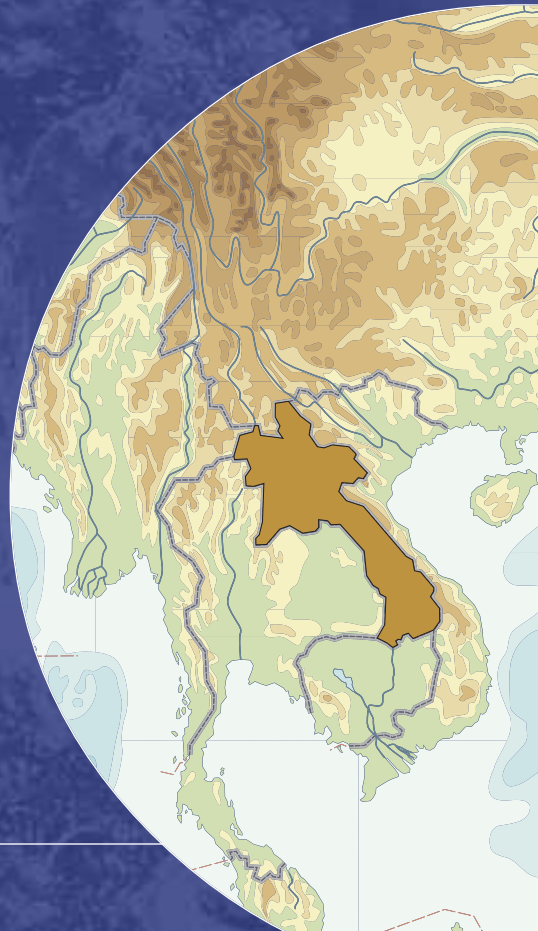


# Implementation of the 1999–2003 Country Strategy for Swedish Development Cooperation with Laos

Dan Vadnjal  
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## Preface

Sida's country strategies involve both the overall strategic orientation expressed in the five-year country strategy papers (CSPs) and the strategic detail worked out during the strategy periods. The strategies provide orientation for the planning and implementation of the country programme; they guide Sida's dialogue activities; and they form a basis for the allocation of the agency's administrative resources. Perhaps most importantly, successful country strategies help set a common agenda for the variety of stakeholder groups involved in the co-operation, mainly the different Sida departments in Stockholm, the Swedish Embassy, and partner organisations.

Since 1996, when the first Swedish country strategies were launched, Sida's Department for Evaluation and Internal Audit (UTV) has commissioned four country strategy evaluations. The first two, concerning Tanzania and Mozambique, focused mainly on the process by which the CSPs were prepared, the extent to which the CSPs cohered with the underlying country and results analyses, and whether the country programmes implemented during the strategy periods were poverty oriented.

In collaboration with the Asia Department, UTV has initiated two evaluations of the 1999–2003 country strategies for the co-operation with Laos and Vietnam. In contrast to the earlier evaluations, the focus of these two evaluations is on the way the strategy is being implemented, or rather on the strategic dimension of everyday decision-making. Thus, the studies examine the orientation of individual projects and programmes, the form and content of dialogue activities and the allocation of administrative resources with respect to their strategic implications.

The purpose of the evaluations is to feed lessons and insights into the formulation, implementation and follow up of the 2004–2008 country strategies for Laos and Vietnam. The evaluations are also expected to contribute to develop such country strategy processes in general within Sida.

Eva Lithman  
Director  
Department for Evaluation and Internal Audit



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# List of Acronyms

ADB	Asian Development Bank
AMAC	Agreed Minutes of the Annual Consultations
CA	Country Analysis
CCA	Country Co-operation Agreement
CP	Country Plan
CS	Country Strategy
CSP	Country Strategy Paper
DCTPC	Department of Communications, Transport, Post and Construction
DICI	Division of International Co-operation and Investment
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IPRSP	Interim Poverty Reduction Strategy Paper
IRAP	Integrated Rural Accessibility Planning
Lao PDR	Lao Peoples Democratic Republic
LECS	Lao Expenditure Consumption Survey
LSFP	Lao-Swedish Forestry Programme
LSRSP	Lao-Swedish Road Sector Programme
MAF	Ministry of Agriculture and Forestry
MFA	Ministry of Foreign Affairs
MCTPC	Ministry of Communications, Transport, Post and Construction
MSEK	Million Swedish Kronor
NAFES	National agricultural and Forestry Extension Service
NAFRI	National Agriculture and Forestry Research Institute
NEM	New Economic Mechanism
NSFDP	National Socio-Economic Development Plans
PPA	Participatory Poverty Assessment
RA	Results Analysis
RMP	Road Maintenance Programme
RTM	Round Table Meeting



STEA	Science, Technology and Environment Agency
UAFRP	Lao-Swedish Upland Agriculture and Forestry Research Programme
UDPAP	Lao-Swedish Upland Development and Poverty Alleviation Programme
UNDP	United Nations Development Programme
WB	World Bank

# Executive Summary

In early 2002 Sida commissioned two studies to evaluate how the Country Strategies for Vietnam and Laos were implemented in 1999 to 2003, with the objective of providing recommendations based on key issues and themes that would improve the effectiveness of Swedish development co-operation in general and future development co-operation with Vietnam and Laos in particular. This report contains the findings from evaluation of the Country Strategy for Laos.

The report comprises a description of the form and functions of the Country Strategy for Laos and a background description of the country context. This is followed by an investigation into the environment and natural resources and roads sector, which provides the basis for drawing out a number of key issues and themes arising in implementation of the Country Strategy. The report concludes with recommendations aimed at making future country strategies more relevant, clear and consistent.

The Sida Country Strategy process encompasses a series of documents including the Country Strategy Paper, Country Co-operation Agreements, Agreed Minutes of the Annual Consultations and Country Plans, and these documents are supported by an ongoing dialogue between the Government of Laos, the Embassy of Sweden, Sida Head Quarters and others with a stake in Swedish development co-operation in Laos. A key finding of the evaluation is that despite the plethora of documents there is little if any transparent recording of strategic decision-making. This is not to say strategic decisions are not made. They clearly are as is evidenced by an array of project and programme activities in the environment and natural resources sector and the roads sector. Rather strategic decisions are made in a non-transparent and sometimes ad hoc way and there is no systematic and explicit recording of the rationale underpinning these decisions. That is, the middle, where the Country Strategy Paper is translated into an ongoing portfolio of projects and programmes, remains elusive. In other words there is an elusive middle in the country strategy process.

There are several causes and consequences of this elusive middle. First, the Country Strategy process involves allocation of financial resources yet there is insufficient attention paid to the allocation of administrative resources for the purposes of dialogue capacity. Secondly, there has been a tendency to roll over and re-package programmes in the environment and natural resources sector, which may be compounded by its reliance

on a small group of consultants and selected ministries in the Government of Laos, in contrast to the roads sector, which has drawn on numerous consultants and co-ordinated its activities with other bilateral as well as multilateral donors. Thirdly, in the environment and natural resources sector in particular, some of the fundamental decisions on the form as well as the content of programmes have been made by senior staff and on an ad hoc basis in the Embassy of Sweden and the Lao Ministry for Agriculture and Forestry. Fourthly, the tendency to maintain programmes in a single sector under one Ministry may not be adequate for addressing the poverty dimensions that have been introduced into the Country Strategy process. Fifthly, while Sweden enjoys good access and influence with Lao policy makers, the tendency, particularly in the environment and natural resources sector, to maintain largely bilateral programmes might cause it to be seen as isolationist. Finally, the 1999–2003 Country Strategy Paper has not been widely distributed to Lao co-operation partners, nor has it been translated into Lao.

In conclusion, seven recommendations are made with a view to making refinements to the CS process that can be used by Sida to improve the effectiveness of Swedish development co-operation in Laos and more generally:

- 1 Dialogue involving strategic decisions needs to be made more explicit in documentation associated with the CS process;
- 2 Sida's strategy discussions should explicitly cover three resources including financial, administrative staff and dialogue capacity;
- 3 The re-packaging and rolling-over of project and programmes should be recognised in monitoring and evaluation;
- 4 The Country Strategy process should aim to build a consensus among Swedish stakeholders;
- 5 The Country Strategy should take into account the composition of ownership in Laos;
- 6 Sida should seek to be more inclusive rather than exclusive in the process of implementing the Country Strategy.
- 7 The Country Strategy Paper should be translated into Lao and more widely disseminated among all co-operation partners and stakeholders in Laos.

# Section 1

## Introduction

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This report is one of a pair of studies commissioned by Sida to evaluate how the Country Strategies for Vietnam and Laos were implemented in 1999 to 2003. The purpose of these evaluations is to provide recommendations based on the key issues and themes that can be used by Sida to improve the effectiveness of Swedish development co-operation in general, and future co-operation with Vietnam and Laos in particular. This is a timely activity as new Country Strategies for the two countries are to be prepared during 2002 and 2003.

This report contains the evaluation of the 1999–2003 Country Strategy for Laos. Its findings and conclusions are based on three weeks of fieldwork during April and May by a joint team of consultants from SPM Consultants and supplemented by interviews with Sida HQ staff conducted during March and June 2002.<sup>1</sup> In accordance with the Terms of Reference, and our Inception Report, we have focused on a dynamic or forward-looking assessment of the implementation of the Country Strategy rather than a static or backward-looking assessment of projects and programmes, and we have concentrated on the environment and natural resources sector and the roads sector.<sup>2</sup>

The report comprises 6 sections. In Section 2 we describe the form and functions of the Country Strategy for Laos followed by a background description of the country context in Section 3. In Section 4, some general comments are made on influences on the Country Strategy, followed by a presentation of the environment and natural resources and roads sectors. Section 5 draws out a number of key issues and themes that arise from implementation of the Country Strategy and Section 6 concludes with recommendations aimed at making future strategies more relevant, clear and consistent.

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<sup>1</sup> The evaluation team consisted of Tim Conway, Dan Vadnjal (Team Leader) and Jan Rudengren (Project Director) from SPM Consultants supported in Lao PDR by Marc Juville, Hongphachanh Sadettan and Vannalack Sengsavannah from Danasea. The evaluation team would like to thank all those who agreed to be interviewed and who provided written materials during our field-work in Laos and consultation visits to Stockholm. We would like, also, to thank Samuel Egerö, Christer Hultsberg, Ari Kokko and Göran Schill for their detailed written comments on earlier versions of this report.

<sup>2</sup> It should be noted that the purpose of the evaluation, while specified in the Terms of Reference issued on 23 October 2001, was subsequently refined following extensive consultations with Sida, and elaborated upon in the Inception Report presented on 12 April 2002.

# Section 2

## Form and Functions of the Country Strategy

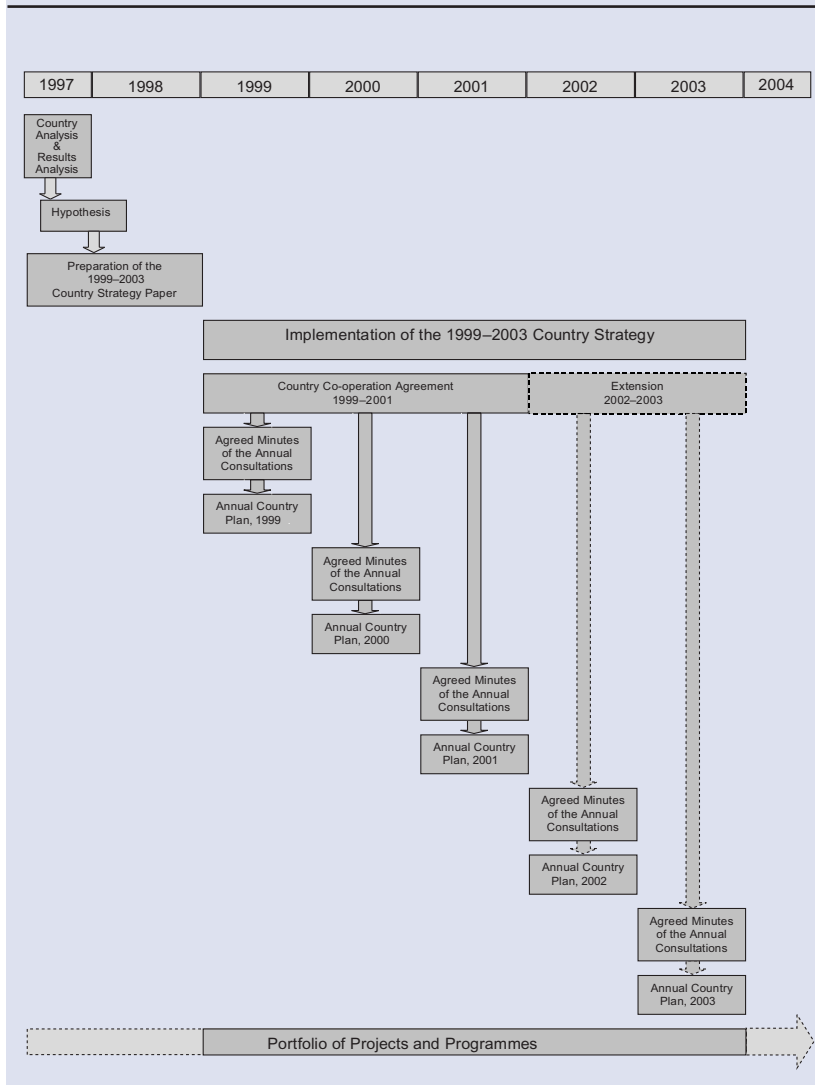
Search through any management science textbook and you will find that a simple yet important definitional distinction is made between strategies and plans or programmes. A 'strategy is not a detailed plan or programmes of instructions; it is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization' (Grant, 2000, pg. 4). In other words, a strategy should be seen as providing overall direction and guidance for deploying the resources of an organisation in accordance with broad objectives while a plan or program is more a detailed activity and work related schedule of how an organisation is to achieve specific objectives.

Management scientists are also keen to point out that strategy should be seen as a process, and that this process comprises both formulation and implementation elements, though there is disagreement on whether these elements should interact. One school (headed by the likes of Bruce Henderson at the Boston Consulting Group) argues that strategies are the result of a rational, structured and logical process by senior management that are then passed-on for implementation by the different layers of an organisation. In their view of strategy making, the formulation of strategies is essentially technocratic and precedes implementation. Another school (associated with Henry Mintzberg and his colleagues at McGill University) argues that strategy formulation and implementation go in hand in hand. Mintzberg (1987) argues that typically only 10–30 per cent of an organisation's intended strategy is implemented (or 'realised') because it is necessary to adjust and revise it in the light of experience. In their view, a divide between strategy formulation and implementation is misleading; strategy development is more about 'crafting than planning'.

Whether more suitably viewed in terms of one or other school the Country Strategy (CS) adopted by Sweden can be viewed as a process comprising two elements: the formulation of a Country Strategy Paper (CSP), which starts some 18 months prior to implementation; and implementation where-by (recommendations in) the CSP is translated into an ongoing portfolio of project and programmes.

A schematic overview of the CS process is presented in Diagram 1 below.

**Diagram 1: Schematic Overview of the Country Strategy Process**



Prior to the drafting of the CSP, Sida prepares a Country Analysis (CA) and a Results Analysis (RA) along with a ‘hypothesis’ for development co-operation over the next five years.<sup>3</sup> These analyses and hypothesis are discussed and debated with the Ministry of Foreign Affairs (MFA) and then summarised at the beginning of the CSP. In the 1999–2003 CSP the CA stresses the importance of, amongst other issues, distributional differences between ethnic groups and regions (town and country), the state of economic growth and economic and political reforms, sustainable use of natural resources, educational deficiencies and the status of women; the RA reports mixed results of development co-operation for the period 1995–1997, with improvements in infrastructure (i.e. access to clean water and latrines, construction of roads and bridges) yet incapacities remaining in the Lao administration.

What emerges in the first part of the CSP is a summary of findings from the CA and RA followed by a series of statements presented in the form of overall policy objectives and sector-specific targets, outlining how the Swedish government intends to address and prioritise its development co-operation over a 5-year period. In the 1999–2003 CSP for Laos the overall policy objectives are “to promote sustainable growth that can reduce poverty and counteract increasing gaps in society” and “to develop and strengthen pre-conditions for democracy and human rights”. The main sectors for development co-operation are roads and environment and natural resources with attention paid to democracy and human rights as well as education and other sectors.

The remainder of the CSP goes onto flesh-out the broad actions required to achieve these overall policy objectives. The CSP specifies that development co-operation should be concentrated in eight main areas: (i) investments to develop infrastructure and sustainable utilisation of natural resources aimed at poverty reduction in the roads sector, sustainable use of natural resources and water supply and sanitation; (ii) promotion of democracy and human rights with a particular emphasis on the legal system; (iii) the possibility of starting long-term support to the education sector with a focus on poverty reduction and including the right of all children to a basic education, higher education and research; (iv) consolidation of support for the implementation of the national medical products policy; (v) continued selective support to the central administration but with an ending during the strategy period of support to the statistics authority and with the possibility of support to the tax authorities; (vi) continued support to mine clearance; (vii) exploring the possibilities of credit financing or providing guarantees for major projects; and (viii) improving co-ordination between donors and other players with a view to

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<sup>3</sup> This account of the Swedish CS process is based on interviews with personnel and documents from the Ministry of Foreign Affairs (2001) Sida (1998).

making assistance more effective and facilitating co-ordination and planning by partners. In addition the CSP states that there may be a need to provide additional (administrative staff and financial) resources.

Once a draft CSP has been adopted by the Swedish Government this provides the basis for discussion with the Government of the partner country on the development co-operation over the coming years. In implementation of the CSP several additional core documents come into play, including a Country Co-operation Agreement (CCA), Agreed Minutes of the Annual Consultations (AMAC) and an annual Country Plan (CP).

The CCA is a three-year development co-operation, which can be extended and amended for a further two years. Based on the CSP, the CCA contains a summary of the same overall policy objectives and sector-specific targets and specifies the total amount of funds that Sida will allocate for the period of development co-operation. The AMAC contains strategic discussions and analyses as well as specific details on the portfolio of project and programmes for each year during the strategy period. The annual CP is directed by the CS and CCA and specifies an indicative country allocation (in MSEK), comments on achievements in relation to overall strategy objectives and sector-specific targets, and includes a month-by-month breakdown of the status of the portfolio of projects and programmes for each year of strategy period. The CP also provides detailed information on staffing levels.

So, what we know of the CS process is that the point of departure is the preparation of the CSP that includes a summary of findings from the CA and RA; implementation of the CSP is initiated with a three-year CCA (with the option for a two-year extension) followed by AMACs and CPs and ends with a portfolio of projects and programmes.

We can also discern at least six possible functions of the CS process:

1. Formulating general criteria for allocating scarce resources to guide future decision-making and make the decision-making process more efficient (and hopefully transparent and consensual).
2. As an extension of point 1, providing a clear list of the kinds of activities (sectors, type of funding, type of project, type of cost, etc.) that the agency will either not fund at all, or fund only in unusual and defined circumstances.
3. Building up a degree of consensus and understanding between various stakeholders within the donor country about desirable and possible policies.<sup>4</sup>

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<sup>4</sup> We treat this intra-Swedish consensus as a separate issue because of the actual diversity of Swedish agencies involved and the fact that relations between them are non-hierarchical, and have to be negotiated, sometimes with considerable effort



4. Building up a similar consensus and understanding between various Swedish stakeholders about desirable and possible policies in the partner country.
5. Providing a context in which the question of Sida's comparative advantages in development co-operation with a country can be thoroughly examined.
6. Providing agency staff and other stakeholders with a clear sense of direction and purpose, and with the enhanced motivation that can follow from that.

We understand that the CSP for Laos concentrates on function 1 and 3, with some attention to functions 2, 5 and 6. We recognise, however, that the ability of the CSP to provide an explicit list of projects that Sida will not fund (function 2) is constrained by the fact that it is owned by the MFA which has to be responsive to overall diplomatic development concerns. With reference to functions 3, the Swedish stakeholders include the MFA and Sida HQ in Stockholm; Sida and diplomatic staff in the Embassy of Sweden in Vientiane; other Swedish organisations (e.g. NGOs, research institutes, individual consultants and consulting companies) who are involved in the development co-operation program with Lao PDR on a long-term basis. We also recognise that the extent to which the CSP specifies Sweden's comparative advantage in Lao PDR (function 5) and provides Sida staff with a clear sense of direction and purpose (function 6), is constrained by its consensus building function (function 3). Function 4 is at present not covered by the process leading to the CSP although the CA and AMACs clearly seek to build consensus between Swedish and Lao stakeholders.

However, while the CSP, CCA, AMAC and CP documents tell us what decisions are taken, we know much less about how these decisions are taken, especially, how sector-specific targets are transformed into a portfolio of projects and programmes. It is this issue, of how decisions have been and are being taken in the process of implementing the 1999–2003 country strategy for Laos, on which we focus our attention in this report.

# Section 3

## Country Context

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The People's Democratic Republic of Laos is one of the least developed countries in South-East Asia. As a small, highly mountainous landlocked country with a thinly spread and ethnically diverse population, Laos faces particular problems in integrating remote communities into economic development and delivering basic social services such as health and education.

The Party Congress endorsed an economic reform process introduced under the label of the New Economic Mechanism (NEM) in 1986. Introduced gradually, NEM reforms resulted in good economic growth rates from the late 1980s up until 1999. Between 1992/93 and 1997/98, real per capita GDP grew at 4.6 per cent per annum and the poverty headcount fell quite substantially (from 45 per cent to 38.6 per cent). Economic growth and poverty reduction slowed from 1998 when, contrary to initial projections (including those in the 1999–2003 CSP), Laos did begin to feel the effects of the regional financial and economic crisis. After nearly three years of instability, the Lao economy started to regain momentum in late 2000, with GDP growth rates over 5 per cent. The macroeconomic situation is now described as “stable but fragile”.

Despite marked and growing differences between regions and provinces, Laos is still relatively egalitarian by regional and international comparison. Over time, however, there is a risk that the gains from poverty reduction will be further concentrated in the lowland, paddy-cultivating communities and ethnic Lao (or other Tai-Kadai), with only limited improvements in the living conditions of the upland-dwelling, Mon-Khmer, Hmong-Mien and Tibeto-Burman groups who are largely dependent upon swidden cultivation. The inequality between lowland and upland is already pronounced (and emerges, for example, as the key theme in the Lao PPA). It is therefore essential that national development and external assistance start to reduce this gap, or at the very least prevent it from widening further. Promoting economic growth which is pro-poor and which reduces inequalities is one of the central overarching objectives identified in the 1999–2003 CSP, with improved access (through better roads management) and natural resources management central to that process.

A major objective of Swedish development co-operation over the current strategy period has been the promotion of democracy and human rights. Political reform lags far behind economic reform. While there are differences of opinion within the Party Congress, and there have been some early signs of more openness in, for example, freer debate in the National Assembly, there is no domestic challenge to the primacy of the Congress Party. Levels of transparency remain low, and many important questions that are fundamental to the long-term development of the country are not easily or openly discussed.

From a development co-operation perspective poverty analysis in Laos is at a fairly early stage. It has however advanced considerably since 1998 (when the 1999–2003 CSP was written). Human development indications in health and education are very low. The main source of quantitative information is the Lao Expenditure Consumption Survey (LECS) comprising a sample household survey conducted in 1992/93 and 1997/98. This provides the basis for all consumption-based poverty line and inequality estimates. Comparison of the LECS survey data shows how differential growth rates between 1992/93 and 1997/98 widened the gaps between town and country and between rich and poor regions and provinces. The northern region remains the poorest and the one in which the rate of poverty reduction has been slowest. LECS data has recently been complemented with the findings of a Participatory Poverty Appraisal (PPA), which has drawn out the differences in experience and perception of poverty based on different agro-ecological zones and ethnic groups and the way in which livelihood strategies reflect these differences. It has also, significantly, helped to identify both household and village level causes of poverty. The main indicator of household poverty is the



*Photo: IFAD/  
Robert Grossman*

number of months for which the household is not self-sufficient in rice; the main indicator of wealth is the number and type of livestock, especially large livestock that are owned. The problem most commonly cited by villagers as creating obstacles to economic growth is the lack of all-weather roads, which makes it hard to access markets to sell produce, particularly in the wet season. All of these findings suggest that, in terms of broad sectors, Sida's focus is suited to the priority needs of Laos.

National development policy has developed significantly in recent years. The Government of Laos presented an Interim Poverty Reduction Strategy Paper (IPRSP) in March 2001. This draws substantially upon existing policy statements, including the Government's report to the November 2000 Roundtable Meeting (RTM) with donors, and reiterates the long-term goal of the Government, namely, to "quit once and for all the status of a least developed country by the year 2020". Eight National Socio-Economic Priority Programmes have been formulated to focus efforts towards achieving this goal.<sup>5</sup> The IPRSP, as a framework for medium-term national development policy, covers much the same terrain as the five-year National Socio-Economic Development Plans (NSEDPs) through which the Government has conventionally sought to set strategic goals. The decentralisation plan introduced in 1996 has much potential but also entails some risks: devolution of responsibility for revenue collection to the provinces has led to several retaining some revenues they should otherwise have transferred to central government, and in the face of weak and ineffective expenditure controls there have been instances of provinces undertaking unauthorised expenditures. Developing provincial capacity is a major priority in all sectors, and one that has influenced Sida's activities in both the environmental and natural resources sector and roads sector.

The Lao economy remains heavily dependent upon development assistance, which accounted for circa 15 per cent of GDP in 1999. Much of this has been channelled into road and hydropower infrastructure. The transaction costs of aid have typically been high as donor projects have often relied upon intensive and expensive commitments of staff time; this approach both reflects, but ultimately may also contribute to, a low absorptive capacity on the part of the Government. As the number of donors and the level of total development assistance increases, donors have begun to invest in co-ordination mechanisms, both through high-level RTMs and through sector and provincial-level co-ordination.

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<sup>5</sup> The eight programmes cover food production, commodity production, stabilisation of shifting cultivation, rural development, infrastructure development, expansion of external economic relations and co-operation, human resource development and services development.

In Laos, as in Vietnam, Sweden enjoys a “special relationship” with the government, at least partially due to the fact that it was one of the first and, for many years, largest donors (Sida, 1999: 7; SPC, 2001, esp. pp. 24-8). With the growth in development assistance to Lao PDR over the course of the 1990s Swedish aid is now less significant in relative quantitative terms, having been overtaken by the international financial institutions, UN agencies, European Union and the bilateral donor agencies of Japan and Germany (see Table 1 below). Sida, nonetheless, continues to enjoy good access and influence with Lao policy-makers, both in issues of general development policy and in those sectors in which it has been involved for many years. This is a point repeatedly made both by Sida staff and by counterparts in the Lao Government and elsewhere.

<b>Country</b>	<b>USD Millions</b>	<b>%</b>
Japan	90.82	45
China	30.88	19
Germany	23.42	11
Sweden	13.63	7
Australia	11.36	6
France	6.66	3
Thailand	5.88	3
Norway	5.59	3
Luxembourg	1.68	1
Belgium	1.51	1
Finland	1.18	1
<b>TOTAL</b>	<b>202.9</b>	<b>100</b>

Source: Foreign Aid Report 1999–2000, Government of Lao PDR, 2001

# Section 4

## Implementation of the Country Strategy

A number of factors have influenced the implementation of the 1999–2003 CS for the Swedish co-operation with Laos. In what follows we provide some background to what are some of the more general influences on the implementation of the CS followed by a more detailed discussion of the environment and natural resources sector and the roads sector.

### 4.1 General influences on implementation of the CS

First, the CSP document itself merits a few quick observations. In contrast to other studies of Sida CSP preparations, it seems that the findings of the CA in Laos do seem to have been followed through logically in the framework of strategy recommendations (i.e. for a continuing sector focus on natural resources and access).<sup>6</sup> There is less evidence that the RA exercised much influence over the content of the CSP. The brief summary of the RA conclusions provided in the CSP focuses mainly on Lao-side implementation constraints rather than observed strengths and weaknesses of previous Sida development co-operation activities. Without access to the original document, it is hard to tell if this summation is an accurate reflection of the focus of the RA.<sup>7</sup> Certainly, the current (2001) Sida CS guidelines suggest that the RA should attempt to address Swedish as well as partner-side influences on development effectiveness in the country in question. This does not emerge as a strong theme in the CSP.

Formulation of the CSP was the subject of considerable internal debate amongst various Swedish stakeholders. During the preparation process over the course of 1998 the then Charge d’Affaires of the Embassy of Sweden favoured an approach which would take the current set of

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<sup>6</sup> The authors are well aware that the focus of report should not be on the strengths and weaknesses of the process leading up to the production of the CSP; this has been studied in some detail in two previous studies (on Tanzania by Booth *et al* 2001 and on Mozambique by Wuyts *et al* 2001). Thus we confine ourselves here to a few brief comments.

<sup>7</sup> Neither the CA nor the RA are available in English or Lao languages.

activities as a starting point and base the new CSP on an updated version of this. Staff in the Asia Department in Sida HQ by contrast favoured starting with a blank sheet of paper, examining the needs and capacities in Laos and identifying priorities for Swedish co-operation accordingly. This approach is endorsed, incidentally, by the current Sida guidelines on writing a CSP, which mandates “analyses and discussions that are as free from preconceptions as possible” (Sida, 2001: 6). In the end, the latter prevailed although, arguably, this is not immediately apparent from the document itself, in which sector guidance amounts (probably justifiably in the roads sector but, perhaps, less so in the environment and natural resources sector) to a continuation and extension of previous activities.

A second point worth noting is that the summary of findings of the CA in the CSP was to prove overly optimistic with regard to the macroeconomic situation. When the CSP was formulated in 1998 it argued that, because the economy was dominated by subsistence-oriented farming, “the [Asian economic] crisis has only had a limited impact on Laos” (Sida 1999; 2000). By the end of 1999 however it became clear that the impact, while lagging behind that in neighbouring countries, and of a much smaller magnitude, was nonetheless greater than anticipated. While it did indeed have relatively little direct impact on the majority of the poor, the crisis affected state revenues and budget balances for at least two years. The remedial actions forced upon the Government by the economic downturn were to limit the Government’s ability to co-operate with Sida to quite the extent anticipated in the CSP. In the roads sector, described below, the devaluation of the kip made it impossible for the Government to meet their commitment to matching donor contributions with a sum in US dollars (Sida and MCTPC, 1999: 2).

A final factor influencing the implementation of the CS concerns administrative resources for the purposes of dialogue activities.<sup>8</sup> In Laos, the Embassy of Sweden is “partially delegated”, which means that Sida HQ (including the Asia Department and relevant sector departments) will also be party to dialogue with the Government of Laos.<sup>9</sup> This can and often does place an extra-ordinary burden on staff in the Embassy (and elsewhere) especially when misunderstandings and differences of opinion arise on, amongst other matters, how to respond to the overall objectives and sector-specific targets of the CSP. Gathering and distilling

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<sup>8</sup> There has been a continuity of staff with the same environment and natural resources sector and roads sector specialists in post since mid-1999 and the present Charge d’Affaires of the Embassy of Sweden has been in place since early 2000.

<sup>9</sup> More specifically, in practice, this means the Embassy shares the responsibility for project preparation with Sida HQ in the following way: the embassy carries out a preparatory assessment; the regional department give mandates to the concerned sector department for full assessment; the sector department carries out the full assessment and approves (or otherwise) the project.

these opinions in a consistent and coherent manner has proved to be a time consuming exercise and the burden on staff resources should not be underestimated. As is described in the environment and natural resources sector below, the wave of new programmes that were processed during the CS period, along with other factors, were to accentuate this burden on staff resources in the Embassy, which may well go at least some way to explaining the various difficulties that have arisen in this sector.

## 4.2 Environment and natural resources

Programmes in the environment and natural resources sector are the second largest (in terms of actual and estimated disbursements) for the period 1999–2002 and will become the largest (in terms of estimated disbursements) for the period 2003–2004. This sector is also where Sweden has its longest-standing involvement in development co-operation with Laos starting with the Lao-Swedish Forestry Programme (LSFP) in the latter half of the 1970s.

The 1999–2003 CSP states in relation to the environment and natural resources sector that co-operation with respect to the sustainable use of natural resources should also focus on improving the living conditions of poor small-holders in the mountainous regions. The focus on development of the highland regions, which began in the 1990s and is based on natural resources rather than the forestry programme, should be strengthened still further and additional co-operative partners found to work with the forestry authority. The development of methods should to a greater extent be supplemented with measures that can directly benefit the poor rural population. (Sida, 1999: 9). These short paragraphs provide limited strategic guidance to Sida staff, in the Embassy of Sweden in Vientiane and Sida HQ. Yet examination of programmes in the environment and natural and resources sector since 1999 indicates that these are the areas in which Sida has been most active.

Before commenting on the portfolio of programmes it should be noted that the CCA, AMAC, CP and other documents largely reiterate the policy objectives specified in the CSP. For instance, in the 1999–2001 CCA, signed by the then Charge d’Affaires of the Embassy of Sweden and the Vice Minister of the Government of Lao PDR brief reference is made, in their accompanying speeches, to continued support to the environment and natural resource sector in particular as this relates to poverty reduction.<sup>10</sup> In the CP for 2002 the document states that considerable efforts have been placed on developing a replacement for

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<sup>10</sup> See Annex II and Annex III respectively of the CCA for 1999–2001.



the Lao-Swedish Forestry Programme, not surprisingly, given that the LSFP has been the centrepiece of Lao-Swedish development co-operation. The AMACs, in particular, provide a summary of strategic dialogue on the portfolio of programmes in the environment and natural resources sector, including technical and policy issues. In the case of the AMACs covering the LSFP, this includes matters such as the provision of bridging finance for support to new programmes in research and extension and the desire for these programmes to focus on upland development, poverty alleviation and continued support to provincial and district level administrations. The outcomes of this dialogue are reported in the Embassy's Semi-Annual Reports.

The environment and natural resources sector comprises a portfolio of programmes for which there is a specific agreement between the government of Sweden and the Government of Lao PDR. The following includes the main programmes that have been implemented within the 1999–2003 CS:

- a) The Strengthening Environment Management through the Science, Technology and Environment Agency (STEA) programme was signed into agreement for the period January 2001 to June 2004. The STEA programme is intended to assist in enhancing environmental management capacity with the Department of Environment, providing a fully functioning network for information and co-ordination of environmental issues at the central level, establishing environmental offices in three provinces and increasing awareness amongst the general public about environmental issues (25.0 MSEK).
- b) The Lao-Swedish Forestry Programme (LSFP) operated in four phases between 1979 and 2002. During the first three phases – Phase I (1979–1987), Phase II (1987–1991) and Phase III (1991–1996) – there was a general re-orientation of the LSFP away from providing technical assistance to the forestry sector to sustainable natural resource management with an emphasis upon institutional strengthening and capacity building. Phase IV was signed into agreement for the period 1996–2000 and continued to emphasise sustainable resource management and institutional strengthening (152.9 MSEK). A six-month extension was signed into agreement for the period 2000–2001 and included funds allocated to preparation for the future co-operation within the natural resources management sector (11 MSEK).
- c) The Lao-Swedish Upland Agriculture and Forestry Research Programme (UAFRP) was signed into agreement for the period 2001–2006. Following on from the LSFP Phase IV the UAFRP is the research 'leg' of the natural resources sector with the overall objective

of improving upland farmers' livelihoods for poverty alleviation and sustainable use of natural resources (45 MSEK).

- d) The planning phase of the Lao-Swedish Upland Development and Poverty Alleviation Programme (UDPAP) was signed into agreement for the period September 2001 to August 2002. Following on from the LSFP Phase IV the UDPAP is the extension 'leg' of the natural resources sector with the overall objective of contributing to economic development, poverty alleviation and sustainable use of natural resources by improving the livelihoods of upland households (5.0 MSEK).

In addition, during the CS period, funding in the environment and natural resources sector has included support to preparation of the Forest Strategy (2020), and to the Division of International Co-operation and Investment (DICI) through the United Nations Development Programme (UNDP).

As the centrepiece of Swedish development co-operation much of the activity in the environment and natural resources sector has been involved with the ending of the LFSP Phase IV and the transformation to the UAFRP and UDPAP. Towards the end of 1999 there was an intensification of dialogue including ongoing and often ad hoc discussions between one or two senior persons within the Ministry of Agriculture and Forestry (MAF) and the Embassy of Sweden in Laos. These discussions were to be an important driver in formulating what emerged as a two 'legs' approach: the UAFRP would continue support to research under the umbrella of the National Agriculture and Forestry Research Institute (NAFRI); the UDPAP would continue support to extension in the uplands under the umbrella of what was later to emerge as the National Agricultural and Forestry Extension Service (NAFES). The outcome of these informal discussions is documented in the April–September 2000 Semi-Annual Report (pg. 8) stating that these two 'legs' had been identified, and processes for the preparation of the programmes had been agreed upon. The UDPAP, still under preparation, will include natural resources management in the uplands, focusing on one or two of the provinces involved in the LSFP. Relevant experiences from the LSFP will be considered as important inputs to the formulation of the new programme. One year later in the April–September 2001 Semi-Annual Report (pp. 10–11) it is stated that “the Lao-Swedish co-operation within the natural resources sector after the termination of LSFP [Phase] IV will continue with two new long-term programmes”. The two new long-term programmes referred to are UAFRP and UDPAP.

A number of wider issues emerge from our examination of the portfolio of programmes in the environment and natural resources sector.

First, there is a considerable draw upon administrative resources for the purposes of dialogue activities. As we noted earlier (see Section 4.1) this is particularly so in Laos as the Embassy of Sweden is partially delegated and this often places an extra-ordinary burden on staff in the Embassy. This burden on staff dealing with the environment and natural resources sector may have, for several reasons, been accentuated. It appears considerable time (and a considerable amount of money) was spent (the 12–18 months preparation time involving various consultant and stakeholder inputs aside) by the Embassy, Government and Sida HQ on deciding how these programmes could be re-oriented, for instance, away from the LSFP-emphasis on developing methods to providing more concrete measures that would benefit the poor rural population. Also, the CS period proved to be a busy time with the implementation of STEA and the UAFRP beginning in 2001 and the planning phase of the UDPAP taking place during 2001 and 2002.

Second, there has been rolling over of programmes in the absence of transparent criteria for evaluating continued support. This is particularly evident with the transformation of the LSFP Phase IV into the UAFRP and UDPAP. The factors contributing to this continuation are evident in formal documentation and by informal discussions. The CSP and CCA both make reference, directly or indirectly, to the continued support for programmes in the environment and natural resources sector, and the LSFP Phase IV included a six-month extension with funds allocated to preparation for the future co-operation within the natural resources management sector. The ad hoc discussions between senior persons in MAF and the Embassy of Sweden, and their commitment to continuation of the LSFP Phase IV, albeit in a different form, clearly played an important role in ensuring the emergence of the UAFRP and UDPAP. However, while the manner of this transformation of the LSFP Phase IV into the UAFRP and UDPAP is more or less clear, there is no explicit rationale, documented or otherwise, for example, detailing the decision to split the research and extension components into two separate programmes rather than retaining them as one programme or, for that matter, giving reasons for continuation of either one or both of these programmes.

Third, and closely related to the previous point, there has been a tendency to repackage programmes rather than make substantial changes to their content. In the case of the transformation of the LSFP Phase IV, the emphasis in the UAFRP and UDPAP on sustainable use of natural resources generally rather than forestry and agriculture specifically and on ends in terms of improving livelihoods of upland farmers rather than means in terms of improved productivity, responds to the sector-specific

priorities in the CSP. However, the content of the UAFRP and UDPAP has a striking similarity to that of the LSFP Phase IV. Both programmes focus on institutional strengthening and capacity building, themes that were at the core of the LSFP Phase IV; the UAFRP and UDPAP retain the geographical focus of the LSFP Phase IV with focus on provinces in the North of Lao and including the Province of Luang Prabang. While this tendency to repackage programmes is not uncommon in other countries and programmes it should be recognised that the combination of institutional strengthening and capacity building in a limited number of provinces may not contribute to either the sector objectives or the overall objectives in the 1999–2003 CSP of poverty reduction.

Fourth, Sida has tended to draw on a small group of individual consultants and consulting companies to design and implement the portfolio of programmes and this has acted as a barrier to the entry of new and possibly innovative ideas. The same consulting company engaged by Sida to manage the LSFP Phase II–IV (1987–2001) has been engaged to manage STEA and the UAFRP, and the LSFP Phase IV team leader is team leading the UAFRP. In designing programmes, there has been a tendency to choose from a small and rather select group of individual consultants who are more or less well known to persons in Sida, especially in Laos, rather than drawing from individuals in the wider consulting community. This tendency to retain the same individual consultants and consulting companies, to the extent that it acts as a barrier to the entry of new and possibly innovative ideas especially at the programme design stage but also in the course of implementing programmes, may be seen as a factor contributing to the rolling over and repacking of programmes in the environment and natural resources sector.

Finally, and briefly, Sida has concentrated mostly on bilateral programmes and with selected ministries in Laos. While Sida may see maintaining a bilateral relationship with a single ministry as advantageous, several potential problems may arise. On the one hand there is the risk that Sida is seen as isolationist by other donors and forgoes the opportunity for co-ordination that might promote entry of new and possible innovative ideas that would otherwise maximise programme impacts, while on the other hand, it lessens the ability of Sida to transcend traditional sector boundaries where this is called for in dealing with the multidimensional matters such as poverty reduction.

In summary, considerable financial and administrative resources have been spent in the environment and natural resources sector, and particular programmes have been shaped, rolled over and repackaged, in the absence of any discernable, documented or otherwise, strategy. It would seem that several immediate activities are necessary. Given that the Embassy of Sweden is partially delegated, and the apparent com-

plexities of programme formulation in the environmental and natural resources sector, consideration will need to be given to the role of policy dialogue and the allocation of administrative resources for this purpose. Also, a review of the individual programmes and wider aspects of the environment and natural resources sector requires clear criteria and metrics for measuring and evaluating the effectiveness of the sector and programmes within it. On this basis there may be a case for developing a mini-strategy (as is suggested in the Vietnam report) for the environment and natural resources sector that elaborates in more detail upon the overall objectives and sector-specific priorities specified in the 1999–2003 (and future) CSP. This should be considered a timely exercise given that preparations have begun for the next CSP for 2004–2008.

### 4.3 Roads sector

The roads sector accounts for the largest component of Swedish development co-operation (in terms of actual and estimated disbursements) for the period 1999–2002, and will remain the second largest (after the environment and natural resources sector) for the period 2003–2004. Assistance to this sector has also been one of the largest components of Swedish co-operation with Laos since at least the mid-1980s.<sup>11</sup> Sida staff planning and implementing co-operation in the development of the roads system over the 1999–2003 CS period could thus draw upon a considerable body of experience from prior engagement in the sector, and a number of project and sector evaluations and reviews.

On co-operation in the roads sector, the 1999–2003 CSP states that the road sector will continue to receive support:

“in order to contribute to growth and improved access for, first and foremost, disadvantaged groups and areas. Priority should be given to support to institution-building and skills enhancement; building and maintaining roads serves as a complementary activity to skills enhancement. The development of methods for handling decentralised responsibility and popular participation should be an important component of efforts to upgrade skills.”

There are also some relevant comments in the preceding, more generic paragraph, which states that

“improvements in the infrastructure enhance opportunities to pursue a variety of income-generating activities ... Furthermore, proximity to a market means access to a wider choice of goods and services. Accessibility may also contribute to better service in more remote villages, with regard to schools, health, etc” (Sida, 1999: 8–9).

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<sup>11</sup> Conversely, from the Lao perspective, Sweden was for a long time the largest donor to the sector, although the World Bank, ADB and Japan have overtaken Sweden in terms of volume since the early 1990s.

This set of messages with regard to strategic priorities for the sector is reproduced in general terms in subsequent strategy and planning documents. In the 1999–2001 CCA, the speeches of the Swedish and Lao signatories make brief mention of continued support to the roads sector. The CPs for 2001 and 2002 make no particular mention of the roads sector, apart from noting in the latter that this will be one of four sectors on which the development co-operation in Lao PDR will focus. The AMAC provide much more detail and much of this clearly relates to project-level implementation detail (e.g. regarding disbursements or activities which are lagging behind schedule) but there is also considerable strategic content.<sup>12</sup>

It should be noted that the CS documents, while brief, capture many of the key themes, including an emphasis upon long-term capacity-building rather than direct engagement in road-building, and a commitment to participation and decentralisation, that have characterised Sida's work in the sector since 1999. Good coherence between the guidance regarding roads in the CS documents (mainly the CSP) and the implementation of sector activities may be because there have been a number of important, critical evaluations of Sida and Government achievements in the sector, which Sida staff have tried to take on board and reflect in the formulation and implementation of their work in the sector over the CS period.<sup>13</sup>

Total Swedish spending on the roads sector in Laos over the period 2001–2004 is budgeted at 210.5 MSEK. The key roads sector activities implemented by Sida which have fallen within the 1999–2003 CS include:

- a) The last tranche of money for the Lao-Swedish Road Sector Programme (LSRSP) I (a final 8.5 MSEK spent in 2001);
- b) The 140 MSEK LSRSP Phase II, which runs from February 2001 to June 2005 (with 41 MSEK budgeted for 2001, then 33 MSEK per

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<sup>12</sup> Forexample, regarding the need to allocate more resources to maintenance and the need for a Road Fund to achieve this (1999); the introduction of the Road Law and “one country, one system” road management (2000); and the co-ordination of MCTPC and donor support for the road sector plan (2001).

<sup>13</sup> The work of Sida staff in this period was informed by, among other sources, evaluations of the LSRSP (which ended in 1997); the experience of rehabilitating National Road 13; and lessons drawn from the first LSRSP, which ran from 1997 to 2001, and which generated some highly critical findings (in particular two thematic mid-term reviews which highlighted both the lack of progress with internalisation of road management systems, and the total lack of routine maintenance of community roads). Staff also cited the 1999 Asian Development Bank (ADB) study which revealed the true cost of neglecting road maintenance; the gradual improvement in the capacity of the MCTPC to define a sustainable role for Government policy, as seen in the “Strategic directions” document in 2000 and the recent ADB-supported sector strategy.

year in 2002, 2003 and 2004). LSRSP II is the centrepiece of Swedish activity in the sector, both because it accounts for the largest slice of Sida roads sector spending and also because it involves a complex set of objectives and implementation arrangements, embedded in a web of functional relationships with a variety of other stakeholders (the MCTPC, the provinces and another donor). As such, it provides the primary channel by which Swedish financial and technical assistance opens the way for Sida to engage in policy dialogue on roads sector issues;

- c) A sum of 15 MSEK in the form of Sida technical assistance (backed with 100 MSEK of soft loan) to support the rehabilitation of National Road 8 (from February 2002 to June 2004, with 3 MSEK per annum from 2001 to 2004).

Underpinning and supporting all of these activities has been an ongoing process of policy dialogue with the Ministry of Communications, Transport, Post and Construction (MCTPC).

A number of themes, some which fall within and some of which fall outside of the CS documentation, emerge from our examination of the current portfolio of activities in the roads sector.

First, the most important of these themes concerns the emphasis placed upon indirect or enabling actions in the sector rather than direct actions. The CSP makes clear that priority is to be given to institution-building, and that actually building or maintaining roads is complementary, and to a degree secondary, to developing skills and institutions which will support Government-led road management in the long term. Sida's continued engagement in discrete national roads projects (e.g. the provision of technical assistance for the rehabilitation of Road 8) is presented as a way of maintaining credibility with Government and other donors in the sector, and of ensuring that it is connected to the real issues in building and maintaining roads, so that it can draw on these insights in work at the policy and institutional levels.

Under the current strategy for the roads sector, implemented largely through LSRSP II, institution building now begins with capacity assessment and the formulation of capacity development plans. By and large, this works: Sida has helped to improve the effectiveness of both core institutions within the Department of Roads in Vientiane, and the DCTPCs in the Provinces in which it has worked. However, the strategy of using relatively minor direct support to physical infrastructure improvement in an instrumental manner, as a means of obtaining leverage on policy and sector management, is not lost on senior Government staff, who note their agreement with Sida on policy matters, but also express a

wish for “less talk and more action”.<sup>14</sup> Sida needs to carefully balance this Lao Government preference for more direct and less indirect actions with a realistic appraisal of the difficulty of creating sustainable institutions. There is a risk that Sida overestimates its ability to create working institutions, and jeopardises the gains that have been made if it tries to move on to new topics or new Provinces at too early a stage. In attempting to scale up so that it supports the development of roads administration systems in all 17 Provinces, it was envisaged that the Provinces in which Sida had already been working for many years under first LSRSP and then LSRSP II would “graduate” from Sida technical assistance, receiving less support as they internalised new and better systems. However, the DCTPC in Khammoune, regarded as the most institutionally strong of those Provincial Departments assisted by Sida, experienced major setbacks when critical staff moved out. Sida’s approach to institution-building at the provincial level – which, despite institution-wide needs assessment, tends to involve working in a relatively intensive fashion to improve the skills of a few key staff – may create an overly-narrow foundation on which to base improvements in planning and implementation.

Similar issues about the sustainability of institutional improvements are pertinent at the central level. Two cases illustrate the difficulties faced in donor efforts to establish viable government institutions, which can operate independently of donor financing and other external support. They also illustrate the way that such efforts often overlap with, and cannot be disentangled from, issues of donor co-ordination. In both cases Sida (along with other donors) was faced with decisions as to whether to continue to support institutions which had not necessarily been established in the right way, or had not achieved the desired level of support from non-donor sources.

With regard to the first case, MCTPC staff and advisors commented critically on Sida’s decision to stop direct support to the TeleCom Training Institute (TCTI), which, it was argued, resulted in the loss of valuable gains in the development of training capacity.<sup>15</sup> The Project Document for LSRSP I specified that the TCTI should be developed into an autonomous business unit, and that LSRSP would help it to develop training programmes that it could deliver. The October 2001 final Result Analysis for LSRSP I noted that Sida had concluded that this goal was “substantially achieved” in September 1999, one year earlier than planned, resulting in the Training Adviser role being discontinued from

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<sup>14</sup> This is part of a more general criticism of what is seen as a Sida desire to pre-plan everything: an excessive concern with logframes was mentioned. In comparison with, for example, the World Bank, Sida is seen as rather slow to implement.

<sup>15</sup> The TCTI was formerly known as the Communication Training Centre (CTC), and before that as the Road Training Centre.



that date (MCTPC and Sida 2001: 32). Sida has continued to support the Institute indirectly through the LSRSP, by contracting its training services in support to the Provinces.<sup>16</sup> However, the perspective of some of those within the Ministry is that the Institute, in order to act as an effective provider of in-house training (much of which – i.e. specialist roads sector skills – served such a small market that they could not be effectively contracted out to private training providers), required more core support. Sida was faced with a decision as to whether to continue this core support, and possibly encourage dependency, or to withdraw it and swap to a contract-based mode of support, hopefully forcing the Institute to develop an efficient and self-supporting commercial approach to the provision of training services.

It would also be possible to argue that Sida had and could have used an opportunity to consolidate or institutionalise the gains from its involvement (along with UNDP, ILO and the World Bank) in the exercise in promoting Integrated Rural Accessibility Planning (IRAP). The location of IRAP – effectively a multi-sectoral planning tool – within MCTPC was not entirely logical. Nonetheless, this did enable donors working in the roads sector clearly to link road prioritisation to issues of access and impact on poverty reduction. Sida did not want to take on responsibility for IRAP unless it was located in CPC. When UNDP abruptly switched the focus of its country programme to governance reforms, the central IRAP unit was forced to close. While there will remain a cadre of Ministry officials who have been through IRAP training, they are relatively junior, and without an institutional home the IRAP approach seems likely to fade away. Although Sida rescued the IRAP idea to some extent by continuing to promote and support the introduction of IRAP in the Provinces supported by LSRSP II, the lack of a corresponding institutional reference point within MCTPC undermines the legitimacy and sustainability of Province-level approaches to integrated, poverty-focused infrastructure planning. The disappearance of IRAP from the Ministry is clearly attributable to a cluster of donor decisions (including that of UNDP, which withdrew its support, and ILO, which failed to ensure an adequate hand-over of the tools and systems which might have made the unit sustainable). In this context, Sida's approach to institution building (both with regard to decisions on the location and modality of support to the IRAP unit, and to decisions on its subsequent closure) was constrained by the actions of other players. This, like the implementation delays faced in SRSP II due to the slow start of the World Bank's RMP (see below), is the downside risk faced when attempting to work together with other donors. However,

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<sup>16</sup> For example, training in project, financial or contract management; road and bridge maintenance systems (MCTPC and Sida 2000 pp. 43–47).

as with the experience of working with the World Bank on LSRSP-RMP co-ordination, it seems that such problems are an acceptable price to pay for greater coherence and co-ordination in the provision of donor support to institution building and Government strengthening.

A second theme concerns decentralisation and community participation. Even if not predisposed to support the devolution of planning and budgeting activities and greater community participation in choosing, planning and implementing local roads improvements, Sida would have been forced in this direction by the Government-wide policy of decentralisation which has accorded provinces, districts and villages greater responsibility for all aspects of government. LSRSP II has provided an effective transmission mechanism for linking Sida policy dialogue and pursuit of donor co-ordination at the national level to the development of decentralised roads management systems.

The final area in which implementation clearly falls into line with priorities established in the CS regards donor co-ordination (signalled in, for example, the CSP, which notes under “strategic considerations” the need to “strengthen local sectoral co-ordination”, Sida, 1999: 7). In the roads sector, co-ordination is a logical priority, given the configuration of the sector, in which there are a relatively small number of major donor actors, two of which (the World Bank and ADB) are broadly in alignment with Sida in terms of how they see the sector and its needs. Largely through LSRSP II, Sida activities in the roads sector incorporate a major effort to co-ordinate strategy with other donors; in this case, the World Bank (WB). Discussions between Sida, the WB and MCTPC resulted in an agreement for Sida to provide the technical assistance to develop and introduce road management systems in the Provinces in which the WB Road Maintenance Programme (RMP), approved by the WB board in March 2001, was operating.<sup>17</sup> In practice, the co-ordination of implementation has been somewhat problematic: a delayed start to the WB RMP made it hard to schedule Sida LSRSP activities. Nonetheless, the process of designing interlocking projects has helped to reinforce an established common understanding between these two major actors in the sector. While there are some dissenting voices (some consultants in the Ministry argued that donor co-ordination in the sector is in fact fairly minimal), the majority view is that there is a high level of agreement between key donors in the roads sector. Although the transaction costs for Sida may have increased in the short term as a result of the need to integrate project design and implementation with that of the WB, this seems

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<sup>17</sup> This agreement was recorded in the project document and plan of operations for both projects (LSRSP Phase II and RMP) and in a Memorandum of Understanding signed between Sida and the World Bank.

an acceptable price to pay for better co-ordination and more leverage on MCTPC policy.

In addition, there are also recurrent themes in the implementation of Sida co-operation in the roads sector that are absent from CS documentation. Most notably, while the Government now acknowledges the need to allocate a significant proportion of sector funds to maintenance, there is still disagreement about what exactly constitutes an appropriate balance between the exact proportions allocated to maintenance compared to construction activities. The Government thinks Sida is sometimes too dogmatic, and that it needs to acknowledge the case for more new construction, given the extremely underdeveloped state of the present road network. There is arguably a distributional – that is, pro-poor – case for new construction. If maintaining the existing road stock is prioritised above creating new roads, provinces which start off with a reasonable stock of usable or maintainable roads will receive funds required to maintain those roads, while provinces with an extremely low stock of good roads will not see the new construction that might bring them to parity (in terms of road length per capita or accessibility) with other Provinces. Sida does not seem to have fully addressed this matter.

This difference in emphasis between Government and Sida is now played out in debates about the definition and relative importance of “rehabilitation”, which defines a grey zone between new construction and maintenance. Circumstances have to some extent relieved the tension between Sida and the Government on this point of strategic interpretation. It turns out that the stock of usable and maintainable roads is less than previously estimated, so the demand for funds for maintenance is less, which makes more available for rehabilitation and, potentially, some new construction. At present, however, Sida is navigating this issue, in sector dialogue and through projects, without a clearly defined strategic position.

There is also an ongoing debate concerning what level of the road network – from national highways down to local roads – should be prioritised. Once again, Sida and MCTPC agree in principle that lower levels of the road network are critically important for poverty reduction, but disagree over interpretation. Roads are now classified as either *national* roads, or as *local* roads (a category which is sub-divided into provincial, district and community roads). Government and Sida both agree that local roads deserve much of the funding. Within this category, however, the Government believes that Sida concentrates too much on the community roads, and not enough on district or province roads.

In summary, Sida-supported improvements in roads infrastructure has had discernible impact on poverty in the locations concerned. Residents reported spending less time, and less money, on transport; consumer goods were available locally at lower prices; market opportunities were

broadened (especially for women), stimulating investment in irrigation and leading to more diversified village household and economies; and access to health care and schools was made easier and cheaper. The drawback is that while most have benefited, the rural poor have on average benefited less than the rich, necessitating a continued search for explicit actions to favour the poor in arrangements for the design, construction and maintenance of roads (Bokeberg 2000; Bokeberg *et al* 2000).



*Photo: IFAD/  
Robert Grossman*

In the long term, the major strategic gain from development co-operation in the roads sector is that the Government of Lao largely agrees with the position taken by Sida that there is a need for a more sensible allocation of funds between different activities (construction, rehabilitation and different forms of maintenance) and types of roads (from national highways down to community roads). It is important not to underestimate the significance of this. Broad agreement now is the outcome of a long, sustained process of policy dialogue and project engagement, beginning long before the current CS period. There has, for example, been a consistent emphasis upon training and capacity building, beginning with the establishment of the Road (later Communications) Training Centre in 1987. Similarly, there was a long struggle to make the case for diverting resources from new (and unsustainable and therefore inefficient) road construction to maintenance, starting (in project terms) with establishment of the Sida Road Maintenance Pilot Area in 1990.

# Section 5

## Key Issues and Themes

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A number of key issues and themes emerge from this review of the implementation (to date) of the 1999–2003 Laos CS.

### 5.1 An “elusive middle” in the CS process?

The Sida CS process encompasses a series of documents including the CSP, CCA, AMAC and CP and these documents are accompanied by an ongoing dialogue between the Government of Laos, the Embassy of Sweden, Sida HQ and others with a stake in Swedish development cooperation in Laos. Despite this plethora of documents there is little if any transparent recording of strategic decision-making. This is not to say strategic decisions are not made. They clearly are as is evidenced by the project and programme activities in the environment and natural resources sector and the roads sector that we reviewed in the previous section. Rather, the point is that strategic decisions are made in a non-transparent and sometimes ad hoc way and there is no systematic and explicit recording of the rationale underpinning these decisions. In other words, the middle, where the CSP is translated into an ongoing portfolio of projects and programmes, remains elusive. In other words, there is an “elusive middle” in the CS process. In what follows we enumerate some of the main causes and consequences of this elusive middle.

### 5.2 Allocation of resources in the CS process

The CS process involves allocation of financial resources yet there is insufficient attention paid to the allocation of administrative resources for the purposes of dialogue capacity. This is particularly acute in Laos as the Embassy of Sweden is partially delegated and this often places an extra-ordinary burden on staff resources in the Embassy. We pointed out, in the case of the environment and natural resources sector, that this burden might have been accentuated because of, amongst other factors, the complexities associated with interpreting the sector-specific targets in the CSP and due to the wave of new programmes that were initiated during 2000 and 2001.

The CS process has paid insufficient attention to the extent to which such dialogue forms a significant part of development co-operation activities in Lao PDR and nor is it this recognised and followed-through in the CCA and CPs. The 1999–2001 CCA states only the volume of Swedish budgetary contribution without making any reference to administrative resources. And while the CPs for 1999, 2000 and 2001 provides more detail (i.e. decisions and specific agreements, procurement of consultants, the status of annual reviews and other matters) on the staffing arrangements in annexes this does not include staff in the Embassy of Sweden. Dialogue activities play an important role in the process of design and implementing projects and programmes. Yet we have not seen any planning documents which gives an indicative break down of how much time staff in the Embassy devote to the administration of projects vis-à-vis dialogue activities. Sida might find it useful to have a system for monitoring how much time its field staff spends on administering different projects. The information provided by such a system would permit timely decisions on how to allocate staff-time to different activities.

### 5.3 Re-packaging and rolling-over

In our investigations of the environment and natural resources sector we noted the tendency for programmes to be re-packaged and rolled over. There is a well-known tendency for development co-operation projects and programmes approaching completion to be re-packaged and rolled-over into extension phases or new projects or programmes that look remarkably like those of a previous phase. In some cases this evolutionary approach represents a commendable effort to capitalise on the benefits of continuity, extending the timeframe for existing activities when implementation has not been completed on schedule and designing new activities to build on what has been achieved for components that have been completed as planned. In the case of Laos the step-wise approach adopted by Sida in the environment and natural resources sector is clearly considered favourable to the goal and output driven agendas of other bilateral and multilateral donors.

At other times however this continuity is less positive. An inability to make significant changes is problematic when there is evidence that the approach adopted to date has had limited gains, or when there are diminishing returns to be expected from doing more of the same. In this type of case repackaged and rolled over projects are due often but not always to inertia on the part of stakeholders and those responsible for implementation rather than the intended beneficiaries. In the environmental and natural resources sector the tendency to repackage and roll over programmes would appear to have been done on the basis of project completion reports written by individual consultants employed

by the very consulting companies engaged by Sida to implement the programmes. These reports cannot be considered impartial and the lack of independent evaluations and ongoing assessment, including reliable and regular monitoring, remains problematic in this sector.

The problems associated with repackaging and rolling over, at least in the environment and natural resources sector, may well be compounded by two additional factors, namely, reliance on a small group of individual consultants and consulting companies to design and implement the programme portfolio, and the concentration on bilateral programmes and with selected ministries in the Government of Laos. In contrast to the environment and natural resources sector, the road sector has drawn on numerous consultants, its activities have been co-ordinated with other bilateral donors as well as multilateral donors, and there have been numerous independent evaluations. This may go some way in explaining the relatively positive impressions we gained from our investigations of this sector.

## 5.4 Embedded ownership

In Sida at Work, partners in co-operation are the owners of a project or programme when they

“have full rights to use the resources provided within the framework laid down in the project agreement; the co-operation partner must also be prepared to assume full responsibility, participate actively in the work, and be ready to implement the project on his own initiative; complete ownership can also require that political bodies such as parliament, the government, local communities as well as the target group support the project and participate in the decision-making process; the ownership of a project can be gradually be extended during the course of project implementation by different parties successively participating more actively and assuming great responsibility” (Sida, 1997: 17).

For the sake of our discussion, it is important to note that the ownership of programmes or projects as defined in this way involves participation of stakeholders in decision-making, both during the process of design (deciding on the form and content of strategy, programmes and projects) and during the process of implementation.

In the environment and natural resources sector, as evidenced in selected programmes, some of the fundamental decisions on the form as well as the content of programmes have been made by senior staff, and on an ad hoc basis, in the Embassy of Sweden and MAF. The reasons for this remain unclear. One explanation might be that the Embassy has simply exploited the special relationship it has with the Government and, in this case, MAF. Another explanation is that disagreements between the Embassy and Sida HQ over the form and content of particular programmes that arose during the formulation of particular programmes



caused the former to seek support from and build an alliance with MAF. Whatever the explanation, it would appear that ownership is, at least partly, embedded (or rooted) at central government level and in the MAF. This idea of “embedded ownership”, which means that local communities and target groups, especially the poor, do not participate in the decision-making process, clearly conflicts with Sida’s intended form of (as presented above) “complete ownership”. While this may not be surprising in a one-Party state such as Laos, in which civil society is not independent from the Congress Party, it does provide special challenges concerning the treatment of ownership issues in the course of implementing the CS in Laos.

## 5.5 Sectoralism and multi-dimensionality of poverty

The introduction of poverty dimensions into the CS process, notably in both the environment and natural resources sector and the roads sector, is a clear orientation away from the traditional emphasis on purely institutional strengthening and capacity building projects and programmes. In Sida’s Strategy to Promote Development and Reduce Poverty (2002: 43) it is recommended that the CS process should be “firmly based on a poverty reduction approach”. The tendency to repackage programmes rather than to make substantive changes to their content, especially in the case of the environment and natural resources sector, simply re-casting them as poverty alleviation programmes, poses difficulties, as does the practice in both the environment and natural resources sector and roads sector, of maintaining programmes under in a single sector under one Ministry. A truly multidimensional approach to poverty reduction would call for, changes to the formulation of projects and programmes aside, a transcending of traditional sectoral boundaries.

## 5.6 Sweden and Lao PDR relations

Sweden enjoys special relations with the Government of Laos which are at least partially due to the fact that Sweden was one of the first and, for many years, largest donors. This has enabled Sida to enjoy good access and influence with Lao policy makers both on matters of general policy development and in those sectors in which it has been involved for many years, including both the environment and natural resources sector and the roads sector. This position is clearly beneficial, both in its ability to influence and place issues on the policy agenda, and provide a potentially impartial or independent voice to counterweight the dominance of views held by the donor community.

Despite these advantages there is a risk of Sweden, at least in particular sectors, losing this special relations status. This would appear to be particularly so in the environment and natural resources sector. At the formulation stage there has been a tendency for senior staff in the Embassy of Sweden to carry out ad hoc discussions with counterparts in MAF and with a few consultants acting in an advisory capacity leaving it vulnerable to criticisms concerning a lack of transparency. For the purposes of implementation Sida has maintained a largely bilateral approach and this might cause it to be seen as isolationist.

## 5.7 Dissemination

The 1999–2003 CSP, at least in the environment and natural resources sector and roads sector, has not been widely distributed to Lao co-operation partners. In our interviews only one or two of the co-operation partners admitted to having seen a copy of the CSP (or the CPs for that matter) and in some cases were not even aware that such a document existed. This would seem to run counter to the Ministry of Foreign Affairs position in the Guidelines for Country Strategies in Swedish Development Co-operation (pg. 18) which suggests that the CSP “is distributed to a wide circle of agencies, actors and interested parties, both in Sweden and abroad”. The fact that the CSP is also not translated into Lao is surprising given the same document states “a translation in the working language is normally provided for the benefit of the partner country”. Clearly, there is a need to redress these matters to ensure consistency with the transparency and openness that underpins Swedish development co-operation in Laos.

# Section 6

## Conclusions and Recommendations

The purpose of this report has been to evaluate how the 1999–2003 CS for Laos has been implemented. A key issue that emerges from our investigation is that the CS process comprises little if any transparent recording of strategic decision-making during the strategy period. This is not to say strategic decisions are not made. They clearly are as is evidenced by the project and programme activities in the environment and natural resources sector and the roads sector reviewed in the previous section. Rather, the point is that strategic decisions are made in a non-transparent and sometimes ad hoc way and there is no systematic and explicit recording of the rationale underpinning these decisions. We refer to this as the “elusive middle” in the CS process. So, while it is possible to conclude that Sweden’s development co-operation with Laos is more or less consistent with the overall objectives and sector-specific targets in the 1999–2003 CSP, in the absence of any explicit documentation of strategic decision making during CS implementation, Sida is not in a position to judge whether projects and programmes are relevant to these objectives and targets.

The following recommendations are intended to assist in making refinements to the CS process that can be used by Sida to improve the effectiveness of Swedish development co-operation in general and future co-operation with Laos in particular:

### 1 Dialogue involving strategic decisions need to be made more explicit in documentation associated with the CS process

To address the consequences of the “elusive middle” in the Sida CS process, strategic decisions need to be made in a more systematic way and they need to be made explicit. It may not be realistic for a single document to bring together all the different levels of strategic decisions that span these documents and the dialogues contained within them. It is also important to recognise the CS serves different purposes for different Swedish stakeholders, and the process of preparing the CSP is one way in which conflicts between stakeholders’ different objectives are exposed

and consensus is built. Nonetheless, there is a need for Sida staff to have clearer guidance concerning the appropriate allocation of aid resources and for strategic decision making to be better documented. To this end, more information on strategic priorities could be included within the CCA, AMACs, CPs, that collectively define the CS process. The preparation of periodic mini-strategies (along the lines of the strategies for support to democratic governance, private sector development, and engagement with partnership groups recently prepared by the Hanoi Embassy that are recommended in the Vietnam report) may be one way forward in discussing and documenting strategic decisions at the sector and sub-sector level.

## 2 Sida's strategy discussions should explicitly cover three resources including financial, administrative staff and dialogue capacity

The CS process makes an implicit distinction between the financial resources in the country allocation and the personnel who administer the country allocation. In countries such as Laos, where the Embassy of Sweden is partially delegated, we believe it is important see the Swedish aid resource as comprising three components, including financial resources, administrative resources plus dialogue resources. This is particularly important in some sectors, such as environment and natural resources, where incorporating poverty alleviation measures, for instance, into the formulation and implementation tend to be more complex compared to the roads sector. It is likely to be also the case in other sectors, such as democratic governance where dialogue capacity tends to be more intensive due to its handling of sensitive matters. Here it is dialogue capacity rather than financial or administrative resources that tend to be Sida's scarcest resource. The CSP and associated CS documents should deal with all of these resources and ensure that administrative and dialogue resources is commensurate with the financial resources available to the Embassy.

## 3 The re-packaging and rolling-over of project and programmes should be recognised in monitoring and evaluation

In our investigations we noted that projects and programmes tend to be repackaged and rolled over through different phases. In contrast with the roads sector the environment and natural resources sector has relied on a small number of individual consultants and consulting companies and concentration on bilateral programmes with selected ministries in the Government of Laos. Reliance on project completion reports, produced by individual consultants employed by the very consulting companies engaged by Sida to implement programmes, is inadequate. There is a clear need for establishing transparent criteria and metrics as well as an

appropriate framework for measuring and evaluating the effectiveness of continued and ongoing support in this sector.

#### 4 The CS process should aim to build a consensus among Swedish stakeholders

The Swedish organisation of development co-operation involves a variety of stakeholders including the Ministry for Foreign Affairs, Sida HQ (Asia Department and sector departments) staff in the Embassy of Sweden in Laos, all of who hold a range of positions in the CS process. The process of preparing a new CSP would seem to be one of the main mechanisms for building consensus among different Swedish stakeholders. We consider this to be particularly important in the case of Laos because the partially delegated status of the Embassy leaves considerable room for disagreements to arise between Embassy staff and those in Sida HQ. In order to achieve greater consistency and coherence in the CS process, Sida's Asia Department might ask staff in the Embassy and their HQ counterparts to prepare mini-sector strategies (see recommendation 1 above). These mini-strategies would then act as inputs into the hypothesis on future co-operation with Laos, the drafting of the CSP, and the planning and implementation of projects and programmes during the strategy period.

#### 5 The CS should take into account the composition of ownership in Laos

In our review of projects and programmes in Laos we pointed out that in some sectors ownership, in terms of involving the participation of stakeholders in decision making during the process of designing and implementing projects and programmes, tends to be embedded. We recognise that dealing with matters of ownership will be a sensitive and difficult issue in a one-Party state such as Laos in which civil society is not independent from the Congress Party. We believe, however, that several steps could be taken to redress the occurrence of embedded ownership. For instance, following on from our recommendation in the preceding paragraph, ensuring a consensus amongst Swedish stakeholders is an important pre-condition to thinking about how Sida can influence co-operation partners in Laos. Furthermore, despite the Government-wide policy of decentralisation, in the environmental and natural resources sector at least, there has been a tendency to make decisions, at least about the form and possibly about the content of programmes, at the central government level without involving provincial and district level administrations. There would, therefore, seem to be a rather compelling case for encouraging greater provincial and district level involvement in not only the implementation of projects and programmes but also in making decisions about their form and content. As well as increasing partici-

pation this will improve the likelihood of projects and programmes being more relevant to the needs of the local communities they are intended to serve.

## 6 Sida should seek to be more inclusive rather than exclusive in the process of implementing the CS

Sweden's long-standing involvement with Laos has ensured that Sida enjoys special relations with the Government. Yet the practice, particularly notable in the environment and natural resources sector, of carrying out ad hoc discussions with ministerial counterparts during the process of formulating programmes as well as maintaining mostly bilateral programmes means Sida might be subject to criticisms on the basis of a lack of transparency and to the extent it is seen as taking an isolationist approach to development co-operation. A careful balance needs to be struck between maintaining the special relationship that ensures credibility with other donors and good access and credibility with policy makers in Laos while at the same time building partnerships with the Government in a transparent way and exploring opportunities for bilateral co-operation.

## 7 The CSP should be translated into Lao and more widely disseminated among all co-operation partners and stakeholders in Laos

Sida expends a considerable amount of time and staff resources on the preparation of the CSP and it should aim to maximise CSP's impacts at all levels of government. In the interests of transparency and openness we would recommend that the future CSP is translated into Lao and distributed to Lao co-operation partners at the earliest possible opportunity.

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# Annex 1

## Amounts Allocated and Disbursed under Sweden-Laos Development Co-operation

Units: MSEK	Agreed Amount	Disbursements		Estimated Disbursements		
		< 2000*	2001**	2001	2002	2003
<b>Inside Development Co-operation Agreement</b>						
Agriculture, Fishery & Environment	177.9	136.1	22.4	26.0	34.7	46.5
Infrastructure, Private Sector & Urban Water & Sanitation	384.1	187.7	58.0	67.1	47.0	41.0
Social Sectors	30.5	15.7	5.0	6.7	29.0	27.0
Democratic Governance and Human Rights	57.0	24.9	9.3	12.1	20.6	24.0
Research Co-operation	10.0	–	–	–	2.0	6.0
Other	15.0	3.0	3.0	3.8	3.0	3.0
SUB-TOTAL	371.5	372.2	97.7	115.7	136.3	147.5
<b>Outside Development Co-operation Agreement</b>						
Infrastructure, Private Sector & Urban Water & Sanitation	100.0	–	–	–	25.5	45.0
Social Sectors	–	–	–	–	–	–
Democratic Governance and Human Rights	1.4	–	0.5	0.8	1.5	–
Other	–	–	2.5	2.9	3.6	3.0
TOTAL	472.9	372.2	100.7	119.4	166.4	195.5

\* Disbursements up to and including 2000

\*\* Disbursements for 2001 up to end of October

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# Annex 2

## Terms of Reference

Evaluation of the implementation of the 1999–2003 country strategies for the Swedish co-operation with Vietnam and Laos

### 1 Introduction

Preparations for two new five-year country strategies for the Swedish development co-operation with Vietnam and Laos will be initiated in 2002. In order to help improve the effectiveness of Swedish development co-operation in general, and of the future co-operation with Vietnam and Laos in particular, it has been decided that the implementation of the present (1999–2003) strategies should be evaluated.<sup>1</sup>

The present country strategies were approved by the Swedish Government in 1999, based on analyses of Vietnam's and Laos' development situation and priorities by that time (country analysis), as well as on retrospective analyses of the results achieved so far by Swedish financed development initiatives (results analysis).

The five-year country strategies are translated into shorter-term plans in a series of steps. A three-year *agreement* is normally reached with the partner government at the beginning of the strategy period, further specifying the priorities for the co-operation. Each consecutive year, annual *consultations* between Sida and its partners are held to cover progress made so far, and to agree on planning changes for the remainder of the strategy period.

The consultations are of three types: one with the partner government, normally the Ministry of Finance or the Ministry of Planning, concerning the overall country programme. Another consultation with line-ministries and other public sector partners. The third type of consultation covers various stakeholder groups within civil society. The second and third types of consultation focus mainly on sectors, programmes and projects.

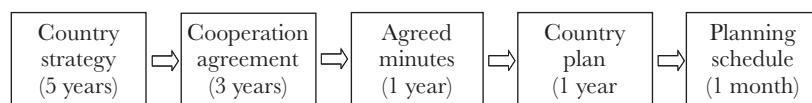
The partner government formulates priorities and policies for the role of Swedish development co-operation within the context of full public sector response. The results of these consultations are summarised in *agreed minutes*. Based on the agreed minutes, Sida formulates priorities for the yearly country plan which specifies disbursement targets, priority activities, planned studies and evaluations,

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<sup>1</sup> Two similar evaluation studies of the country strategies for the co-operation with Tanzania and Mocambique were commissioned by UTV in 1999 and 2000. The studies (Sida Evaluation 00/22 and 01/07) can be downloaded at [www.sida.se/evaluation](http://www.sida.se/evaluation).

resources and administration, the delegation of powers between Sida Stockholm and the Swedish Embassy, etc.

Finally, every month, the Swedish Embassy produces a *planning schedule* giving the current position of project disbursements as well as forecasts for subsequent periods of the strategy cycle. Note that the planning schedule is not really a strategy document in itself, but that it provides crucial background information for strategic priorities and decisions.



The mentioned documents and activities, from the overall country strategy to the planning schedules, are collectively referred to as the *strategic plan* in these terms of reference.

The development projects (and other types of interventions) financed within this overall strategic framework are supported by a range of operative planning documents, such as partner proposals, Sida's decision memos, project agreements, and annual plans of operations. These documents are referred to as the *operative plans*:



Clearly, counterparts' monitoring reports (in the last box) are not really *plans*. Such retrospective reports are however crucial to the evaluation because they are the best source of information about the activities that were actually carried out by individual projects. The actual activities are not always exactly the same as those foreseen in the annual plans of operation. Many projects adapt to changing internal and external circumstances while implemented, hence a potential discrepancy between planned and actual project activities.

As indicated, the strategic and operative plans are not only communicated through documents. Equally important for the common understanding of the strategic and operative choices and priorities is the recurrent *dialogue* between Sida and its partners (see Annex 2). In this dialogue, the plans are often interpreted, elaborated and finally agreed on.

Therefore, the strategic and operative plans mentioned in these terms of reference refer to *both* the strategic and operative documents, *and* the planning content of the dialogue between relevant stakeholders (including Sida) for elaborating and specifying choices and priorities for the co-operation.

In this respect, it is important to note that Sida does not just pursue dialogue with immediate respect to the specific country programme. There is also a complementary dialogue between Sida and partner representatives concerning matters

which may only have an indirect bearing on Swedish-financed interventions, for example concerning macro-economic reform, overall governance issues, military expenditure, etc. This complementary and indirect dialogue is also of interest to the evaluation.

## 2 Purpose of the evaluation

The purpose of the evaluation is to give Sida practically oriented recommendations that can serve as useful inputs to the process of elaborating *clear, coherent and relevant* strategic and operative plans for the Swedish co-operation with Vietnam and Laos 2004–2008. See Annex 1 for working definitions of clear, coherent and relevant plans.

## 3 The Assignment

To serve its purpose, the evaluation shall, for the co-operation with Vietnam and Laos respectively, assess the clarity, coherence and relevance of the strategic and operative plans for the 1999–2003 strategy period.

The following questions should be addressed and answered by the consultant:

### 3.1 Assessment of the strategic plan

#### 3.1.1 Clarity

To what extent were the choices and priorities as expressed in the strategic plan, from the overall country strategy to the planning schedule, and including the dialogue between Sida and other important stakeholder groups, explicitly, clearly and unambiguously communicated? To what extent did the strategic choices and priorities give specific and unequivocal directions for the co-operation during the strategy period? To what extent has the country programme changed in composition and direction during the country strategy period to better reflect the overall country strategy objectives?

The assessment shall focus on the country strategy, the annual country plans, and the monthly planning schedules (and other relevant strategic documents), as well as the accompanying and continuous dialogue between Sida, the partner government, the programme managers, consultants and other donors.

#### 3.1.2 Coherency

Are the different planning documents, the consultations, and the ongoing dialogue between important stakeholder consistent with regard to the strategic choices for the co-operation during the strategy period? Do the the documents, the consultations and the dialogue harmonise in terms of the priorities set for the co-operation? Any significant inconsistency should be analysed and explained.

### 3.1.3 *Relevance*

Is the country strategy, as formulated in the strategy document, still relevant to the present needs and priorities of important partner country stakeholders? How has the strategic plan been adapted to significant changes in partner needs and priorities during the strategy period? What other factors, such as Sida's own interests and capacity, have determined the adaptation of the strategic plan?

## 3.2 Assessment of the operative plans and their implementation

This part of the assignment concerns the individual projects (and other forms of support) implemented during the strategy period. Clearly, not all projects can be covered in detail by the evaluation. See Section 4 for a delimitation.

### 3.2.2 *Coherency*

To what extent do the operative planning documents for the individual projects cohere between each other, and to what extent do they cohere with the overall strategic plan? To what extent are the implemented activities consistent with the operative plans?

### 3.2.3 *Relevance*

Were the planned co-operation activities actually carried out? Were their results in terms of outputs and shorter-term effects, relevant to the needs and priorities of partners and target groups? How have the projects adapted to changing circumstances in terms of local needs and priorities during implementation?

In this respect, focus will be on implemented activities and delivered outputs. The evaluation is not expected to gather new information about shorter-term results, but to synthesise already existing information found in evaluation and related studies. The synthesis should be made in a way which will help facilitate the production of results analyses for the upcoming country strategy process.

## 3.3 Specific questions and issues concerning the Sweden-Vietnam co-operation

The evaluation shall in the case of Vietnam specifically analyse to what extent and how the following guiding principles and recommendations for the co-operation during 1999–2003 have been implemented:

- the focus on institution and capacity building,
- decentralised co-operation and local level targeting,
- the linkages between strategic support at central level to economic/administrative reform and the concrete project interventions,
- the mutuality aspects of the co-operation,
- the administrative consequences of the strategic plan.

Based on the analysis, the evaluation shall identify concrete and practically oriented lessons and recommendations for the future.

### 3.4 Specific questions and issues with respect to the Sweden-Laos co-operation

In the case of Laos, the evaluation shall:

- analyse to what extent and in which ways objectives stated in the country strategy have been reflected in the choice and design (including approach, methods and modalities of implementation etc.) of projects within the proposed sectors,
- analyse how and to what extent the following different strategic considerations have affected the project formulation, design of interventions, policy dialogue etc:
  - participation in decision making
  - capacity building and institutional development
  - sector co-ordination
  - efforts to economise with administrative resources
  - promotion of ‘ownership’
  - synergies in country programming
- examine how and to what extent the administrative resource component of the strategy has been adhered to.

### 3.5 Identification of useful lessons and recommendations

Based on the assessments outlined in sections 3.1–3.4, the evaluation shall analyse the importance of having clear, coherent and relevant strategic and operative plans for effective development co-operation in general and for the co-operation with Vietnam and Laos in particular.

The evaluation shall identify concrete and practically oriented lessons and recommendations for the process of formulating and implementing country strategies for Swedish development co-operation.

## 4 Scope and focus

The evaluation cannot cover the operationalisation of each and every intervention under the present strategy period. A feasible focus must be made.

In the case of Vietnam, the focus is on the following sectors or areas of co-operation: (a) democratic governance, in particular economic/administrative reforms and the legal sector; (b) rural development and environment, and (c) private sector development and trade.

In the case of Laos, the following sectors shall be analysed in-depth: (a) road sector development, and (b) natural resources and the environment.

## 5 Workplan, timetable and resources for the evaluation

The evaluation should be based on a review of relevant documents and on interviews with a range of stakeholder groups in Sweden and in Vietnam and Laos. The consultant should elaborate on a methodology for the evaluation.

In the inception report, the consultant shall elaborate on a specific approach and workplan for the assignment. The importance of a detailed theoretical and empirical approach to the tasks under 3.1–3.5 should not be underestimated. The inception report should be approved by the Swedish Embassies in Hanoi and Vientiane, the Asia Department and the Department for Evaluation and Internal Audit before the field visit phase begins.

Note that several of the required tasks can and should be carried out on a desk study basis in Sweden before the field visits.

Sida will help the consultant to identify key persons for interviews. In those cases where an official Sida contact is necessary to prepare a meeting, Sida will assist accordingly. As a general rule however, the responsibility for setting up meetings, copying, etc., rests with the consultant.

UTV and the Asia department reserve the right to take part in the field visits, partly in order to have an ongoing dialogue with the consultant regarding the assignment.

The evaluation should be carried out during the period February–October, 2002. The scope of work is estimated to require a maximum total of 60–70 man-weeks.

The tentative time schedule for the evaluation is:

October, 2001:	Tender invitation
February, 2002:	Signing of the consultancy contract
April, 2002:	Delivery of Inception Report
August, 2002:	Submission of draft report
October, 2002:	Submission of final report

## 6 Reporting

The following reporting requirements apply:

An inception report shall be presented to Sida no later than April 26, 2002. The inception report should be a deeper interpretation of the terms of reference with respect to the proposed approach and methodology. The report should also propose a detailed work plan for the assignment. It will be discussed with, and approved by, Sida before the subsequent steps of the evaluation process are taken.

A presentation of preliminary findings is to be held in Vietnam and Laos for the Embassies and relevant partner authorities before the consultants leave the country.



A presentation of preliminary findings, taking into account the results of the discussion meetings in Vietnam and Laos, is to be held for Sida in Stockholm within two weeks after returning from the field.

A draft report is to be submitted to Sida no later than August 30, 2002. The report will be disseminated by Sida to the Swedish Embassies in Hanoi and Vientiane, the Swedish Ministry of Foreign Affairs and relevant Sida departments for comments. If found relevant, the draft report will also be circulated to relevant stakeholders in Vietnam and Laos for comments.

Within 4 weeks after receiving Sida's comments on the draft report, a final version in 5 copies and on diskette shall be submitted to Sida. The evaluation report shall be written in English and should not exceed 40 pages, excluding annexes. Format and outline of the report shall follow the guidelines in *Sida Evaluation Report – a Standardised Format*. Subject to decision by Sida, the report will be published and distributed as a publication within the Sida Evaluations series. The evaluation report shall be written in Word 6.0 for Windows (or in a compatible format) and should be presented in a way that enables publication without further editing.

The evaluation assignment includes the production of a Newsletter summary following the guidelines in *Sida Evaluations Newsletter – Guidelines for Evaluation Managers and Consultants* and also the completion of *Sida Evaluations Data Work Sheet*. The separate summary and a completed Data Work Sheet shall be submitted to Sida along with the (final) draft report.

## 7 Specification of requirements

The following are compulsory requirements to be met by the tenderer (compare with the tender evaluation criteria specified in section 4.2 of the invitation to tender):

(A) Staff resources for performance of services:

- The tenderer shall have documented knowledge and experience in the areas of policy and project evaluation and rapid data collection methods; Swedish development co-operation practices, including country strategy processes and implementation; and Vietnam's and Laos' development processes.
- The tenderer shall have excellent and documented analytical and reporting skills.
- The tenderer shall specify the qualifications and competence of each team member and attach their individual curricula vitae (including name, address, education, professional experience and publications). Reference persons (with telephone numbers and e-mail addresses) should be stated.
- The tenderer shall specify any previous engagements of the proposed team members with the Swedish-Vietnam/Laos development co-operation.
- Some of the proposed team members should be able to read documents in the Swedish language.

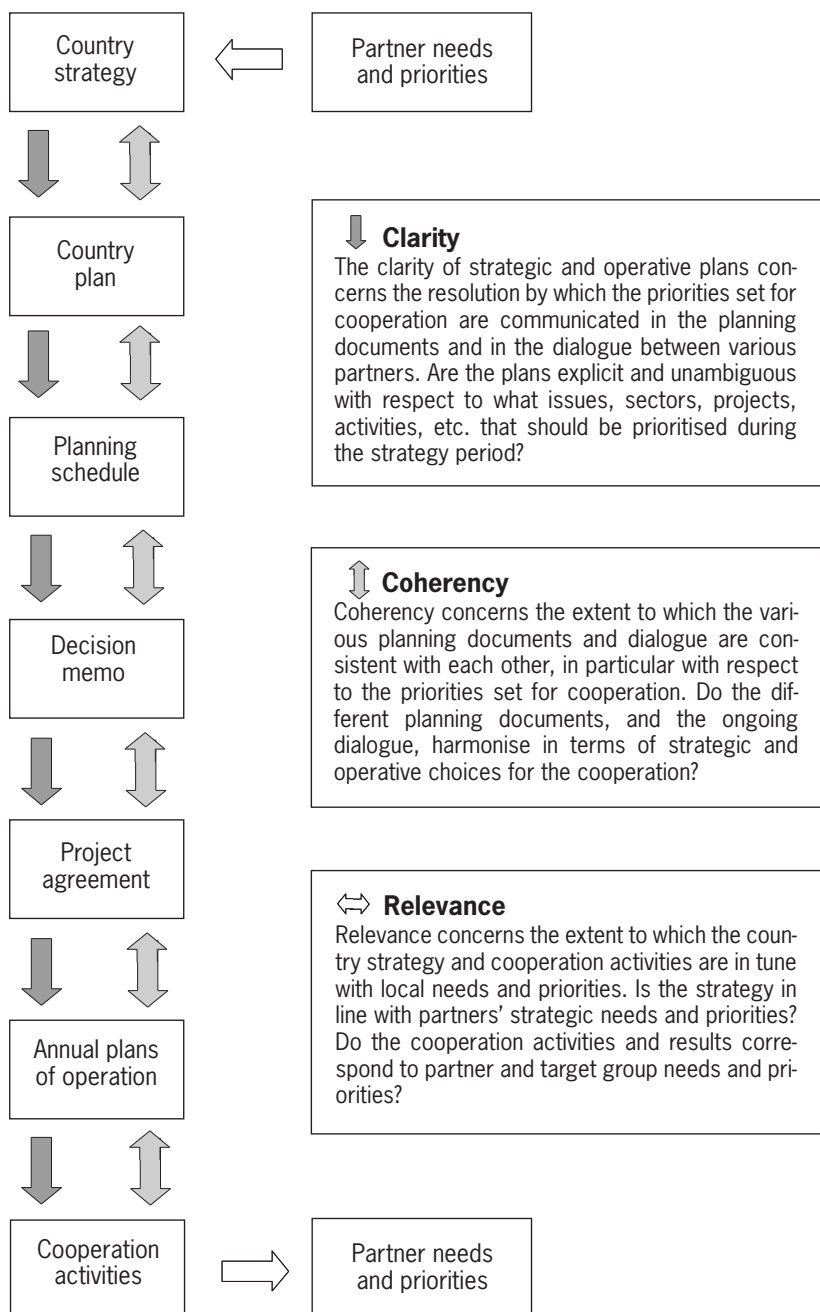
(B) Technical proposal

- The tenderer shall present its understanding of the evaluation assignment.
- The technical proposal shall include a reasonably detailed description of the proposed study design and data collection methods.
- The tender must satisfy the requirements above regarding reporting.
- The tenderer shall provide a time and work plan for the evaluation, including a manning schedule specifying the tasks to be performed and the time to be allocated to each team member, and estimates of the time required for the different tasks of the assignment.

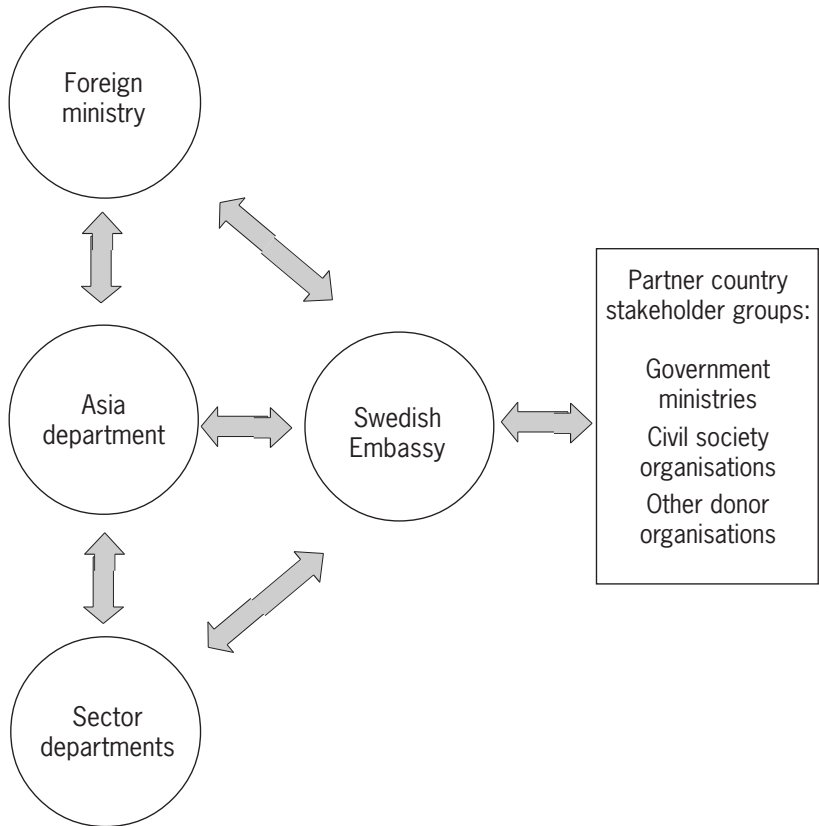
(C) Price and other commercial conditions

- The tenderer shall present a budget, specified for the different components of the assignment as well as for the different staff categories. Fees shall be distinguished from reimbursable costs. All fees shall be stated hourly. All costs shall be stated in Swedish Crowns (SEK), exclusive of (Swedish) VAT and (Swedish) social security charges, but including all other taxes and levies.
- The tenderer shall state any minor reservations on his her/own part against the draft contract and Sida's Standard Conditions, and propose alternative wordings, which may not imply significant changes, as well as complete the articles left open in the draft contract.

Annex A1: Definitions of clarity, coherency and relevance



Annex A2: Who's talking to whom during the strategy period, how and about what?



### Annex A3: Agreed clarifications of the terms of reference and SPM's technical proposal (2002-02-13)

#### *UTV's clarifications regarding the objective and focus of the evaluation*

- The evaluation has its departing point in the current CS and its “steering force”. The main issue is to what extent (and in which form) the CS has influenced the implementation of the co-operation during the CS period. From this perspective some of the points made in the tender are not fully in line with the main issue of the ToR.
- The two CS are of a second generation of CS. They were prepared during 1997–98 and mirror the shortcomings from that period. Since the late 90’s there has been improvements in methods and policy both in workmodes and perspectives in the CS process. To once again look into the shortcomings in the preparation of the second generation of CS would not add value to the current discussion on methods and policy development. It is extremely important that the assignment is consistently oriented towards the production of useful and relevant information to Sida staff responsible for the development of new country strategies for Vietnam and Laos. Such staff are the exclusive addressee of the evaluation process and reports. This means that the evaluation should not reproduce information that Sida is already familiar with, or information that is not relevant for current purposes and management decisions.
- Therefore the ToR does not focus on the process of preparation (1997–98) up to the government decision for the current CS. We are aware of the shortcomings regarding the consistency and coherence in and between the documents Result Analysis/Country Analysis/Country Strategy. But to assess the relations between these three documents would risk resulting in much information that is already known and out of date at the same time.
- The issue of relevance is of some concern to the assessment of the strategic plan. However, it is not central in the sense that we want a discussion on how some important issues are missing in the country analysis, in the results analysis, or in the CS itself, at their inception in 1997–98.
- The discrepancy between the tender and (at least the intentions behind) the TOR may be the result of lacking clarity in the latter. Section 3.1.3 of the TOR, in particular the first sentence of that section, is somewhat misleading. Focus of the assignment should, in this specific respect, be on the way the strategic plan (i.e. the successive operationalisation of the CS) has been adapted to changing needs and priorities of important partner country stakeholders, NOT if the 1998 CS should or even could have been formulated in a different way which would have made it more relevant in 2000 or 2001. In other words, we do NOT ask for a study that “inverts the typology of concepts” or that assesses the relevance of the CS at the inception of the strategy period.
- It is important that the assignment does not principally become a study of documents (in particular not of three of four year old documents), and of

what formulations these documents contain or do not contain. Rather, the evaluation should focus on the country programme and the Sida financed activities in the chosen sectors, and assess to what extent the successive operationalisation of the strategy has shaped and “informed” the implementation, character and orientation of these activities.

- It is equally important that the present evaluation does not become a repetition of the earlier country strategy evaluations of the co-operation with Tanzania and Mocambique. The scope for conclusions and recommendations from this type of studies that place emphasis on the relevance of five year old documents seems to have been exhausted. There is in any case no demand whatsoever in Sida for such repetition.
- On the issue of important policies underlying the CS process. Naturally, it is of importance to relate the implementation to major policy developments. However, one objective of the assignment is to assess implementation in relation to CS objectives. From this point of departure you can discuss implications from major policy shifts during the CS period but it is even more important to take stock of the country specific situation and policy developments in the country, as well as in Sweden and other donors. We have chosen not to single out any specific policy issues or policy document in the ToR due to the fact that policies change over time.

#### *SPM's response*

Many thanks for your clarification of the ToR. We believe that it is now clearer what we are aiming to evaluate and where the emphasis needs to go. To confirm that we understand:

- The focus of the research is to be forward-looking: while examining the experience of adopting and adapting the 1998 CS over the period 1998–2002, this is in order to identify lessons relevant to Sida staff who are developing the new country strategies. As part of this understanding, it is to provide lessons on the degree to which the previous CS document in each country guided actual implementation of Sida activities, and how the strategic and operative plans progressively evolved over the course of this period to reflect changing needs, priorities and availability of information in the country in question.
- It is not, therefore, to examine in any great depth the process that led to the *formulation* of the existing CS document, or the relationships between the CS document and earlier documents (the Results Analysis, Country Analysis, and Sida policy documents) which provided inputs to the CS.
- The key issue is therefore the degree to which the Sida's planning and management processes for the period succeeded in balancing the need for structure (to provide coherence, consistence and relevance in country programming) with flexibility (to ensure continued or improved relevance as circumstances changed or more information became available). Emphasis will be on the relationship between planning documents at different levels and stages throughout the period, and between these documents and decision-making

processes. The key question will be how far Sida staff reconciled the need for adaptation in the face of i) changing national priorities and ii) lessons learned during the course of implementation, with the need to define and communicate a coherent, strategic programme of action. Evaluation should focus on what aspects of the Sida policy process helped and hindered this balancing act, and how this may be improved in the next CS period.

- We understand that the evaluation is not simply to examine relationships between planning documents considered in isolation. Methodologically, this implies the need for i) a very good written record of how decisions were made over the course of the period under review and/or ii) good access to key staff of this period, and good recall on their behalf as to the content of dialogue and the dynamics of decision-making. (If many of the staff involved in key decisions over the last three years have now left the country and/or Sida, this will limit our ability to fully understand how plans and activities evolved: for this reason we attach considerable importance to initial phases of the evaluation, and early liaison with Sida both in Vietnam and Laos and in Stockholm.) In conducting this evaluation, there is a considerable literature on the analysis of policy processes which can be drawn on for theoretical structure and methodological approach (e.g. Sutton 1999; John 1998; Hill 1997).
- It is thus our understanding that we are to look not only at strategic plans but also at the processes of dialogue, more detailed specification, adaptation, and incorporation of new information which followed the production of the 1998 CS. On the basis of this understanding, we would suggest that the subject matter for the study should be defined as the strategic and operational *planning processes* or as *CS implementation*. Although the ToR clarifies that “strategic plan” and “operational plan” each refers to a *range* of documents, plus the associated dialogue, these terms do seem to imply a discrete plan associated with a particular document.

#### *Additional agreements*

- Due to the consultants’ time constraints, it has been agreed that Mr. Rudengrens proposed inputs in the inception phase will be shared with Mr. Lars Rylander of SPM. This sharing of responsibility will however not affect the total amount of man-weeks put into the inception phase, nor will it in any way affect the budget for the assignment.
- It has been agreed that Mr. Baulch, who has team leader responsibility for the Vietnam study, will participate in the inception phase in the same way as Mr. Vadnjal who is team leader for the Laos study.
- It has also been agreed that, during the inception phase, UTV and the Asia Department will further clarify any major outstanding aspects regarding the scope and focus of the evaluation in a way which (a) corresponds to Sida’s in-

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## Implementation of the 1999–2003 Country Strategy for Swedish Development Cooperation with Laos

What happens after the five-year country strategy paper has been approved? How is that strategy translated by Sida into strategic decisions for projects and programmes, for dialogue activities with partner organisations, and for the allocation of Sida's administrative resources?

These are the main questions investigated by this evaluation of the 1999–2003 country strategy for Laos, based on a case study of the co-operation in the areas of natural resources and roads.

Sida invests substantial amounts of resources in preparing country strategy papers, but less attention is paid to documentation of the strategic decisions that are made throughout the strategy period. According to the evaluation this has important consequences: the various stakeholders involved in the co-operation find it difficult to act in concert, projects and programmes risk being planned and implemented in a sub-optimal way, and the allocation of Sida's administrative resources tends not to match the dialogue activities performed by the agency during strategy implementation.

The evaluation was carried out by a team of consultants from SPM Consultants KB, SPM London Ltd and the Institute for Development Studies, and jointly supervised by Sida's Department for Evaluation and Internal Audit and the Asia Department.



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