and consistent with Sida's country strategy for Laos, although Sida also saw need for greater clarity in the description of the intended changes in governance. The country strategy for 2002 highlights the importance of governance and public administration reforms to GoL policy and reaffirms the need to respond to these imperatives. These priorities, it stated, were reflected in three new Sida projects, including GPAR-LP (Sida 2001).

There were a range of compelling reasons for Sweden to support GPAR in Luang Prabang. Sida had been working in the province since 1997 when implementation of the first phase of the Lao-Swedish Road Sector Programme (LSRP I) commenced. Institutional development and capacity building at the provincial level were core objectives of the LSRP I, which was similarly focused on poverty reduction. GPAR-LP's emphasis on efficient administrative systems to support poverty eradication and economic growth aligned strongly with Sida's agenda in the province.

During the second phase (2006–2010), Sida sought to influence the direction of GPAR-LP towards a rights-based approach.³² This push reflected, among other things, a new country strategy (2004–2008) for development co-operation with Laos which stated that “Sida will apply a rights-based perspective in all its analyses, preparatory work and interventions” (Braathen and Skold, 2005). The draft project design document developed by UNDP was revised by a Sida consultant to address concerns that it did not adequately reflect this agenda. The objectives of phase II introduce a stronger focus on these elements, including accountability and transparency

³² Interview in Vientiane with a key informant (an international consultant) who had been closely involved in phase II of GPAR-LP

and articulating the concept of government as duty bearer and citizens as rights holders. The terminology of rights-based approaches also permeates the text of the revised project design document.

5.3.3 What was Done? Implementation

The first phase of GPAR-LP began in 2002 with financial support from both Sida and UNDP. International support to GPAR nationally was coordinated through UNDP so funding from Sida for GPAR-LP was provided directly to that agency. A Project Support Team (PST) was constituted within the compound of the provincial Office of the Governor (OoG) to coordinate the implementation process. The PST drew mainly from national and international personnel contracted to the project. It was headed by a National Project Director, who played an important role as Project Manager and the key connection between the GPAR-LP and the various provincial government stakeholders. These management arrangements remained largely unchanged between phases I and II.

GPAR I and II sought to achieve their ambitious objectives by working with a range key line agencies on key decentralization reforms. From an operational perspective, the challenge for GPAR-LP was to support any reform in provincial government agencies that would improve service delivery. The second phase was notable for working on reform in the departments of health and education – two areas of considerable relevance for the stated objectives of better service delivery and poverty reduction.

Implementation of phase I involved a wide range of activities at the provincial, district and village levels. These activities varied from providing basic office equipment to assist officials to carry out their duties, raising awareness at the village level of the rule of law, to embedding the National Accounting System in the Luang Prabang provincial administration. These various activities were chiefly directed towards two objectives: strengthened human resource management and organisational development; and improved financial management. A further three objectives – develop a model office environment, improve planning and coordination, and assessing service delivery capacity – were only partially addressed or not addressed at all during phase I. An evaluation of phase I in 2004 recommended that phase II concentrate much more on improving service delivery. Total Sida funding to phase I amounted to 10.2 MSEK.

Building on this experience, phase II began in January 2006 with a total funding allocation of USD 3 million, comprising USD 2.5 million from Sida and USD 0.5 million from UNDP. From the outset GPAR-LP II was charged with a stronger focus on improving service delivery in Luang Prabang, but struggled to establish a workable focus. Sida insisted that the project undertake intensive consultations during a six-month inception period to identify reform priorities and to narrow the broad mandate. As a result of this process, GPAR-LP II concentrated on the provincial departments of health and education. Activities in this regard encompassed organizational reviews, the preparation of job descriptions for personnel at all levels, and training for officials and front line service providers at the village level in a range of subject areas. Beyond these, phase II also established a database to assist the provincial government to oversee service delivery (the Service Delivery Information System), conducted public financial management training associated with the National Accounting System, and sought to facilitate business activity through administrative efficiencies. A distinctive feature of GPAR-LP II was the use of a Service Delivery Fund (SDF) to implement targeted initiatives with the aim of demonstrating how improvements in public administration could affect real changes at the village level. The project was completed in 2010, including a one-year no cost extension.

5.3.4 What was Achieved? Results

Progress and completion reports combined with commentary in successive Sida country reports indicate that GPAR-LP was consistently seen as a highly relevant initiative. Overall, phases I and II advanced the cause of decentralization in Luang Prabang and achieved a number of changes in policies, administrative practices, and systems. Chief among these has been greater clarity in the organisational structure and roles within the departments of health and education, the demonstration of village level initiatives through the SDF, and development of capacity in public financial management. The latter has been a particularly important imperative as tax revenue accruing at the provincial level continues to grow. The project also succeeded in reducing the time required for business registration from on average 217 days to on average 45 days. The final review of GPAR-LP II in 2010 is similarly positive, stating:

In terms of the intended outcome to strengthen provincial and district administrative practices and capacities resulting in more visible, reliable, responsive,

accountable, pro-poor services delivery occurring within the districts, Kumbans and villages where the project has been operating, the project has taken very major steps.

Despite these achievements, the GPAR-LP II Final Report acknowledges that the impact at the village level remains limited since service delivery allocations have not changed. The report also highlights that some major planned results have not been achieved, particularly the creation of a new Luang Prabang municipality. The report also questioned the sustainability of important facets of the project, such as the SSID and the SDF.

Key informants interviewed for the present study pointed to shifting political priorities as a key factor behind these issues. As one informant emphasized, GPAR-LP's design assumed that the political will for administrative reform and decentralization would both continue. While the former has persisted, the drive within the GoL to continue decentralization of government authority has flagged in recent years for a range of complex reasons. This has been advanced as a major reason why the proposed creation of a municipality centred on Luang Prabang urban area could not be pursued as intended. In retrospect it is remarkable that this risk was not more closely assessed when GPAR-LP was designed, considering the uneven history of decentralization in Laos.

The challenge of developing sustainable capacity was never fully overcome by GPAR-LP. The critical constraints in this regard appear to have been two-fold. Firstly, the project activities were scattered over a wide range of fields and sectors, despite the decision during phase II to focus on the departments of health and education. The sustainability of many of these activities was doubtful since the project did not possess the resources to follow up each activity to reinforce learning and application of training in the workplace. These difficulties were compounded by a second constraint – the regular rotation of government staff between roles. The capacity developed through training events was frequently lost when skilled individuals departed unexpectedly.

The use of the Project Support Team external to the implementation to drive implementation of GPAR-LP contravened the tenets of the Paris Declaration and its local version, the Vientiane Declaration. Nevertheless, key informants and project documentation put forward the view that the financial management requirements of

UNDP and Sida warrant project-specific systems. Further, the Final Report points out that some achievements, for example the SSID, would not have occurred without the ‘pushing’ by the PST. On the other hand, the report acknowledges that the sustainability of these achievements is now in question.

5.4 Case Study 5: Developing Statistics Capacity within the Government of Laos

5.4.1 Development Context

As emphasised throughout this report, the NEM brought significant changes in policy direction and the gradual opening up of the economy along market-oriented lines. Alongside this donor activity increased, as did the demand – from the GoL and donors – for statistical data that gave some indication of poverty levels and the basic structure and function of the economy. In 1990 Laos had no GDP, Consumer Price Index or price data; there was no representative poverty data; and no reliable indicators of the level of educational achievement and other important development indicators. This lack of reliable knowledge of the most pressing problems made it very difficult for donors to strategically allocate funding to development priorities. Lack of reliable data also caused difficulties with the basic management of the economy as there was no conception of the size of the economy or the rate of inflation. In the early 1990s, after repeated calls from donors, including the World Bank for better statistical information, the GoL asked Sweden for help to build the capacity of the State Statistical Centre (SSC), which at that time employed about 15 people, all of whom spoke no English. The SSC was acutely under resourced and collated and centralized data of quite variable quality provided to it by line ministries.

5.4.2 What was Intended? The Development Objective

From the outset Sweden adopted a long term capacity building perspective in working with the SSC/Department of Statistics (DoS). The overarching objective of the Project was to help the DoS become the centre of a well-functioning national statistical system with the capacity to produce, coordinate, and disseminate, relevant, accurate and timely statistics. Funding for initial activities was allocated in 1991 and in February 1992 a project agreement between the GoL and Sida was signed and Statistics Sweden began what would become a 130 MSEK, eighteen year capacity building partnership with the DoS.

5.4.3 Phases 1 to 4 of the Lao-Sweden Statistics Project

The first phase of the program (1991 – 1994) focussed on the strengthening of basic skills, particularly skills in English, elementary statistics and survey methods. Intensive English lessons were held every evening of the week for two hours. The first Lao Expenditure and Consumption Survey (LECs) was completed in 1992/93 with significant technical input and supervision from Statistics Sweden, this helped produce the first reliable data on household expenditure and consumption patterns which were necessary to better understand poverty dynamics in the country. Some modern computing infrastructure was introduced, and DoS staff was trained in data processing and computer maintenance. The highlight of the second phase (1995–1997) of co-operation was the second Lao Population Census conducted in March 1995, which built on the first census funded by the UNDP in 1985. This census provided valuable data to donors and the government on hundreds of important development indicators. It was a highly resource intensive project that required significant support from Statistics Sweden for a period of two years in development, implementation and analysis. The census activity was afforded such importance that it constrained DoS resources and other planned activities were postponed, although some progress was made with the new Lao Consumer Price Index.

Statistical output and capacity increased significantly during the third phase of co-operation (1998–2001) as DoS staff became more experienced in organising, conducting and processing census and survey data. However reports from Swedish long term advisors suggested that capacity in survey development, sample design, and data analysis required significant further development. An important Agricultural Census was conducted in 1998/99, the second LECs was conducted during this phase, and consumer price indices were revised using new data from LECs II. Further progress was made with regard to national account data, which was informed by LECs II and the enterprise statistics which were collected and processed during this phase. The IT environment was upgraded significantly, a Local Area Network was installed and connected to SQL servers and an intranet was established. This allowed the provincial offices to access national data. Provincial offices were also provided with IT equipment and extensive training on database management was carried out.

Phase four (2001–2005) focussed on improving the management skills of the DoS. Planning and monitoring systems were introduced and work practices and administrative capacity were improved. The DoS had grown in size over the years and as the technical capacity of staff demonstrably improved the focus shifted to building a sustainable, well-functioning institution with efficient systems and a strategic vision. In this vein a statistics plan to 2010 was drafted and used as a tool for future planning. On the data side the third LECs was carried out in 2002/3, and this was augmented by the first Annual Household Survey (AHS) which was conducted in late 2003. Preparation for the 2005 Population Census also began during this phase.

5.4.4 The 5th and Final Phase of the Lao-Sweden Statistics Project

The fifth and final phase of Swedish co-operation with DoS began in July 2005 and ended (after two extensions) in June 2009. During this time the regular statistics program increased substantially, further advancements were made in organisational development, planning and strategy and a significant number of training activities were undertaken. With regard to the statistics program, an economic census was undertaken in 2006 which surveyed 140,000 establishments in Laos, generating 850,000 pages of data. This was the last important missing piece of informational infrastructure to be put in place by the DoS and provided further insight into the structure of the Lao economy. The results of the 2005 Population census were prepared and published, the fourth LECs was launched in April 2007, and the data for the national accounts was revised using newly emerging data. For the first time, the data processing for the fourth LECs survey was undertaken without substantial technical assistance from Swedish colleagues, as the capacity within DoS now existed for this to be undertaken with local resources.

On the organisational side advancements were made in building regional collaborations with statistical counterparts in Cambodia and within ASEAN. The DoS became the main coordinator of the National Statistics System as designated by the Lao Government's new Statistics Decree (140/PM), and the training of statistics officers at provincial and district levels scaled up, as did the training of officers within line ministries. A total of 104 staff from district offices were trained at the Statistical College in Bac Ninh, Vietnam, and DoS staff undertook a number of study tours to Sweden, Indonesia and Thailand.

In July 2007 the Swedish government announced the phasing out of aid to Laos and Sida notified the DoS that support for the project would end in a period of six months. After such a significant and highly dependent relationship over such a long period of time this abrupt ending to the Project was quite challenging for the DoS, who had to swiftly reorient priorities and focus on ensuring the long term sustainability of the institution. With the help of Sida and ADB staff, work on the development of a Statistics Masterplan to 2020 was fast tracked, the aim being to provide guidance for the further development of statistics in Laos and to provide a framework for support that potential donors could align to. With the help of Sida, other donors were found for important aspects of the statistical program including the World Bank and UNDP for economic statistics and UNICEF and UNFPA for the population census. There is still some doubt over the funding for the 5th LECs which at approximately US\$ 500,000 is one of the more expensive surveys. However the Vice Minister of MPI Dr Bounsavthy (himself the former Director General of the DoS) informed the Evaluation Team and the DoS that funds will be found within the Ministry of Planning and Investment budget for the next LECs survey, planned for 2011/12.

5.4.5 The Results of Sweden's Support

On 30th June 2010 the GoL approved the Lao PDR Statistics Law which established a new national statistical system with vertical and horizontal structures designed to improve the collection, analysis and dissemination of statistics. It includes increased interaction between the DoS, now called the Lao Statistics Bureau (LSB), and line agencies horizontally and vertically between the LSB and provincial, district and even village level statistics officers. The LSB is now guided by this Law and the Strategy for the Development of the National Statistics System 2010–2020, which Sweden played an instrumental role in developing. The LSB is now a sub-ministry within the MPI and is currently undergoing significant restructuring. While, the LSB has the capacity to design, collect and disseminate important household and census data there is recognition within the Bureau that high level analytical capacity is lacking, particularly with regard to sophisticated poverty analysis, something that was noted by Swedish advisors over 15 years ago. Further there are issues with the quality of data provided to the new LSB by line agencies where the statistics capacity is much less than in the central bureau which has benefitted from 18 years of Swedish support. The capacity of statistics

operations within the provinces is also quite variable and much work needs to be done at this and lower levels to build a robust, truly national statistics system. The LSB now has the capacity to train and statistics officers in in these other agencies and an ambitious training strategy has been outlined; however there are concerns about the capacity of the LSB, which is understaffed, to deliver training and continue collecting the multitude of census and survey data that is its core business.

Statistics capacity has grown considerably over the years. Poverty, household, census, CPI and all types of sectoral data are collected systematically and disseminated to government and donors through the LSB website. There is a national archive of statistical data the Lao PDR National Data Archive (LNADA) which houses data from the 17 large surveys and 4 censuses (most of which have been undertaken with Swedish support). The LSB also participates in the Lao DECIDE project (with funding from the Swiss Development Agency – SDC) which promotes the use of statistical information in socio-economic planning and decision making in all sectors and at all levels of administration in Laos. This is clearly a significant change to 1991 when basic GDP, price and poverty statistics did not exist.

5.5 Case Study 6: Sida support to the National University of Laos

5.5.1 Development Context

During the revolution in 1975 the higher education sector in Laos, which was already quite weak, was further enervated as many French trained academics fled to other countries ahead of the Communist takeover (Can, 1991). The main university in Vientiane, Sisavangvong, was dissolved as a result of this exodus and carved up into separate institutions. There was no tertiary degree awarding institution in Laos and many Lao travelled to Eastern Europe to take degrees in a wide variety of universities behind the iron curtain. When the Soviet Union collapsed in early 1991, Soviet aid ceased and the higher education partnership between the two countries also expired, this forced up the cost of higher education significantly (Weidman, 1996). Facing pressures to reform the sector, the Lao Government established the National University of Laos (NUOL) by Prime Ministerial decree in 1995 with the amalgamation of ten higher education institutions. The ADB and JICA provided significant funding (more than USD 25 million) for the infrastructure of the new campus at Dongdok (ADB, 2009), and NUOL began pro-

viding higher degree education in a large number of fields including science, education, social science, medical sciences, law, architecture, agriculture and forestry.

5.5.2 Sweden's Development Objective

In 2003 Sida established what would become an eight year program of capacity building with NUOL. The original objective was to “promote research and the development of institutional capacity in the effort to strengthen higher education and university development in the framework of national policies and plans”³³. This and subsequent agreements included support for PhD training in co-operation with Swedish universities, masters training to be carried out in co-operation with universities based in South East Asia, curriculum development, training in administration and financial management and the provision of ICT infrastructure and related training. As key informants from NUOL recounted, Sida provided the much needed ‘software’ to complement ADB and JICA’s ‘hardware’.

5.5.3 Implementation

Between 2003 and December 2010 Sida provided 86.2 MSEK for a variety of activities that aimed to build the human resource capacity of ICT, administrative and academic staff at NUOL. From the outset Sida realised that a quality research program could not be built without the support of a solid ICT infrastructure. The ICT support was particularly crucial as there were significant deficits in the ‘soft side’ of the ICT system: including networking, security, software etc. In the early years of co-operation, a number of ICT staff from NUOL travelled to KTH in Sweden to undergo training in various aspects of ICT management. At KTH NUOL staff developed and worked on the design of numerous projects that they hoped to implement back at NUOL. These included projects on establishing the NUOL intranet, creating an internet backbone, improving network security, video-conferencing and VOIP technology. Sida also invested significant funds in establishing a fibre optic and wireless network between campuses, installing new computers in labs in each of the 11 faculties, providing scholarships for IT training in Southeast Asia, paying for software licenses and providing IT application training for NUOL staff.

³³ Agreement between the Swedish International Development Cooperation Agency and the National University of Laos.

At the outset Sida also placed significant emphasis on building the administrative, financial and strategic capacity of the NUOL staff responsible for handling Sida funds. Many of the NUOL staff had limited experience in the administrative processes required to acquit donor funds and these skills needed to be acquired both for this project and for the many other donor funded projects coming on stream. Sida insisted on the external auditing of the program and after the first phase this uncovered some anomalies that required some rectification before further funding could be dispersed. Sida demonstrated a great deal of patience and support during this time and also helped build the capacity of independent Lao auditors. Equally as important was the strategic assistance provided to the office of the Director of Academic Affairs, which was tasked with managing and harmonising donor funded projects within NUOL. These projects grew extensively over time as support flowed in from the World Bank, ADB, KOICA, JICA, BTC, AfD, and the IDRC for a myriad of projects. In comparison to Sida the majority of donors focussed on specific projects, with discrete, reasonably short term objectives. This provided important and desperately needed funds but also increased the administrative burden of NUOL, and pointed to the need for a higher level strategic approach to the further development of NUOL as an institution.

On the academic side, funding was provided to train 22 PhD students in Swedish universities, particularly Umea and Uppsala. As of March 2011 only three of these students had finalised their training and Sida has agreed to extend funding to December 2011 to provide time for submissions. One has to seriously doubt whether all of these students will submit before Sida funding ceases in December 2011, and this funding may have to be extended further into 2012. Lao PhD students face numerous difficulties when studying abroad particularly as they rarely complete their period of study in full time mode and often travel between Laos and Sweden to teach back at NUOL and earn much needed income. This leads to somewhat extended submission times when compared to full time Western students. Fifty four students have completed Masters training in South-east Asian universities and over 100 staff have participated in English proficiency training. Sida has also funded curriculum development activities in energy, forestry, agriculture and science.

5.5.4 The Results of Swedish Support

With regard to ICT the exit of Sida has created funding shortfall problems and the IT department now has serious problems maintaining networks, supplying software and providing security and authentication services. As a result cost cutting strategies have been introduced which are jeopardising the effectiveness of IT at NUOL. There is some suggestion that the ADB may be providing further support for the IT network, which may help solve some of these problems. New equipment and access to software licences are urgently needed if the benefits of Sida's investments are to be maintained.

With regard to the academic program, there is clearly a disjunction between the necessity to phase out Sida's aid to Laos and the reality of life as a Lao PhD student in a Swedish university. All attempts should be made to support Lao students still studying in Swedish universities to finish their degrees to ensure that the resources spent to date are optimised and the strategic goals of NUOL realised.

Sida's focus on working at the strategic level has been quite effective and NUOL now has the capacity to strategically manage donor support and channel this into the strategic plan of the University. Sida's focus on supporting strategic development in the higher education sector more generally was well received, and as Laos' national university, NUOL should adopt more of a leadership role in moving the higher education sector forward. Sida's exit from the country and its support for these strategic exercises has left a gap that other donors with an interest in strengthening higher education in Laos might fill.

The post revolution university sector in Laos started from a very weak base and Swedish support was very important in strengthening the human resource capacity required to effectively manage a Laos' national university. This funding was catalytic in nature but much more donor funding and capacity building over longer periods of time are required for NUOL to achieve its potential.

5.6 Significance for this Evaluation

GPAR-LP is significant for several reasons. Firstly, the project represents an example of Sweden's support to decentralisation – a pivotal and long-running issue in the continued political and administrative development of Laos. The project was highly relevant, emerging during a period of Government enthusiasm for decentralisation. However, from the perspective of the GoL, the rel-

evance of some aspects of GPAR declined when the political environment shifted away from decentralization.

GPAR-LP is also an instructive example of Swedish development co-operation delivered through a channel – UNDP in this case. As the proliferation of activities increased, such approaches became increasingly important to avoiding duplication. In this respect, GPAR-LP is illustrative of Sida's attempts to avoid duplication and ensure efficient aid delivery.

However, the experience of GPAR-LP highlights the importance of considering aid channels that are appropriate to the objectives. If rights-based approaches were a central aspect of development co-operation, Sida may have considered other channels for support to decentralisation. Sweden's objectives were strongly aligned to those of GPAR, but the amplification of the rights-based agenda created some divergence between the two agencies. From Sida's perspective, GPAR-LP was an opportunity to explicitly articulate the rights-based perspective that emerged through the PGD and was reflected in the country strategy. UNDP, perhaps mindful of the political sensitivities involved, appeared much less prepared to amplify this agenda. This tension was never entirely resolved. It appears that concerns expressed by Sida during the preparation of Phase I and repeated during the appraisal of phase II were never fully addressed. The Sida appraisal of the draft design for Phase II criticised the ambiguity of the objectives stating that more clarity was needed with respect to anticipated attitudinal and behaviour changes. These outcomes, it observed, should be represented in a well-developed logical framework incorporating clear performance indicators. No such outcomes or indicators are evident in the Final Report.

The Lao-Swedish Statistics Project illustrates Sweden's role in the development of nascent statistics capacity in the GoL – an important foundation for effective poverty targeting. The contribution a robust, national statistics program can make to poverty reduction in a developing country is significant. Statistical information helps improve the efficiency with which government and donor resources are spent, it helps identify social and economic issues that impede development, it helps guide the design and choice of policy and it helps increase the accountability of government, which is vitally important in a one party state such as Laos.

Both the case study of Sida support to NUOL, and the Lao-Sweden Statics Project point to the risks of abrupt withdrawal of long

running donor assistance. While important gains have been made, both cases show how funding shortfalls can undermine the capacity and systems that have been slowly and steadily developed over preceding years. The case of Sida support to NUOL is also a further reminder of the dangers of donors overwhelming the absorptive capacity of a partner organisation.

Part Three – Synthesis

6. THE CHARACTERISTICS OF SWEDISH DEVELOPMENT CO-OPERATION WITH LAOS

6.1 Introduction

The following chapter provides a synthesis of the material presented in Chapters 2 through 5. The chapter outlines what are seen as the important characteristics of Swedish aid to Laos over the 40 year of co-operation, namely:

1. a long-term approach;
2. a search for balance between principles and pragmatism; and
3. flexibility in implementation.

There is a symbiotic relationship between these three characteristics. A long-term approach is related to the fact that Sweden's development co-operation in Laos was driven by adherence to the 'solidarity principle' rather than the shifting realpolitik of international relations. Although its influence has waned in recent years, the 'solidarity principle' has been a lasting motivator of Swedish development co-operation. A long-term approach is more possible when accompanied by flexibility and pragmatism in the approaches employed to pursue them. These characteristics are emblematic of Swedish development co-operation with Laos.

After looking at each the above characteristics, the chapter then uses the AQEF to discuss some important insights into the effectiveness of Sweden's development co-operation with Laos arising from the material presented in the previous chapters. This synthesis provides some important context for the concluding chapter which answers the evaluation questions and presents lessons learned.

6.2 A Long-term Approach

A long-term approach stands out as a defining characteristic of Swedish development co-operation with Laos. Case studies of the 30-year support to the transport and communication sector and 20 years of assistance to develop statistics capacity provide insightful

examples of how such an approach resulted in the emergence of important cumulative impacts over time. While these cases have been selected for exploration in this study, other examples are readily identifiable across the development co-operation program, such as the forestry and natural resource management sector, in which Sweden was involved for 38 years.

In the transport and communication sector, Sida's approach to decision-making clearly reflected a long-term commitment. By the early 1990s it was becoming clearer that road maintenance was a complex organisational and institutional issue. This implied a relationship based on high levels of mutual trust developed over the long term. But Sweden did not shrink from this challenge, instead committing to further assistance that attempted to address the issues that had arisen. A consistent focus on this issue led Sida steadily towards a deeper engagement with organisational and institutional dynamics underlying road administration. There is no evidence that Sweden contemplated withdrawing when maintenance problems threatened the sustainability of road construction. Such an approach is associated with a long-term commitment to achieving a positive and lasting development result.

Why did Sweden take such an approach? It is difficult to answer this question with certainty but part of the answer must lie in the desire to protect the high levels of investment. Sweden's early development of National Road 13 South had involved a major capital commitment. Withdrawing or phasing out at an earlier stage would have placed this investment in jeopardy. Such an incentive also helped direct attention towards maintenance, which in turn led Sida towards a deeper engagement with organisational and institutional issues.

It is apparent that without long-running Swedish support the national statistics infrastructure would not be as sophisticated as it is today. Sweden generously supported this important area for a considerable period of time – 112 Swedish short term and long term consultants worked within the Bureau and over 130 MSEK was spent on capacity building and IT and informational infrastructure over 18 years. As the Vice-Minister of MPI and former Director General of the SSC said, *'Sida pushed the train and the train is now moving'*.

The base statistics produced by the LSB, particularly the LECs and population census data are having an impact across Laos in policy development and program planning. For example until recently the GoL and donors focussed on providing vaccinations to reduce

infant mortality until recent data from LECS suggested that infant death was frequent very soon after birth. This led to changes in priorities and a focus on providing skilled birth attendance in an effort to reduce both infant and maternal mortality. Statistics generated by the LSB is also helping map poverty across Laos and is identifying select groups whom donors and the government can target by re-aligning national poverty reduction strategies.

In other areas, such as human rights, Sweden's contribution began at a later date. This process appears to have occurred in parallel with the deepening and maturing of the bilateral relationship. Even so, Sweden was the first donor to begin co-operation in this area. Interviewees within the ministries involved stressed Sweden's record as a 'trusted partner' with a long history in Laos. Indeed, it is often mentioned that Sweden and Laos have enjoyed a 'special relationship'. This highlights the role that Sweden's long-term approach in sectors such as transport and forestry played in creating the trust that enabled Sweden to work in politically sensitive areas such as human rights.

The long-term approach taken by Sida is an important factor in the positive impacts that have accrued, for example, in the roads sector. Such an approach is, however, also vulnerable to a critical assessment such as that "rollover" and "repackage" projects and programs, particularly in the forestry and natural resource management sector.³⁴ Such assessments tend to ignore or downplay the importance of balancing the tactical dimensions of donor practice, especially building and maintaining the relationships that enable a donor to have influence within a particular sector and more broadly.

6.3 A Difficult Balance between Principles and Pragmatism

A set of core principles remained at the heart of Sweden's approach from the commencement of development co-operation in 1977 to the phase out process in 2010. These stem from the 'solidarity' that underpinned the commencement of development co-operation, to the enduring focus on poverty reduction, and the emergence of human rights in the late 1990s and 2000s. Interviews with other donors as well as GoL personnel from central ministries such as

³⁴ This particular critique is voiced in Vadnjal D. et al (2003), *Implementation of the Implementation of the 1999–2003 Country Strategy for Swedish Development Cooperation with Laos*, Sida Evaluation 02/36

MoFA, confirm that Sweden was by and large viewed as a “progressive” donor, prepared to take a stand on issues such as human rights.

While Sweden was cognisant of these principles, the 38 years of development co-operation between Laos and Sweden is littered with examples of the various challenges associated with giving them operational force. The case study of GPAR-LP highlights the difficulties of applying such an approach while working through another more cautious donor agency. As noted in Chapter 5, the issue of land reform and shifting cultivation, which had been a sensitive issue throughout much of the bilateral relationship, bubbled to the surface in 2005. The dilemma was this: should Sweden adopt a strong stance – ‘shout from the sidelines’ as one interviewee put it – or be more pragmatic with a view to maintaining a degree of influence. While pragmatism prevailed in this instance, interviewees also described earlier incidents where attempts by Swedish delegates to raise difficult issues had elicited stern responses from the GoL.

Striking a balance was not always easy. On one hand, Sweden occupied a unique position among donors and was able to raise politically sensitive issues. On the other however, Sweden had arguably more to lose from pushing the limits of the ‘special relationship’. Much of the history of development co-operation between Sweden and Laos involved the search for a careful balance between these imperatives.

6.4 Flexibility and Learning

‘Flexibility’ and ‘flexible’ were terms used the most frequently to describe the approach that Sweden took towards implementation. This characteristic is closely linked with another – close attention to learning from evaluations and studies. It is a perspective that emerges strongly from the case study of Sweden’s involvement in the roads sector. Regular evaluations appear to have played a key role in maintaining the focus on institutional development and driving refinement of basic access component. The latter has been a particularly important element in sharpening the poverty impact of the roads constructed. A range of analytical inputs commissioned by Sida at various stages has facilitated increasing sophistication of the institutional development efforts. While not always successfully incorporated into practice, these efforts are indicative of a donor attempting to come to grips with recognised challenges. In short, the evolution of Swedish assistance to the transport sector highlights the role of regular systematic evaluation.

6.5 Poverty Reduction and the Aid Quality Evaluation Framework

As mentioned in Chapter 1 an important part of the methodology used for this evaluation is the application of the Aid Quality Evaluation Framework (AQEF). This Framework is a heuristic device that focuses on the drivers of aid effectiveness; it can be deployed when assessing the impact of aid programs over a long period of time when quantitative causal attribution is impossible, due to either the small size of an aid program or the difficulties in disentangling endogenous factors. The following sections discuss four of the five components of the AQEF with reference to the information presented in Chapters 2 through 5 and provide some important insights into the effectiveness of Swedish development co-operation with Laos, insights which are discussed further in Chapter 7. Component 5 of the AQEF is addressed when answering the overall evaluation questions in Chapter 7.

6.5.1 Absorptive Capacity and the Quality of Public Sector Financial Management

Absorptive Capacity (AC) refers to the capacity of the partner country to use aid efficiently for development purposes. It is based on the simple recognition that there are limits to the amounts of aid that can be efficiently absorbed, with higher and higher levels of aid not necessarily associated with bigger and better development impacts. As discussed in Chapter 2 AC is an important part of the ODA enabling environment, alongside the quality of public sector financial management. If that enabling environment is weak then aid will be less efficient in achieving good development outcomes than it otherwise would be. This provides important context within which to evaluate the overall effectiveness of Swedish aid to Laos.

Overall, our analysis in Chapter 2 suggests that absorptive capacity in Laos has increased after starting from a low base in the mid-1970s, albeit dipping during the early 2000s. Case studies in Chapters 3, 4, and 5 tell a story of increasing recognition of capacity constraints within the GoL, and Sweden's efforts to address these within the development co-operation program. The effect of this issue on aid effectiveness is illustrated through the case study on transport and communication sector between 1977 and 1985. After these early difficulties, Sida, in concert with a growing number of donors, devoted considerable attention to this issue. The increase in donors and in the number of development activities in the late 1990s and early 2000s contributed to a decrease in absorptive capacity during this time,

with the implication that aid was less likely to have been used effectively. There is much evidence to indicate that Sweden was acutely aware of this challenge at an early stage and played an important role in championing greater donor coordination – long before such practices were enshrined in the Paris Declaration of 2005. As outlined in Chapter 2, the quality of PFM – another key driver of absorptive capacity – has followed an upward trajectory, similarly declining briefly during the early 2000s. These observations suggest that not only did AC increase over the period of co-operation, but that Sweden’s aid actively contributed to this improvement.

6.5.2 Consistency with Paris Declaration Principles

The case studies introduced above highlight a number of aid effectiveness issues that can be fruitfully discussed with reference to the Paris Principles on Aid Effectiveness. Clearly, it is beyond the scope of this evaluation to conduct a comprehensive assessment of the Paris principles as they relate to Sweden’s aid to Laos, however some important insights can be provided with respect to ownership and alignment in particular, which have much to say about the potential sustainability of Sweden’s interventions in Laos. As discussed in Appendix C assessments based on these elements are not used to criticise the aid delivery decisions made in the early years of Sweden’s co-operation as much of the knowledge of what contributes to effective aid was not known at that time. However it is relevant to assess programs against these principles because it is suggested that aid that exhibited characteristics like those enshrined in the Paris Principles would be more effective than aid that did not exhibit those characteristics, regardless of the period of time under review.

With respect to the principle of ownership, the Evaluation Team finds that Sweden has consistently sought to encourage GoL ownership. This was particularly evident in the 1990s, as increasing numbers of donors began to work with the GoL. Sweden emerged as a strong advocate of the GoL taking a more active role in donor coordination. In the transport sector, Sweden’s major investment in National Road 13 South had been a direct response to a request from the GoL, a pattern reflected in other major investments in this sector. Similarly, Sweden’s support to statistics responded to a GoL request, although to some degree pushed. Encouraging strong ownership became a more delicate enterprise as rights-based themes gained prominence across Swedish aid in the early 2000s. For example, Sida

support to public administrative reform and the rule of law – potentially sensitive areas – tended to work within the parameters of reform established by the GoL, while also attempting to ensure that such co-operation reflected the Swedish emphasis on rights-based perspectives. This approach sought to strike a pragmatic balance between these imperatives and the aid effectiveness principle of GoL ownership.

Sweden has also been supportive of ownership at different levels of GoL and among diverse stakeholders within Laos. A key demonstration of this has been in the transport sector, where the shift from national roads to provincial, district, and community roads was accompanied by attempts to foster greater ownership at these levels. For example, Sida's approach to community roads has been distinguished by its strong emphasis on participatory planning, involving broad consultation and the establishment of village-level institutions.

The objectives and sectoral distribution of Sweden's aid over time suggests that development co-operation has been aligned with the priorities of the GoL. Sweden's emphasis in this regard was evident from early stages in the bilateral relationship, when Sida focused a considerable proportion of development co-operation on the transport and communication sector and the forestry sector. As noted in Chapter 3, these were expressed priorities of the GoL during the 1970s and 1980s. The mechanisms that had been established for regular dialogue between Sweden and GoL have played an important role in ensuring that programming continued to reflect these priorities. There appear to have been very few instances where major aid allocation decisions were made without having been discussed in annual consultations and reviews. The development of the NGPES and its presentation to donors in 2004 has further encouraged international co-operation partners to align with GoL priorities. As the 2004–2008 Laos strategy illustrates, Sweden was responsive in adjusting its country focus towards the priorities in that strategy.

A number of mainly positive observations can be made with respect to the predictability of aid flows from Sweden and the degree to which these have been untied. Levels of Swedish development co-operation, as noted in Chapter 2, have been statistically more stable than aid from all other donors to Laos. This pattern reinforces the view that Swedish aid was more effective than it otherwise would have been.

Swedish aid has been officially untied since 2006, opening up procurement to international and local firms. Nevertheless, it

remains the case that Swedish aid was tied to the procurement of Swedish goods and services for the major portion of development co-operation. Case study 1 demonstrated how such an approach contributed to the lack of coordination and cohesion in the transport and communication sector in the early years of development co-operation. As recent empirical research in the Lao context has confirmed, untied procurement is strongly associated with a shift towards GoL priorities and therefore greater development effectiveness.³⁵ As such, Swedish development co-operation was not as effective prior to 2006 as it otherwise would have been.

6.5.3 Consistency with Partner Country Sectoral Priorities

Donor aid allocation should be consistent with development needs in recipient countries if they are to contribute to poverty reduction. Furthermore, aid should be sufficiently flexible to respond to changing development needs or priorities. These needs may or may not be recognised in partner development plans or priorities.

As Chapter 2 has highlighted, broadly speaking, the sectoral distribution of Swedish development co-operation appears to be consistent with the pressing needs facing Laos. The case studies illustrate how this support has played out in particular instances. The two case studies of support to the transport and communication sector over two successive periods of development co-operation highlight how this assistance corresponded to an important need but was also flexible to adapt to evolving conditions. Indeed, an evaluation of Swedish support to roads in Laos referred to Sida as a “pathbreaker” in recognition of the pioneering support that they provided at a time when few other donors worked in the sector (SHER Consultants, 2010).

Overall, the synthesis above suggests a positive assessment of Sweden’s assistance to Laos over the 38 years of development co-operation. Sweden maintained a long-term focus in certain sectors that was pursued with considerable operational flexibility. This strategy, particularly evident in the transport sector, allowed room for response to evaluative and analytical work. Sweden was serious about fostering partner government ownership, but faced the challenge of balancing this principle with Swedish priorities that had

³⁵ McCarty A. and A. Julian (2009), Thematic study, The developmental effectiveness of untied aid: Evaluation of the evaluation of the Paris Declaration and of the 2001 DAC recommendation on untying ODA to LDCs – Lao PDR Country Study, Paris: OECD DAC

gained prominence in the early 2000s. Importantly, Swedish development co-operation was responsive to partner government priorities and remained free from severe fluctuations over time. For these reasons, the Evaluation Team assesses the contribution of Swedish aid to Laos' development achievements, specifically poverty reduction, to be significant. Chapter 7 expands upon these points.

7. CONCLUSIONS AND LESSONS LEARNED

7.1 Introduction

This chapter returns to the four evaluation questions outlined in Chapter 1, recalling that the primary question concerns the contribution of Swedish development co-operation to multidimensional poverty reduction in Laos. It attempts to answer these questions, to the extent possible, drawing on the evidence presented in Chapters 2 to 6 and some subsequent reflection. Responses to the 4 sub-questions are provided first. Building on these responses, the primary evaluation question is then addressed.

Each question is succinctly answered, drawing on but not replicating in any depth the analysis of the preceding chapters. They are answers that logically emerge from this analysis and cannot be read in isolation to the previous chapters, Chapter 6 in particular.

7.2 Evaluation Sub-questions

Sub-question 1: *To what extent did Sida's aid respond to pressing multidimensional development needs in Laos?*

There appears to be clear evidence that Sida responded to pressing multidimensional development needs in Laos.

Laos faced many significant development challenges in 1975, with one of the most pressing being the need to rebuild infrastructure owing to the damage done during the Second Indo-Chinese War. The Sida focus on building transport and communications infrastructure in the 1970s and 1980s was a response to this need.

Given that Laos is predominantly a rural society, that poverty is more widespread in rural areas compared to urban areas and that roads provide access to markets and health services, Sida's shift in the 1990s and beyond from the national road network towards provincial roads was also an appropriate response to a pressing need. It is one that seems to have had positive impacts on achievements in income and health, and lifted many Lao people out of income poverty, as suggested by the Warr (2005) study discussed in Chapter 4.

Throughout the 1990s and beyond it became increasingly clear that a lack of capacity in management and governance were not only major constraints to growth and development in general but also to aid effectiveness in Laos. In short, these constraints were increasingly recognised as a pressing development need, one that had to be

addressed by donors operating in Laos. The support for the better management of forestry resources from the mid-1980s and for governance and public administration reform and greater statistics capacity from the mid-1990s is clearly consistent with this need.

The extent of poverty is higher in Laos than in the developing country group as a whole. Income levels and achievements in health and education are lower, despite the impressive achievements of Laos since the early 1990s. Sida's adoption in 1995 of poverty reduction as the overarching objective of its development co-operation program in Laos is consistent with these facts. So too was its ongoing support for forestry (given the importance of this sector for the livelihood of Lao people and as an important driver of economic growth) and roads (for the reasons mentioned above), general support of the Government of Laos' NGPES and emphasis on human rights (given the link between the promotion of these rights and poverty reduction) from the mid-2000s onwards.

It can of course be argued that there were other pressing multidimensional development needs that Sida should have given priority to. For example, Sida should have provided more direct support to the economic reforms introduced in the early 1990s, adding to the efforts of the World Bank and IMF. Such support could have been broadly similar to that provided to Vietnam during the Doi Moi period, which has been particularly important to that country's economic development³⁶. Whether the other needs were more pressing, remains a matter for speculation, as does whether a Sida response to them would have been effective. What is clear, however, is that the needs to which Sida responded were of national significance and crucial to progress in multiple dimensions of poverty and development and consistent with the flexibility and learning characterisation, noted in Chapter 6 of Swedish development co-operation with Laos.

Sub-question 2: *To what extent has Sida's development co-operation program in Laos been effectively and efficiently delivered?*

The evidence of effective and efficient delivery of Swedish development co-operation in Laos is mixed.

Evidence of effective and efficient aid delivery is scarcest during the first phase of development co-operation, between 1974 and 1985. The AQEF has not been used to assign numerical scores against any of the periods considered, but if it had been used in this way the low-

³⁶ See 'Study of Long Term Development Co-operation between Sweden and Vietnam', which was conducted alongside this present study.

est scores would have been recorded during this period. While it seems that Sida's priorities were aligned with those of the Lao government, there is evidence of significant tying, of a lack of harmonisation among donors and, in particular, of very limited capacity to efficiently absorb aid inflows for development purposes.

Had Sweden ended its development co-operation with Laos in 1985, then the inescapable conclusion would have been that on balance this co-operation would have been a failure on development effectiveness criteria. But of course it did not end in 1985, and it is in this context that co-operation during this first phase needs to be viewed. Recall that during 1980–89 Sweden was the largest aid donor to Laos. From 1975 to 1993 it provided more aid to Laos than any other OECD country, and during the early years after the Pathet Lao's overthrow of the royalist government in 1975 Sweden was one of a handful of Western donors operating in Laos. Consistent with the long-term approach and solidarity principle noted in Chapter 6, it is reasonable to argue that had Sweden not been as active a donor as it was in the first phase, it would not have established an important prerequisite for effective development co-operation in Laos. That prerequisite is to be seen as a trusted, long-term development co-operation partner.

Evidence suggests that the second and third phases of development co-operation between Sweden and Laos, between the years 1986 and 1996 and 1996 and 2010, respectively, saw much more effectiveness and efficiency in aid delivery. Aid tying was phased out; there was strong alignment with Government of Laos priorities, clear and seemingly effective attempts at harmonisation of donor activities and consistency between activities on the ground and the Swedish country program. While there are valid questions about the appropriateness of the design of the Forest Inventory Project (noted above in Chapter 5), the overall conclusion is that Swedish aid to Laos was delivered most effectively and efficiently from the mid-1980s onward.

Sub-question 3: How and to what extent did Sida's development co-operation nurture an enabling environment for poverty reduction Laos?

There is clear evidence that Sida's development co-operation nurtured such an environment in Laos, or put differently provided the pre-conditions for sustained poverty reduction.

Key elements in nurturing an enabling environment are local government capacity and removing impediments to poor people acting in a way that improves their living standards. As noted in Chapters 5,

Swedish support for governance and improved public administration has been successful, as has support for the National University of Laos and the State Statistical Centre. (Recall also the evidence, presented in Chapter 2, of improved PFM and overall absorptive capacity in Laos from the early 1990s onward). The benefits of this support are many and include better pro-poor service delivery, greater mobilisation of domestic revenues and a better evidence base for policy development and implementation. All of these benefits are conducive to greater poverty reduction and sustained development outcomes into the future. Support for provincial road construction has been important in enabling poor people to have better market and health services access, which is vital to improve their living conditions.

Sub-question 4: *What lessons can be learned from Sweden’s development co-operation with Laos to improve development effectiveness in the future?*

A response to this question emanates directly from Chapter 6 and as such can be stated very succinctly.

The three lessons learned, which if acted upon can improve future development effectiveness are:

1. Adopt a long-term approach, developing a sound relationship with the partner government that facilitates frank and open dialogue;
2. Pursue an effective balance between principles and pragmatism; and
3. Be flexible and learn while doing.

These are generic lessons for aid delivery, applying to both bilateral and multilateral co-operation.

Primary Evaluation Question: How, and to what extent, did Sida’s development assistance contribute to poverty reduction in Laos?

This is rarely an easy question to answer. Reflect on the evidence presented throughout this report prior to providing an answer to it. This evidence includes the big picture of development in Laos over the last 38 years, as presented in Chapter 2, and includes what Sweden has achieved as highlighted in the case studies and elsewhere in this report.

In Chapter 2 a number of stylised facts were presented. While there appears to be little relationship between aid and economic growth in Laos, it is a stylised fact that aid is positively associated with levels of achievement in health, education and, more broadly, human development. That is, in Laos, high aid levels are associated

with higher achievement in each of these dimensions of development and vice versa.

While we cannot attribute causality between these variables on the basis of simple associations, there are, however, a number of reasons for positing that causality might exist based on the evidence presented not only in Chapter 2 but elsewhere in this report.

Aid levels to Laos are relatively high by international standards, and certainly large enough relative to its population and the size of its economy to expect some relationship between these inflows and development achievements. Donors have, it seems, responded to important national development needs within Laos and have provided relatively steady year-on-year aid levels. There also appears to have been co-ordination between donors, to the extent that a number of donors have harmonised their activities with those of Sweden. In addition, and fundamentally, there is clear evidence of solid gains in income poverty reduction, in health and education and in human development generally.

There is, however, evidence of poor donor practice in this aspect of Swedish aid delivery and there is no reason to believe that this has not also occurred with other donors. There is also evidence of a lack of local capacity to use aid efficiently, aid levels in excess of that which might be efficiently absorbed, and increasing proliferation of aid activities in Laos.

On balance, however, it is reasonable to posit that the overall development co-operation effort in Laos has contributed to poverty reduction in Laos: at very least poverty levels would be higher in Laos in the absence of such co-operation. Sweden's effort needs to be judged in this context, but also against the evidence that on balance its aid has been delivered effectively and efficiently and has addressed important development needs.

On these grounds it is entirely reasonable to conclude that Swedish development co-operation has made a substantive contribution to poverty reduction in Laos. The extent of this contribution remains, however, a matter of speculation.

Appendix A: Research Methodology

INTRODUCTION

The analytical framework and evaluation questions addressed in this study are outlined in Section 1.3 of the report. In this Appendix, further details are provided on case selection and data collection and analysis.

The evaluation study deploys a mixed-methods approach, using qualitative and quantitative methods in a complementary way (Sale *et al.*, 2002) to interrogate different types of evidence about the context, evolution and outcomes of Swedish development assistance in Laos (and similar studies covering Vietnam and Sri Lanka). This approach has enabled robust and credible historical analysis of Sida's programs, while providing the necessary flexibility to overcome specific data limitations.

At the macro-level both quantitative and qualitative data were used to prepare Country Development Profiles, which outline the context for Swedish development co-operation. These profiles outline the major development trends (including progress in poverty reduction) and trends in aid delivery over the period of the evaluation, and the international political and economic circumstances that influenced development and aid in Laos. Qualitative data from key informant interviews with experts and document analysis (including political-economic theories of aid delivery) augmented the quantitative data and shed light on why these patterns of aid delivery arose.

Similarly, quantitative and qualitative data were used in tandem at the meso-level to provide empirical and contextual information on issues such as the sectoral and geographical distribution of aid. At the micro-level, quantitative and qualitative data were used to provide descriptive and contextual information on particular projects and programs.

QUANTITATIVE ANALYSIS

Quantitative analysis drew on available sources of data, such as Sida's own databases, data provided by the government of Laos, the World Bank's *World Development Indicators*, the UNDP's *Human Development Report* and the OECD DAC's *International Development Statistics*.

Such data informed the macro analysis of development and aid trends in the Country Development Profile. The data enabled assessment of changes in various dimensions of the quality of life, income poverty in particular. Chapter 2 analyses change in indicators such as per capita income and its annual rates of growth, on life expectancy, adult literacy, child and infant mortality, maternal mortality and the percentage of people living below the income poverty line. Key multidimensional indicators are also presented, such as the UNDP's Human Development Index (HDI). Comprehensive information on this index has been published by the UNDP since 1990, with HDI scores being available from 1970 onwards. Recognising that economic performance is an important driver of poverty reduction, GDP growth rates are also examined and key economic reforms and structural changes identified.

The Country Development Profile also charts aid to Laos. Annual levels of Swedish and total official development assistance are shown, both in gross amounts, relative to GDP or GNI and the population size. These figures are also presented by sector. Data on aid proliferation and volatility (or predictability) were also assessed.

The quantitative analysis, while rigorous, did not involve econometric modelling. This was ruled out in the TOR, but was difficult in any case owing to data availability and quality problems particularly for the early years of Swedish development co-operation to the three focal countries. Qualitative data were used to gain a picture of trends and their causes during the early periods of Swedish aid.

QUALITATIVE ANALYSIS

The qualitative component of this evaluation involved thematic and longitudinal case studies, with flexible exploration of the evaluation questions through the use of semi-structured interviews, focus groups and analysis of existing documentation.

Case studies – specific units of analysis with clearly defined boundaries – were used to explore the evaluation questions in a context specific way. Case studies were used for their potential to provide an in-depth understanding of events and trends in Sweden’s aid in the three countries through the perspective of key actors.

Qualitative approaches usually work with small samples that are selected purposively rather than randomly (Miles and Huberman, 1994). Purposive sampling, i.e. selecting cases for their richness of information in relation to key time periods, people, events and impacts, is relevant here for two reasons. First, such sampling is consistent with the adaptive theory approach, where cases are selected for their value in exploring predefined questions and concepts (Denzin and Lincoln, 2000). Cases are therefore selected for their likely contribution to understanding the impacts of Sida’s changing development strategies over time. Second, purposive sampling enables the richest access to data given the available time and resources.

The historical nature of this evaluation, which must evaluate the cumulative impact of many activities over several decades, distinguishes it from a typical project or program evaluation. Initial analysis of Sida documentation and meetings during the inception visit helped the evaluation team to develop a working understanding of key historical phases in Sweden’s aid delivery and its relationship to changes in the broader development context. Based on this analysis, it became clear that two different categories of case studies would be relevant:

Longitudinal case studies were used to illustrate the changing nature and impact of Sida’s involvement in a particular sector. Longitudinal cases exposed the drivers behind, and outcomes of changes in, Sweden’s development co-operation within a selected sector. Analysing one connected set of interventions in this way spoke to questions of responsiveness, relevance and effectiveness. Longitudinal cases were identified based on sectors where Sida has had a very long-standing engagement; in each country, only a very limited number of sectors or areas of operation met this requirement.

In short, longitudinal case studies assessed long term involvement in a sector, to understanding why and how Sida changed its approach to development co-operation over time, and the impacts of such change.

Thematic case studies were used to assess the nature and impact of a package of interventions during different historical phases. Drawing on the provisional historical phases of Swedish development co-operation defined in the inception phase (see Table A.1), a set of 2 to 3 case studies were selected in each major phase to gain a deeper understanding of critical impacts and themes during each period. There was a large number of potential thematic cases to select from. An initial set was selected during the inception phase, based on the information gained from initial interviews and data analysis about Sida's thematic foci in Laos. This initial set was first expanded through discussion with Sida, and then adjusted slightly during fieldwork if logistical constraints were faced in accessing particular field sites or informants. The final cases addressed in the study are outlined in Table A.1.

The combination of longitudinal and thematic analysis is an innovative approach to longitudinal evaluation; it has enabled a comprehensive understanding of how Sida's aid effort evolved, as well as an understanding of impacts and lessons in key thematic areas.

Key data sources for the longitudinal and thematic cases include existing Sida documentation (provided to the team by Sida), other secondary research, and interviews and focus groups with informants. The Sida documentation was analysed for information on: (i) case studies; (ii) inter-country relationships and planning/decision-making processes; and (iii) existing knowledge on lessons and impact. In addition, existing research publications were used in the analysis of the development context, the political economy of each country, and the international political economic context and its influence on donor practice.

Field visits were made to gain a more detailed understanding of relationships with provincial and local government, and the sustainability and impacts of previous Sida-funded interventions. These field visits built upon previous evaluative work commissioned by Sida.

KEY INFORMANT INTERVIEWS AND GROUP DISCUSSIONS

Interviews were conducted with key informants that were associated in various ways with Sida's programs. Some were identified during the inception phase for their historical and institutional memory. Further informants were then identified through a 'snowball' approach (i.e. through referrals and following up names that recurred in other interviews), as well as targeting specific categories of stakeholders including:

- Government policy makers at central and sector levels;
- Provincial and districts authorities;
- Sida HQ departments and teams;
- Swedish MFA;
- Other donors and international partners;
- Civil society, academia/research organisations, media, private sector;
- Implementing partners and project/technical assistance teams; and
- End beneficiaries at provincial and district level.

In summary, the selected cases and informants provided a detailed overview of Sida's phases of operation and key sectoral initiatives. The sampling strategy was workable, while providing assurance that key categories of informants were covered. A limitation with the approach was the limited scope to interview program beneficiaries, due to resource and time constraints. To address this gap, the team have drawn on past program and project evaluations, which have addressed beneficiary views to varying extents. This was a necessary sacrifice to gain the breadth of coverage required in the TOR, but meant that the study was constrained in gaining in-depth, longitudinal insights to local level project and program impacts.

Table A.1 Phases of Swedish Development Co-operation with Laos – Thematic and Longitudinal Case Studies

Phases of Swedish Aid	Thematic	Longitudinal	Rationale for Selection
1974–1985 1. 'construction and economic development'		Transport sector assistance Import support	The longitudinal case study is representative of Sida's long term engagement in the transport sector, shifting from hardware to community-oriented infrastructure and systems to maintain it and assessment maps against international changes in aid delivery, changes in national priorities and Sida's response to those.
1986–1996 1. 'institutions and capacity building'	Statistics Capacity Building Project Lao-Swedish Forestry Program – Forest Inventory Project	Roads sector assistance (Phase I and II)	The statistics and forestry program both represent key Sida efforts to support government planning systems and improve institutions.
1997–2010 2. 'governance and empowerment'	UNDP-Sida decentralisation program SAREC – improvement of university systems Statistics Project	Roads sector assistance (Phase III and IV)	Both thematic case studies represent Sida's emergent focus on better governance and local empowerment.
1997–2010 3. 'consolidate and phase-out'		Continuation by World Bank	Statistics project provides insights on sustainability and the phase-out process.

Appendix B: Key Informants

- Aberg, AnnLis., Former Charge D'affaires, Embassy of Sweden in Lao PDR
- Alounsavath, Oupakone., Deputy Director, Dept of Forestry
- Alton, Charles., Socio-economist/Consultant
- Anousone, Sing., Head, Administration Office, DPWT Luang Prabang
- Birgegaard, Lars-Erik., Consultant
- Bostrand, Lisbet., Former First Secretary, Development Co-operation, Embassy of Sweden in Lao PDR
- Boun, Village Elder, Kuay Village, Phontong District, Champassak
- Boupha, Vatlana., Project Analyst, UNDP Vientiane, former Project Officer, Governance and Public Administration Reform, Luang Prabang
- Boyreau, Genevieve., Senior Country Economist, World Bank
- Chamberlain, Jim., Anthropologist/Consultant
- Chanthamaly, Phonekeo (Dr)., Director, IT Center, National University of Laos
- Chanthavongsa, Thippakone., Director General, External Finance Department, Ministry of Finance
- Davading, Somneuk., Senior Economist, World Bank
- Evans, Grant., Anthropologist/Consultant
- Fogde, Peter., Chief Operating Officer, Stora Enso, Vientiane (former consultant Lao Swedish Forestry Programme)
- Holtzberg, Christer., Former Charge D'affaires, Embassy of Sweden in Lao PDR
- Inphitack, Asween., Deputy Director, DPWT Luang Prabang
- Inthamith, Somchith., Director General, Department of International Co-operation, Ministry of Planning and Investment
- Kattignassack, Sengdarith., (by telephone), Former Director of Rural Roads, Ministry of Public Works Transport and Communications
- Khamsaly Sisavath., Deputy Director General Dept of Europe and America's, Ministry of Foreign Affairs

- Kone and Chanh (husband and wife), Farmers, Nong Sano, Champasak District, Champasak Province
- Lattanathichanh, Phimpha., Vice Village Chief, Xang Hai village, Luang Prabang
- Lindahl, Claes., Consultant
- Lock, Stephan., First Secretary, European Union, Laos
- Ly, Somphone., DPWT Oudomxay
- Mahalath, Donesavanh., Rural Roads Unit, District Office of Public Works and Transport, Houn District, Oudomxay
- Manivong, Khamphay., Deputy Director General, Department of Forestry
- Meng, Shui., Former Gender Officer, UNDP
- Mossberg, Carl., Chief Technical Adviser, Upland Research and Capacity Development Programme (former Team Leader Lao-Swedish Forestry Programme)
- Mutlu, Petra (Dr.), Country Director, GIZ, Laos
- Nammavongmixay, Khampong (Dr.), Director of Academic Affairs, National University of Laos
- Ngonphachanh, Pothong., Deputy Director General, Department of Roads, Ministry of Public Works and Transport
- Nguyen Van Minh., Senior Public Finance Specialist, World Bank
- O'Driscoll, Gerry., UNCDF, Vientiane, former Program Manager, Governance and Public Administration Reform, Luang Prabang
- Pakdimanivong, Soukkhaseum., Director Department of Public Works and Transport, Champasak Province (ex-MPWT Project Manager of Sida roads project in Vientiane), Pakse, Champassak
- Phameung, Boualy., Director of Shifting Cultivation and Stabilization Division, National Agriculture and Forestry Extension Service
- Phandoluck, Chandhy., Vice Village Chief, Xang Hai village, Luang Prabang
- Phantasouk, Somboun., Deputy Head, Roads and Bridges Office, DPWT Luang Prabang
- Phathavong, Buali., Pak Ou village, Luang Prabang
- Phommachack, Vanhkham., Xang Hai village, Luang Prabang
- Phoummahaxai, Saysamone., President, Lao Font Construction, Pak Ou village, Luang Prabang
- Phouxay, Kabmanivanh (Dr.), Professor, Economic Geography, National University of Laos

Rattana, Phaknakhone., Chief of Environmental section, PWI, MPWT, Vientiane

Rex, William., Lead Specialist, World Bank

Saythavy, Bounthong., Vice-District Governor, Champassak District, Champassak

Sengaloun, Khamphuang., Head of Public Works and Transport Office, Wat Phu, Champasak District, Champassak

Sengchanthala, Bounmay., Head of Road Administration Section, Oudomxay Province

Sengchanthala, Bounmay., Head of Road Administration Service, DPWT Oudomxay

Senmanysay, Bounvilay., Vice Head of Land and Water Transport Division, Public Works and Transport, Pakse, Champassak

Seuphanyha, Kisone., Chief of District Office of Public Works and Transport, Houn District Oudomxay

Sisoulath, Phoukhong., Project Director, International Law Project, Ministry of Foreign Affairs

Sisouphanthong, Bounthavy (Dr.), Vice Minister, Ministry of Planning and Investment

Sithavong, Khamphanh., Deputy Director IT Center, National University of Laos

Somlod, Former Village Chief, Kuay Village, Phontong District, Champassak

Souksavath, Phonesaly., Deputy Director General, Department of Statistics

Southivong, Sombath., Senior Infrastructure Specialist, World Bank Vientiane

Souvannavong, Pho Ngeun., Director of Environmental and Social Division, Public Works and Transport Institute (PWI), MPWT, Vientiane

Thammavong, Fasanane., Director, DPWT Luang Prabang

Thanongsack, Xeng., Deputy Director, DPWT, Luang Prabang

Thattavong, Boumxom., Chief of Planning section, Department of Planning and Investment, Luang Prabang

Thiengchanhxay, Viengvilay., Faculty of Law and Political Science

Thiphalangsy, Vongvillay., Director, Human Rights, Ministry of Foreign Affairs

Thongphalith, Buachanh., Pak Ou village, Luang Prabang

Thoran, Wolfgang., First Secretary, German Embassy

Tsipsavanh, Head Survey Unit, Department of Statistics
Viravouth, Sengsomphone., Director General Dept of Planning and
Co-operation, Ministry of Education
Vongsalasin, Kayakeo., Deputy Director, Department of Public
Works and Transport (DPWT), Oudomxay
Vongsay, Daovong., Former Sida National Programme Officer
Vongsengchanh, Bounpone., Head of Public Works and Transport
Office, Phonthong District, Champassak
Wangchiaxa, Blongvang., Head, Roads and Waterways Division,
DPWT Luang Prabang
Xaihabouth, Syvanh., Village Chief, Pak Ou village, Luang Prabang
Xomsihapannga, Bounluane., Former Officer, Ministry of Planning
and Investment

Appendix C: The Aid Quality Evaluation Framework

INTRODUCTION

The AQEF is comprised of five components; each of these components contains various sub-components. Assessments of aid quality can be made against each of the AQEF components, using a mix of qualitative and quantitative data. The collection of these data is guided by a purposive sampling framework that emphasises the triangulation of data sources. The interpretation of AQEF assessments must be preceded and informed by rigorous political-economic analysis in order to understand the context of aid delivery over time.

The five components of the AQEF for the purposes of this evaluation are:

1. absorptive capacity;
2. quality of public sector financial management;
3. consistency with Paris Declaration principles;
4. consistency with partner country national sectoral priorities; and
5. consistency with donor country program strategies (or equivalents).

The first three components are indicators of what contributes to effective aid delivery and are chosen according to state of the art, widely accepted knowledge of aid effectiveness.³⁷ Assessments based on these elements are not used to criticise the aid delivery decisions made in the early years of Sweden's co-operation with Laos as much of the knowledge of what contributes to effective aid was not known at that time. These assessments however indicate much about how effective aid might have been delivered based on contemporary thinking,

³⁷ The Paris Declaration principles and their background are well known in donor agencies circles, being a product of lessons learned from decades of official aid delivery. Absorptive capacity and the quality of fiscal management are issues that have become prominent in aid policies more recently, owing largely to concerns over scaled up aid in order to meet the Millennium Development Goals. It has been recognized, however, that these issues are relevant at all aid levels, large and small. A large literature has emerged on these topics and includes Guillaumont and Guillaumont (2006), Bourguignon and Sundberg (2006), Heller and Gupta (2002), Heller *et al.* (2006) and McGillivray and Morrissey (2001).

and they provide good departure points to discuss changes in Sweden's aid delivery over time and the various factors that shaped that delivery. Assessments for these early years are primarily assigned on the basis of qualitative information given the lack of quantitative data.

AQEF COMPONENTS

Absorptive capacity (AC) refers to the capacity of the partner country to use aid efficiently for development purposes. It is based on the simple recognition that there are limits to the amounts of aid that can be efficiently absorbed, with higher and higher levels of aid not necessarily associated with bigger and better development impacts. This recognition is based on observations from the field, but also on international research that shows that the incremental impact of aid falls as aid levels increase (see, for example, McGillivray and Feeny, 2009 and Feeny and McGillivray, 2010).³⁸ This occurs at all aid levels, large and small. Absorptive capacity is a critical determinant of the sustainability of aid impacts. There are many reasons why absorptive capacity constraints emerge within a partner country. They include the efficiency of partner government systems, the capacity of other agencies dealing with aid delivery, and the policy stance of partner governments. The absorptive capacity component captures these conditions and includes policy quality and institutional performance, various governance measures such as voice and accountability, rule of law and control of corruption, basic measures of the efficiency of public fiscal management such as the predictability and control of budget execution, and measures of the quality of donor practices such as the extent of proliferation of aid-funded activities and the predictability of support. Recognising that Swedish development co-operation has often been delivered through, or in partnership with NGOs, these measures can be augmented with indicators of the capacity of these organisations to absorb Swedish aid. These indicators are obtained by qualitative investigation, seeking to establish whether, on development effectiveness criteria, more aid could have been delivered efficiently through NGOs, whether the amount of aid allocated through them was appropriate to their absorptive capacities, or whether too much aid was allocated in partnership with them.

³⁸ Note that the McGillivray and Feeny (2009) paper is primarily concerned with fragile states, but it also provides evidence that absorptive capacity constraints apply in all aid recipient countries.

The **public sector financial management** component has profound consequences for the impact of donor aid and therefore warrants more thorough and additional investigation. While this component is also included under absorptive capacity (very generally and in the context of other key AC indicators), this framework acknowledges its crucial importance by applying more weighting to it as a standalone criteria. There is also overlap between this component and the use of country system indicators under the Paris Declaration. However these indicators are quite limited and do not sufficiently encompass many important PFM issues, such as those addressed by the sub-components discussed below. An important point to make with regard to the use of country systems is that while a donor may use them, if they are of a poor quality, aid impact will be less than if those systems were of a higher quality. As such this component of the AQEF attempts to measure the quality of PFM in the partner country; the Paris principles are used to assess the extent to which Sida used partner systems. The sub-components include internationally agreed measures of the orderliness of and participation in annual budget processes, the presence of a multi-year perspective in fiscal planning and the effectiveness of tax payment collection. The overall rationale for the inclusion of this component in the AQEF is that the absence of good quality public sector financial management constrains the extent to which a donor country program can achieve intended development outcomes and ultimately affects the sustainability of development co-operation activities.

The consistency with **Paris Declaration principles** component is based the donor community agreed measures of progress in each of the following five principles:

1. *Ownership*: Developing countries must lead their own development policies and strategies, and manage their own development work on the ground;
2. *Alignment*: Donors must line up their aid firmly behind the priorities outlined in developing countries' national development strategies, they should use partner country systems, their aid must be untied and be predictable;
3. *Harmonisation*: Donors must coordinate their development work better amongst themselves to avoid duplication and high transaction costs for poor countries;

4. *Managing for results*: All parties in the aid relationship must place more focus on the result of aid, the tangible difference it makes in poor people's lives; and
2. *Mutual accountability*: Donors and developing countries must account more transparently to each other for their use of aid funds, and to their citizens and parliaments for the impact of their aid.

Ownership, alignment and mutual accountability are acknowledged to be important drivers of the sustainability of aid impacts and, therefore, of quality aid delivery. The incorporation of these principles in AQEF assessments serves to increase the framework's focus on sustainability. The application of these principles are nuanced to take into account the political evolution of a country over time, its fragility, and conflict and post-conflict situations, all of which are important aspects of the present evaluation. To reiterate a point made above, particular care needs to be taken in the retrospective application of these principles, keeping in mind that they are based on thinking on aid effectiveness that has evolved over time and much of which was not known or accepted until well into the 1990s or later.

The **partner country national sectoral priorities** component is concerned with the focus of a donor program within the partner country under consideration. The basic idea behind including this component in the AQEF is that donor country programs should be consistent with development needs in countries, and they should be sufficiently flexible to respond to changing development needs or priorities. These needs may or may not be recognised in partner development plans or priorities. As such the issue being addressed by this component is not necessarily one of alignment, in the context of the Paris principles. One approach is to adapt indices used to assess the consistency of global inter-country aid allocation to the relative needs of recipient countries to country level analysis. This would result in an index that would measure the extent to which the allocation of country program funds, across sectors, is consistent with partner country achievement in these sectors. If, for example, a country was doing particularly poorly in health compared to all other sectors, the percentage share of total country funds to this sector should be larger than that to other sectors. The index would provide a quantitative assessment based on such consistency. Similar investi-

gation can be undertaken for the geographic allocation of donor support within a partner country.

The **donor country program strategy** component has been added to the AQEF for the specific purpose of this evaluation. The AQEF focuses on the prerequisites for effective, poverty-reducing aid. As such it does not focus directly on outcomes consistent with a focus on multidimensional poverty reduction or with other broadly developmental outcomes that donors might pursue. The inclusion of the donor country program strategy component is intended to throw specific light on this issue. It is based on various assessments of what the country program has achieved, assessed against the principal objective of these programs, that being poverty reduction. Whether other objectives identified in country program strategies have been achieved can also be considered.

Appendix D: Statistical Figures

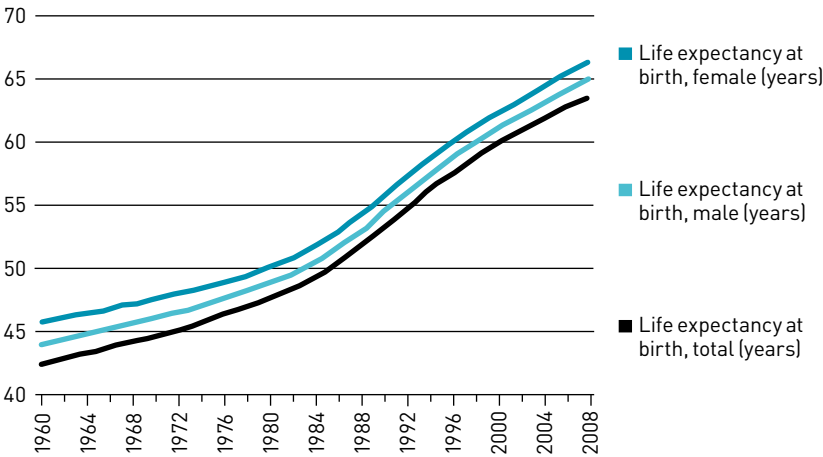


Figure D.1 Life Expectancy, Laos, 1960 to 2008

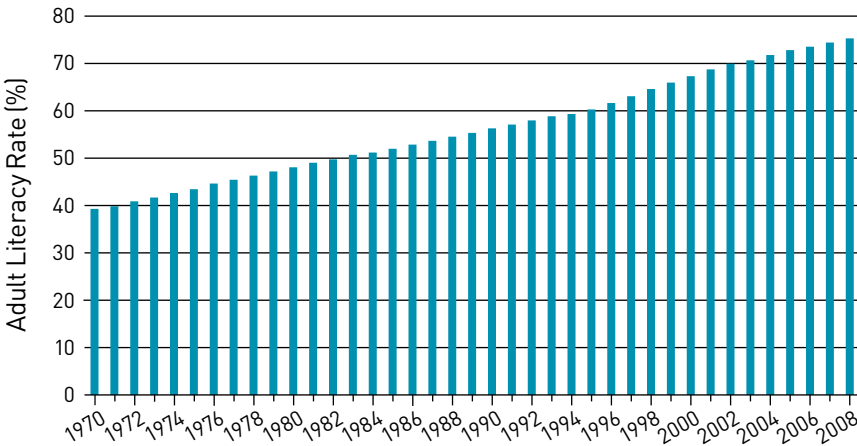


Figure D.2 Adult Literacy, Laos, 1970 to 2008

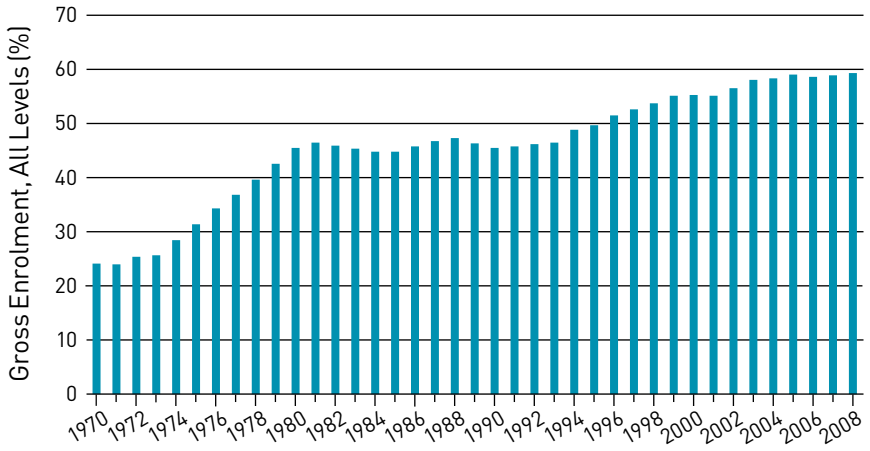


Figure D.3 School Enrolment, Laos, 1970 to 2008

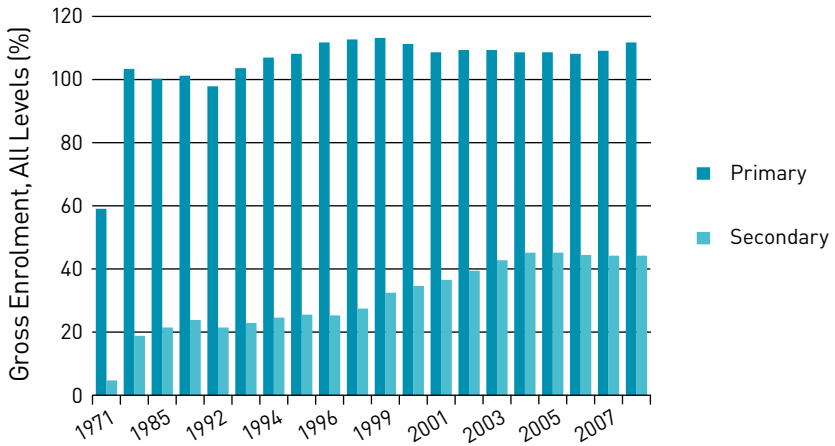


Figure D.4 Primary and Secondary School Enrolment, Laos, 1971 to 2008

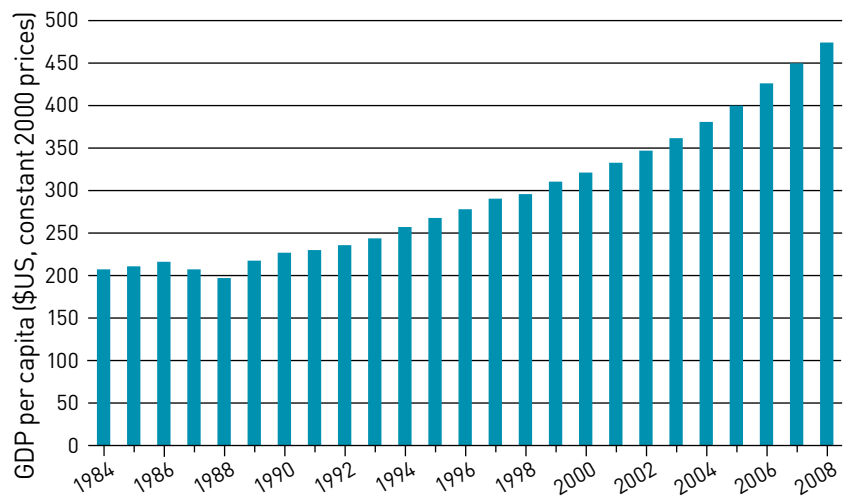


Figure D.5 Income per capita, Laos, 1984 to 2008

Appendix E: Development Co-operation Programs and Projects Between Sweden and Laos

Specific Program	Sector	Period	Activity Expenditure
Agriculture			
Water/ Mekong Project (Dams and Fields)	Water	1978–1980	20,500,000 SEK
Energy Generation and Supply			
Xeset Hydropower Project (with ADB and UNDP)	Electricity	1987–1992	145,000,000 SEK
Gazification Project	Electricity	1986–1991	Not known
Transport and Roads			
Import Support (mainly for infrastructure)	Transport	1977–?	25,000,000 SEK
KM-14 Workshop (Volvo Garage)	Transport	1980–1990	36,000,000 SEK
Roads, Muong Mai	Roads	1982–1985	59,000,000 SEK (not confirmed)
Support to transport sector	Transport	1985–1986	10,000,000 SEK
Road sector, Phase I	Roads	1987–1990	76,000,000 SEK
Road sector, Phase II & III	Roads	1991–1997	330,000,000 SEK 285,000,000 SEK
Road sector, Phase IV	Roads	1997–2001	177,100,000 SEK
Lao-Swedish Road Sector Programme II (LSRSP 2)	Roads	2001–2005	151,000,000 SEK
Lao-Swedish Road Sector Programme III	Roads	2005–2009	140,000,000 SEK
Rehabilitation of Road no 8	Roads	2001–2005	30,350,000 SEK
Soft Credit Road 8	Roads	2001–2005	100,000,000 SEK
Employment Intensive Rural Roads Construction and Maintenance 1996–1997 (With ILO)	Transport	1996–1997	4,000,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Rural Access Planning and Infrastructure for Basic Needs (with UNDP)	Transport	1997–1999	2,205,000 SEK
Forestry and Natural Resource Management			
State Forestry Enterprise, SFE 3 (Tha Bok)	Forestry	1977–1985	45,000,000 SEK
State Forestry Enterprise, SFE 1 (Muong Mai)	Forestry	1979–1987	90,000,000 SEK
Muong Mai Training Center	Forestry	1980–1984	10,000,000 SEK
Ministry of Industries, Handicraft and Forestry	Forestry	1984–1986	28,500,000 SEK
Muong Paksane Regional Project	Forestry	1984–1986	1,600,000 SEK
Lao-Swedish Forestry Programme, LSFP, Phase I	Forestry	1984–1988	10,000,000 SEK
Lao-Swedish Forestry Programme, (LSFP, Phase II)	Forestry	1988–1989	40,000,000 SEK
Lao-Swedish Forestry Programme, LSFP, Phase III	Forestry	1991–1996	120,000,000 SEK
Lao-Swedish Forestry Programme, LSFP, Phase IV	Forestry	1996–2002	152,900,000 SEK
Programme Support to National Coordination of Development Assistance and Investment in the Ministry of Agriculture and Forestry (with UNDP)	Forestry	1997–1999	Not known
Lao Swedish Upland Agriculture and Forestry Research Programme (LSUAFRP) (Through NAFRI: National Agriculture and Forestry Research Institute)	Forestry/ Research	2004–2007	77,000,000 SEK
Upland Research and Capacity Development Programme (URDP)	Forestry/ Research	2007–2012	88,000,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Lao Swedish Upland Agriculture and Forestry Research Programme (LSUAFRP) (Through NAFRI: National Agriculture and Forestry Research Institute)	Forestry/ Research	2001–2005	61,000,000 SEK
Forest Strategy 2020 (FS2020)	Forestry	2001–2002	1,500,000 SEK
National Forest Sect Strategy	Forestry	2002–2004	4,200,000 SEK
Forestry Strategy 2020 Implementation Promotion Project (FSIP)	Forestry	2006–2010	9,000,000 SEK
Conservation for Sustainable Livelihoods IUCN	Environment	2003–2010	5,000m,000 SEK
Environment Support (title?) to STENO through UNDP	Environment	1998	1,100,000 SEK
Strengthening Environment Management through STEA	Environment	1999–2003	20,000,000 SEK
Strengthening Environment Management through STEA-SEM	Environment	2001–2006	48,760,000 SEK
STEA-SEM II	Environment	2006–2010	64,000,000 SEK
Health			
Management and Planning Support to the Lao PDR Health Sector	Health	1992–1995	Contribution included in below programme
Support to the National Drug Programme (NDP), Phase I	Health	1993–1995	9,000,000 SEK
Support to the National Drug Programme (NDP), Phase II (Health II)	Health	1996–1999	15,000,000 SEK
Support to UNDP's Drug Control Capacity Building Project	Health	1998–2001	5,200,000 SEK el. 3,200,000 SEK
National Drug Policy Programme (NDP), Phase III	Health	2001–2003	16,200,000 SEK

Specific Program	Sector	Period	Activity Expenditure
National Drug Policy Programme (NDP)	Health	2006–2009	7,634,000 SEK
Mother – and Child Health (MCH I), through UNICEF (same as other UNICEF above?)	Health	1989–1991	Not known
Mother – and Child Health (MCH II), through UNICEF	Health	1995–1999	6,000,000 SEK
Water Supply and Sanitation			
Rural Water and Sanitation / Drinking Water, Phase I (UNICEF)	Water and Sanitation	1993–1998	34,000,000 SEK
Rural Water and Sanitation / Drinking Water II and III / National Water Supply and Environmental Health Programme (UNICEF)	Water and Sanitation	1998–2003	55,000,000 SEK / 75,300,000 SEK
Public Administration, Governance and Civil Society			
Statistical Project, National Statistics Centre, NSC, Phase I	Public Admin	1982–1993	5,000,000 SEK
Statistical Project, National Statistics Centre, NSC, Phase II	Public Admin	1994–1998	25,300,000 SEK
Statistical Project, National Statistics Centre, NSC, Phase III	Public Admin	1998–2001	25,000,000 SEK
Statistical Project, National Statistics Centre, NSC, Phase IV	Public Admin	2001–2005	26,000,000 SEK
Statistical Project, National Statistics Centre, NSC, Phase V	Public Admin	2005–2008	25,400,000 SEK
Strengthen the Rule of Law in Laos, I	Governance	1992–1995	9,500,000 SEK
Support to the Legal Sector (Phase II of Strengthen the Rule of Law in Laos)	Governance	1996 – 2002	14,000,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Legal Sector Reform	Govern- ance	2004–2006	5,700,000 SEK
Administration Reform in Luang Prabang Province	Govern- ance	2001–2005	11,700,000 SEK
GPAR Luang Prabang Decentralisation	Govern- ance	2005–2010	20,000,000 SEK
Strengthening the Judiciary in Lao PDR (People's Supreme Court) With UNDP	Govern- ance	2000–2004	1,200,000 SEK
Strengthening the Office of the Public Prosecutor	Govern- ance	2000–2004	2,400,000 SEK
Strengthening the Judiciary in the Lao PDR (Through UNDP)	Govern- ance	2000–2001	1,000,000 SEK
Strengthening the Office of the Public Prosecutor in LAO PDR (Through UNDP)	Govern- ance	2000–2002	2,000,000 SEK
Provincial Radio	Govern- ance	2001–2002	3,000,000 SEK
Provincial Radio, Phase II	Govern- ance	2005–2008	12,000,000 SEK
Tax project preparation & Tax Project Bridging Period	Govern- ance	2002–2003	5,700,000 SEK
Support to Tax Authority	Govern- ance	2003–2007	25,000,000 SEK
Strengthening of the Legal Education and Training in Lao PDR / Faculty of Law	Govern- ance	2000–2003	12,000,000 SEK
Strengthening of the Legal Education and Training in Lao PDR / Faculty of Law, Phase II	Govern- ance	2003–2009	35,000,000 SEK
Public Finance Management Support Project (PFMSP) Through World Bank	Public Admin	?	4,000,000 SEK
Dissemination of CRC (Con- vention of the Right of the Child)	Human Rights	2002–2005	5,000,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Juvenile Justice and CRC (UNICEF)	Human Rights	2006–2009	9,000,000 SEK
Demo/HR fund 02 & 03	Human Rights	2002–2003	4,000,000 SEK
Demo/HR fund	Human Rights	2005–2006	4,000,000 SEK
Demo/HR fund	Human Rights	2007–2008	Not known
Education			
Support to the Asian Institute of Technology (AIT)	Education	1989–1993	4,000,000 SEK
Support to the Asian Institute of Technology (AIT)	Education	1993–?	Not known
Inclusive Education Project I	Education	2000–2002	1,000,000 SEK
Inclusive Education Project II	Education	2002–2005	6,000,000 SEK
Inclusive Education Project III	Education	2005–2008	4,700,000 SEK
Participatory Action Research Project	Education	2000–2001	1,500,000 SEK
Advisor to Department of Planning and Co-operation	Education	2001–2004	6,300,000 SEK
The Research Cooperation for Livestock Based Sustainable Farming Systems in the Lower Mekong Basin (MEKARN)	Research / Education	2001–2003	19,500,000 SEK
The Research Cooperation for Livestock Based Sustainable Farming Systems in the Lower Mekong Basin (MEKARN)	Research / Education	2004–2007	32,500,000 SEK
EQIP II (the Teacher Training Enhancement and Status of Teachers Component) (With ADB)	Education	2002–2007	123,000,000 SEK
“Quality School”	Education	2004	800,000 SEK

Specific Program	Sector	Period	Activity Expenditure
Demand Driven Basic Education Project	Education	2003–2005	2,000,000 SEK
Demand Driven Approach II	Education	2005–2007	7,096,952 SEK
Support to Research and capacity building at NUOL (National University of Laos)	Education	2003–2007	30,700,000 SEK
ICT Project	Education	2005–2008	9,500,000 SEK
SAREC Research Cooperation	Education	?–2011	Not known
Humanitarian			
Humanitarian Support to ICRC	Humanitarian	1971–1972	1,400,000 SEK
Bomb Clearing, UNDP	Humanitarian	1996–1997	2,700,000 SEK
Support to Mines Advisory Group, MAG	Humanitarian	1996–1997	3,500,000 SEK
Support to Mines Advisory Group, MAG	Humanitarian	1997–1998	2,000,000 SEK
Other			
Import Support	Other	1974–1975	10,000,000 SEK
Consultancy Fund	Other	1986–1988	7,000,000 SEK
Consultancy Fund	Other	1991–1999	18,000,000 SEK
Consultancy Fund	Other	1999–2001	12,000,000 SEK
Consultancy Fund	Other	2001–2005	9,000,000 SEK
Consultancy Fund	Other	2006–2008	4,000,000 SEK
Cultural Cooperation	Other	1991–1996	5,300,000 SEK
Gender Officers	Gender	1992–1994	5,000,000 SEK
Support to Women	Gender	1995–1997	1,200,000 SEK

Source: *Annex B, Country Report: Laos, Long Term Development Cooperation between Laos/ Sri Lanka/ Vietnam and Sweden, Part One: Documentation, 9 July 2010.*

References

- ADB (2009) “Lao PDR: Strengthening Higher Education Project” Final Report, Volume 2 – Sector Assessment, Manila: ADB
- Bokeberg U., M. Pholsena and J. Muller, Access for Rural Lao: mid-term review of the community roads component of the Lao-Swedish Road Sector Project 1997–2000, Vientiane: Sida.
- Bourguignon, F. and M. Sundberg (2006), Absorptive Capacity and Achieving the MDGs, WIDER Research Paper No. 2006/47, Helsinki: World Institute for Development Economics Research.
- Braathen, E. and P. Skold (2004), The Right Road to Reforms? Appraisal of GPAR Luang Prabang Phase II, Oslo: NIBR .
- Bulír, A. and Hamann, J. (2001), How Volatile and Unpredictable Are Aid Flows and What Are the Policy Implications? IMF Working Paper, 01/167, Washington DC: International Monetary Fund.
- Cameron, D. M., H. Miyazono and F. Danborg (1995), Strengthening re-forestation programmes in Laos. In FAO (1995): 17–26.
- Can, Le Thac (1991), “Higher Education Reform in Vietnam, Laos and Cambodia”, *Comparative Education Review*, 35, 1: 170–176
- Carpenter, D.B., A. Laing, A and M. McGillivray (2010), The Aid Quality Evaluation Framework: Purpose, Application and Approach, Geelong: Alfred Deakin Research Institute, mimeo.
- Chagnon, J., Rumpf, Van Gansberg and Binh (2003), Governance and Participation in Laos, Stockholm: Sida
- Chen, S. and M. Ravallion (2008) The Developing World is Poorer than we Thought, But no Less Successful in the Fight Against Poverty, World Bank Policy Research Working Paper 4703, Washington DC: The World Bank.
- Committee for Planning and Investment (2003), National Poverty Eradication Plan, Vientiane, Lao PDR.
- Danielson, A. and L. Wohlgemuth (2003), Swedish Aid in Perspective, EADI Annual Conference Paper.
- Denzin, N.K. and Y.S. Lincoln (eds) (2000) *The Handbook of Qualitative Research*. Sage: Thousand Oaks.
- Eliasson, L.O., R. Flogfalt and R. Hagman (1987), Lao Road Sector Support: Evaluation of current support and continuation of co-operation, Vientiane/Gothenburg: Sida

- FAO (1995), National Workshop on “Strengthening Re-afforestation Programmes in Lao PDR”. Vientiane 19–21 June 1995. Rome: Food and Agriculture Organisation.
- Feeny, S. and M. McGillivray (2009), “Aid Allocation to Fragile States: Absorptive Capacity Constraints”, *Journal of International Development*, 21(5): 618–633, 2009.
- Feeny, S. and M. McGillivray (2011), “Scaling-up Foreign Aid: Will the ‘Big Push’ Work?” *The World Economy*, 34(1): 54–73.
- Gemmell, N. and M. McGillivray (1998), *Aid and Tax Instability and the Government Budget Constraint in Developing Countries*, CREDIT Working Paper No. 98/1, Nottingham: University of Nottingham Centre for Research in Economic Development and International Trade.
- Granberg, F. (1984), *Lao PDR Roads*, Report to Sida, Vientiane: SweRoads.
- Guillaumont, P. and S. Guillaumont Jeanneney (2006), *Big Push versus Absorptive Capacity: How to Reconcile the Two Approaches*, FERDI Research Paper E 2006.14, Clermont-Ferrand: Université d’Auvergne.
- Hedlund, H. (1994), *Understanding the phasing out process of aid programs: Lao perspectives on the Swedish-Lao Friendship Workshop KM 14 and the Xeset Hydropower Project*, Working Paper No. 3, Stockholm: Stockholm University.
- Heller, P. and S. Gupta, S. (2002), “More Aid: Making it Work for the Poor”, *World Economics*, 3(4): 131–146.
- Heller, P., M. Katz, X. Debrun, T. Thomas, T. Koranchelian and I. Adenauer (2006), “Making Fiscal Space Happen! Managing Fiscal Policy in a World of Scaled-up Aid”, *World Economics*, 7(3): 89–132.
- ILO (1996), *Strategy Document for a Labour-based Road Works Program in Lao PDR*, Vientiane: ILO
- MAF, (2010), *Annual Review of REDD in Laos PDR – 2009*, Vientiane: Ministry of Agriculture and Forestry
- Manivong K. and P. Sophatilath (2007), *Status of Community-Based Forest Management in Lao PDR: Status Report to the Regional Community Forestry Training Centre for Asia and the Pacific (RECOFTC)*, RECOFTC & NAFRI: Vientiane
- McGillivray, M. and O. Morrissey (2001) “Aid Illusion and Public Sector Fiscal Behaviour”, *Journal of Development Studies*, 37(6): 118–136.

- Miles, M.B. and A.M Huberman (1994) *Qualitative Data Analysis: an Expanded Sourcebook*. Sage: Thousand Oaks.
- Nilsson N.E. (1994), *Lao-Swedish Forestry Co-operation Programme: Evaluation of the Forest Inventory Project*, Stockholm: Planalys Konsult
- Nordic Consulting Group (2010), *Country Report: Laos, Long Term Development Co-operation between Laos, Sri Lanka, Vietnam and Sweden. Part One – Documentation*, Taastrup: Nordic Consulting Group.
- NSC, ADB, Sida and World Bank (2003), *Lao PDR Poverty Assessment Report: From the Valleys to the Hilltops – 15 years of poverty reduction*, Vientiane: The World Bank
- OECD (2010), *International Development Statistics On-line Database*, Paris: OECD.
- OECD (2011), *User's Guide to the CRS Aid Activities Database*, Paris: OECD DAC.
- Rafiqi, P.S. (2003), *Institutional Perspectives of the Road and Forestry Sectors in Laos – Institutional Development and Sida Support in the 1990s*, Sida Studies in Evaluation 03/04, Stockholm: Sida.
- Sale, J.M., L.H. Lohfeld and K. Brazil (2002), "Revisiting the Quantitative-Qualitative Debate: Implications for Mixed Methods Research", *Quality and Quantity*, 36: 43–53.
- SHER Consultants (2010), *A Long and Winding Road: Evaluation of Lao-Swedish Road Projects 1996–2009, Draft Evaluation Report*, Vedrin: SHER Consultants.
- SIDA (1982), *Appraisal of the Swedish Support to the Transport and Communication Sector in Laos*, Vientiane: SIDA.
- SIDA (1987), *Agreed minutes from the annual review of road sector support under the Lao-Swedish Co-operation Program*, Vientiane: SIDA.
- SIDA (1987a), *Agreed minutes from consultations in connection with the mid-term review of Swedish-Lao development co-operation program for 1986/87–1987/88 between SIDA and Lao PDR*, Vientiane: SIDA.
- SIDA (1987), *Agreed minutes from the negotiations on an agreement on development co-operation between Sweden and Lao PDR for the period 1 July 1988 – 30 June 1990*, Vientiane: SIDA
- SIDA (1990), *Evaluation of Swedish import/commodity support for Bailey Bridges to Lao PDR*, Vientiane: Sida.

- Sida (1995), *Institutional change in the Lao road sector: A case study of road administration and Swedish aid to Laos 1975–1995*, Stockholm: Sida.
- Sida (1996), *Agreed minutes from the 1995/96 annual review of Lao-Swedish co-operation in the road sector*, Vientiane: Sida.
- Sida (1997), *Specific Agreement between the Government of Sweden and the Government of the Lao People’s Democratic Republic on a Road Sector Project*, Vientiane: Sida
- Sida (2001), *Country Plan for Laos – 2002*, Vientiane: Sida
- Sida (2003), *Country strategy for Swedish development co-operation with Laos 2004–2008*, Vientiane: Sida
- Sida (2008), *Phase out strategy for Swedish development co-operation with Laos: September 2008-December 2011*, Vientiane: Sida
- UNDP (2004), *GPAR-Luang Prabang Phase II – Project Design Document*, Vientiane: UNDP.
- UNDP (2010), *Final Review of GPAR-Luang Prabang Project*, Vientiane: UNDP.
- UNDP (2010), *Decentralized Participatory Governance and Service Delivery Reform Project – Final Report, Luang Prabang, (Phase II)*, Vientiane: UNDP.
- UNDP (2010), *Human Development Report 2010*, New York: Palgrave-Macmillan.
- UNDP, *Project Lessons Learned Report – Decentralised Participatory Governance and Service Delivery Reform Project*, downloaded from www.undplao.org/whatwedo/.../GPAR%20LP%20Lessons%20Learned.pdf (2 May 2011)
- Vadnjal D., T. Conway, J. Rudengren, and M. Juville (2002), *Implementation of the 1999–2003 Strategy for Swedish development Co-operation with Laos*, Sida Evaluation 02/36, Stockholm: Sida
- Weidman, J.C (1996) “Reform of Higher Education in the Lao People’s Democratic Republic” in Postiglione, G.A., and G.C.L. Mak (eds) *Higher Education in Asia: An International Handbook*, Westport: Greenwood Press
- World Bank (1994), *Public Expenditure Review for Lao PDR*, Vientiane: The World Bank
- World Bank (2010), *World Development Indicators*, Washington DC: The World Bank.

Evaluation Study of Long-Term Development Co-operation between Laos and Sweden

This report evaluates the contribution Sweden has made to development and poverty reduction in Laos from the inception of the development co-operation program in 1974 to its end in 2011. The evaluation draws five main conclusions: (i) Swedish development co-operation responded to pressing multidimensional development needs in Laos. (ii) There is mixed evidence of effective and efficient delivery of Swedish development co-operation in Laos. (iii) After a slow start Swedish development co-operation assisted in providing the pre-conditions for sustained poverty reduction. (iv) The evaluation identifies three key lessons learned, which if acted upon can improve future development effectiveness. (v) Swedish development co-operation has made a substantive contribution to poverty reduction in Laos.

This report is one of three reports commissioned by Sida to evaluate countries in Asia (also Sri Lanka and Vietnam) where Swedish development co-operation is being, or has been, phased out. It is complemented by a synthesis report.



SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Address: SE-105 25 Stockholm, Sweden.

Visiting address: Valhallavägen 199.

Phone: +46 (0)8-698 50 00. Fax: +46 (0)8-20 88 64.

www.sida.se sida@sida.se

