



Vientiane, 6th April 2004

## TABLE OF CONTENTS

	Pages
I      MISSION OBJECTIVES, MAIN AREAS AND METHODOLOGY .....	3
II     THE PROJECT'S IMPACT ON RURAL POVERTY .....	4
III    THE PROJECT'S PERFORMANCE .....	8
IV    THE PERFORMANCE OF THE PARTNERS .....	13
V     SPECIFIC ISSUES AND THEMES .....	16
VI    OVERALL ASSESSMENT, CONCLUSIONS AND RECOMMENDATIONS .....	20

The IE evaluation team consisted of Dirk Van Gansberghe (Team leader & rural development specialist), Olivier Evrard (Rural Sociologist), Khamphet Sengchanhoudom (Rural Sociologist), Vilath Khamvongsa (Rural Infrastructure Specialist), Sengthong Phothisane (Specialist in Institutional Issues) and Keophoutoune Inthivong (Translator/Interpreter).

The mission started in Laos on 14<sup>th</sup> March and finished on 6<sup>th</sup> April 2004. Mr. Flemming Nichols, IFAD lead evaluator, joined the team from 28<sup>th</sup> March for the finalization of conclusions and recommendations.

The first draft version of the Aide-Memoire was discussed at a daylong workshop on 2<sup>nd</sup> April 2004 in Sayabouri. A second draft was discussed at a meeting at the CPC on 5<sup>th</sup> April 2004, after which the present final version was made.

The interim evaluation team is particularly grateful to the National Project Director and all the staff of the PPMU and DPMUs of the NSRD project for their excellent support and collaboration during this mission. The support of the provincial and district authorities is also acknowledged. Many thanks also to the CPC and MOFA in Vientiane for their assistance in organizing this mission.

## I MISSION OBJECTIVES, MAIN AREAS AND METHODOLOGY

The ultimate objective of this independent interim evaluation (IE) is to assess, whether a second phase is justified (with or without changes), or whether a fundamentally different approach should be pursued. In practice the evaluation is to examine the strengths and weaknesses of the project, applying a partnership approach, in order to generate a maximum of best lessons for the benefit of a possible follow up phase.

The four main areas<sup>1</sup> of this interim evaluation are:

- (a) **The project's impact on rural poverty.** This first area consists of analysing – if possible to measure, but certainly to understand – the impact of the project, i.e. the positive or negative changes in people's lives. By using a standard impact matrix covering: (i) physical and financial assets, (ii) human assets, (iii) social capital and empowerment, (iv) food security, (v) environment and common resources, (vi) institutions, policies and regulatory framework, (vii) gender, (viii) sustainability, innovation and replicability/scaling up, and (ix) overall impact on poverty.
- (b) **The project's performance.** This second area consists of analysing the following: (i) the relevance of the project objectives in relation to the situation and needs of the population and other stakeholders: did the objectives really match the needs and priorities? (ii) the effectiveness of the project, and (iii) the efficiency of the project. How effective and how efficient was the project implementation? Did the project do the right things, and did it do so in the right manner?
- (c) **The performance of the main project partners.** This third area consists of evaluating the performances of IFAD, UNOPS, UNDP, the Government, the provincial authorities, the project management units, and other partners such as NGOs and private sector partners. Have these partners delivered their expected services in a timely manner and with the expected quality? Have they fulfilled their obligations to the project? How well has the coordination of activities and inputs to the implementation been, including amongst the UN agencies?
- (d) **The specific issues and themes.** This fourth area includes: (i) the impact of the Government's Rural Development policy on the rural poor in the project area (shifting cultivation stabilization, opium eradication, land allocation and focal site programmes), (ii) the implications of the Decentralization policy and the above Rural Development policy for project design and implementation modalities, (iii) validity of project's principles and mechanisms for targeting beneficiaries, (iv) participations of beneficiaries in project implementation, principles and reality, (v) quantitative and qualitative results of capacity building efforts undertaken by the project at provincial and local level including the effectiveness of the UNDP Technical advisory group in regard to the PPMU as well as the communities, (vi) the results of training and extension service to production groups and usefulness for the rural poor, and (vii) the results of the present credit delivery system and possible future options.

Regarding the methodology applied, the mission started with a presentation of its objectives and its methodological framework to members of the Core Learning Partnership (CLP) at a meeting in CPC Vientiane.

<sup>1</sup> As indicated in the Approach Paper, the interim evaluation is conducted as per the IFAD document "A Methodological Framework for Project Evaluations", August 2003.

In Sayaboury a similar introductory meeting was held at provincial level with representatives of the relevant line agencies. Finally, a presentation followed by discussions was also held at the Project Provincial Management Unit (PPMU) in Hongsa before field visits.

For field visits, the IE mission went to the four project districts, visiting at least three villages in each district. The mission started by interviewing the district staff, and then a selected number of villages where group interviews with villagers were conducted.

The villages visited by the mission were the following: (i) Ban Sinoksay (Lu), Ban Laosano (Hmong) and Ban Tat (mixed Yuan, Khamu and Hmong) in Xienghone district; (ii) Ban Moang (Yuan), Ban Huay Nokot (Prai) and Ban Hatngam (mixed Hmong and Khamu) in Khorp district; (iii) Ban Bee Mee (Lu), Ban Huay Ke (mixed Khamu and Hmong) and Ban Kang (Khamu) in Ngeun district; (iv) Ban Napung (mixed Lao, Khamu, Prai and Hmong), Ban Nong Vhy (Prai) and Ban Huay Saly (Prai) in the district of Hongsa.

A relatively abundant written material has been produced by the project (in both English and Lao languages), including: a project completion report, a self-assessment report, several participatory impact assessments, a mid-term review report, village profiles, and various annual supervision reports by UNOPS. These reports have documented various aspects of the project implementation results, impacts and management, and enabled the IE to access more data than what the IE could generate itself within the time frame. However, it was of course necessary for the IE to verify the accuracy of the data and to fill the gaps in information whenever necessary in order to be able to cover all aspects of the IE mission TORs. Further, the mission consulted NPEP and COSOP reports.

## **II THE PROJECT'S IMPACT ON RURAL POVERTY**

### **II.1. Impact on Physical and Financial Assets**

Farmland: agricultural land area tends to expand for lowland villages<sup>2</sup>, not least in Xienghone district, whereas it tends to decrease in highland villages due to stricter control on slash-and burn through Land Use Planning and Land Allocation. The increase in the lowlands and the reduction in the uplands are usually less important when observed at the village level than when announced officially at the district level. The beneficiaries are mainly lowland villages, though demonstration plots have also been implemented in the highlands.

Water (irrigation): improvement and construction of permanent schemes to promote dry season cropping like rice, peanut and maize. Irrigation is – almost by nature – benefiting exclusively to the lowland villages, either the Lao Loum or to resettled upland communities.

Livestock: Better-off lowland villagers tend to sell horses, cattle and buffaloes to buy hand tractors or various consumption products. The highland villagers also sell animals but mostly for urgent needs linked with health, as they still consider these

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<sup>2</sup> The distinction made here between lowland and upland villages is only a geographical one. However a majority of the lowland villages are belonging to Lao Lum (or Tai speaking groups) while upland villages are mostly settled by the so-called "Lao Theung" (Mon-Khmer speaking groups) and "Lao Sung" (Miao-Yao speaking groups). Lowland villages can also be "mixed" villages, a case which becomes more and more frequent today..

animals as savings. It seems that while the total number of large animals is decreasing – with fluctuations from one year to another –, the numbers of owners is increasing, resulting in a better distribution of animals among villagers. For small livestock there is also more trade and fluctuations from one year to another. The government has been liberalizing livestock trade.

Equipment, agricultural tools: the major change is the huge increase in the number of hand tractors: from practically none to 306 in Khorp; 288 in Xienghon; 203 in Ngeun and 176 in Hongsa. This increase of hand tractors mainly concerns the lowland villages. The number of rice mills increased similarly, but seems to have done so only partly due to direct project influence.

Houses, various equipment (car, motorbikes, bicycles): generally speaking, more houses have now a tin roof. This is certainly an impact of the project but also of better market access. Concerning motorbikes etc. the evolution is similarly striking in all the districts. These changes mostly concern the lowlands.

Infrastructures (roads) and access to market: 232 km of roads and six bridges have been constructed or improved to the benefit of 20 000 households and 121 510 people (out of which 62% Lao Lum). The building or improvements of the roads has indisputably a huge impact on local societies and economies with an increase of 50% of travelling vehicles and a 30% decrease in travel time and cost. IFAD's inputs mainly had an impact on North-South traffic and on the district to district connections through the improvements of bridges.

Financial assets (savings): few data were available on this issue for the IE team. In 1997, only one percent of the households used to deposit their savings in banks. The financial savings deposited at the bank in Hongsa have increased from 21 millions kips in 1997 to 820 millions kips in 2003, i.e. multiplied roughly by 5,5 (assuming a constant dollar rate). 75% of the savings belong to borrowers, 5% for traders and 20% to other individuals.

Access to financial services: with only one branch of the Lao Development Bank in Hongsa in 1997, this area has changed since the start of credit activities in 1999 in the four districts. They concerned 782 households and amounted to 2,537 billions kips until December 2003. Since that time, 163 other families have contracted credit for a total amount of 688,5 millions of kips. Borrowers belong mainly to Lao Lum villages and mainly use long term loans.

## **II. 2. Impact on Human Assets**

Access to potable water: the project has built 63 schemes (23 gravity systems and 40 dug wells) for 28 villages and 18 421 direct beneficiaries with a clearly positive impact. All the villagers expressed a high satisfaction as access to clean water had always been a stated priority. It is now seen as a major factor in the reduction of diseases and the work load of women.

Access to basic health and disease prevention services : 20 dispensaries have been constructed by the project. The impact has been very positive, as all the villages are now less than two hours from the nearest. Health education, vaccination rates and family planning activities have resulted in lower rates of infant mortality, number of births per woman and increased age of first time mothers. The impact could have been even greater if more basic drugs were always available, and even more if free, for the poorest.

Infant and maternal mortality: this area has improved greatly, but the improvement is very difficult to quantify since the 1997 data are often unreliable. No women died during delivery in a project village after 1998 and villagers link this to the availability of a maternal care during pregnancy. Fewer children die before one year old. While the situation is still much worse in the uplands than in the urban areas, it should be underlined that all the villagers, especially women and children, whatever their ethnic origins, are benefiting from these improvements.

Access to primary education: the standards of the school have been improved while their number was declining due to the reduction of the number of villages. Nearly all the villages now have its own school, at least for the two first year of primary education, and this has resulted in higher enrolment rates. IFAD should now support also the construction of secondary school and the development of teaching materials.

Adult literacy rate and access to information: the number of illiterate adults decreased by more than 30% due to Non Formal Education activities conducted by the teachers. While positive, the project's contribution was negligible.

### **II. 3. Impact on Social Capital and Empowerment**

Rural people organization: Each village concerned by construction of road, water supply, education facility or dispensary have established "user groups" to take care of the infrastructure. This creation of these groups explains the positive feeling expressed by 90% of the villagers during the Self Assessment regarding the changes in rural people organization and institutions.

Empowerment of rural people vis-à-vis local and national public authorities: There is no doubt that in the villages concerned by several activities of the project for two years or more, the villagers really feel empowered vis-à-vis the local authorities.

Empowerment vis-à-vis the marketplace: through the infrastructures (roads, irrigation) or income generation activities, the project has directly contributed to a better access to the marketplace and to the emergence of new commercial opportunities for the farmers.

### **II.4. Impact on Food Security**

Household food security & Frequency of food shortages: In all the villages concerned by the project for more than three years, especially the poorest ones, the food security has been greatly increased. 35% of households lacked rice in 1997 against only 11% in 2003, while rice sufficient households increase from 47% to 63%. and households with excess of rice from 18% to 26%. At the district level however, the trend of availability, stability and access to food is less clear. Also the situation is sometimes worrying for newly resettled or merged villages where the project has not been working for a long time.

Agricultural production, farming technology and practises: there are important changes regarding agricultural tools and techniques, water management and rice varieties. In particular, there is more development of dry season agriculture, either for rice or for cash crops, mostly in Xienghoun and Khorb, less so in Hongsa and Ngeun where the plains were already rather densely settled and cultivated at project start. Slash and burn agriculture area is said to be reduced, but it is obviously still the basis of agricultural systems for many upland or resettled villages, even if the upland farming has changed, too, becoming more market oriented.

## **II.5. Impact on the Environment and Communal Resource Base**

Natural resources base status: due to the lack of precise and reliable data on forest cover, volume of logging, availability of NTFPs, hunting pressure, soil erosion, evolution of biodiversity, water resources and interactions with agricultural practices the impact of the project is quite difficult to assess.

Exposure to environmental risks: the only matter raised during discussions was the reduced impact of drought, because of the improved water management from the project activities in irrigation and water supply. This underlines the need for a watershed management approach as recommended by MAF.

## **II. 6. Impact on Institutions, Policies, and the Regulatory Framework**

Rural financial institutions: NSRDP provided credit through Lao Development Bank/LDB, and the main credit activities were conducted by Lao Woman Union with support from the project. The LDB/LWU has promoted weaving, sewing, etc. and agricultural activities. However, LDB has a limited outreach and so far cover 613 beneficiaries against the target of 4,869. During field visits the team never received any information on the existence of village credit agents. Even if overall appreciable progress has been registered in profitable income generation activities, some modifications need to be introduced if a wider coverage of credit is to be achieved.

Local public institutions and service provision: there has been a high increase of staff in all the local public institutions concerned with rural development, especially agriculture, health and education. Further, there has been an increase of the geographic coverage of public services. However, many new recruits are recent graduates who find working conditions difficult because of isolation and lack of technical experience. Still, in agriculture and livestock where the project has been active farmers expressed high rate of satisfaction with improvement of service delivery.

National / sectoral policies affecting the rural poor: the mission has found no clear example of project experience being translated in "lessons learnt" and then used for dialogue of national or sector policy

## **II.7. Impact on Gender**

Gender equality in official positions at the district or the village level: The project has had a modest impact on gender equality at the village level, not least in the village committees (only 22 villages). The LWU local member is often the only woman in the administrative organization of the village. At the district level, things seem to change if slowly, with more women entering official positions especially in health and education. The best example is the health department of Hongsa district where 24 women (out of 47 staff) are working instead of 5 (out of 13) in 1997. As far as the dispensaries are concerned, the project seems to have promoted women positions, with at least one, sometimes two women (one paid by the project, the other by the Lao administration) per dispensary.

Gender equality in access to education: access to education for women has been increasing slightly in primary schools in three of districts but more importantly in Hongsa district (45% of the students in primary schools were women in 2003-2004 against 40% in 1997-1998). The increase is more noticeable for the ethnic women, especially the Hmong. Nevertheless, this trend does not seem to concern secondary education, where boys are still over-represented even if positive changes are

observed for Lao Lum groups. A minimum project support for secondary schools might be envisioned.

Changes in women and children workload: the project has had a very good impact on women and children workload everywhere it built water supply (26 villages out of 55) because of reduction of time devoted to collecting water. Moreover, the gender training organized by the LWU seems to have had a positive impact. Most of the women interviewed said that the sharing of tasks between husbands and wives is more equal now than before. This perception is shared by Lao Lum and Lao Theung women while no data is obtained from the Lao Sung women.

## **II.8. Overall impact on poverty and sustainability of impacts**

The project has had major positive social impacts for communication and road networks, health and water access. This is especially evident, from the interviewed villagers' point of view, in the health sector (access to dispensaries, water supply schemes). The sustainability of these changes is high.

The impact in the agriculture sector is also good but benefited mostly to the lowland villages – whatever the ethnicity - while the sustainability of changes introduced in the upland systems is still under question. There is a risk of a growing gap between lowland and upland conditions of life, if the project activities continue to focus on lowland agriculture and if a greater flexibility is not introduced to implement technical changes in the upland systems.

Numerous trainings were organized by the project for income diversification and allowed the households to increase their off-farm incomes. Nevertheless many trainees were reluctant to use credit to implement the activities for which they had been trained. The credit component should also be modified in order to have more borrowers among the upland and poor farmers.

The project has benefited from outside influences such as economic development (trade) or access to education, two areas in which the GoL has undertaken a lot of efforts. Nevertheless, it should also be noticed that some aspects of the implementation of the rural development policy have diminished the social impact of the project in some villages. This is especially true where village migrations or merging have occurred after the beginning of the project<sup>3</sup>. It is crucial that the policy dialogue between IFAD and the GoL on this issue is strengthened. As a strategic option, village migrations can have good social impact, but only if they are well planned and if they do not provoke problems regarding land access and food security. This should be kept in mind especially if the project plans to begin working in the Samet area (border of Hongsa and Sayabouri districts) during a second phase.

## **III THE PROJECT'S PERFORMANCE: effectiveness, efficiency & relevance**

### **III.1 Performance of the Agriculture component**

The specific objective of the Agriculture component was "*to enable the mid, upland and poor Lao to participate in economic development*" (see Logical Framework). Activities of the Agricultural Development component included: (i) *cash crop*

<sup>3</sup> In Ngeun district, out of 31 villages in 1997, 8 migrated, 3 merged until 2004 (there is now 26 villages). In Xienghoun, out of 66 villages in 1997, 10 migrated and 12 merged (there is now 43 villages). In Hongsa, out of 63 villages in 1997, 7 migrated and 3 merged to reach the total number of 56 in 2004 (data given by district staff).



*introduction in rainfed uplands and dry season irrigated lowlands, (ii) rehabilitation/improvement of about 1,680 ha of traditional irrigation schemes with a total potential command area of 2,660 ha based on participatory planning and scheme selection criteria, (iii) organisation of Water Users Groups (WUGs), (iv) development of network of Village Agricultural Workers, (v) improvement of animal health care as a basis for increased animal production, and (vi) fish hatchery development to improve fingerling supply and (vii) provision of training and re-training to the provincial and district technical staff in agronomy, irrigation, livestock and fisheries.*

#### Overall assessment

**IRRIGATION.** The project has improved or built a total of 51 schemes, out of which 47 have been completed and 4 are underway. These activities experienced a slow start in the first three years of the project due to (i) lack of staff, (ii) low technical capacity and (iii) slow flow of project funds. Both wet season and dry-season irrigated rice areas have increased. Irrigation has mainly benefited to lowland farmers of the project area and, within villages, to better-off farmers who had already access to irrigable land. The project has established several Water Users Groups.

**AGRONOMY.** The activities have generally focused on the lowlands to complement the improvements of irrigation schemes. Promising agronomic options have been developed with farmers, including dry-season crops. Improved agricultural practices and cropping systems have been promoted or introduced (new varieties, better water management, better nutrient management, better pest management). Average yields of several crops have increased. Concerning upland agronomy relatively few effective activities have taken place. Reasons seem to be partly due to a general lack of experience in dealing with the complexity of shifting cultivation systems and the tendency of investing more agricultural infrastructure in the flat lowlands, rather than on sloping land.

**LIVESTOCK.** Training of Village Agricultural Workers has taken place in several villages of the four districts. Vaccinations have also been organized with good results. However, the project could not cover all the 156 villages of the four districts. Overall, livestock production has increased and this is certainly having an impact. Large animals (cattle and buffaloes) enable more farmers to buy hand tractors. Small animals (pigs and chickens) benefit to poorer farmers.

**FISHERIES.** A series of fishponds have been developed in villages of the project areas with inputs provided by the establishment of hatcheries resulting in an increased supply of fingerlings.

**NTFPs.** In some villages the project has assisted villagers in testing new ways of exploiting NTFPs including the domestication of some of them such as the POSA (Paper Mulberry).

#### Recommendations

In order to better understand the scope for introducing new cash crops in the project areas, it is necessary to conduct a marketing study to really understand the marketing channels, the market structure and the prospects for any new agricultural product. It is important that the economic aspects be placed before agronomic ones in a context where many crops can agronomically succeed but fail from an economic point of view. Regarding the aspects linked to sloping agriculture and shifting cultivation stabilization the project should develop approaches and strategies based on the lessons learned during the NAFRI workshop on shifting cultivation stabilization that took place in Luang Prabang in January 2004. Regarding the development of NTFPs it could be useful to contact NAFRI in order to get the latest information available on more sustainable NTFP management at community level and also organize a study tour in Oudomxai province. Regarding livestock, the project should also consider the possibility of introducing improved animal feed management in

collaboration with MAF, NAFRI and CIAT. For instance new pasture varieties and techniques could be tested with selected farmers for gradually intensifying livestock production in villages where grazing land is becoming scarce.

### III.2 Performance of the Income Diversification component

The specific objective of the Income Diversification component was *"to enable the mid, upland and poor Lao to participate in economic development"* (see Logical Framework). Activities of the Income Diversification component included: (i) *expansion of off-farm income generating activities* and (ii) *provision of rural financial services*.

#### Overall assessment

For income diversification the project is considering four areas: (i) provision of credit for various farm and off-farm activities, (ii) support to weaving, (iii) support to livestock (large and small animals), and (iv) support to domestication of Non Timber Forest Products (NTFPs), especially the POSA (paper mulberry).

**CREDIT.** According to the Lao Women's Union the credit disbursed by the Lao Development Bank has covered 49 villages and 782 families (608 Lao Loum families, 135 Lao Theung families and 39 Lao Soung families). These loans are mainly used for raising large and small animals, weaving, fishery and agricultural tools (hand tractors).

**WEAVING.** The project has supported weaving activities through provision of training and credit in most Lao Loum villages. Textiles are for export to Thailand. This activity has been quite successful and increased the volume of production to the point that the price is falling down as well as the benefit margin.

**LIVESTOCK.** Livestock is an important source of income in the villages of the project area. The project has established mechanisms whereby farmers receive some animals for a while and then have to reimburse.

**NTFPs.** Most villagers collect NTFPs such as "Posa", "Mak Tao", "Peuak Bong", cardamom, Broom grass, etc to generate incomes. The project has started to assist some farmers in growing "Posa" instead of simply collecting it from the forest.

#### Recommendations

It is recommended for the project (or the Lao Development Bank?) to increase lending services to remote and under-served areas, as well as to poorest households. It is also proposed to simplify loan procedures and requirements to make loans easier for the poorest. It is recommended to explore the possibility of developing a wider range of savings and credit options which fit the different needs of poor households, including to meet demands for short-term emergency loans.

### III.3 Performance of the Rural Infrastructure component

The Specific objective of the Rural Infrastructure component was *"to improve the access, particularly of the mid and upland communities to social development"*. *"Improve communication in the project districts"* was also stated as the specific objective for roads.

Activities of the Rural Infrastructure improvement component included: (i) construction of about 35 gravity water supply schemes, (ii) construction of about 17 dispensaries with necessary clinical, medical and office equipment, (iii) improvement of about 27 primary schools with the additional furniture and equipment, and (iv) improvement and upgrading of about 127 km of rural access roads and construction

of about 600 culverts for cross drainage in selected road sections and about 7 timber and 1 reinforced concrete cement (RCC) bridges.

#### Overall assessment

The project has improved the rural infrastructure of the target area (road, water supplies, school and dispensaries). A total of 95.6 km of road has been substantially upgraded, with 138 km covered by maintenance, 2 timber bridges, 4 bailey bridges, 6 RC box culverts and 448 pipe culverts. Accessibility has been dramatically improved especially between the Mekong and the Thai border.

For irrigation 51 schemes have been constructed (see Agriculture Component).

For health 20 dispensaries have been built to serve 43,288 people in 79 villages. For education 66 schools have been upgraded or constructed. And also 63 water supply schemes have been constructed. All these numbers of construction are at least corresponding to targets at appraisal or are sometimes higher.

In terms of efficiency it was found by the mid-term review mission that the costs of construction for roads was higher than expected. Actually, more money has been concentrated on four main road sectors with higher standards used for construction. It also seems that contractors had to remove more rocks than initially expected in the region. In a few cases beneficiary participation and involvement has been weaker than expected.

#### Recommendations

The main recommendation for road construction is that clear specifications should be agreed upon during project appraisal. Supervision of civil works should also be reinforced since some construction companies did not perform according to expectations. It is important to really involve the beneficiaries in all the construction schemes. More attention should be given to the software of the infrastructure built by the project such as staffing and training, teaching materials for schools, availability of medicines in dispensaries and periodic maintenance.

### **III.4 Performance of the Institutional Strengthening component**

The Specific objective of the Institutional Strengthening component was "to improve government capacity to carry out development and provide services".

Activities included: (i) provision of necessary institutional support and training to the Project management and implementation agencies at the provincial and district levels to improve their capacity in areas of planning, project implementation and management, supervision and monitoring & evaluation, (ii) development of planning, budgeting, reporting, recording, accounting norms and skills, (iii) provision of necessary office building and housing facilities to the PPMU and DPMUs, (iii) development of participatory planning to target project support to the beneficiaries.

#### Overall assessment

During 1998-2004, 45 skill improvement programs were organized for a total of 1,232 days, for 455 staff. 13 study tours were organized, along with seminars, on watershed management, participatory planning and Human Resource Management. 8,036 villagers were trained. Participatory Planning Approach has been introduced. District Project staffs and line agencies are able to carry out planning process and submit work plans to PPMU to finalize.

Project staff and line agencies at provincial and district level were trained on how to produce reports based on M & E Framework established by IMA. At provincial and district levels there are M & E units, and the trained staff can conduct various M&E activities and finalize the reports to the PPMU. However, during the IE mission the IS

could not find some qualitative and quantitative information of this component. There was also a problem of high turnover in M&E staff.

Line agencies' staffs at district level were also able to work with project staffs to establish water user group, school operation and maintenance committee, pupil parent teacher association, water supply schemes operation and maintenance committee, road maintenance committee and dispensary operation and maintenance committee. To some extent, with refresher training and continued supervision from technical advisors sustainability of the project could be reached.

Institutions at community level are sustainable, but village visits still need to be considered. Other kind of Community Institutions like **Self Help Groups (SHG)** should be considered. The community can be organized sector wise like for weaving, embroidery, livestock rearing, and other IGA in the form of SHG. These groups can work for the promotion of credit for IGA, savings and marketing and development of the produce. The SHGs may also be established for the handling of revolving funds. To ensure that the Rural Financial Institutions are kept well running, the establishment of District Credit Volunteers/DCV should be done.

### Recommendations

The M & E system for project activities should be made with indicators, assumptions and include the changes in living conditions, in accordance with IFAD's present requirement. To sustain the institutional capacity at PPMU and DPMU level, it is essential to develop report writing capacity through training and coaching by advisors. Refresher Project Planning training, particularly on Logical Framework Approach is needed to increase the confidence of project staff in this.

### Relevance of project objectives

In general, project objectives are relevant to the needs of the poor, consistent with the government policy for rural development and with the IFAD country strategy. However, in view of the local socio-political context, the low capacity of staff and the poor communication context at the beginning of the project, this project was rather ambitious in terms of total number of villages to be covered in such a relatively short time and also in terms of targeting the mid- and upland villagers. For instance most other similar rural development projects in Lao PDR cover only between 30 and 100 villages instead of 200. With such a high level of number of villages there was a tendency for implementing agencies to favour quantity rather than quality. It is widely recognized that improving the livelihoods of rural people is a long-term process and there is no short-cut for it.

### Project effectiveness

Considering the over-ambitious targets in terms of number of village, the project has been rather effective in trying to achieve its objectives in difficult conditions. This is particularly true for health, education, water supply, roads and lowland agriculture. With regards to effectiveness and targeting, results and impacts differ according to components. This is partly due to the nature of some components such as irrigation for which the intrinsic nature is conflicting with the objective of targeting the poorest. Indeed, "improvement of existing traditional irrigation schemes" while ensuring a substantial contribution of beneficiaries is *de-facto* benefiting to better-off villagers already having access to flatland.

### Project efficiency

In general the project has been efficient when using the funds allocated for its activities.

However, the mid-term review mission already pointed out that the costs of road construction were higher than expected at appraisal. In fact the roads built were of higher standard and thus cost more per kilometre. It was also reported by the province that during road construction the contractor discovered that there was more rock to be blasted than initially estimated. Costs of other categories of infrastructure were also sometimes relatively high although cost varied for different reasons.

#### **IV THE PERFORMANCE OF THE PARTNERS**

##### **IV.1 Performance of IFAD**

###### Effectiveness assessment

Generally speaking the effectiveness of IFAD has been quite good. A few points that could be improved were reported during interviews. Project design has been good and clear in many ways but could still be improved in a few areas.

Also, procedures for accessing project funds are perceived as cumbersome and time-consuming. It is felt that the energy used for obtaining funds could be used for project implementation instead. Delays in delivery of funds have been commonly experienced by project staff and resulted in difficulties to properly implement planned activities in a timely manner especially in agriculture. For instance several activities had to be postponed or cancelled during project implementation due to late arrival of funds. However it is not clear whether it is only the responsibility of IFAD that is questioned here knowing that various entities are involved in the transfer of money.

At project level it is perceived that coordination between IFAD and others has not always reached the expected level especially during recent years. Although the coordination between IFAD and UNDP was quite good at the beginning of the project it seems that it has become less effective during the last years of the project. For instance no contact has taken place between IFAD and the UNDP TA at project level for the last fourteen months.

###### Recommendations

Before starting a new project IFAD should (i) study the nature and causes of rural poverty better, (ii) be more specific on standards of road construction and (iii) ensure that the project design contains a more elaborate strategy for institutional strengthening, capacity building and human resource development, (iv) ensure more integration of watershed management concepts into the livelihood analysis, (v) ensure a better emphasis on M&E aspects during project design and , (vi) have a better phasing of activities in project design.

In the future, IFAD should explore the possibilities to establish new mechanisms for simpler and faster flow of funds that enables the project to operate more smoothly (assuming that Annual Work Plan Budgets are prepared and submitted in a timely fashion).

In the future, IFAD should also explore the possibility of allocating more time to liaise with UNDP as a project partner.

##### **IV.2 Performance of UNOPS**

### Effectiveness assessment

UNOPS, as the Cooperating Institution (CI), has been responsible for (i) loan administration, (ii) procurement and (iv) supervision. While loan administration and procurement are generally considered to be appropriate, supervision has remained problematic.

UNOPS Kuala Lumpur has been supervising the project once a year since its beginning. A typical UNOPS supervision mission would take about 10 days in the project area with about three to five people. IFAD is providing "only" USD 48,000 per year to UNOPS for this job. Several reports have been produced with various recommendations. However, UNOPS supervision missions have suffered from a lack of continuity in personnel (seven different portfolio managers!). This means that for every mission there were different people! As a result the focus of each mission has changed and recommendations have differed from one mission to another, sometimes without taking previous recommendations into account. It was also reported that UNOPS was sometimes cutting down reimbursement demands after reviewing them but without informing reasons and details for it.

### Recommendations

It is recommended that all UNOPS missions focus on the appraisal report and on the Annual Work Plans. It is also recommended that UNOPS missions ensure a follow-up of the findings and recommendations from previous missions and send the same people to supervise the project as much as possible. It is also recommended that UNOPS missions be better planned in terms of timing to coincide with the Lao fiscal year. It is also proposed that UNOPS to consider sending more of their staff rather than hired TA for supervision missions. The project recommended to avoid supervision missions between November and January for this is a very busy time for project staff and district staff in villages.

It is also recommended to better define the role of UNOPS in the Letter of Agreement signed with IFAD since it is not considered clear enough.

## **IV.3. Performance of the GOL**

### Effectiveness assessment

Different levels of the Government of Lao PDR have been involved in the implementation of the project, in a changing manner as the responsibilities of the respective levels have developed. After the decentralization process initiated in 1995-96, the central government realized the necessity for continuous support to the local government. CPC has generally played a strong role for the project at central level. In the last two years the MAF became more involved and agriculture performed better.

Ministry of Finance: at the beginning of the project one person was assigned to sign project-related documents but he was replaced without informing IFAD. This resulted in IFAD not approving documents signed by MoF for a while. Regarding direct payments it is felt by the project that the process is too slow due to problems in exchange rates. MoF should inform IFAD when the relevant persons are changing positions. It is also recommended to explore the possibility to make direct payment in US dollars.

CPC: a good support and cooperation has been perceived by the project. However, CPC suffers from a lack of staff and cannot perform the six-month project reviews as

initially planned. Instead CPC reviews the project only once a year. Initially, since the project was decentralized there was no role for CPC (and MAF) but this was changed during project implementation due to various lessons learnt.

MAF: MAF has been providing a stronger support to the project since MAF became responsible for rural development after the abolishment of the Rural Development Committee in 2000. MAF inputs have been useful to reinforce the agricultural activities that initially suffered from delays. However it appears that there was no official designated as a focal point within MAF (until six months ago) for the project to be able to establish a dialogue and receive new guidance on the NPEP (National Poverty Eradication Programme).

Province: A positive aspect has been the continuity and commitment at vice governor level. However, there has been a discontinuity of people in the line departments. Several people have moved. As a result most people in the line agencies know about NPEP policies but may not know the project. Problems of coordination between line agencies have occurred, the situation is getting better but still problematic.

Districts: A constraint faced by the project has been the changes of district chiefs and district committees throughout the life of the project. Luckily, every time there is a change of person the district committee briefs the newcomer. Monthly meetings are organized in each district so they can follow the project activities.

#### **IV.4 Performance of UNDP**

##### Effectiveness assessment

UNDP committed itself as a co-financier for up to USD 1,199,000 in the form of technical assistance. Cooperation and coordination between UNDP and IFAD were very good during project identification, formulation and appraisal (all jointly conducted). The context was favourable at the time because in 1996 UNDP had identified Sayaboury province as one of its five focal provinces for rural development. During the first year, a good support was provided by UNDP to an extent that could not be reached by UNOPS. But later on the strategy of UNDP Laos changed and UNDP provided less support to the project.

UNDP has funded the following positions: CTA (1 person, 3 years), financial adviser (1 person, 2-3 years), rural infrastructure (3 persons, 3-4 years), agronomy (2 persons, 3 years), irrigation (1 person, 3 years), community development (1 person, 2 years). All were UNVs except the CTA. Two English teachers have also been funded by UNDP. Only one adviser is presently assigned to the project as Irrigation & Water Management Advisor (UNV). He has been there for 16 months and will stay until December 2004. Depending on the advisors, the quality of the technical assistance provided by UNDP has been fluctuating throughout the project life. For instance some lack of competence in upland agriculture and irrigation development were reported between 1999 and 2001.

The simultaneous presence of five foreign advisors at the beginning of the project created some problems in translation due to limited availability of translators (only two during project life). Recruitment procedures for technical advisors have also suffered from administrative delays resulting in lost opportunities to recruit the best candidates.

### Recommendations

It is first recommended for UNDP to explore ways of speeding recruitment procedures for technical advisors. It is also recommended to ensure a more continuous monitoring of project activities, including regular field visits by representatives from the UNDP office in Vientiane as it happened at the beginning of the project.

#### **IV.5 Performance of NGOs**

##### Effectiveness assessment

The NGO Save the Children Australia has been associated to health component of the project (without any official agreement with IFAD). Inputs from STC were delayed. This association was perceived as crucial for achieving health objectives. But according to the Mid-Term review of February 2001, SCF Australia was expected to provide revolving funds for drugs but has only provided limited support under their Mother and Child programme e.g. for birth control.

The NGO CARE International, which is operating in some villages of Hongsa district received a support of USD 65,000 from IFAD in 2003 for a one-year project focusing on sharing knowledge through on-the-job training.

##### Recommendations

Since NGOs are more "process-oriented" than "investment-oriented" and have some valuable experiences in participatory development approaches it is recommended to explore various ways of collaboration in the future. Exchange of experiences is beneficial to both IFAD and NGOs.

#### **IV.6 Performance of other service providers (Lao Development Bank and LWU)**

Two other "service providers" have been associated to the project: (i) the Lao Development Bank (ex- LaneXang Bank), and (ii) the Lao Women's Union. A preliminary assessment shows that they have performed relatively well in their tasks.

### **V OTHER SPECIAL ISSUES AND THEMES**

#### **V.1. Impact of Government's Rural Development policy on the poor**

The rural development policy of the LAO PDR is articulated around five main policies closely linked to each others: stabilization of shifting cultivation and upland agriculture, opium eradication, land use planning and land allocation, focal site program and village consolidation. All these issues have affected the project area and the social impact of the activities implemented by the project. Migrations and merging of villages are cross cutting all these five policies because they are conceived as the main tools to implement them and to alleviate poverty in the rural areas. Indeed, in a country with the lowest population density in Asia and with limited staff capacity, it may make sense to gather the people in the lowlands rather than trying to "bring development" in the remotest areas.

Three major problems must nevertheless be underlined and discussed with all the parties concerned:



- 1) Due to poor capacity planning, these sub-policy are implemented sometimes in a contradictory manner: for instance, resettlement or merging of villages sometimes occurred after that land allocation has been done, which result in tensions for land access and problem of solidarity among the villagers.
- 2) Too much attention has been paid to the justification of the resettlement/merging of villages and not enough to its social and economic impact, which can be sometimes good, and sometimes very bad in term of poverty alleviation and food security, at least during the first few years. More flexibility is needed to provide solutions adapted to the need of the villagers and the monitoring capacities of local staff.
- 3) Local administrations are often "using" development project as a mean to achieve their targets concerning the resettlement/merging of villages. In contradiction with what has been written in the Self-Assessment Report, resettlement or merging of villages have occurred in the project target villages after the beginning of the activities. This has hampered the social positive impact of the project and its ability to respond accurately to the need of the villages.

## **V.2. Implications of Decentralization and RD policy on project design & implementation**

This project has been the first completely decentralized project for IFAD in Lao PDR. It was so because when it was identified and formulated the Government was embarked into a major shift towards decentralization. At project identification, the province of Sayaboury had just established a provincial department of planning and cooperation. In addition these were also the years when the provincial rural development committee had recently been established. Provincial authorities were thus given more power for the design and the implementation of the project. As a result the project is entirely staffed by people coming from Sayaboury province and districts.

The districts throughout the country became the focal points for rural development. However decentralisation was not necessarily accompanied with a phased approach allowing to properly build the local capacity first before really planning, managing and implementing rural development programmes.

The fast decentralisation of responsibilities and functions were not adequately accompanied with transfer of human and financial resources. As a result in the four districts of Northern Sayaboury the project has initially suffered from a lack of qualified staff to adequately implement several of the project activities. This was particularly true for the agricultural development activities that were much delayed or simplified in their approach until the Ministry of Agriculture and Forestry became more involved in the project. Important lessons learned include the following: (i) decentralisation should be phased according to the real local capacity of district institutions, (ii) decentralisation of responsibilities and functions should be accompanied with transfer of human and financial resources, (iii) for rural development project it is essential to ensure that the Ministry of Agriculture & Forestry provide some technical backstopping and guidance to the local authorities, (iv) there is a need to build a better local capacity to deal with the complex issues of shifting cultivation stabilization, opium eradication, village merging and resettlement, and land use planning/land allocation in the uplands.

For example during this mission a district officer explained to the mission that displaced villagers didn't face any problem after resettlement but a few hours later during a visit in a recently relocated village it was clear that the villagers had suffered some major problems with a much higher mortality rate of their livestock.

### V.3. Principles and mechanisms for targeting beneficiaries

The project identified the poor people as the Lao Theung and Lao Soung populations living in midland and upland (thus confounding geography and ethnicity). Therefore, the project was asked to have at least 50 % of its beneficiaries belonging to the Lao Theung and the Lao Soung. While this might have been a useful distinction at the beginning of the project, the use of such an ethno-geographic classification is actually misleading and should be abandoned<sup>4</sup>. In addition, the GoL and various donors favour the use of an ethno-linguistic classification when referring to ethnic groups of the country (see footnote 1).

The project faced difficulties in targeting the poorest as documented by various previous reports. It means that several of the most important investment have benefited more to the lowland populations rather than the ethnic groups living in the uplands.

There are several reasons for that. The nature of some project components didn't allow to target the poorest upland people. For instance the strategy of irrigation development was mainly based on the improvement of existing traditional schemes. But those traditional schemes had been built by lowland Lao. And also the Lao Loum have generally a better access to the lowland where there is more potential for irrigation development. Even when the Lao Theung and the Lao Soung move down to the valleys they have only access to more limited and more marginal flatland that still require a lot more investment for development. For these and other reasons irrigation does not easily benefited to the poorest because even within a given village the members of a Water Users Group are generally the better-off who can more easily contribute labour and other means to the development of irrigation.

According to the project completion report, road construction has also benefited more to the Lao Loum than the Lao Theung and the Lao Soung. It is probably due to the fact that the main four road sectors completely upgraded by the project were roads located in the valleys of the district where there are less Lao Theung and Lao Soung villages.

According to the project completion report, credit has also been more benefiting to the Lao Loum than the Lao Theung and the Lao Soung. Reasons include cultural differences in attitude towards borrowing money and possibly the nature of the options offered to the Lao Theung and Lao Soung. It is also assumed that the Lao Development Bank would first lend money to the richest villagers who are generally the Lao Loum.

It is noticeable that health and education activities have well benefited to Lao Theung and Lao Soung villagers, thus to the poorest as well. Indeed, schools and dispensaries were built in areas where they were still mostly needed, which means in the uplands and the highlands because the richer lowland villages already had access to better education and health services.

For the follow-up project to have a stronger impact on the poor, on the Lao Theung and the Lao Soung, its design and its strategy should be such that right from the beginning it is giving priority to those poorest beneficiaries by the intrinsic nature of the project component. For instance new irrigation development should be more

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<sup>4</sup> For the purpose of this report however, the same classification is still used in order to allow comparisons with previous project documents and reports.

based on family irrigation and small gabion weirs in the uplands or the relative proportion of irrigation should be decreased in the project since irrigation tends to favour villagers who already own paddy land to the exclusion of those who only own sloping land.

#### **V.4. Participations of beneficiaries, principles and reality**

Participation of beneficiaries is an important aspect of the project strategy. But experience in many projects has shown that if participation means contribution in kind only it is obviously the better-off villagers who are more ready to participate because the poorest generally don't have very much to contribute even labour when they are undernourished.

90 % of the villagers interviewed during the self-assessment report acknowledged changes in participatory development since 1997. There is no doubt that the project staff did its best to develop the participation of the villagers through numerous meetings and trainings. However, the Village Development Plan, which was considered as the main objective of this process, was achieved in only 22 villages and the PRA in 80 villages.

#### **V.5. Quantitative and qualitative results of capacity building efforts**

Many different training activities have been undertaken by the project at different levels. At this stage data are still being processed and more time is required for a better assessment<sup>5</sup>.

#### **V.6. Results of training and extension service to production groups and usefulness for the rural poor**

A real effort has been done to provide all the farmers with basic knowledge of new techniques or crops. The project and the local administrations have actively collaborated to organize training sessions and to improve the efficiency of on-farm and off-farm activities. The systematic creation of "groups of users" explain the positive feeling (90% of the interviewees) expressed by the villagers during the Self Assessment regarding the changes in rural people organization and institutions. Nevertheless their sustainability is difficult to assess precisely because much will depend upon the degree of the understanding of the farmers, the commitment of the members of these groups in their daily activities and also upon the degree to which their demands and needs will be followed by the project team. Moreover, the need of in-depth research and extension activities in the upland areas cannot be overemphasized : very few is known about the domestication of NTFP for instance. Slash-and-burn agriculture is still seen mostly as a "forest-eating" technique while much can be learnt from the upland agricultural systems for the preservation of forest coverage and biodiversity.

#### **V.7. Results of present credit delivery system and possible future options**

Rural credit has been envisioned as a mean for the farmers to intensify their agriculture or to develop new in-farm or off-farm activities. Its impact (US \$ 500,000 have been already disbursed) has mainly concerned the lowland population and it

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<sup>5</sup> The data are being processed by the UNDP sponsored consultant (institutional issues and capacity building), who arrived late in the mission due to unforeseen circumstances.

can then be considered that up to now, this component has increased the gap between Lao Lum and other groups rather than it reduced it. The reasons for this trend are numerous, and in any case they do not concern the local staff, who tried to implement this component the best they could. Three major problems and possible solutions can be underlined here:

1) Interest rates are perceived as too high by the villagers compared to available alternatives, and they demand a reduction, if greater impact of credit is expected. This could be done either by reducing the benefits of the LDB, by reducing its functioning costs (opening of a new branch in another district) or by implementing a closer relationship between the LDB and the Lao Women Union.

2) Many of the rural people, especially in the highland areas, are not interested by credit in money as they fear debts but conversely, those among them who want to take credit have some difficulties to present enough guarantees to the Bank. In such economies as the highland where barter is still as much important as money, the project should envision to develop credit in kinds, for instance animal leasing (which is already practised on a customary basis). This would necessitate clear contracts understood by both parties and support from the veterinary specialists to ensure the sustainability of such an activity.

3) Some of the villagers performed well, they regularly follow the rule of borrowing, but some do not. 43.73% of total loan is now considered as Non-Performing Loan which is by far too low to offer any prospect of sustainability. This is due to limited cash flow in some families (credit is used for first urgency buying such as medicine for instance) and to limited monitoring capacities from all the stakeholders concerned (the LDB but also the LWU and the village groups). Institutional support should be provided to them in order to increase the performance of the loans.

## **VI OVERALL ASSESSMENT, CONCLUSIONS AND RECOMMENDATIONS**

The overall assessment of the interim evaluation is that a follow-up phase could be considered, should the government of Lao PDR and IFAD wish so. It is evident, however, that a certain number of key issues will have to be addressed in the preparation of a possible follow-up phase.

The principal conclusions are that the Northern Sayaboury Rural Development Project has implemented an impressive range of multi-sectoral activities in an evolving and often difficult socio-economic context. All the partners involved in this project have been very active to try to achieve its objectives in spite of the somewhat ambitious number of villages to be covered.

The NSRD Project has had positive social impacts for communication and road networks, health and water access. This is especially evident, from the interviewed villagers' point of view, in the health sector (access to dispensaries, water supply schemes). The sustainability of these changes is relatively high.

The impact in the agriculture sector is also good but benefited mostly to the lowland villages –whatever their ethnicity–, while the sustainability of changes introduced in the upland systems is still under question. There is a risk of a growing gap between lowland and upland livelihoods, if the project activities continue to favour lowland agriculture and if a greater flexibility is not introduced to implement technical changes in the upland systems.

Income diversification activities had a good impact but lower than expected in the appraisal report. The credit component should also be modified in order for upland and poor farmers to be able to get more benefits from it, knowing that interest rates are presently perceived as too high by the villagers.

The institutional strengthening efforts of the project have had a tangible impact on the capacity of local staff. Participatory approaches have been introduced in all project activities. The villagers acknowledged this fact and contribute actively to project implementation. However, training activities have suffered from problems in the delivery of project funds. Monitoring and evaluation capacities are improving but still need to be reinforced. Capacity to deal with the technical aspects of shifting cultivation stabilisation needs to be strengthened.

As for the project objectives, they are still considered relevant. The project has been implemented effectively and reasonably efficiently given the circumstances. The partners involved have performed their tasks in a satisfactory way.

A number of specific recommendations have already been indicated in the concerned chapters above. Finally, a few key issues are listed below that will need to be addressed in the preparation of the possible follow-up:

- (i) Targeting mechanisms should be revised in order to ensure that a more important percentage of the poorest villagers of the target area are really benefiting from the project. This is particularly important for the shifting cultivators.
- (ii) Flexibility in approaches to shifting cultivation stabilisation that should be more site-specific regarding the duration of the fallow period, especially in highland villages where options for transition into more sedentary forms of agriculture require more time and gradual changes.
- (iii) The handling of village migration and village merging: it is crucial that the policy dialogue between IFAD and the GoL on this issue is strengthened. As a strategic option, village migrations or merging can have good social impact, but only if they are well planned before the implementation of the project activities and if they do not provoke problems regarding land access and food security.
- (iv) The role of different levels of government: there is a need to put more emphasis on the role of the districts as "planning and budgeting units" and to reinforce their monitoring and evaluation capacity. Institutional strengthening efforts should really focus on that level of the government. Central level ministries should continue to provide overall policy guidance and technical backstopping according to need.
- (v) The project M&E system needs to be improved and in line with IFAD 's Guide for Monitoring & Evaluation.
- (vi) Delays in transfer of funds from IFAD to the PPMU definitively need to be reduced since they negatively affected and continue to affect the implementation of various activities of the project especially the trainings.