



## **Facilitating Recipient Ownership and Participation in Project Preparation and Appraisal under South-South Cooperation: NEDA Experiences in Lao PDR<sup>1</sup>**

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### **Abstract**

There has been increasing interest in South-South Cooperation (SSC) in recent years of development effort. This trend claims the greater benefits of recipient countries engaging in SSC rather than engaging in NSC (North-South Cooperation) as SSC brings out the expertise and comparative advantage of southern development partner. This study focuses particularly on South-South bilateral cooperation and investigates into the condition within S-S cooperation that enables recipient's participation and ownership which are important issues emphasized by the 8th Millennium Development Goal. In general, the level of recipient ownership is the extent to which recipient countries are treated as drivers of the car who set the course (Wolfensohn, 1999), while, ideally, donors help inject extra fuel in the tank if the car is heading into the right direction (The Financial Times, 21 Aug 2001).

This study provides an analysis and evaluation of the measures that NEDA (Neighbouring Countries Economic Development Cooperation Agency) as Thai Government's donor agency facilitates recipient ownership and participation in south-south development project with particular focus in preparation and appraisal stage of project life cycle. Road improvement project between Thai and Lao PDR starting from Baan Tadthong to Ban Namsang (so called R11) with the total distance of 82 Km is chosen for analysis.

Based on interview with experts and government officials involving in the selected SSC project, the study will analyze factor that explains participation and recipient ownership that emerges during the preparation and appraisal stage of project life cycle. "*Participative view*" is

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employed to analyze the recipient participation and ownership on the project. Scholars who subscribe to the participative view believe that recipient ownership in aid relationship is high when the power of the beneficiaries or recipients is strong.

The study reveals the characteristics of aid delivery process in S-S cooperation and identify factor that allows strong recipient ownership and participation. This research is also important in that it helps explain why SSC is a preferred aid modality than North-South Cooperation (NSC).

**Keywords:** South-South Cooperation (SSC) / Recipient Ownership/ Thailand's Official Development Assistance (ODA)/ North-South Cooperation/ Lao PDR

## Introduction

There has been increasing interest in South-South Cooperation (SSC) in recent years of international development cooperation as low-and middle-income countries (LMICs) are considered capable of supporting research and knowledge transferring/sharing to less advanced developing countries. This trend argues for the greater benefits of recipient countries engaging in SSC compared with North-South Cooperation (NSC). Supporters of SSC claim that such aid modality brings out the expertise and comparative advantage of southern development partner. This study looks into South-South bilateral cooperation and assesses whether the context facilitates recipient's sense of ownership<sup>1</sup> which is important issue emphasized by the 8th Millennium Development Goal.

Promoting recipient ownership is also important issue international development coordination from donor's perspective. Thailand as an emerging donor in GMS region found promoting recipient's sense of ownership is crucial for success and sustainability of development project. To exemplify, some construction projects are left in a damaged condition and have no budget allocated for maintenance after projects was handed over to the recipient country. As a consequence, the development outcome may underperform and does not promote regional economic development as expected. Such circumstance thus requires that Thai government

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<sup>1</sup> In brief, the level of recipient ownership is the extent to which recipient countries are treated as drivers of the car who set the course (Wolfensohn, 1999), while donors help inject extra fuel in the tank if the car is heading into the right direction.



emphasizes a strategy to promote recipient's sense of ownership in its ODA endeavor to neighboring countries.

Located this study in the context of South-South Cooperation, this paper provides an analysis of the aid relationship between Thailand and Lao PDR during project identification, preparation and appraisal stage of project life cycle. Using a case of Thailand's ODA into Lao PDR for road improvement project starting from Baan Tadthong to Ban Namsang (Lao PDR National Road No.11), I attempt to understand a specific approach and mechanism of Thailand's role as donor to encourage the formation of recipient ownership during project life cycle.

Based on interview with experts and government officials responsible for the project such as NEDA (Neighbouring Countries Economic Development Cooperation Agency of Thai government), the study presents factors that explain the emerging of recipient ownership. "*Participative view*", which emphasizes that high recipient ownership in aid relationship emerges when the power of the beneficiaries or recipients is strong, is employed to analyze the extent of recipient ownership in the project.

Studying NEDA experiences in Lao PDR not only provides understanding of the role of emerging southern donor such as Thailand in GMS but also assesses specific condition in and claimed benefit of south-south cooperation whether it is a preferred aid modality than North-South Cooperation (NSC). I try to present that NEDA effectively enables recipient ownership due to 1) its demand-driven approach employed to work with recipient country, 2) openness and transparency in project life cycle, and 3) trust established in donor-recipient relationship, especially at personal level that helps facilitate formal work procedure.

### **Two models of bilateral aid cooperation and development consequence: Recipient ownership in NSC and SSC**

North-South Cooperation (NSC) is a traditional form of cooperation that is understood to enable a dependence in which a country or group of countries relied on Northern expertise. In this sense, NSC reflects a relative power of donor-recipient relationship, intentionally or unintentionally, in particular on power, participation, trust, sustainability, and mutuality (Johnson and Wilson, 2006). In practice, there are also inevitably inequalities in NSC, as manifested by different values placed on individual knowledge and different agenda setting as well as material,



human and financial resources. There power relations and inequality embedded influences working relationship of north-south development partnership to some extent.

A major challenge which is quite apparent in N-S cooperation is thus the unequal participation originating from a variety of different resources, power relations, knowledge, capacities and capabilities as well as assumptions, perspectives, agendas and expectations. Thus NSC is inherently an unequal partnership which reflects a low degree of recipient ownership.

Meanwhile, the claimed benefit among development scholars and practitioners now a day is that South-South Cooperation (SSC) is critical to development of developing countries because of its flexibilities in transferring both expertise and experience among the southern partners. SSC is argued to be able to improve their individual and collective capacity for dealing with the development challenge they are facing together. Today, a number of developing countries including Thailand have embarked a framework that enables knowledge sharing/transferring with recipient partners in their predetermined fields in which they have demonstrated expertise. In turn, the southern/emerging donors themselves benefit from understanding of development challenges faced by the recipient of development assistance, and enriched their own approach to handle issues they themselves face.

A rational behind S-S Cooperation is the recognition and appreciation of the rich expertise of low-and middle-income countries (LMICs) which may be more relevant to the needs and circumstances of the southern partners, but formerly was ignored by international development community. Advocated by similarities in country's development level and challenges, SSC is believed to better facilitate recipient countries to harness capacities of the more advanced developing countries by transferring their relevant experiences and successes to other less advanced developing countries or recipients. SSC is thus argued as a mode of cooperation that is cost-effective, compared with traditional mode of N-S cooperation.

Stronger recipient participation in bilateral cooperation is therefore the enabling condition for aid effectiveness resulting in superior development results. This is supported by Jerve and Hansen (2008) who argue for the relationship between general aid relationship and the development outcome of recipient country.

As far as my knowledge, a few works undertaking research in south-south cooperation has tried to understand the role of southern donor in deliver process and consequences on



development results. This study aims to address the gap and examine strategy employed by southern donor to facilitate recipient ownership

### **Approach for analysis: Participative view of recipient ownership**

International development organizations have emphasized the importance of ownership and participation in donor-recipient relationship. As emphasized by James Wolfensohn, former World Bank President in his Comprehensive Development Framework, allowing a recipient of aid to take control the car in driver seat and set course is crucial for the true ownership of recipient country; meanwhile, donors should help inject extra fuel in the tank if the car is heading into the right direction.

From “*participative*” view, scholars propose that recipient ownership on development project is high when the power of the beneficiaries or recipients is strong. The term ownership refers to roles and responsibilities and ultimately to power, and signifies a bundle of rights in a process of planned development in setting the agenda, allocating resources, and designing and implementing development programs (Jerve and Hansen, 2008). This is similar to Moore’s indicators of recipient ownership (1996): 1) the extent of influence by the intended beneficiaries on the conception, design, implementation and operations as well as maintenance of development project, 2) the extent to which the implementing agencies that influence the project are rooted in the recipient and represent the interests of ordinary citizens, and 3) the extent of transparency and mutual accountability among the various stakeholders.

In practice, achieving strong ownership also places some requirements on donor’s role and recipient country. In donor-recipient relationship, it is commonly agreed that donors are responsible for facilitating participation of recipient government and local agency in such a way that recipient ownership can emerge. Donor should enable the condition for recipient country to make up its own policy and project initiation (Ohno and Ohno, 2008) by demonstrating the legitimacy of its policy idea and carefully considering the recipient country’s specific need (Shimomura, 2008) as well as facilitate recipient’s involvement and decision in implementation stage (Wajjwalku and Tasarika (2008). In this paper I examine these elements of ownership during 1) project identification stage, 2) project preparation and appraisal stage, and 3) project approval stage, in particular, using a case study of road improvement project connecting Ban Tad Thong -



Ban Nam Sang Bridge - Sang Thong District (National Road no. 11) in Lao PDR.

This paper tries to present that NEDA effectively facilitates ownership of recipient country due to its demand-driven approach employed to work with recipient. I contain that recipient ownership that emerge requires both donor and recipient to strengthen 1) an open and transparent process throughout project life cycle 2) trust and understanding in all level of donor-recipient relationship. It is also presented that friendship at informal or personal level help facilitate recipient ownership in formal work procedure during project life cycle.

## Research methods and analysis

### Selection of cases

As we want to understand ownership which is a complex matter within the development cooperation, the preference in case selection is given to loan project which more procedure and negotiation involved. I therefore selected Thailand's infrastructure development aid in Lao PDR for investigating.

The recently completed<sup>22</sup> road improvement project between Thai and Lao starting from Baan Tadthong to Ban Namsang (R11) with the total distance of 82 Km is selected. Two types of financial assistance provided by (NEDA) are: 1) loan of 974.4 Million Baht and 2) grant of 417.5 Million Baht. The project aims to help Laos make a connection with Ching Mai – Vientiane Economic Corridor which is a part of The Greater Mekong Sub-regional (GMS) Project. It is also expected that the project can facilitate road transportation between Thailand and Lao PDR and brings about trade opportunities, investment and tourism in the GMS sub-region as a result.

### Data collection

Published materials including academic papers, policy documents, annual reports, public documents, and selected websites of relevant bodies are used as basis for understanding the donor-recipient cooperation of the selected projects. Subsequently, data collection from open-end, face-to-face interviews with government officials in the R11 project is analyzed. Interviews were conducted with key informants including policy makers, officials, experts who involved with the

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<sup>2</sup> The project was completed in July 2014.



aid projects. Key informants from NEDA are identified purposively as the study requires information from experts who involve with the deliver process of aid. To prevent selection bias, this study approached knowledgeable informants from a wide variety of relevant bodies, who can deliver diverse views when explaining the focal issue of interest (Eisenhardt and Graebner, 2007). Such technique is employed for ensuring the quality of data and finding.

Open-end interview questions, including core questions mainly about the approach and strategy of NEDA to facilitate recipient ownership, questions on recipient's participation based on preliminary documentary analysis, are designed to obtain a breadth and depth data of the selected projects. Interview are recorded and transcribed for ease of the analysis. With the interview methods above coupled with data analysis employed, the validity of findings is expected to improve.

#### **NEDA's development assistant strategy in Lao PDR**

The Neighbouring Countries Economic Development Cooperation Agency (NEDA) was established in 2005 in order to serve as Thailand's international development agency implementing the government's international economic policy. Under supervision of the Ministry of Finance, NEDA functions in adherence to the policy of the government to promote relationships and cooperation toward proliferating bilateral trade, tourism, and investment at the sub-regional, regional level and bilateral cooperation framework, mainly in neighbouring countries; namely, Cambodia, Lao PDR, Myanmar and Vietnam as well as Bhutan, Sri Lanka and Timor-Leste. The scope of cooperation includes financial and technical assistances which aim to enhance greater connectivity, standard of economic infrastructure and social development for the targeted recipients.

Lao PDR is considered an important country for Thailand's international economic policy in the region due to its location connecting Thailand with Greater Mekong Sub-region (GMS) through, for instance, Road No.3, No.6, No.8 and No.12 which are important trade lanes between Thailand with both GMS and China. Its strategic importance is also reflected in NEDA's ODA strategy to strengthen connectivity with Lao PDR. Approximately 90 percent of NEDA's total financial assistance (more than THB 10,000 million; as of September 2014) thus concentrates in transportation and infrastructure development projects (e.g., Road, Airport, Permanent border,



Bridge and Rail road that connect Vientiane to the seaport) both within Lao PDR and between Thailand and Lao PDR. This concentration points to the need of Thailand to foster regional and border trade through its ODA strategy with neighboring countries.

Such concentration of Thai ODA in Lao PDR may be explained by considering Lao government's economic development policy and Thailand's attitude toward Lao's economic development together. Meanwhile, Lao government very much emphasizes the need to transform "land lock" country to "land link" country, Thailand's regional economic policy makers also realizes that the wealth of Lao PDR is the stability and prosperity of Thailand. This is perhaps the basis of international development cooperation for both countries. It is shown Thailand's ODA strategy actually is laid on the same line with Lao PDR's economic development plan.

#### **Demand-driven approach by NEDA's ODA endeavor**

NEDA's development assistance plan for Lao PDR lays on demand-driven approach - that is to start from listening to the needs of recipient country as well as project ideas/initiatives at provincial level, and then consider if those proposed projects are consistent with Lao PDR's economic and social development. In addition, there is a consultation session between NEDA and Lao's Ministry of Finance to update economic data in order that Thai ODA plan complements the development goal of Lao's government.

In practice, the development assistance plan for Lao PDR will be made every 3 years. The 3-year plan helps ensure that Thailand's ODA to Lao PDR is in line with Thai government's international economic policy in GMS and neighboring country policy set by the Ministry of Foreign Affairs, as well as make sure that the plan strategically consistent with the need of both donor and recipient countries.

It should be noted that, while Thai ODA shows demand-driven from recipient, NEDA also coordinates with other donor agencies for better allocation of resources to recipient country. NEDA participates in donor agency meeting every year with other agencies such as Korea's EDCF, Japan's JICA and China's EXIM Bank in order to update their ODA information and projects into Lao PDR to avoid duplicated ODAs.

Another aspect of demand-driven approach is that NEDA executive very emphasizes that doing aid must not make neighboring countries feel inferior, but to show the true friendship it the





relationship. They has set a policy for NEDA staffs to establish friendship at individual or informal level with a strong believe that friendship helps deliver better ODAs to the recipient. It is clear that NEDA intentionally makes use of friendship at individual level to assist each stage in project life cycle. Such strong tie emerges from continuous working in several projects between NEDA and Lao officials until both sides get familiar with Thailand's ODA procedure and the operation of Lao's government. From NEDA's standpoint, friendship is very important mechanism for NEDA to ensure that its ODAs are doing smooth as more than 90% of total NEDA's financial assistance is allocated into Lao PDR. The next section shows that friendship tie is an important mechanism for both countries to enable recipient's strong ownership in ODA project.

#### **Enabling participation and ownership: A case study of financial assistance for road construction from Baan Tadthong to Ban Namsang (Lao PDR National Road No.11)**

Case background: **Lao PDR Road No.11** is the national highway leaving from Vientiane, but it was only national highway that is made of laterite. Lao government therefore initiates to improve the road between Baan Tadthong and Ban Namsang with a road access to Nam Sang City. The city is only 50 kilometers from the capital Vientiane, but requires more than 3 hrs to travel to the city. The city is ranked one of the poorest cities in the country and people there are living below the poverty line. With financial assistance from Thailand, the road construction from Baan Tadthong to Ban Namsang was completed in August 2014. At the opening ceremony, the Prime Minister of Lao PDR announced that the city will not be cut off from the world outside and people there will soon extricate from poverty.

It should be noted that National Road No.11 is a part of Chiang Mai - Vientiane Economic Corridor (CVEC) that Thailand and Laos have initiated together. CVEC is a shortcut between Northern Thailand to Vientiane. It is estimated that, when CVEC completed, the travel time will only take 3-4 hrs. At the moment, travelling from Northern Thailand to Vientiane has to drive back to Indo-China intersection in Phitsunulok Province. From Thailand's viewpoint, R11 also support Thailand's strategy to push forward Phu Doo Border Point of Entry to be an international trade gateway on Chiang Mai - Vientiane Economic Corridor.

NEDA always emphasizes that this project is belong to the recipient country, and requires



the recipient effort to keep maintaining the project in a good condition. Thus NEDA tries to build a sense of ownership for the recipient in every phases of the project life cycle, especially during project identification stage, preparation and appraisal stage, and approval stage.

**Project identification stage:** At the beginning of the project life cycle, the recipient was the one who initiated project ideas and nominated a list of projects to NEDA for consideration, and then NEDA chose a possible project based on the Thailand's economic policy, development goal in GMS as well as limited financial resource. This step helps ensure that Thailand's ODA is consistent the recipient's specific need and development objectives. In turn this is a basis for establishing recipient ownership in the following steps. In recipient ownership's sense, such process shows that the donor allows the recipient to manage its own project initiations and respect to recipient's legitimacy by carefully considering its specific needs and development objectives. These elements in Thai-Lao ODA relationship reflect high level of recipient ownership as depicted by Ohno and Ohno (2008) and Shimomura (2008).

**Project preparation and appraisal:** In project assessment and fact finding process, NEDA emphasizes the principle of openness and transparency in process of building recipient ownership. For instance, NEDA truly opens to the opinion and comments of the recipient country's counterpart to cross check with what NEDA found or analyzed about the project. The comments will also be incorporated into the project report and model specification for the implementation stage.

Unlike the multilateral development cooperation (e.g., ADB and World Bank) that country relationship is not a concern in development cooperation, South-South Cooperation (SSC) in the context of Thai-Lao relationship is different in that country relations must be concerned. In multilateral development cooperation, there is a strict standard and guideline that recipient has to comply seriously unless the project will be immediately stopped. To exemplify, if the proposed project impacts or violates the environment or timber, the project will be suspended immediately. Meanwhile, NEDA approach is more open to the recipient in the project assessment phase. For example, NEDA is more open for the recipient country and its counterpart to discuss the issue cropped up and works to find the possible solutions together so that the project will not be



suspended. Openness for counterpart's opinion and information is thus a key mechanism to achieve the high level of recipient ownership at this stage.

Nevertheless, openness strategy employed requires that the donor and the recipient shares information and assesses information accurately. NEDA allows the recipient to evaluate and response to the study by NEDA from their point of view. All comments are incorporated to modify the construction model of the project, and make sure that the model is suited to the condition and limitation of the recipient country. This preparatory technical assistance stage is particularly different from donor to donor. Some donors do not open for recipient country to participate at this stage and the whole decision is solely made in the donor country. Transparency and information sharing, especially in the stage of preparatory technical assistance, are thus critical to help the recipient reach high level of ownership.

NEDA believes that openness and transparency strategy employed increase "friendship" and "trust" in the whole project life cycle, and such special relationships/ties are carried to other ODA project and facilitate formal work procedure as well. In addition, close proximity, language and culture in South-South Cooperation in the same region enable friendship tie at personal or informal level which is important to building trust between the two countries in formal work procedure in the donor-recipient relationship. Hence, friendships at all level – personal and organizational - play a critical role in development cooperation.

**Project approval:** it is designated that the recipient takes full responsibility in contractor bidding and procurement process. Moreover, bidding and procurement are conducted under the recipient's own regulation because the loan given to Lao PDR is considered as the recipient's property. Again, this practice by NEDA enables high level of recipient ownership and differs from the practice of some donors. While recipients may be allowed to make its own decision in the contractor bidding and procurement, it is compulsory that recipient follows the donor's rigid guideline step-by-step. This way, it is argued that, recipient ownership does not truly emerge at this stage.

When NEDA handed over the project to Lao PDR, the speech given to Lao people clearly addressed that they tried to raise awareness of Lao people by emphasized that they are the true owner of the project and have full ownership to take care the project.



## Conclusion

This study investigates NEDA's development assistant strategy using the case study of Thailand's financial assistance for road construction between Baan Tadthong to Ban Namsang in Lao PDR. The study found that NEDA employed demand-driven strategy during the project life cycle in order to help establish high level of recipient ownership. This strategy of Thailand's ODA in Lao PDR does not push the recipient to stay in inferior position as well as avoid aggressive move or ask for something in exchange of ODA. Instead, 1) respect to recipient's legitimacy by listening to their project initiation, 2) open to recipient's counter-opinion, and 3) friendship tie at personal or informal level are the key mechanisms to build trust in Thai-Lao ODA relationship, which facilitates formal work procedures in project life cycle. Recipient's sense of ownership also emerges from allowing a space for recipient's active participation at every phases of project life cycle. In addition, the finding points to the role of the southern development partner in the same region that should be emphasized and investigated further. In sum, the case study of Thailand's ODA to Lao PDA supports the claimed benefit of South-South Cooperation which is also advocated by the close proximity, language and culture in the same region.

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