

Independent External Evaluation Post-Opium Surpass Poverty Project Oudomxay Province, Lao PDR

Social and Economic Rehabilitation of
Former Opium-poppy Growing Communities –
Alternative Livelihood Development

UNODC–Lao I28
UNIDO–TF/Lao/06/002
UNTFHS–IDO-AS-05-010



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



UNODC
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FOREWORD

The Evaluation Group of the United Nations Industrial Development Organization (UNIDO) and the Independent Evaluation Unit of the United Nations Office on Drugs and Crime (UNODC) are pleased to present this joint terminal evaluation report on the “Post Opium Surpass Poverty” (PSP) Project in Lao PDR.

The Project was funded by the United Nations Trust Fund for Human Security (UNTFHS) and implemented in the Oudomxay Province located in the northwest of Lao PDR. “Post Opium Surpass Poverty” pursued in a holistic approach the goal of rehabilitating drug addicts while at the same time providing opium poppy growing farmers with alternative livelihoods. The means chosen to achieve this mandate were mainly large infrastructure development and training programmes, which were implemented according to a three-phase plan.

The terminal independent evaluation, conducted in March 2010, covered the full project life span from 2007 until the beginning of 2010. Apart from assessing the project’s outcomes and impact, the evaluation set out to analyze the benefits of the inter-agency cooperation between UNIDO and UNDOC.

The evaluation was carried out by Dr. Andreas Tarnutzer, international consultant, in conjunction with two national evaluators, Vivath Sauvaly and Visay Sayyavongsa. The team carried out random-sample based quantitative surveys in the field, using treatment and control groups to the degree possible.

The evaluation found that the PSP has had visible impact in relation to its target population. The treatment of opium addicts, awareness raising campaigns and the promotion of alternative livelihoods for opium poppy growing farmers were found to provide a foundation for the permanent elimination of drug cultivation and use in the area. However, maintenance of developed infrastructure was identified as a weak area. Moreover, due to problems of market access, Productivity and Marketing Centers (PMC) also face severe sustainability issues. The inter-agency cooperation proved to be a weak point of the project, due to the different field operation modalities of the two agencies. Despite these shortcomings, the overall appraisal of the Post Opium Surpass Poverty Project in Lao, PDR was positive.

The UNIDO Evaluation Group and the Independent Evaluation Unit of UNODC would like to express their appreciation to national stakeholders, the respective project managers and staff at the UNIDO/UNDC country offices in Lao People’s Democratic Republic for assisting the evaluation team and providing relevant and timely information.

We do hope that the findings of this report will contribute to learning both in relation to the substantial areas and in terms of inter-agency cooperation and contribute to enhanced relevance and effectiveness of our interventions and deepened levels of cooperation.

Margareta de Goys
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Due to the disbandment of the Independent Evaluation Unit (IEU) and the shortage of resources following its reinstatement, the IEU has been limited in its capacity to perform these functions for independent project evaluations to the degree anticipated. As a result, some independent evaluation reports posted may not be in full compliance with all IEU or UNEG guidelines. However, in order to support a transparent and learning environment, all evaluations received during this period have been posted and as an on-going process, IEU has begun re-implementing quality assurance processes and instituting guidelines for independent project evaluations as of January 2011.

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Abbreviations and Acronyms

ATS	Amphetamine Type Stimulants
BMZ	German Federal Ministry for Economic Development and Cooperation
DAC	Development Assistance Committee (OECD)
DCDC	District Committee for Drug Control
DSA	Daily Subsistence Allowance
GDP	Gross Domestic Product
GNI	Gross National Income
GoL	Government of Lao PDR
IFAD	International Fund for Agricultural Development
IP	Integrated Programme
LCDC	Lao National Commission for Drug Control and Supervision
LDC	Least Developed Country
MDG	Millennium Development Goal
MOD	Miscellaneous Obligation Document
MoIC	Ministry of Industry and Commerce
NGO	Non-Governmental Organization
NGPES	National Growth and Poverty Eradication Strategy
NPD	National Project Director
NSEDP	National Socio-Economic Development Plan
O&M	Operation and Maintenance
PCDC	Provincial Committee for Drug Control
PFU	Programme Facilitation Unit
PICD	Provincial Industry and Commerce Department
PMC	Productivity and Marketing Centre
PRA	Participatory Rapid Appraisal
PSC	Project Steering Committee
PSP	Post-Opium Poverty Surpass Project
TOR	Terms of Reference
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crimes
UNTFHS	United Nations Trust Fund for Human Security
VPG	Village Productivity Group
VRDF	Village Revolving Drug Fund
VSCF	Village Savings and Credit Fund

US\$ 1 = 8,440 Lao KIP (as of February 2010)

EXECUTIVE SUMMARY

The PSP Project

The project “Social and Economic Rehabilitation of Former Opium-poppy Growing Communities – Alternative Livelihood Development”, or abbreviated, “Post-Opium Surpass Poverty Project” (PSP), is the first joint project of the United Nations Office on Drugs and Crime (UNODC) and the United Nations Industrial Development Organization (UNIDO) in the Lao People’s Democratic Republic (PDR). It is implemented through two institutional partnerships, between the Lao Commission on Drug Control and Supervision (LCDC) and UNODC, as well as between the Ministry of Industry and Commerce (MoIC) and UNIDO. The project started in February 2007 and will last until September 2010. Its total budget is US\$ 2,348,500.

PSP has been designed to support the implementation of the Lao PDR national programme strategy for the post opium scenario in Oudomxay Province, one of the highest former opium producing provinces in the Lao PDR. Oudomxay is situated in the mountainous northwest of the country, near the borders with Thailand and Myanmar. Within the province, PSP is foremost active in 20 villages of the Districts Houn and La.

PSP aims at contributing to the Government efforts to: (i) reduce dependency on illicit drugs; (ii) secure sustainable livelihood for farmers; (iii) foster an enabling environment for sustained opium elimination; and (iv) promote rural enterprise development and introduce appropriate technology. This is to be achieved by improving the living conditions and livelihoods of people through provision of basic infrastructure and basic services, making credit available and stimulating economic development.

The UNODC Independent Evaluation Unit and UNIDO Evaluation Group have mandated a final independent external evaluation of PSP, which was conducted in February/March 2010. Its objectives were to “(1) provide information for better decision-making of UNIDO and UNODC management (best practices and lessons learned), (2) assess the results of the project and demonstrate to what extent it has achieved its objectives and has been relevant, efficient, cost effective and sustainable, (3) serve as a mean to empower the communities and other project stakeholders of Alternative Development (AD) projects.” In addition, the results and findings of the evaluation were to feed in the design of a new UNODC follow-up project.

Members of the evaluation team were Andreas Tarnutzer, international consultant and team leader, and the national consultants Vivath Sauvaly and Visay Sayyavongsa. The external evaluation has applied two methodologies in parallel: (1) a random-sample based, quantitative survey was complemented by (2) a qualitative component for interpretation and triangulation of findings and validation of survey results.

Main findings: results of UNODC activities

UNODC has been active in three areas: (1) drug awareness and addict rehabilitation; (2) provision of infrastructure and basic services; (3) provision of micro-credit through village savings and credit funds (VSCF).

Drug awareness campaigns and addict rehabilitation activities were implemented in collaboration with the Provincial and District Committees on Drug Control (PCDC and DCDC). 160 of the initially identified 253 opium addicts were successfully treated (the remaining addicts refrained from participating based on the principle of voluntary treatment that was followed). More than 10,000 people participated in the 14 drug awareness campaigns and local activities during national and international drug days. Staff of the drug treatment centre and provincial Government in Oudomxay was trained in prevention of drug consumption and rehabilitation of addicts.

The following infrastructure works were undertaken: Seven villages received water supply systems, in three villages, family latrines were provided, and access roads were constructed for three villages. Five market shelters are ready for use. Though originally not planned, PSP distributed mosquito nets to all families in the 20 villages. However, a number of villages still remain without access roads, water supply and latrines.

Next to infrastructure, the project set up a revolving fund for basic medicines in two villages, established seven rice banks and supported land allocation in seven villages as important steps in the move from shifting to permanent cultivation.

Of particular relevance are the 20 Village Savings and Credit Funds (VSCF). The funds have achieved 80% household coverage and the survey confirmed the high levels of satisfaction with the performance of the VSCF.

Main findings: results of UNIDO activities

Village Productivity Groups (VPGs) are at the heart of UNIDO's activities to promote alternative income sources for improving the livelihoods in the PSP villages. Overall, 44 VPGs were formed in 18 villages; coverage is high with 41% of all households being members of a VPG. The survey has shown that the VPGs are well known and highly appreciated by the villagers. The groups produce brooms, paper, oils, jungle vines, embroidery/weaving and cotton. 1256 participants registered in the related capacity development activities for skills transfer; women account for a good 33%.

The large majority of VPG members could realise annual earnings between KIP 100,000 and 500,000 or between US\$ 12 and 60. In subsistence-oriented villages, where income can only be generated from the sale of cash crops or occasional animals, these amounts are important as additional cash income, to pay for essential goods.

VPGs are young and have just started selling. The main current obstacle is market access and VPG members clearly stated that they could and would produce more if they could sell more. VPG products are mostly sold through the Productivity and Marketing Centre

(PMC), which has been set upon the premises of the Provincial Industry and Commerce Department (PICD).

The PMC is currently active in both trading and training and its (considerable) operational costs are borne by the project. The PMC is in the process of withdrawing from active trading and attempting to confine its role to matchmaker between producers and traders; it also intends to expand its role as capacity development service provider.

In parallel, PMC is developing a marketing strategy and business plan, including financial viability calculations. Important decisions are pending on the legal ownership and organisational status of the PMC as well as on the exact contributions to its operational cost by the government. Very likely, its long-term institutional and financial sustainability will remain a serious challenge.

Overall assessment of PSP

PSP (or “PoSoPo” in Lao) is known throughout the project area; its recognition rate was practically 100% among the survey respondents. As villagers were fully involved in the process of deciding activities in each village, a high relevance of the support was ensured and the ownership is consequently also high; this was fully confirmed by the quantitative survey. The project has also been assessed as relevant in relation to the wider strategic frameworks it operates in.

Given the comparatively short period of three years and the difficult context, the implementation of activities by the PSP teams has been effective. Unfortunately, the project document did not formulate outcomes to be achieved, in particular in relation to concrete synergies or added value from the collaboration of two implementing organisations. On the output level, the PSP teams have by and large achieved the planned results.

Coverage attained with the VSCFs and VPGs is certainly up to the mark, when compared to other similar projects. Overall, remote villages have received less attention than those with easier access. Women profited from the project to at least equal measures. The increased opportunities for women to generate additional income has also directly affected the livelihoods of their families and children.

PSP has been implemented efficiently and the project teams in Oudomxay have done a good job. The National Project Director has ensured good relations with the local government departments. Given the fact that UNIDO and UNODC are governed by their own fiduciary jurisdictions, full integration of activities (one budget, one implementation team) was not practicable; parallel systems of implementation had to be set up, following the basic mode of operation of both organisations (centralised versus decentralised).

The project has achieved visible impact with the target population in the 20 PSP villages; this was confirmed by quantitative survey. PSP has clearly contributed to the overall project goal of providing an enabling environment for sustaining opium elimination by developing alternative income sources to drug production that allow securing and

improving the livelihoods of the farming families. Essential infrastructure, a precondition for economic development, has been provided, though not to the original target levels.

The quantitative survey has shown that the 20 PSP villages have gone through a period of positive economic and social development during the last five years, as has the Lao PDR in general. The project was but one force of change in the villages, albeit an important one. Partial attribution of the reported positive developments is therefore correct and the villagers interviewed clearly validated the importance of PSP for improving their livelihoods.

The core challenge for PSP is the sustainability of the innovative institutions and organisations introduced. This relates in particular to the PMC and the VPGs on UNIDO side, and the VSCF for UNODC.

Major lessons learnt and recommendations

UN-agency collaboration

For future planning of inter-UN agency collaborative projects, two lessons are important: first, concrete outcomes (not only single outputs) should be formulated during project design, specifically addressing expected synergies and added value from combining expertise of partner organisations. Secondly, mandatory in-built mechanisms and procedures are required to ensure regular exchange and fine-tuning of activities.

Project planning and implementation

The conceptual planning framework should be less activity oriented and make more explicit reference to the higher levels of outcome and purpose of the project.

Given the different (and in the case of UNIDO rather copious) administrative and financial procedures, an annual implementation plan based system, along with activity budgeting, as applied in most development agencies and organisations, would be more efficient and thus also more effective.

UNODC activities

PSP has not reached full coverage with essential infrastructure like roads, water supply and latrines. In future, a preceding cost-benefit analysis of proposed infrastructure works (in terms of number of villagers profiting, etc.) is advisable for prioritising and budget allocation.

Given the fact that resurrection of poppy cultivation is foremost reported in inaccessible areas, without road access and consequently no market access for alternative cash crops, it seems advisable to place more emphasis on first constructing access roads before starting alternative income generation activities in future similar projects.

VSCF need additional training, if the funds are to remain functioning and thriving. Their long-term sustainability has to be ensured by either placing them under the umbrella of a

micro-finance federation or under the wings of the Rural Development Units at District level. Alternatively, the planned follow-up project by UNODC may be the best bet for survival.

UNIDO activities

The current product portfolio of VPGs and PMC is very large and streamlining will be essential by focusing on products with the best value addition and turnover potential.

The basic strategic (re-)orientation of the PMC (withdraw from being a trading house and only act as matchmaker as well as capacity development service provider) has to be realised in the short time left and will be challenging.

The process to develop a convincing marketing strategy and realistic business plan should be finalised soon, including comprehensive financial viability calculations.

Legal ownership and organisational status of PMC and its staff need to be concretised in detail and fixed in binding contractual arrangements with the PICD. This has to include asset ownership and control, finances (salaries, DSA, petrol, repairs, depreciation, but also coverage of eventual deficits or even distribution of profits) as well as budget sourcing.

Remaining project period up to September 2010

As the current core challenge for both UNODC and UNIDO is how to ensure that as many as possible of the induced changes will continue to be effective after the project will come to an end, immediate action is required for planning the few remaining months of PSP.

For PSP activities that will end with the project, all efforts should focus on developing a realistic exit strategy; the project's working plan up to September 2010 should be adjusted accordingly. Consequently, no new activity should be started at this stage just because it is contained in the original Project Document.

It is advised that the on-site project teams develop proposals for their respective exit strategies, to be approved by the project managers in Vientiane and Vienna and eventually by the PSC.

A realistic sustainability strategy must include discussions with the new UNODC/Thai Royal Foundation project. To this end, the negotiations between the two organisations on the exact nature of UNIDO's potential involvement (and financing) should be brought to a conclusion as soon as possible.

1

Introduction

1.1 Context and background

Following the Paris-Vientiane Declaration on Aid Effectiveness (2007), the United Nations Office on Drugs and Crime (UNODC) and the United Nations Industrial Development Organization (UNIDO) have implemented their first joint project in the Lao People's Democratic Republic (PDR), under the name "Social and Economic Rehabilitation of Former Opium-poppy Growing Communities – Alternative Livelihood Development", or abbreviated, "Post-Opium Surpass Poverty Project" (PSP).

The project is jointly implemented through two institutional partnerships, (1) between the Lao Commission on Drug Control and Supervision (LCDC) and UNODC (Lao I28), as well as (2) between the Ministry of Industry and Commerce (MoIC) and UNIDO (TF/Lao/06/002).

It was planned for three yearly phases, from February 2007 to February 2010, with a total budget of US\$ 2,348,500. The Japanese Government provided funding through the United Nations Trust Fund for Human Security (UNTFHS/IDO-AS-05-010). Recently, a no-cost extension has been granted up to September 2010.

PSP has been designed to support the implementation of the Lao PDR national programme strategy for the post opium scenario in Oudomxay Province, one of the former highest opium producing provinces in the Lao PDR. While the Province was officially declared opium-free in 2004, there was a need to provide sustainable livelihood alternatives to the farmers that have stopped growing opium in order to uphold the process of opium elimination in the area.

In principle, PSP is being implemented in three Districts; Houn, La and Xay of the Oudomxay Province. In Xay District, which includes the provincial capital, foremost drug awareness campaigns were conducted. Rural field level activities were implemented in 20 villages, 10 each in Houn and La District. Consequently, the independent evaluation concentrated on the 20 PSP villages in Houn and La Districts.

2.2 Independent external evaluation

Purpose and Scope

Mandated by the UNODC Independent Evaluation Unit and UNIDO Evaluation Group, a final independent external evaluation of PSP was conducted in February/March 2010. Members of the evaluation team were Andreas Tarnutzer, international consultant and team leader, and two national consultants; Vivath Sauvaly and Visay Sayyavongsa.

The objectives of the evaluation were to "(1) provide information for better decision-making of UNIDO and UNODC management (best practices and lessons learned), (2)

assess the results of the project and demonstrate to what extent it has achieved its objectives and has been relevant, efficient, cost effective and sustainable, (3) serve as a mean to empower the communities and other project stakeholders of Alternative Development (AD) projects.” For the specific evaluation questions related to the standard DAC evaluation criteria, please refer to the Terms of Reference (TOR), provided as annex 1.

Preliminary results of the evaluation were presented to LCDC, MoIC, UNODC and UNIDO representatives as well as the project team in Vientiane and later to representatives of UNODC and UNIDO at Vienna headquarters.

Methodology

The external evaluation has applied two methodologies in parallel. A quantitative, questionnaire-based survey (a) was complemented by a qualitative component (b). In addition, the village profiles that had been compiled, as part of the initial Participatory Rapid Appraisal (PRA) exercise during the inception phase of PSP, were providing valuable basic information and orientation.

(a) Quantitative Survey

Given the limited time and resources for the quantitative survey, the following two-step approach was adopted: in a first step, six survey villages were selected from among the 20 PSP villages, based on a preceding village typology exercise; in the second step, the interviewee households were randomly sampled within the selected villages.

The total population in the selected six PSP target villages, from which the household sample was randomly selected, consisted of 612 households. The sample size was fixed at 108 households, divided into 18 households for each of the six villages, thus covering 18% of the total of 612 families.

Selection of survey sample villages

The first step consisted of selecting three out of the ten PSP villages in each District and ensuring that they were representative for the different types of villages to be found in the project area. The selection process was based on a preceding village typology exercise, which the evaluation team conducted jointly with the project team.

To this end, the 10 PSP villages in each District were classified and grouped in terms of four core criteria:

- (i) Distance to the main road (on the main road or only connected by rough tracks);
- (ii) Ethnic composition (all major groups had to be fairly represented);
- (iii) Size (small, medium or large villages); and
- (iv) PSP activities (number of activities and presumed progress made, i.e. ‘good’ and ‘less good’ villages according to the project team).

Subsequently, each village was classified according to these criteria. Three out of the ten were then selected in each District in such a way that the main village types were represented as fairly as possible. The finally selected survey villages were the following (marked with a red circle in Maps 2 and 3, see below):

- Houn District: (1) Ban Namyeng; (2) Ban May; (3) Ban Katangya.
- La District: (1) Ban Hat Hann; (2) Ban Houkeng; (3) Ban Phoutaen.

Random selection of sample households

The envisaged overall sample size of 108 households required the random identification of 18 households in each of the 6 survey villages. The 18 individual households were chosen by making use of the official village household list, which is regularly updated by the village heads.

Depending on the overall number of households in a village, each of the 18 sample households was randomly selected according to proportionate intervals from the official village household list (i.e. every 3rd, 4th or 5th, etc., depending on total number of households in a village). This procedure ensured that each household had the same probability to be included in the sample, independent of its position on the list (i.e. independent of whether it was a long-time resident family or newcomers).

Those sampled households that did not participate in specific PSP activities were defined as control groups for assessing impact of these particular activities. In addition, the PSP village Katangya in Houn District served as control village for the UNIDO economic development related activities, as only UNODC programmes have been implemented there (apart from literacy courses by UNIDO).

The experienced national members of the evaluation team led the technical implementation of the quantitative survey. Six external interviewers, who had already participated in earlier surveys in the Province, were recruited locally. The interviewers were trained on the questionnaire and split into two teams of three persons each. In addition, the rather unusual step of hiring four interpreters for interviewing Hmong and Akka families, i.e. the non-Lao speakers, had to be taken.

Questionnaire

The questionnaire was restricted to direct PSP impact questions (and consequently excluded many 'nice to know' questions on various aspects of the upland Lao agro-economic situation). Questions had to be as simple and clear as possible. In order to minimise translation errors and allow for uncomplicated coding and data entry, the questionnaire contained closed questions (apart from an open statement at the end of the interview).

First, a long version was developed, which subsequently was condensed, in several steps, into a final short version. The English version was translated into Lao (and then orally into Hmong and Akka). Specific emphasis was placed on piloting and pre-testing the questionnaire in the PSP village Nammnieng in Houn district. Some questions and wording were then again adjusted, in order to exclude, as far as possible, questions that were outside the immediate reality perception of the respondents.

Besides general situational questions, the questionnaire focused on the main PSP activities. Three core questions on each PSP activity addressed: (1) respondents' awareness of the specific activity, (2) their participation in the activity, and (3) their perceived usefulness or success of the activity. The English version of the questionnaire is provided as annex 3 to this report.

(b) Qualitative evaluation component

The qualitative component of the evaluation process was essential for interpretation and triangulation of findings and validation of results from the quantitative survey (that provided information on the what and how much-type of questions). The qualitative component allowed explaining why things are as they are (and why not as they should have been). To this end, the following activities were undertaken, in parallel to the quantitative survey.

The evaluation team visited nine of the PSP villages for the qualitative interactions. In-depth discussions were held with members and leaders of PSP activities' related groups, with village leaders and officials, PSP training participants, but also with 'ordinary' villagers.

A series of meetings was held with key government resource persons at national level in Vientiane, provincial level in Oudomxay and district level in Xay, Houn and La.

Meetings were held with UNIDO and UNODC representatives and project managers (Vienna and Vientiane), as well as UNIDO and UNODC project staff (Oudomxay).

In addition, meetings took place with third parties, like the Swiss Agency for Development and Cooperation (SDC), German Agro Action (GAA) and Laos Extension for Agriculture Project (LEAP), which implement rural development projects in Oudomxay Province.

For a complete list of people met, please refer to the annex 2.

Relevant documents were analysed, in particular the Project Document (version January 2007), PRA report and results (2007), Mid-term Evaluation report (December 2008), Progress Reports 2007, 2008, 2009 (partly available) as well as relevant strategic documents for the Lao PDR, UNODC and UNIDO.

The evaluation team would like to gratefully acknowledge the valuable contributions made in meetings and during field visits by farmers and producers, government officials, project management and staff as well as representatives from UNIDO and UNODC. Without their inputs and explanations, the present report would not have been possible. Any errors or omissions are of course the sole responsibility of the evaluation team.

1.3 Country and project context

Lao PDR

Given the amount of information on the Lao PDR available on different web sites¹, only the most salient features are briefly summarised here. Although the country has experienced significant advances in social development in recent years and progress has been made towards the Millennium Development Goals (MDGs), it remains in the 'medium-low level of human development' category and continues to face many associated challenges. In the Global Human Development Index (HDI), the Lao PDR is currently ranked 131 out of 177 countries. Even though there are signs that poverty levels are falling, poverty remains widespread throughout the country.

¹ Particularly useful for in-depth and up-to-date information is the LaoFAB website, a widely used on-line forum for sharing information about farmers and agri-business in Laos (www.laofab.org). See also the respective sites of UNIDO and UNODC, but also IBRD, IMF, etc.

Official Gross National Income (GNI) per capita (Atlas method) accounted for US\$ 630 in 2008 and its annual growth rate was a good 7.5% in that year. However, the fallout from the global financial crisis of 2009 is expected to have resulted in a reduced growth rate of 5% last year.

The country is ethnically diverse with 49 officially recognised ethnic groups, all with their own customs and languages or dialects. In 2005, the total population was 5.6 million with a comparatively high population growth rate of over 2%.

The Lao PDR is landlocked and predominantly mountainous. Approximately 80% of the population live in rural areas, with agriculture still contributing 44% to the Gross Domestic Product (GDP). Main problems for the rural population are lack of access to basic health and education services, to basic infrastructure like clean water, sanitation and electricity but also to agricultural extension services, inputs, markets and credit. Furthermore, many remote areas remain unconnected to any road network. Consequently, a large part of the population lacks the means to commercialise agricultural products and generate alternatives to subsistence lifestyles.

In 2005, the Government prepared its sixth 5-year National Socio-Economic Development Plan (NSED) 2006 to 2010. The NSED replaced the National Growth and Poverty Eradication Plan (NGPE), which was still in use when the initial planning of the PSP project took place in 2005. The new NSED-7, for the period from 2011 to 2015, is currently under formulation. Particularly relevant to PSP is the National Drug Control Master Plan 2009 to 2013, which provides policy direction to the Government's efforts to combat drug production, trafficking and consumption in the country. PSP activities are directly aligned to the components (2) alternative development and poverty reduction; (3) drug demand reduction; and (4) civic awareness and community mobilisation.

Oudomxay Province

Oudomxay Province is situated in the mountainous Northwest, near the borders with Thailand and Myanmar and is a crossroad between China, Vietnam, Thailand and other parts of the Lao PDR. Agriculture in the Province is dominated by upland farming, with a strong subsistence orientation and still widespread shifting cultivation. In recent years, contract farming by foreign investors has increased, though no official figures are available on the extent of this phenomenon.

Joint Government and donor efforts have successfully reduced the formerly widespread opium production, which has declined by more than 93% since 1998. In recent years, however, some resurgence of poppy cultivation has been reported, foremost in remote and inaccessible areas². Like many other areas in the North, the project Province is thus at a critical juncture and continued efforts are required to ensure the sustainability of opium elimination. Opium addiction is a diminishing but a continuing concern to the authorities, as it greatly reduces household productivity and increases the risk of households going back to cultivating opium. In addition, amphetamine-type stimulants (ATS) abuse, up until recently mainly an urban problem, is said to be spreading to small towns and rural areas.

It was in this context that the PSP project was designed, to concentrate on improvements in the living conditions and livelihoods of people by providing basic infrastructure and improved basic services, making credit available and stimulating economic development through alternative income sources for former opium growers.

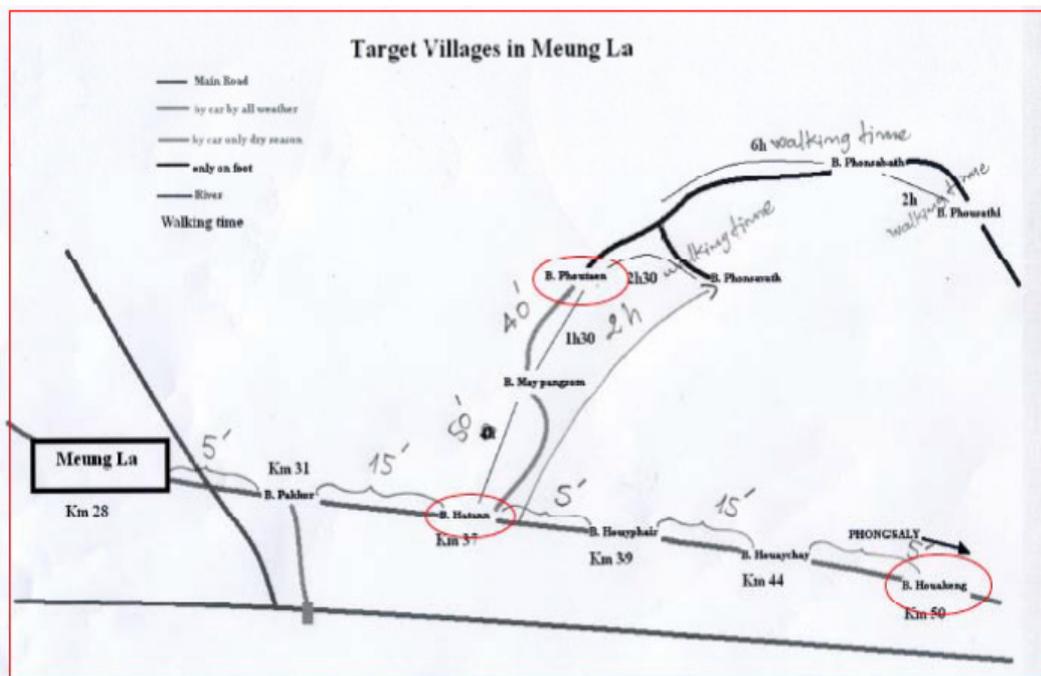
² See LCDC/UNODC: Lao PDR Opium Survey 2009, p. 19, for the entire country. Anecdotal information on the situation in La District from District Government sources.

Map 1: Oudomxay Province with Houn and La Districts

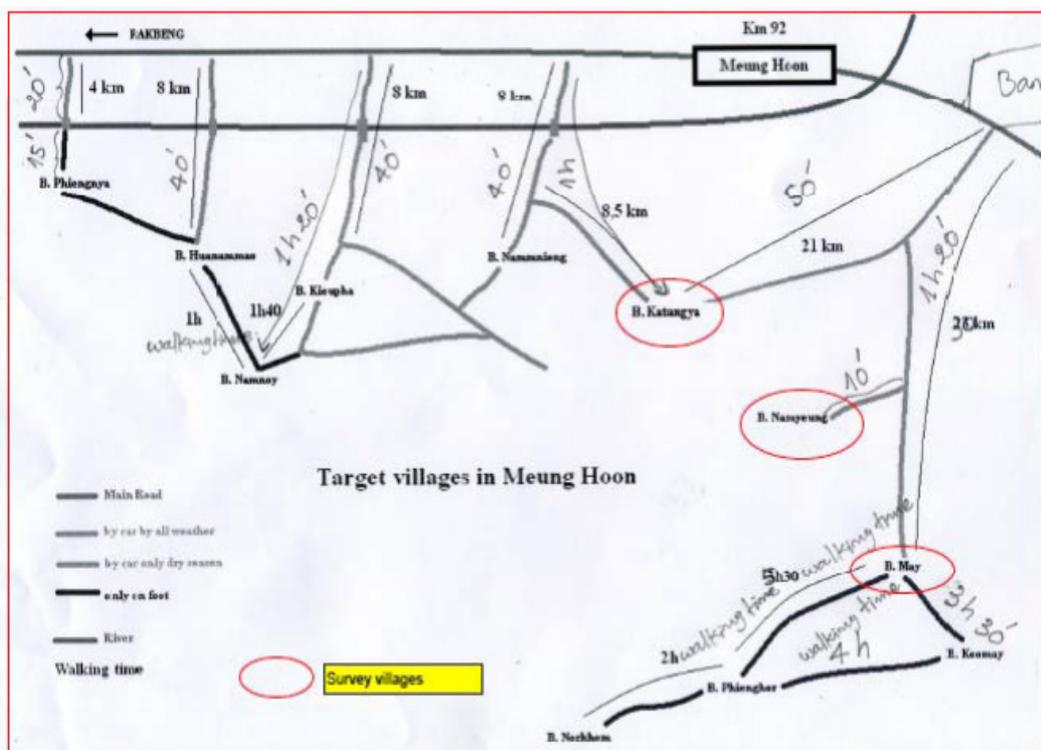


As illustrated in map 1 above and maps 2 and 3 below, PSP is foremost active in 20 villages of the two Districts (Meung) Houn and La. Within the sixth National Socio-Economic Development Plan (NSED-6), both Districts have been identified as poor. Houn is, in addition, one of the 47 Districts currently declared as Priority Development Districts. Ethnically, Khamu and Hmong dominate, with Akka settling in the upper reaches and some Lao Loum in the lower valleys of La District.

Map 2: La District with PSP target villages (survey villages circled in red)



Map 3: Houn District with PSP target villages



1.4 PSP planning process and budget in brief

The original PSP Project Document dates back to 2005, when a 3-years project proposal was first developed. After successful finalisation of negotiations with the United Nations Trust Fund for Human Security (UNTFHS), the Government of the Lao PDR, UNODC and UNIDO could finally sign the project agreement in January 2007, for a three-year period from March 2007 to March 2010; recently a no-cost extension has been granted until September 2010.

The Japanese Government funds the project through the UNTFHS. PSP is jointly implemented by two institutional partnerships. The Lao Commission on Drug Control and Supervision (LCDC) cooperates with UNODC, and the Ministry of Industry and Commerce (MoIC) is partnering with UNIDO.

PSP was formally launched by a project inception workshop in March 2007. During the following inception phase, a Participatory Rapid Appraisal (PRA) was conducted in the 20 PSP target villages and resulted in prioritised village needs in terms of infrastructure, basic services and economic development support.

Under the leadership of a National Project Director (NPD), the joint UNODC-UNIDO project implementation office was set up on the premises of the Drug Treatment Centre, just outside Oudomxay town, and became operational in mid 2007.

Total Project budget was US\$ 2,348,500, of which US\$ 1,171,225 was allotted to UNODC and US\$ 1,177,275 to UNIDO activities. The expenditure position is as follows, as of end of January 2010:

Table 1: PSP budgets and disbursement rates (January 2010)

Project budget (figures in US\$)	UNODC	UNIDO	Total
Allotment	1'171'225	1'177'275	2'348'500
Disbursed	890'730	1'093'875	1'984'605
Available	280'495	83'400	363'895
Available in %	24	7	15

Source: UNODC and UNIDO management

The on-going civil works for infrastructures, to be completed during the remaining months, explain the comparatively high budget proportion still available for UNODC at this point in time.

1.5 PSP planning framework

The following logical framework guides project implementation. It has been slightly abbreviated from the Project Document, to allow for easier reading.

Overall goal

PSP intends to contribute to the Government efforts to:

- Reduce dependency on illicit drugs;
- Secure sustainable livelihood for farmers;
- Foster an enabling environment for sustained opium elimination;
- Promote rural enterprise development and introduce appropriate technology.

Immediate objective

PSP is to provide addicts, dependants and wider community with community-based treatment and income generation opportunities. This is to be achieved through an integrated alternative development approach, linking social, technical and economic aspects.

Project phasing

The project period has been divided into three yearly phases. Each phase was given the following specific objectives:

Phase 1 objectives

- Rehabilitate opium addicts and involve them in income generating activities;
- Establish a Productivity and Marketing Centre (PMC);
- Strengthen and train Village Productivity Groups (VPG) to contribute to rural economies;
- Organise communities to manage the social development of their villages.

Phase 2 objectives

- Enhance the coverage and operation of the social services;
- Improve or construct basic infrastructure.

Phase 3 objectives

- Improve market access of VPG/PMC products;
- Sustain income generation activities of VPG/PMC.

Discussion of the Logical Framework

The conceptual planning framework is not fully convincing. This relates first to the fact that no common outcomes have been formulated, which address the higher level of expected synergies between the UNODC and UNIDO activity lines and subsequent added value of the collaboration. Instead, phase objectives were formulated separately for UNODC and UNIDO activity lines. In essence, however, the objectives describe the different activity lines to be implemented by the two organisations; why exactly these objectives were planned (and not others) and the impact logic linking them to the overall goal, is not convincingly argued in the project document.

For each of the objectives, yearly outputs and detailed activities were formulated, again separately for the UNODC and UNIDO components. For a list of outputs, please refer to the TOR in annex 1. Indicators were formulated for each output but were never quantified. Also, only the third annual progress report (2009; available as separate UNODC and UNIDO drafts) makes reference to the indicators; the 2007 and 2008 annual reports do not.

In summary, the conceptual planning framework is largely activity oriented and does make insufficient reference to the higher levels of outcome and purpose of the project; in fact, one could classify the logical framework rather as a sequence of annual implementation plans.

1.6 Project steering, coordination and management

Strategic steering and guidance to the PSP implementation is provided by the Project Steering Committee (PSC), which consists of high-ranking representatives of LCDC, MoIC, Province Oudomxay, UNODC and UNIDO.

Project implementation is organised along two parallel lines. The UNODC Country Office, Vientiane, is in charge of managing the UNODC component and activity lines; the UNIDO Project Manager, working out of Vienna headquarters, manages the UNIDO component and activity lines. Naturally, such an arrangement does not exactly facilitate close coordination on the level of project managers; however, extensive discussions took place during the regular visits of the UNIDO manager in Vientiane.

Under the leadership of the National Project Director (NPD), day-to-day operations are organised by the joint project office in Oudomxay. UNODC and UNIDO have recruited separate teams for the implementation, led by a PSP Project Coordinator (UNODC) and PSP Technical Adviser (UNIDO) respectively. In La and Houn Districts, joint UNODC/UNIDO district teams, composed of national staff, are either directly implementing activities for both organisations or supervising those that are implemented by provincial and district government departments.

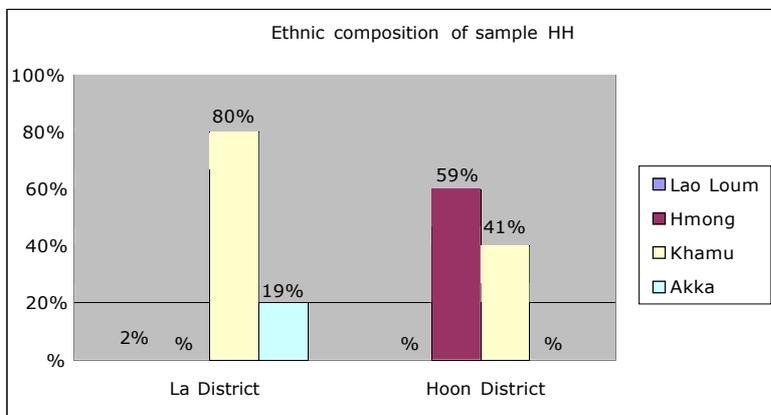
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Major findings and analysis

2.1 General characteristics

The ethnic composition of the two Districts is mirrored in differences in the survey sample. In La District, Khamu dominate, followed by Akka and very few Lao Loum. In Hoon District, Hmong are in a majority, followed by Khamu.

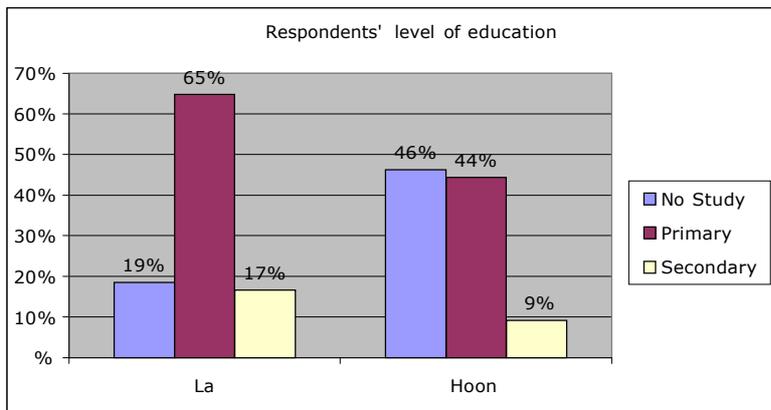
Chart 1: Ethnic composition of survey sample households



Source: quantitative survey

The two Districts also differ in essential characteristics, in particular the education level of their population, as shown below.

Chart 2: Levels of education

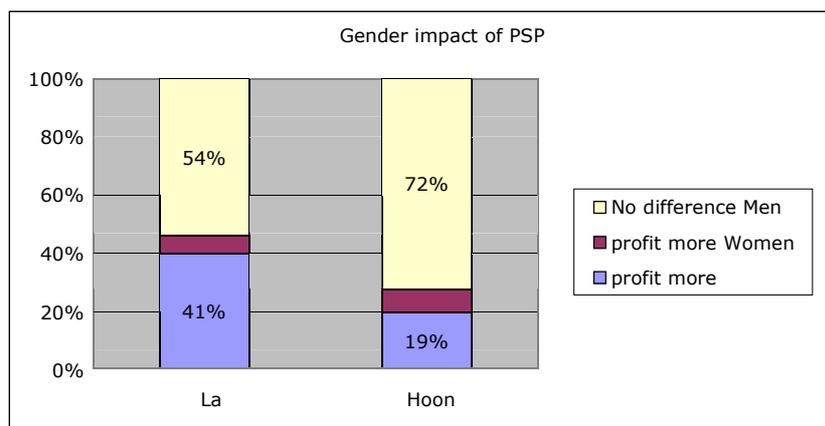


Source: quantitative survey

It is evident that the level of education in La District is higher than in Hoon ('no study' being the Lao term for people that did not attend school at all and are therefore considered illiterate). In La District, only around one fifth of the people interviewed are illiterate, while in Hoon this applies to almost half of the population. As will be shown, this difference is partly reflected in levels of interest towards opportunities offered by PSP (or capabilities in making use of them).

PSP (or "PoSoPo" in Lao) is known throughout the project area; its recognition rate was practically 100% among the survey respondents. When specifically asked about the way the project had supported men and women, the emerging picture is again very positive.

Chart 3: PSP and gender



Source: quantitative survey

In both Districts, the majority of interviewees was of the opinion that both sexes had profited equally. The higher percentage of people in La District claiming that women had profited more, can be attributed to the substantially larger number of Village Productivity Groups (VPG) in that District, promoting activities where traditionally women are active.

In terms of general progress over the last five years, all 108 men and women interviewed in both Districts reported overall positive developments for them and their families, in terms of three core indicators: (1) income; (2) health, and (3) position of women. They clearly stated that incomes have risen and people were earning more than before. The same positive statements were made in relation to the health situation of families. Also, all respondents rated the condition of women as being better than five years ago. The important issue of how much of these positive developments may be directly attributed to PSP, is discussed in the impact chapter III/4.

In the following chapters, the specific activity lines of the UNODC and UNIDO components are assessed separately in more detail, before an overall project assessment is made according to the DAC evaluation criteria.

2.2 UNODC Drug awareness campaigns and addict rehabilitation

PSP activities oriented towards reduction of drug consumption and rehabilitation of addicts are implemented in collaboration between UNODC and the Provincial and District Committees on Drug Control (PCDC and DCDC). They can be grouped into three main action lines:

- 1) A total of 14 drug awareness campaigns have been conducted in villages, schools and temples; in addition, the project contributed to the government's efforts in organising local activities during national and international drug days. More than 10,000 people participated in these widely publicised events, which included topic-related speeches, sport activities, quiz competitions and other public happenings.
- 2) Specific efforts were made in capacity building (foremost training events and study tours) for the staff of the Drug Treatment Centre and Provincial Government staff of relevant Ministries in order to improve their capabilities in the prevention of drug consumption and rehabilitation of addicts.
- 3) Of the initially identified 253 opium addicts in the three Districts, the treatment of 160 opium addicts has successfully been completed in the Drug Treatment Centre. Based on the principle of voluntary treatment, the remaining addicts refrained from participating in the programmes. In addition, 39 ATS patients also underwent treatment. Currently, seven patients are treated in the Centre; it has, however, the capacity to treat more than 100 patients.

No exact figures are available on the current drug production and consumption situation in the Province. Several key resource persons believed ATS consumption to be a growing problem, especially among young people in Oudomxay town, as is the case in other towns of the country. Opium addiction, on the other hand, is on the wane due to the government's successful efforts in outlawing consumption, with only a few, usually older addicts remaining in the villages.

In the evaluation survey, 100% of respondents stated that, compared to five years ago, no more opium was being grown and much less or none consumed in their village. However, anecdotal evidence from La District authorities points to a slight resurrection of opium growing in remote and inaccessible villages of the District.

2.3 UNODC Infrastructure and Services

In terms of basic infrastructure, the Project Document envisages the construction of paths and access roads, primary schools, water supply schemes, latrines and market shelters as well as product storages. Except for water supply schemes ("all villages") no targets are given for the different infrastructure works. Other envisaged support included micro credit, setting up revolving funds for making basic medicines available in the villages (so-called drug funds; maybe not the best possible label in the context of an anti-drugs' project), rice banks and land allocation.

Based on prioritised needs and demands by villagers, resulting from the initial village PRAs – and also guided by Project Document provisions as well as fund availability – PSP has provided infrastructure and set up services or service units as follows:

Table 2: Infrastructure and services in PSP villages

	No of villages	
Infrastructure		
Water supply	8	
Latrines	3	
Access road	3	
Irrigation	2	
Market shelter	5	
Mosquito nets	20	
School	1	(Japan funded)
Bridge	1	(Japan funded)
Services/units		
VRDF	2	
Rice bank	7	
Land allocation	7	
VSCF	20	

Source: project database

Infrastructure discussion

Water supply

Seven villages have been supplied with water through village taps. The taps make a major difference to the daily life of women and girls, as they do not have to walk the long distances to rivers to fetch the daily water for their families. Women therefore universally praised the village water taps. At present, the groups responsible for the taps collect small fees; according to group leaders interviewed, there are no problems with fee collection as people are willing to pay for such an essential service. The fees suffice for routine operation and maintenance (O&M); in some villages the fees had actually to be increased already for this purpose.

Evidently, the real challenge will come once major repair works will be necessary. This is illustrated by the situation in Ban Houaychay in La District, where the new water supply scheme was severely damaged in the September 2008 floods. As the entire village recently had to move further uphill, people hope that a new water supply will be one of the first infrastructure works by the UNODC follow-up project (see below); the villagers firmly declared to be unable to construct one by themselves due to lack of funds.

Latrines

In three villages, where a water supply system had been completed earlier, family latrines were constructed. In those villages visited, the latrines are in full use; people also voiced their complete satisfaction in the survey. Latrines are, next to water supply, certainly a necessary precondition for any future tourism activities in villages, a sector in which UNIDO has started some activities as of late.

Roads

So far, only 15.5 km out of the planned 25 km of roads have been completed. In one area, the recently constructed rough road has been partially damaged. However, the concerned government department claimed that this would often happen during the first rains, and the final track would be built afterwards. In general, it could be observed that the

government performs little regular operation and maintenance, leaving villagers to do the job as far as possible.

Anecdotal evidence suggests a rather strong correlation between road access and opium production. Inaccessible villages hardly receive outsider visits and are consequently under less government control. No road also means fewer cash crops due to transport and marketing difficulties. It seems therefore advisable to place more emphasis on first constructing access roads before starting alternative income generation activities in the future.

Irrigation system

Two small irrigation systems were rehabilitated in two villages. The scale of the systems (21 ha) and the number of families profiting (32) is limited and it can be questioned whether this was indeed the most efficient investment. Also, one system was damaged in the same September 2008 floods mentioned above and had to be repaired.

Market shelters

Five (small, but well built) market shelters are ready for use. Whether they will ever be put to real use as envisaged, will depend on the volumes of products assembled in the villages as well as on the future marketing channels that will be set up, foremost for the VPGs.

Mosquito nets

Though originally not contained as output in the project document, PSP has decided to distribute mosquito nets as simple and inexpensive means to combat this widespread disease. The distribution of impregnated nets to all families in the 20 villages is a clear success story. All nets are reported to be utilised and functional. Villagers claimed that already the effect of the nets would become visible in terms of reduced new malaria cases.

Infrastructure coverage

Under the assumption that essential infrastructure for development consists of roads, water supply and latrines, the situation in the 20 PSP villages is currently as follows:

Table 3: Basic infrastructure in PSP villages

20 PSP villages now	Houn District	La District	Total
without water supply	4	1	5
without road access	2	1	3
without latrines	7	2	9

Source: Provincial Transport and Road Department; Provincial Health Department

The task of providing basic infrastructure to the 20 villages is therefore not completed yet. However, PSP budgets for infrastructure were rather small (though relevant figures are not disclosed separately in the project budget) and will be fully utilised at the end of the project.

It can be argued that the initial planning was too ambitious and that overly optimistic cost estimates have been used. In future, a preceding cost-benefit analysis of proposed infrastructure works (in terms of number of villagers profiting, etc.) is advisable for prioritising.

Services and service units

Village Revolving Drug Fund (VRDF)

In order to make basic medicine available, so-called Village Revolving Drug Funds (VRDF) have been set up, but only in two villages. The VRDF visited in Ban Houyphair in La District sells mostly Paracetamol to an average of 15 clients per month. Some of the medicine stock has expired but is still kept for accountability. PSP has recently revised the list of medicines to stock in the cabinets. The trained health worker has left and the one current in charge has not been trained, but feels confident to do his job. He was, however, not in a position to present the exact financial situation of his fund. Given the present condition of the VRDF in Ban Houyphair, it is advised to check the current financial situation and bookkeeping system of both VRDFs and start re-training or re-organisation if required.

Rice banks

Seven rice banks have been set up and are said to function well. Stock does increase year by year through in-kind interest payments and the villages have achieved self-sufficiency in their rice supply. In one rice bank (again Ban Houyphair in La District), minor insect problems were reported, however, without any serious consequences to the stock so far.

Land allocation

In seven villages, PSP has financed the mapping of the village lands as important step in the move from shifting to permanent cultivation. The final mapping of individual family plots, however, is the task of the Government, which does not always have the required resources for this. Where the land allocation process has been completed, villagers clearly praised the fact that people were no longer fighting over the lands as they had frequently done before.

2.4 UNODC Village Savings and Credit Fund (VSCF)

Membership, coverage and usefulness

Given their importance for the villages and prominence for UNODC activities, the VSCF are treated more extensively. VSCF have been set up in all 20 villages and all survey respondents in the six sample villages knew about their VSCF and were very satisfied with its performance.

The following table summarizes participation and coverage of the VSCF in the 20 PSP villages:

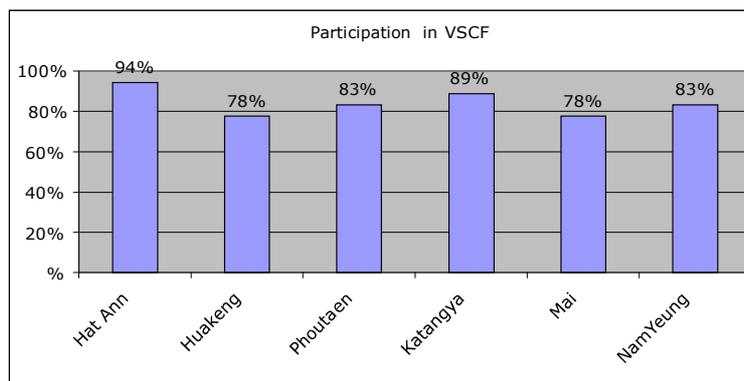
Table 4: VSCF membership and coverage

	VSCF Members	Households	% members
La District	494	685	72%
Houn District	756	906	83%
Total	1250	1591	79%

Source: project database

The high coverage of almost 80% of households by the VSCF is confirmed by the participation rates that were reported in the six survey villages, as shown below.

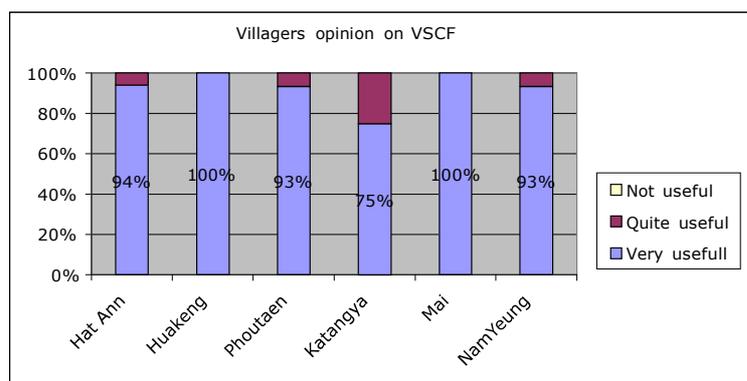
Chart 4: VSCF participation rates



Source: quantitative survey

Furthermore, chart 5 below illustrates the very good image of the VSCF, with the vast majority of villagers stating that it is very useful for them. Also, not a single respondent claimed that the VSCF would not be useful.

Chart 5: Usefulness of VSCF



Source: quantitative survey

Fund utilisation

The funds are being used for various purposes. Discussions with VSCF groups as well as with the district project teams revealed that, in La District, the utilisation is more diverse; credits are used for purchase of agricultural inputs, animal husbandry, but also for petty trade. In Houn District, the majority uses the credit (normally between KIP 1m and 2m) for purchase of corn seeds, the most important cash crop in that area, which has replaced the earlier opium cultivation. In some cases, a direct link to VPG activities for purchase of raw materials was reported but the exact extent remains unknown.

VSCF discussion and conclusions

Records show that the funds are almost fully utilised, every year. Repayment problems so far are negligible. The level of satisfaction is certainly very high; this is not really surprising with annual interest rates of 16%, as opposed to the almost 100% that have to be paid to money lenders. Next to drawing loans, villagers also deposit own savings into their VSCF.

A national micro-finance expert evaluated the VSCF in December 2009³. While the report gives good overall marks to the VSCF, it also highlights certain problems; the evaluation mission could confirm these issues in village discussions.

The situation in terms of managing and administering the funds can be summarised as follows:

- The trained group accountants are normally capable of performing the basic book keeping tasks (cash-in/cash-out records).
- This is not the case with the more sophisticated tasks of closing the books, establish balances and distribute benefits according to the prescribed formula. Usually PSP staff has to assist in this, in order to ensure that no mistakes are made, which would damage the reputation of the VSCF. Some presidents and accountants interviewed claimed that they could do this with additional training, while others were less confident to do it by themselves in future.

³ Seanvilayvong, Khanthaly: VSCF, Impact Assessment Summary Report, December 2009.

The conclusion is fairly simple but should not be taken lightly. There is a clear need for additional training; however, next to this, also substantive coaching ('handholding') will be required for some time to come, if the VSCFs are to remain functioning and thriving, as they are at present.

For the future post-PSP situation, several options are being discussed: the VSCF could either go under the umbrella of a micro-finance federation that may be established in the Province, promoted by the International Fund for Agricultural Development (IFAD). Should that not materialise in due time, the Government seems prepared to put the VSCFs under the wings of its Rural Development Units at District level. Alternatively, the planned follow-up project by UNODC (which is briefly described in chapter III/5) may indeed be the best bet for ensuring the survival of the VSCF.

2.5 UNIDO Village Productivity Groups (VPG)

General situation

Village Productivity Groups (VPGs) are at the heart of UNIDO's activities to promote alternative income sources for improving the livelihoods in the PSP villages. Overall, 44 VPGs were formed in 18 villages; in two villages in Houn District (Phiengnya and Katangnya) none has been set up.

Table 5: Total number of VPGs

VPGs end of 2009	
La District	32
Houn District	12
Total VPGs	44

Source: project database

The overall number of VPGs in La District is substantially higher than in Houn District. The different District coverage was explained by several factors, foremost the different skill and education levels (La having substantially more people with primary or even secondary education), as well as generally more demand for additional economic activities in La District. Houn farmers strongly focus on corn production, with apparently largely satisfying results. In addition, Houn District has more remote PSP villages with difficult access to markets. The number of VPGs also varies according to the different products. Most groups were formed for paper and brooms as well as jungle vine products (Khuapiad and Yaboi).

Table 6: VPGs for different products

Product-VPGs	Number
Brooms	7
Paper	10
Khuapiad/Yaboi	7
Sesame oil	3
Essential oil	1
Cotton	6
Embroidery	5
Tourism	5
Total	44

Source: project database

However, the total figure of 44 VPGs certainly includes over-reporting. Among the VPGs visited, not all can be considered as being fully functional. Some were not operational, foremost due to lack of market for their products (broom groups visited); or did not yet have the raw material for full operation (cotton group visited). Some, finally, were only in their planning stage, as was the case with the five tourism groups.

Interestingly, membership numbers have fluctuated considerably during the (short) lifespan of the VPGs. The following table summarises the situation.

Table 7: VPG membership fluctuations and coverage

Members	Start	in Dec 2009	Balance	as % of households
La District	516	441	-75	
Houn District	224	209	-15	
Total	740	650	-90	41%
of which women	221	205		
women %	30%	32%		

Source: project database

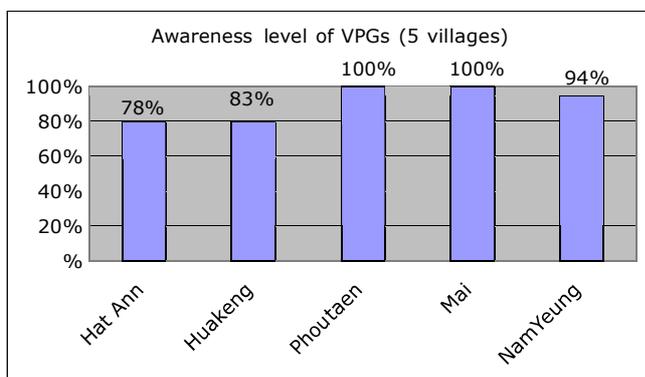
In total, 740 members initially registered with the 44 VPGs (which were constituted at different points in time). After the start, altogether 146 members have left their VPG, while 56 have joined, bringing the total membership to 650, and the overall balance to minus 90, as of December 2009. In functional VPGs, this fluctuation can be interpreted as normal consolidation process in membership-based organisations and the discussions with VPGs have shown that the currently active members are really interested in the particular side-income that the VPG offers.

PSP has followed the principle that a household can only be member in one VPG. Assuming that this principle was adhered to, 41% of the 1600 households are registered members, which is a substantial and commendable coverage that has been achieved. However, as said above, a distinction has to be made between simply registered VPGs and membership and those that are really active and able to produce and in particular sell their products. As this phenomenon only emerged during the qualitative village discussions, when the quantitative survey was already under way, related questions were not included in the questionnaire. The exact number of active and fully operational VPGs and members therefore remains unknown.

Villagers knowledge and opinion about VPGs

Still, the survey has clearly shown that the VPGs are indeed well known and highly appreciated by the villagers. It is important to note that the VPG-related data presented below exclude the village Katangnya in Houn District, where no VPG has been established.

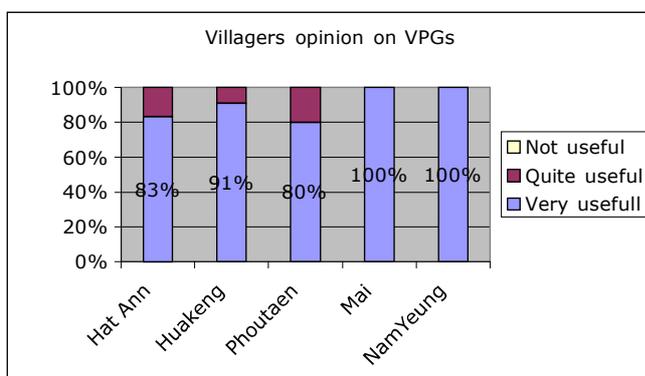
Chart 6: Awareness of VPGs by villagers



Source: quantitative survey

None of the respondents claimed that the VPGs were not useful for their members; on the contrary, the vast majority deemed them to be very useful.

Chart 7: Assessment of VPGs by villagers



Source: quantitative survey

VPG related trainings

Besides the formation of the VPGs, skill transfer was a core element to increase capacities to create additional income for farmer families. Overall, a total of 85 training programmes have been conducted for VPG members (up to February 2010), usually lasting from three to five days each. 76 training programmes taught technical skills related to the different products, and 9 training events focused on basic entrepreneurial skills, foremost for VPG leaders.

Table 8: VPG related training

Products/topics	No of training
Brooms	19
Paper	19
Khuapiad/Yaboi	11
Sesame oil	5
Essential oil	1
Cotton	6
Embroidery	10
Tourism	5
Total skills training	76
Entrepreneurship training	9

Source: project database

A total number of 1256 participants was registered. This figure does not represent individuals, as for most products several trainings were conducted, starting from basic to more advanced skills. Women accounted for a good 33% of participants.

Table 9: VPG trainees

Trainees	up to 12/09
La District	700
Houn District	556
Total	1256
of which women	33%

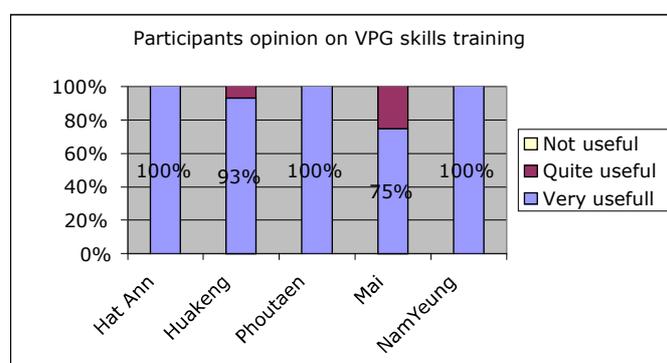
Source: project database

Technical skills training

Unfortunately, PSP has never conducted impact evaluation of its training, despite the importance of this activity in the project. Such an evaluation would have assessed, (i) trainee satisfaction in general (through so-called exit-polls, right after the training), as well as (ii) how much of the new skills are actually being applied in practice (through selected interviews with trainees some time after the training).

However, the evaluation survey results do confirm the usefulness and appreciation of the trainings to the villagers. In the five villages, where such training was offered, the survey respondents who had participated in trainings clearly had a very high opinion of the new skills they had acquired, as is shown in the next chart.

Chart 8: Training assessment by participants



Source: quantitative survey

Entrepreneurial training

PSP has also conducted a total of nine training programmes focusing on entrepreneurial skills, including basic issues like opening of bank accounts, etc. Trainings were offered foremost to VPG leaders. In total, 220 participants were registered, but this figure again includes many double entries as leaders usually participated in several trainings.

In-depth discussion with an experienced business trainer, who had conducted two core entrepreneurship courses for PSP, revealed that the clientele was similar in terms of education and knowledge to those encountered through other projects. Some trainees were illiterate, and some had actually never visited a market before the training.

The simple conclusion that can be drawn is that it takes more than some days of training to convert a farmer into a trader. It is evident that VPG leaders will require further coaching and training, if they are indeed to increasingly sell the products of their groups directly to potential buyers.

VPG product portfolio

During the start-up phase in 2007, the project has conducted an assessment of market potentials for different products. In addition, it made use of an existing IFAD product market study and also compiled a marketing concept paper for each product. These investigations led to the identification of five main product groups that are promoted by PSP; they are briefly discussed below.

Brooms (7 VPGs)

As such, brooms are a successful finished product that can be manufactured in good quality in the villages. The raw material, broom grass, is available in sufficient quantities. Some problems were reported with availability of rattan, which is preferred over plastic strings to tie up the brooms. Of more concern is that the broom market, at least during peak season, seems to be saturated and sales do not live up to expectations of group members. Plans exist to promote sales to government departments, but have yet to materialise.

Currently, the core issue for villagers is that broom sales move slow and consequently only yield 'slow money' as opposed to the fast and easy grass sale to traders, who actively scout the villages and offer good prices and on-the-spot cash. Some farmers interviewed have therefore reverted back to direct grass selling. Apparently, the main factor behind this booming grass trade (and the good prices currently paid) is the recently opened large broom factory in Yunnan province in China, which has generated a huge demand for broom grass in the entire Oudomxay province.

Paper (10 VPGs)

Paper production in the villages could build on an existing and well-established tradition. By introducing simple pulp machines and adjustments in the production process, a higher quality can now be produced. Bamboo and possa raw material is available in sufficient quantities.

The current paper sales remain below the VPG's production capacities. A serious concern is the strong competition by a recently opened possa-paper factory in Luang Prabang. Maintenance problems with pulp machines were also reported; the project is currently addressing these by promoting the construction of protective sheds.

The final products (envelopes, writing paper and pads, etc.) are partly produced in the villages, partly at the PMC. In order to increase volumes and speed up sales, it should be explored whether or not the intermediate product (paper sheets of around 1m²) can be sold in bulk, on long-term contractual basis, directly to established processors.

Oils: Sesame oil (3 VPGs), essential oils (1 VPG)

PSP has already made some experiences with sesame oil production, while essential oil production has just started. The issues involved are similar for both products. Initially, sesame oil was only sold in bulk. Later, a product line was started and part of the product is now bottled at the PMC. Technical challenges that still need to be solved include the O&M of the relatively sophisticated machinery as well as the transport logistics, because oil needs cooling soon after production, in order to maintain its quality.

Again, the most promising strategy seems concentrating on bulk sales to established producers and processors, as the expected volumes do not warrant the efforts and certainly not the costs of setting up and promoting a brand as well as organising complicated sales and transport logistics.

Jungle vines Keuphiad and Yaboi (5 VPGs)

String making from vines is a village tradition and raw material is readily available. The strings, as intermediate product, are made in the villages; some simple bags are also woven there. The more sophisticated products are made at the PMC.

Keuphiad and Yaboi have probably the best market potential. The products are of high quality and superior in attraction to foreigners than standard handicraft products. Provided the design is appealing, bags and other items should have good export potential. In any case, the challenge will be to guarantee high quality and ensure sufficient quantities for potential wholesale buyers.

Embroidery/weaving (5 VPGs)

Five weaving and embroidery VPGs have been set up and a kind of cluster is being formed around Khiuwpa village. Knitting machines have been supplied to the groups in late 2009.

Cotton production (6 VPGs)

Promotion of cotton planting was to provide raw material for the weaving groups. Cotton was planted in a few villages in the last season only. Unfortunately, the harvest was very low as the cheapest seed tender turned out to be of inferior quality. It is therefore too early to assess this activity. However, villagers voiced interest in cotton as promising alternative cash crop and seed of better quality has been distributed for the current season.

Tourism

The idea of promoting hiking tourism in remote villages is certainly a valid proposition for villages with water supply and latrines. So far, only a few training events were conducted. However, as good as the idea may be, successful promotion of eco-tourism would require a separate project on its own, with substantial resources and a longer timeframe.

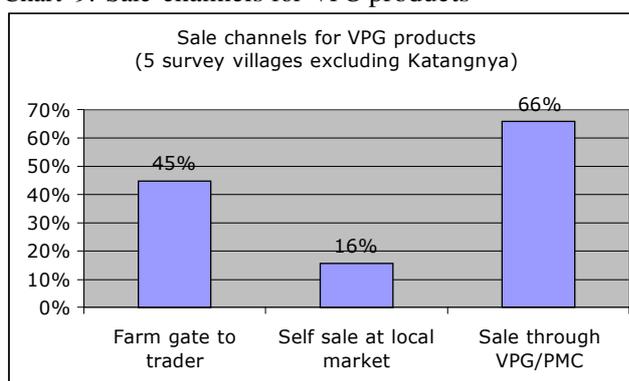
Literacy training

Basic literacy (and numeracy) trainings were conducted in 10 villages with a total of 314 participants; in two remote villages in Houn District, it was actually the only activity by UNIDO as no VPG was set up there.

Sale of and income from VPG products in 2009

VPG products are being sold, albeit not on levels and volumes that members would like to see. Currently, the PMC plays an important role in these sales but is not the only channel, as is shown in the chart below.

Chart 9: Sale channels for VPG products

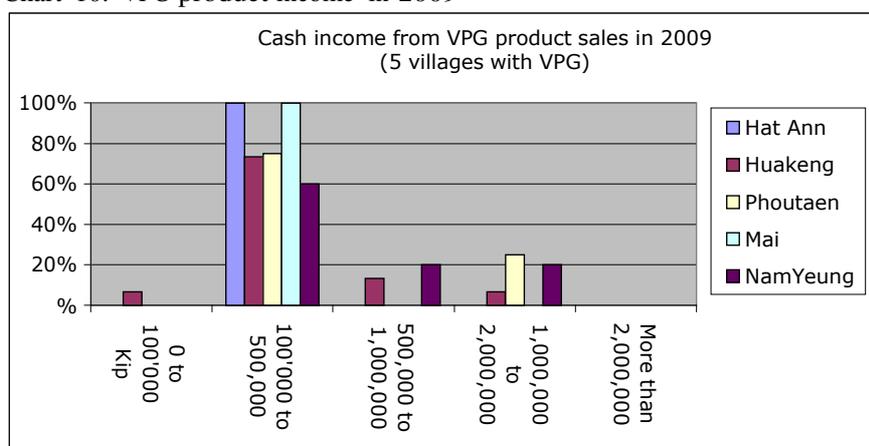


Source: quantitative survey

The above percentage figures include double entries as producers sell through more than one channel, if they have the opportunity, as is, for instance, the case with brooms. Also, no other sales channels were reported than the three given above. The respondents in the control village Katangnya, where no VPG has been set up, did not report any product sales in 2009; their income derived only from the sales of cash crops and animals.

Cash income from VPG product sales naturally varies between producers and products as do volumes and value addition. The chart below depicts the overall additional cash income in the five sample villages through VPG products in 2009.

Chart 10: VPG product income in 2009



Source: quantitative survey

The large majority of VPG members could realise annual earnings between KIP 100,000 and 500,000 or between US\$ 12 and 60. In Hat Ann and Ban Mai, all sales were in this bracket. In the other three villages, between 20% to 40% were able to sell more, some up to US\$ 240. No sales above KIP 2,000,000 were reported.

At a first glance, these figures may not exactly be impressive. However, in heavily subsistence-oriented villages, where income can only be generated from the sale of cash crops or occasional animals, these amounts are important, as additional cash income, that allows paying for essential goods.

Ideally, however, these figures are only a beginning. Most VPGs are young and have just started selling. The main current obstacle, from the VPGs point of view, is market access. VPG members clearly stated that they could and would produce more, but that currently the PMC is unable to buy more products from them. As a consequence, VPG members currently have to keep stock at home (prominent examples were paper in Ban Mai and brooms in Ban Houaychay).

VPG conclusions and main recommendation

In a situation where few possibilities for cash generation exist, the VPG activities have successfully demonstrated valid new venues. However, while some VPG products have a good potential, this potential is currently not tapped to the extent necessary. As said above, villagers clearly stated that they would want to produce and sell more, but so far remain for an important part of their sales, dependent on the PMC.

Opening up of the markets is clearly the main challenge for the VPGs at present. This does, on the other hand, not imply that on the production side no further support is needed, if the evolving businesses are to be thriving and sustainable. Quality control and machinery maintenance are but two examples where continuous improvements and support will be required.

Still, at present, major efforts are required for marketing. As a start, there is a need to repeat the initial investigation into market channels, potential volumes, timing and quality of the different products. This will allow entering into marketing discussions with potential buyers.

Whenever possible, bulk sales of intermediate products should be given preference, as this allows fast turn-over and reduces the PMC's role in product finishing, branding and retail sales.

2.6 UNIDO Productivity and Marketing Centre (PMC)

Mandate and functions

Due to rather lengthy negotiations on location and ownership, the PMC started to operate relatively late. Its mandate, functions and status were drafted in August 2008, when the PMC building was being constructed on the premises of the Provincial Industry and Commerce Department (PICD).

A business plan was compiled (later endorsed by the provincial Governor), which envisaged a government-owned not-for-profit centre, independent in terms of day-to-day management and financial matters. By providing business-related services and selling products, the centre was to generate income to cover at least its operational costs. In terms

of personnel, it was given the right to recruit staff on contract basis. The PICD was to provide technical support, assisted by an Advisory Board of representatives from different provincial agencies.

The PMC mandate was formulated as:

- Promotion and development of local products to become more competitive by extending the value chain through innovative technologies and processing;
- Provision of assistance to VPGs and local businesses to improve market access.

More specifically, the PMC was meant to:

- Act as a market link between buyers and producers through buyer-seller meetings, organising fairs, assisting local businesses and producers in trade fair participation;
- Provide business support to local businesses and producers, by assisting in accessing bank loans, technology, and in contracting issues;
- Provide basic information on the demand and supply of products, promoted in Oudomxay and in the Northern provinces.

The range of its tasks points to a basic contradiction in the design of the PMC mandate, which is at the core of the on-going strategy, ownership and sustainability discussions between UNIDO and the Government. On the one hand, the PMC was, at least initially, to generate income by selling products at fairs and in its showroom (i.e. by being an active market player or trader); on the other hand, it was to act as go-between or matchmaker between producers and buyers.

De-facto, the PMC today performs two functions:

(1) It operates as a trading house, buying finished products (or intermediate products for finishing by persons contracted around Oudomxay) from VPGs, in order to sell in its showroom, to middlemen, to shops or directly at fairs. While this activity was conceptualised to 'kick-start' sales, at the time of the evaluation it was not clear to whom it eventually could be handed over, as no trading house or similar set-up had shown real interest yet.

(2) It provides services, by organising and conducting product-related and entrepreneurship trainings to VPGs.

The current team at the PMC is qualified and very motivated, working under the leadership of a dedicated director who is seconded from the PICD staff and receives a salary topping-up. Also, UNIDO has successfully negotiated the placement of a German Development Service (ded) financed expert as adviser to the PMC for one year, and this person is expected to take up the post shortly.

The PMC operates from the PICD premise, where a beautiful showroom has been constructed, that displays the full product portfolio of the VPGs. Unfortunately, the showroom is rather concealed from the general public and does not attract walk-in customers. If that was to be achieved, a main road location would have been preferable, where tourists pass through daily and stop for lunch.

The current PMC portfolio consists of five product lines with a total of 69 items, some even coming in different sizes. Certain items have sold comparatively well, but many have so far produced very low to negligible sales. It is evident that streamlining of the product portfolio will be essential.

Another constraint is the recent change in the PICD leadership. With the earlier director, discussions had been initiated on securing at least a part of the operational budget for the PMC from the provincial budget after 2010. However, the current leadership of PICD did not give the impression of being particularly well informed on these discussions and in general had few concrete ideas on post-PSP scenarios for the PMC.

PMC economics and finances

The financial and economic situation of the PMC is in the process of being analysed by PSP/UNIDO. However, qualified financial analysis and economic viability related expertise is lacking among the PMC staff. The following very basic financial figures have been compiled by PMC and UNIDO. It has to be borne in mind that they only reflect the situation of seven months, since August 2009, when the PMC was fully up and running.

Table 10: Summary of preliminary financial information on PMC

7-month PMC sales (in US \$)	08/09 to 02/10	monthly average
Brooms	206	29
Oils	1698	243
Textiles	3095	442
Paper	617	88
Total sales	5616	802
Operating costs		
Current monthly (PSP budget)		3400
Working capital		
	KIP (rounded)	US\$ (approx.)
Cash-at-hand	9,150,000	1'080
Stock (purchase price)	39,000,000	4'600
Stock (potential sales value)	51,000,000	6'000
Potential profit on stock	12,000,000	1'400

Source: PMC/UNIDO database

As said above, a more thorough and comprehensive financial analysis is underway. The preliminary figures, however, point to a rather serious situation. PSP currently finances US\$ 3,425 monthly operating costs, of which US\$ 1450 are required for salaries and almost US\$ 2000 for running costs. Not yet included is depreciation of the main assets, i.e. car, four motorbikes and office equipment.

The post-PSP scenario, after September 2010, foresees that the salaries of the staff will be covered by the provincial government budget; so far this has not been officially confirmed and would entail substantial salary reductions for core employees.

With current average monthly sales of some US\$ 800, there is obviously an enormous gap between income and expenditures to be covered in future, should a break-even operation indeed be expected.

PMC conclusions and recommendations

As said, PMC is currently active in both trading and training. Being, at least at the moment, a de-facto trading house, institutionally linked to a government department, is not exactly in line with more recent private sector development thinking⁴. Past experiences have shown that it is very difficult to operate such structures in a profitable and sustainable way – not least as government servants rarely act like professional business people, a necessity to be successful in the market. Instead, a common understanding has developed internationally that project-initiated structures should refrain from doing business themselves but rather act as intermediaries or facilitators, by bringing together market chain actors, i.e. normally producers and traders, who then establish linkages and conduct business transactions among themselves – as was also partially foreseen in the PMC business plan of 2008. However, PMC has now become an active market player itself.

Future options therefore are restricted to either PMC becoming financially viable and sustainable as a trading house or to disengage itself from this role altogether. While the evaluation team is well aware that it is late in the day for a fundamental strategic re-orientation, it nevertheless strongly favours the second option, where PMC only acts as link between producers and traders as well as advisor to VPGs and producers.

The second line of PMC activities, service provider for product-related and commerce-related training, seems more promising under the current institutional set-up. PSP has developed a basic portfolio of presentations for acquisition discussions with potential clients. An important element is the calculations on required turnover and costing levels for break-even operations.

To sum up, a range of open issues related to the PMC are currently being addressed or need to be addressed as fast as possible:

The overall strategic orientation (withdraw from being a trading house and only act as matchmaker as well as service provider) has to be realised in the short time left for PSP; this includes therefore a clear exit strategy for PSP/UNIDO.

The process to develop a convincing marketing strategy and realistic business plan should be finalised soon, including comprehensive financial viability calculations.

Legal ownership and organisational status of PMC and its staff need to be concretised in detail and fixed in binding contractual arrangements with the PICD. This has to include asset ownership and control, finances (salaries, DSA, petrol, repairs, depreciation, but also coverage of eventual deficits or even distribution of profits) as well as budget sourcing.

⁴ See for instance the discussions on concepts and approaches like Market Development Framework (MDF) or Making Markets Work for the Poor (M4P).

3

Overall assessment of PSP

In this chapter, the overall performance of PSP is assessed according to the DAC criteria, relevance and ownership, effectiveness, efficiency, impact, and sustainability.

3.1 Relevance and ownership

At the outset, it has to be noted that PSP operated with a very participative and inclusive approach. Specifically, conducting the extensive Participatory Rapid Appraisals (PRA) in all 20 villages, during the inception phase, has led to a good dissemination of the project's aim and planned activities. As the villagers were fully involved in the process of deciding the individual activities in each village, a high relevance of the support was ensured and the ownership is consequently also high, as was confirmed by the results of the quantitative survey. PSP's very high awareness level among villagers is naturally also helped by the fact that no other development project is active in the 20 PSP villages. Discussions with District and Province Government representatives have shown high levels of commitment to and ownership of the goals and activities of PSP.

The project is clearly relevant in relation to the wider strategic frameworks it operates in. PSP is the first joint UNODC – UNIDO project in the Lao PDR, and as such fully in line with the Paris-Vientiane Declaration on Aid Effectiveness of 2007. It is aligned to the main national development strategy, the NSEDP-6, with its focus on sustainable economic development. Of particular relevance is its conformity with the goals and objectives of the National Drug Control Master Plan 2009-2013, which was developed by the LCDC with UNODC support, and forms the basis of UNODC activities in the country. Also, PSP is clearly in line with UNIDO's strategy to foster economic development in the Lao PDR.

Furthermore, PSP contributes to the efforts of the Lao PDR to achieve the MDGs, in particular in relation to (1) eradication of extreme poverty and hunger; (2) promotion of gender equality and empowering women; (4) combating HIV/ AIDS, malaria and other diseases; (8) developing a global partnership for development.

3.2 Effectiveness

At the outset, it has to be stated that three years is a short period for any project that intends to initiate and sustain a development process. Although started in January 2007, PSP became fully operational only in mid 2007, a delay which may partly be regained during the approved no-cost extension until September 2010.

The project has been effective in achieving its immediate objective of providing addicts with treatments, but in particular with availing income generating opportunities for the wider community, by linking social, technical and economical aspects.

As mentioned, the project document unfortunately did not formulate outcomes to be achieved in relation to concrete synergies or added value, expected to result from the

collaboration of two implementing organisations. This is a clear shortcoming that should be remedied in future similar collaborative projects.

On the output level, the PSP teams have by and large achieved the planned results. Coverage attained with the VSCFs and VPGs is certainly up to the mark, when compared with similar projects. On the other hand, some villages do remain without essential infrastructure. And overall, remote villages have received less attention than those with easier access from the project office.

Women profited from the project to at least equal measures. The increased opportunities for women to generate additional income has also directly affected the livelihoods of their families and children.

Overall effectiveness was influenced by the project design. Given the short time at disposition and the known difficult context, it can be argued that planning was too ambitious in the first place. Less (in terms of different types of infrastructures or VPG products) might have led to more (in terms of coverage and sustainability).

Finally, it is probably fair to say that, overall, the tasks given to UNIDO were more challenging than UNODC's – water supply system construction is, for instance, less difficult than to set up thriving and sustainable VPGs.

3.3 Efficiency

When discussing the efficiency of implementing PSP, three points have to be considered. The first is the fact that most activities were implemented, at least partly, by local government departments, often in addition to their regular duties. The second relates to the different management systems of the implementing organisations, which are decentralised in the case of UNODC (major decisions are taken in the Vientiane country office) and centralised in the case of UNIDO (where the responsible project manager operates out of Vienna). In addition, fund flow mechanisms are different, which also impacts on day-to-day project implementation.

Thirdly, it also has to be considered that the context in which the project operates is difficult. Distances that have to be covered are large, access is difficult and takes substantial time (up to 8 hours one-way travel between the office and the more remote villages); the range of activities covered is wide, and often clients are illiterate.

Taking these constraints into consideration, PSP has been implemented efficiently and in particular the project teams in Oudomxay have done a good job. The National Project Director has ensured the essential good relations with the local government departments. However, changes in project staff have had an impact on efficiency. Initially, UNIDO had a strong presence through an expatriate adviser; after he left the job in July 2009, staff changes led to a loss of institutional on-location memory. Recently, a qualified technical adviser has been recruited for the remaining project period. UNODC, on the other hand, has profited from the continuity of its senior Oudomxay staff, recruited some months after project start. Unfortunately, UNODC/UNTFHS fund release problems led to delays in infrastructure construction, which was, however, outside of the purview of the project staff.

The comparatively cumbersome administrative and financial procedures do not exactly foster implementation efficiency, in particular in the case of UNIDO. In 2009, the staff in Oudomxay had to draft some 80 detailed Miscellaneous Obligation Documents (MOD);

these MODs then had to be finalised by the project manager at headquarters in Vienna in order to secure fund release for planned activities. UNODC operations, on the other hand, required around 20 so-called Activity Sheets during the same period. This raises, especially for UNIDO, the issue of the considerable amounts of time that have to be spent on drafting and finalising the copious MODs and then reporting on their implementation – time which is subsequently not available for strategic steering at headquarters and supervising actual implementation of village-level activities.

Also, due to the parallel planning, implementation and reporting arrangements, the village-related databases of both project teams are not integrated, which makes it more difficult to obtain an overview picture of progress in a given village.

It can be argued that an annual implementation plan based system, along with activity budgeting, as applied in most development agencies and organisations, would be more efficient and thus also more effective. As said, PSP does not work with annual plans, which would give some flexibility; instead, the Project Document remains the sole reference. Also, progress reporting is not a forte of PSP. The reports contain a wealth of detailed factual information but little discussion is provided on progress achieved beyond mere numbers; sound analysis of successes (and failures) is mostly lacking and few recommendations are developed for improving project steering.

3.4 Impact

The project has achieved visible impact with the target population in the 20 PSP villages and the quantitative survey has confirmed this. PSP has clearly contributed to the overall project goal of providing an enabling environment for sustaining opium elimination by developing alternative income sources to drug production that allow securing and improving the livelihoods of the farming families. Essential infrastructure, a precondition for economic development, has been constructed (access roads, water supply, latrines), but not to the original target levels; a number of villages still remain without.

As mentioned, the coverage of the two most visible activities, the VSCF and the VPGs, is high. The VSCFs are functioning in all 20 villages, but will require further support. VPGs are up and running in 18 villages, but some are still on shaky ground; either they produce below capacities or had to put production on hold due to marketing constraints. VSCFs and VPGs will clearly require more development efforts in order to become fully viable and sustainable. The discussion on the future of the PMC has been initiated, but serious strategising is still required, after which robust negotiations, in particular with PICD, will be required.

As shown in chapter II/1, all 108 men and women interviewed in both Districts reported overall positive developments for them and their families, if compared to five years ago, in terms of three core indicators: (1) income; (2) health, and (3) position of women.

When discussing the general progress that took place in the 20 PSP villages, the important question arises of how much progress can be directly attributed to the activities of the project. First, it has to be said that there are no easy and certainly no precise answers to this, as the project's activities and their impact can not be isolated from the wider economic and social processes that took place during the period.

For one, the overall economic situation in the Lao PDR has clearly improved during the last five years and agricultural produce prices have increased in general – both developments directly and profoundly affecting the rural economy and population.

Secondly, next to the PSP activities, the Government's regular development activities have had their impact, for instance in terms of better health services. Thirdly, any attempt to quantify the exact impact of PSP would have required a comprehensive and detailed baseline survey before the start of the project, which then could have been repeated at the end of the project. The PRAs that were conducted at the start of PSP, on the other hand, were most valuable in identifying villagers' needs but did not allow quantitative comparisons with the present situation with any measure of statistical validity.

It is therefore certainly not permissible to fully attribute the reported positive developments in the project villages to the activities of PSP. The project was but one force of change, albeit an important one. Partial attribution, however, seems correct, as no other development project was active in the 20 PSP villages and the villagers interviewed clearly praised the project and confirmed its usefulness for them.

To sum up, the project certainly did have a good and visible impact, foremost in terms of additional income earned by active members of VPG or through the VSCF, as well as increased availability of essential infrastructure. However, the exact attribution of these project activities to the general positive developments in the 20 PSP villages cannot be quantified in a scientifically acceptable way.

3.5 Sustainability

As has become clear from this report, the core challenge for PSP is seen in the sustainability of the innovative institutions and organisations it has introduced. This relates in particular to the PMC and the VPGs on UNIDO side, and the VSCF for UNODC.

The hardware investments in infrastructure and machinery will be sustainable only if their O&M can be institutionalised at village level. This cannot be taken for granted, as the example of the paper pulp machines and oil presses, but also the conditions of the access roads, have shown.

In this context, the recently inaugurated 3-year UNODC project has to be mentioned, as it is the only realistic venue for ensuring sustainability of PSP innovations. The project "Increasing Food Security and Promoting Licit Crop Production and Small Farmer Enterprise Development in Lao PDR and Myanmar (XSPK26)" is funded by the German Federal Ministry for Economic Development and Cooperation (BMZ). In Oudomxay province, the project will start activities in 30 new villages, but fortunately also continue to work in the 20 'PSP' villages.

The project is implemented in partnership with the Thai Royal Project Foundation. Discussions on the exact nature of a continuing partnership with UNIDO in Oudomxay Province are ongoing.

4

Lessons learnt and best practices

4.1 UNODC – UNIDO partnership in joint project implementation

Two UN agencies and two Lao PDR Government bodies have successfully collaborated in designing, steering and implementing PSP. 20 villages have received a development impetus in terms of new essential infrastructure and venues for generating alternative incomes.

Given the fact that UNIDO and UNODC are governed by their own fiduciary jurisdictions, full integration of activities (one budget, one implementation team) was not practicable; parallel systems of implementation had to be set up, following the basic mode of operation of both organisations (centralised versus decentralised).

For future planning of inter-UN agency collaborative projects, two lessons seem important: the first relates to the planning framework, where concrete outcomes (not only single outputs), should be formulated during project design, which specifically address expected synergies and added value, to be generated by combining the different fields of expertise and interventions of the partner organisations.

The second lesson relates to the implementation arrangements. Effective joint implementation requires strong and mandatory in-built mechanisms and procedures that ensure regular exchange and fine-tuning of activities. To what extent data management and reporting requirements can be integrated has to be explored in each situation. The focus, in any case, has to be on reducing, as far as feasible, the workload for managers as well as implementing staff.

4.2 PSP design

UNODC activities

The PRA based approach in selection of village infrastructure, as applied by PSP, lets the village people choose what they want. As such, this is certainly laudable, because it ensures relevance and ownership. However, some best practice considerations are also important.

If many villages demand many different things, project efforts will be scattered and coverage reduced. Also, economies of scale should be considered. If water supply expertise is developed and tested, why not concentrate on ensuring full coverage in all project villages?

It may therefore be more effective to let villagers select from a short list of ready-made packages (i.e. where expertise is available, training programmes are developed, etc.). The compilation of the short-list of offers can still be made through a participatory process, involving villages and villagers.

UNIDO activities

Given what was stated in this report, the main lessons to be learnt are evidently (i) to avoid, whenever possible, becoming an active market player as it will be difficult to exit from this function once started, and (ii) to initiate production of anything only based on very robust (and conservative) assessments of market potentials to be tapped.

The product portfolio should be kept as small as possible. Focusing on few but promising products reduces the time spent on getting production processes right, training people in production and tapping the marketing channels for the products.

Finally, PSP offers the lesson that a development project and its government partners should rather focus on acting as matchmaker or link between producers and traders than become market actors themselves.

5

Major recommendations

- 1) As the current core challenge for both UNODC and UNIDO is how to ensure that as many as possible of the induced changes will continue to be effective after the project will come to an end, immediate action is required for planning the few remaining months of PSP.
- 2) For PSP activities that will end with the project, all efforts should focus on developing a realistic exit strategy; the project's working plan up to September 2010 should be adjusted accordingly. Consequently, no new activity should be started at this stage just because it is contained in the original Project Document.
- 3) Developing the exit strategy will require decisions between what the project 'needs to do' versus what would be 'nice to do'. The range of activities should be reduced and the project should concentrate on interventions with the best potential for sustainability.
- 4) It is advised that the on-site project teams develop proposals for their respective exit strategies, to be approved by the project managers in Vientiane and Vienna and eventually by the PSC. This report contains a range of proposed elements for the exit strategy (foremost VSCF strengthening; marketing of VPG products, role and function of PMC; O&M of infrastructure and machinery).
- 5) Finally, it has to be emphasised again that a realistic sustainability strategy must include discussions with the new UNODC/Thai Royal Foundation project. To this end, the negotiations between the two organisations on the exact nature of UNIDO's potential involvement (and financing) should be brought to a conclusion as soon as possible.

6

Main conclusions

PSP is a well-implemented project. However, with a single 3-years period, the time at its disposition was short and as such the planning too ambitious. As a matter of fact, most project-initiated activities would now be ready for a second project phase, in order to become fully operational and sustainable. Unfortunately, UNTFHS rules apparently do not allow for funding follow-up phases. Fortunately, on the other hand, main experiences made and lessons learnt can be put to use in the follow-up UNODC/Thai Royal Foundation project, which will also be active in the 20 PSP villages.

Apart from the (narrow) direct drug addict rehabilitation activities, the project has in most ways been conceptualised as 'typical' rural development intervention and as such has faced the equally 'typical' challenges of such projects: it is normally easier to initiate production than marketing of cash-crops and processed products, and the sustainability of new organisations and mechanisms is not ensured per se, once the protective project umbrella comes to an end.

Looking back at this first joint UNODC – UNIDO project in the Lao PDR, it is evident that joint implementation was possible and produced good results. Both organisations could bring to bear their respective strengths and specialisations; UNODC supported infrastructure development and social services, while UNIDO focused on economic development of the target villages.

Untapped potential exists foremost in project planning and design, where a different approach would be required than for single-organisation projects. Additional aspects, like common outcomes, have to be explicitly formulated, and joint implementation and reporting require built-in and mandatory collaboration and coordination mechanisms down to the field level.

Annex 1

Final External Evaluation of the Post Opium Surpass Poverty Project (PSP) Lao PDR

Terms of Reference

1. BACKGROUND INFORMATION

Project title:	Post Opium Surpass Poverty Project (PSP)
Project number:	<i>TF/Lao/06/002 (UNIDO)</i> <i>IDO-AS-05-010 (UNTFHS)</i>
Duration:	February 2007 - January 2010 (according to Trust Fund Agreement) Extended until September 2010
Location:	Laos (Oudomxay)
Executing agency:	UNIDO and UNODC
Cooperating agencies:	Lao National Commission for Drug Control and Supervision (LCDC) Ministry of Industrial and Commerce (MoIC)
Total approved budget:	UNODC TOTAL: US\$ 1 171 300 UNIDO TOTAL: US\$ 1 177 250 TOTAL: US\$ 2,348,500.00 (including 10% project support cost)
Donors:	United Nations Trust Fund for Human Security (Japan)

The Post Opium Surpass Poverty Project (PSP) is the first joint UNIDO-UNODC project that has been implemented in Lao PDR following the Paris-Vientiane Declaration on Aid Effectiveness (2007). Aiming at assisting the Lao government in exiting the least developed country status by 2020, this project specifically supported the implementation of the national programme strategy for the post opium scenario in Oudomxay province, one of the highest former opium producing provinces in the Lao PDR.

While Oudomxay province was officially declared opium-free in 2004, there was a pressing need to provide community-based treatment and sustainable livelihoods to the farmers that have stopped growing opium in order to sustain the process of opium elimination in the area. With a total budget of US\$ 2,348,500 - funded by the United Trust Fund for Human Security (UNTFHS) - the project assisted around 9,595 people (4,700 female) comprising 1,544 household and 20 villages.

Investments were made into:

- Treatment and rehabilitation of opium addicts,
- Community organization and the provision of vocational training activities,
- Rural enterprise development,
- Marketing, processing and sustainability of services provided.

Project Objectives

The project immediate objective is to provide drug and opium addicts, their dependants and the wider community in three districts of Oudomxay Province in the Northern Lao PDR with community-based treatment and income generation opportunities emphasizing an integrated alternative development approach linking social, technical and economical aspects.

Project Outputs¹

The project addressed a broad range of interconnected issues related to the development and sustainable implementation of alternative livelihoods; the following outputs have been grouped into three project phases with a duration of 12 months each, as follow:

PHASE 1: DRUG REHABILITATION AND FACILITATION OF ECONOMIC DEVELOPMENT IN THE VILLAGES

- Output 1: Opium addicts rehabilitated and involved in income generating activities (UNODC)
- Output 2: Productivity and Marketing Center (PMC) operational focusing on agro-products with market potential (UNIDO)
- Output 3: Village Productivity Groups (VPG) strengthened (UNIDO)
- Output 4: Communities organized to manage the economic and social development of their villages in a sustainable manner with reduced dependence on opium production (UNODC)

PHASE 2: COMMUNITY ORGANIZATION AND PROVISION OF COMMUNITY-BASED TRAINING

- Output 1: The coverage and operation of the social services in the district enhanced (UNODC)
- Output 2: Basic infrastructure improved or constructed (UNODC)
- Output 3: VPG's trained and involved in income generating activities linked to PMC (UNIDO)

PHASE 3: MARKETING AND SUSTAINABILITY OF SERVICES

- Output 1: VPG/PMC products improved according to market demand (UNIDO)
- Output 2: Income generation activities of VPG/PMC sustained (UNIDO)
- Output 3: Basic infrastructure improved or constructed (UNODC)

¹ Detailed Performance Indicators, meant to monitor the progress towards achieving objectives and

ERROR: syntaxerror
OFFENDING COMMAND: %ztokenexec_continue

STACK:

-filestream-