

Paper, prices and politics

- the history and impact of the Bai Bang project in Vietnam



The famous torch parade, Stockholm 1968. Olof Palme (centre), then minister of education, in a pro-North Vietnam demonstration with Nguyen Tho Chan, Ambassador in Moscow. Photo: Sven-Erik Sjöberg/Pressens bild.

Background

The strong opposition in Sweden to the Vietnam War during the 1960s was given official and tangible form in 1969 through the government's decision to be the first Western country to recognize what was then North Vietnam, and at the same time to offer economic aid to

that country. The main outcome of this political initiative was an integrated pulp and paper mill in Vinh Phu Province northwest of Hanoi. The overall objective of the project was to contribute to an improvement in the standard of living of the Vietnamese people by helping

To what extent did the Bai Bang project help Vietnam and its people in their development effort? Sweden's almost two-and-a-half-decade-long support to the construction in Vietnam of a pulp and paper mill and to activities supporting it was in several ways unique in Swedish government aid, in terms of how it was politically initiated, what kept it alive and how Swedish support was eventually phased out. It was also controversial, by many Swedes viewed as exemplifying an alleged ineffectiveness of government aid. The project ran into many problems, technical as well as culturally related. Yet, given time, perseverance and commitment at decisive levels on both sides of the partnership,

not forgetting eventual economic reform in Vietnam, the project survived and became sustainable, with important progressive impact on the regional economy in Vietnam and to some extent also on Vietnamese approach to development and reform.

These are some of the main findings of a major ex-post, two-fold evaluation recently commissioned by Sida. Two separate studies, one on process: how the project developed over the years including an analysis of the decision-making process; and one on impact: an assessment of the broader developmental impact of the project in Vietnam six years after the phase-out of Swedish assistance.

to satisfy the need for domestically produced paper for the country's educational system, paper being in serious shortage. Known as Bai Bang after its location, the mill went into production in 1982. It became the costliest, one of the longest lasting, and the most controversial project in the history of Swedish development cooperation. For a long time it affected Swedish debate on aid and contributed to the formation of people's attitudes towards Swedish government aid. For many Swedes it became a symbol of wastefulness and inefficiency of such aid.

The Swedish contribution, which financed most of the Bai Bang project, was originally budgeted at SEK 770 million (1974 prices). By the time Swedish aid was phased out in the early 1990s, the amount, because of delays, extended involvement with additional project components as well as rapid inflation in the late 1970s, had more than tripled to SEK 2.7 billion (in 1996 prices equivalent to SEK 6.5 billion). For North Vietnam, the mill was the first instance of economic cooperation with a non-socialist state and served as a gateway to broader development cooperation with the West, to modern technology, and to reduced dependence on China and the Soviet Union. In Sweden, Bai Bang was a controversial project right from the start, strongly opposed by the non-socialist opposition in parliament, and regarded as risky to the extent that Sida's Board of Directors only reluctantly approved the project. The Swedish forest industry, by and large, advised against it.

At the end of the 1980s, Vietnam embarked on a comprehensive economic reform process which had an important impact on the project. By the mid 1990s, Bai Bang had become a sustainable project, completely Vietnamese operated without any donor assistance. In Vietnam, it represents a showcase of a well-run, modern industrial enterprise that produced at its full capacity (55,000 tons of paper annually) for the first time in 1996 – fifteen years after the first paper machine began operating.

Today, the political controversies surrounding Bai Bang have died down, and the project is no longer a disputed issue in either country. As an industrial venture between two countries of the communist and capitalist systems, spanning almost three decades of war, peace, and market liberalization, it belongs to the past. It is most unlikely there will ever be another Bai Bang.

Two studies

Bai Bang has been the subject of a great many studies and reports. There is however no comprehensive, informed picture of its results, of what it actually led to, and why and how it all came about. The evaluation presented here, in the form of two separate but complementary studies, supplies an answer to those questions. The evaluation(s) also shows that in spite of the unique background to the project, the privileged status it enjoyed, and the fact that it represents a type of project that would never be repeated today, there are important general lessons to be learned from it for development cooperation.

The evaluation was initiated by Sida's Department for Evaluation and Internal Audit at the beginning of 1997. A two-pronged approach was found to be re-

quired: one would be to study how the project was initiated and then developed over the years; the other, to attempt an assessment of the broader developmental impact of the project in Vietnam some six years after the final phasing out of Swedish assistance. Thus, the evaluation came to comprise two parallel and separately conducted studies, involving two separate teams. Though each report may well be studied by itself, each enhances the understanding and appreciation of the other.

The purpose and scope of the process study, entitled *A Leap of Faith - a story of Swedish aid and paper production in Vietnam, the Bai Bang project, 1969-1996* (Sida Evaluation 99/4), was to identify and describe the factors that were important in the development of the project and in the decision making processes, and to analyse how these factors interacted in these processes. The evaluators were also asked to assess how project designs resulting from these processes affected the output of the project. Further, they were to make an assessment of the extent to which Sida had learnt from the venture, and what it may learn from the project today.

A Leap of Faith - a story of Swedish aid and paper production in Vietnam, the Bai Bang project, 1969-1996

Chr. Michelsen Institute (CMI), Bergen, Norway
Department for Evaluation and Internal Audit
Sida Evaluation 99/4

This process study was carried out, over a period of fifteen months, by the Chr. Michelsen Institute (CMI), Bergen, Norway, through a research team comprising expertise in social anthropology, history, political science and economics.¹ The team worked from project documents, archival material and secondary sources, and carried out extensive interviewing of people involved with the project throughout the period under study, in Vietnam and in Sweden. Workshops were conducted in Hanoi as well as in Stockholm with people concerned with Bai Bang to jointly discuss approach and methodology. On the Vietnamese side, interviewees have included key persons associated with the project within the State Planning Commission as well as the current project management and some long-serving employees of the mill itself. Central actors at the Swedish Ministry for Foreign Affairs and most of the Sida officials that have been involved in the project were interviewed, as were Swedish consultants with a background in the project. To support the work CMI commissioned three sub-studies (all available from Sida and CMI, though in Swedish only): one on Bai Bang in the Swedish foreign policy debate, one on Bai Bang in Swedish media, and one on developments in the project organization.

The purpose of the other study, entitled *Paper, Prices and Politics - an evaluation of the Swedish support to the Bai Bang project in Vietnam, 1969-1996* (Sida Evaluation 99/3), was to assess the impact of the project in Vietnam

¹ Members of the team included Alf Morten Jerve, CMI, social anthropologist and team leader; historian Irene Nørland, Nordic Institute of Asian Studies, Copenhagen; economist Nguyen Thanh Ha, National Institute of Science and Technology, Policy and Strategic Studies, Hanoi; and political scientist Astri Suhrke, CMI.

six years after the phase-out of Swedish assistance. The team was asked to analyse the financial and economic viability of the pulp and paper mill and the forestry operations developed to feed it with raw material. Also, to assess the project's ongoing contribution to the Vietnamese economy, its social and cultural impact and its contribution to human resource capacity building. Finally, the evaluators were asked to discuss what general lessons could be drawn from this project regarding fundamental conditions and instruments for successful development cooperation contributing to sustainable development.

Paper, Prices and Politics - an evaluation of the Swedish support to the Bai Bang project in Vietnam, 1969-1996

Centre for International Economics, Canberra, Australia
Department for Evaluation and Internal Audit
Sida Evaluation 99/3

The methodological approach was given in the Terms of Reference: to take a 'snapshot' of the impact of the Bai Bang project as seen today. How well is the Bai Bang project performing today? The 'snapshot' approach differs from the more traditional cost-benefit analysis approach, in which costs and benefits are compared throughout the lifetime of the project. In the case of Bai Bang, arranging aggregated costs and benefits along a time path in any meaningful way would have been almost impossible.

The impact evaluation was conducted by a multi-disciplinary team assembled by The Centre for International Economics (CIE), Canberra, Australia. The team represented expertise in economic analysis, financial accounting, management and organizational issues, technical performance, and anthropological and socio-economic issues.² The study is based on a large number of specific or subject-oriented evaluations and studies on the Bai Bang project, and other relevant documentation, including a pre-appraisal; also extensive interviews, focus group discussions and surveys. During the early stages of the evaluation the team held a workshop in Hanoi, providing an opportunity for Vietnamese government officials, mill and forestry managers, also former Swedish workers at Bai Bang, to exchange ideas with the evaluation team on the proposed methodology.

Evolution of the project

The process study report covers the project's various phases. It begins with an explanation of how the idea of Bai Bang took form (1969-1970), followed by an account of an extended period of planning and challenging negotiations before the project was finally agreed and in place (1970-1974). Then comes the period of actually constructing the mill, with heavy delays building up to large cost overruns (1974-1982), partly over-

lapped by the period when the Swedish support was extended into new and complementary areas such as housing and transport (first half of the 1980s). Finally, the report deals with events and developments making up for the unusually long phasing-out period (1985-1990), which not least entailed finding an exit strategy and moving towards the goal of "sustainable Vietnamese operation".

The evaluators found that cutting across all the phases of the project's development were three overall problems or challenges, all extensively dealt with in the report: getting the right kind of raw materials in sufficient quantities; improving workers' skills and motivation; and, making the enterprise economically viable. These three decisive requirements may well be recognized as common to any modern industrial venture. However, in the case of Bai Bang, given Vietnam's centrally planned economy they proved exceptionally difficult to fulfil. Efforts to deal with them placed Bai Bang in the forefront of the national reform process of the 1980s. Efforts also raised project costs, not least by justifying a series of complementary and additional investments: the paper mill project expanded to include a separate forest component, a housing estate for mill workers, and a vocational training centre.

The Swedish decision in 1969 to aid North Vietnam reflected a groundswell of national sympathy for the victims of the Vietnam war, a strong solidarity movement, a political climate and a national political constellation which caused the social democratic government to define a pro-Hanoi policy that could pre-empt the radical left. While Sweden offered development aid, it was left to North Vietnam to define its use. The North Vietnamese government wanted a modern industry with a large component of technology transfer, and selected a sector where Sweden had advanced know-how. Consistent with the principle of "recipient orientation", the Swedish government agreed.

In Vietnam, the demands and destruction of war, bureaucratic rigidities and other bottlenecks, the closed nature of a political and social system restrictive in releasing information, particularly during wartime, made planning slow and cumbersome. The idea of constructing a modern paper factory in a remote region of North Vietnam in the early 1970s, and in addition aiming to have it Vietnamese run in four and a half years (at a cost of 770 million) was not only extremely ambitious; it was overoptimistic by any standards. The four year long preparatory planning phase had been marked by the conflict between unfulfilled technical requirements and political pressures in both Sweden and Vietnam. Technical and practical considerations had to give way to political commitment and in 1974 the two parties signed an agreement with the said content.

Moving into the construction period meant operating within the constraints of economic crisis and central planning, later also renewed war (conflict with Cambodia and China), all of which produced successive delays and cost overruns. The Vietnamese government made major efforts to speed up construction, but Bai Bang was only one of several projects struggling for its share of skilled manpower, construction materials, energy and transport capacity. Bureaucratic rigidities in

² Members of the team included economist David Vincent, CIE, team leader; economists David Pearce, Derek Quirke and Bob Warner, all CIE; auditors Nicholas Blower and Nguyen Quoc Dat, Price Waterhouse, Hanoi; management specialist Ngo Minh Hang, Vietnam Management Initiative, Hanoi University; engineer Allan Jamieson, North Forest Products, Australia; anthropologists Mandy Thomas, University of Western Sydney, Australia, Pham Quang Hoan, Institute of Ethnology, Hanoi, and Do Thi Binh, Centre for Family and Women Studies, Hanoi; and, economists Adam McCarty and Hoang Van Hoa, Institute for Economic and Development Studies, Hanoi University.

Vietnam led to waste and delays, as did lack of coordination between technical design in Sweden and construction on site. This was all compounded by problems of language, transport and mutual distrust. Rapid inflation during the second half of the 1970s was the single most important reason why the initial Swedish budgets were exceeded. Additional time and project components also accounted for a substantial increase in real cost.

When the factory was nearly ready (1980), Sida reversed earlier plans and offered continued support during the operations phase. There was complete Swedish-Vietnamese agreement on the need for this and plans were prepared jointly. The reasoning on the Swedish side was project as well as politically related. Having invested so much prestige and money into the project, Swedish authorities could not withdraw until they felt some measure of success was secured. The report gives an extensive account of considerations taken. During the first half of the 1980s, based on the prepared plans, Sweden became progressively involved in side-projects which emerged as problem-solving strategies to support the mill. On the Vietnamese side, reactions were mixed. On the one hand, additional aid was welcomed, but there was concern over Swedish pressure on labour rights and social welfare, and with Bai Bang's tendency to be a "cuckoo in the nest" absorbing resources from other reconstruction and development needs.

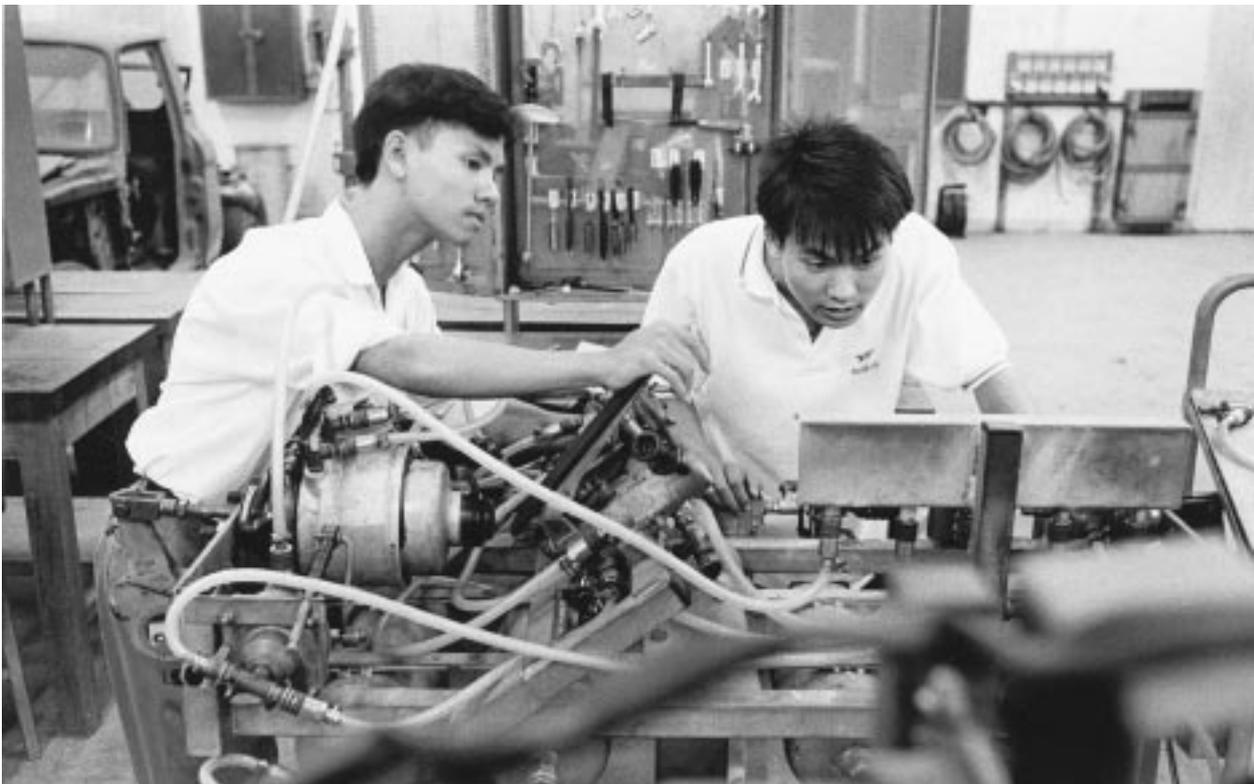
By 1985, both Sweden and Vietnam wanted to see an end to the aid for Bai Bang. Although tired of mounting costs, Sida instituted an exceptionally long-term and well-funded phase-out strategy (5 years and

SEK 500 million). The process report extensively discusses the factors and reasoning influencing Sida's strategy. The unusually generous commitment was apparently not based on any detailed analysis and calculation. Rather it originated from a tentative frame triggered within Sida. The consultant's influence was evident, and Sida, for fear of ending up with a 'white elephant', chose to play it safe.

In Vietnam, the original political rationale for the project had long since faded. A perceived effective transfer of knowledge had created confidence that Vietnamese managers and workers could run the mill. Moreover, national reforms carried promises of a more favourable environment for the factory. All the same, realizing the requirements of operating a 'Swedish' industrial enterprise, and to secure success of 'the model enterprise' in a changing economic climate, the Vietnamese did not oppose continued Swedish involvement.

Towards the end of the phase-out period, arguing mainly on the basis of a marked fall in production at the end of the 1980s, and, according to the report, out of self-interest in 'staying in business', the Swedish project consultant advised against Sida leaving the project in 1990 as planned. Sida, however, finding it increasingly hard to defend the project against vitriolic criticism at home, and no longer really wanting to find arguments for any further support (although there were several), stood by the phase-out plan. In the end, the project was saved by broader historical developments over which neither planners nor mill managers had any control - namely, by the economy gradually becoming effective in the 1990s.

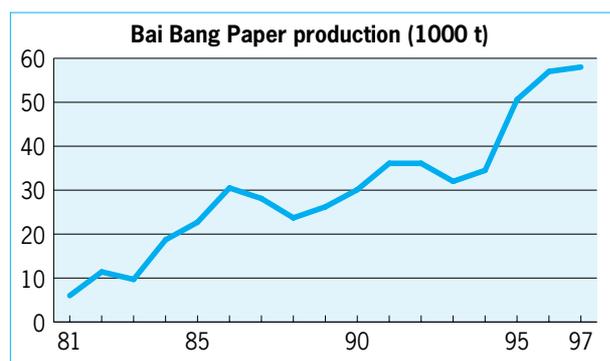
*The Vocational School in Bai Bang proudly claims to provide the highest quality of vocational training in Vietnam.
Photo: Bror Karlsson/Phoenix*



Project impact

Economic and financial viability. As discussed in the study on impact, Bai Bang is, contrary to the expectations of many, an example of a sustainable development project. Having received its capital as an aid transfer, the mill does not have to make a commercial return on this capital. This of course greatly improves the mill's prospects of achieving longer-term financial viability. The mill has low debts and a strong net asset base, though business liquidity is low. It is trading profitably and meeting its financial obligations to the Vietnamese government.

Mill profits are very sensitive to the price of paper and the volume of domestic pulp production, as shown by a sensitivity analysis carried out within the impact study. Only small cost reductions are needed for the mill to maintain profitability if and when tariffs on imported paper are removed, i.e. for the mill to become internationally competitive. The mill has several and good prospects for achieving cost reductions. If allowed complete financial independence, the mill has potential to fund the new investment needed to expand its production up to 100,000 tonnes per year. The mill would then be in a strong position to withstand import competition without tariff protection and to cope with a wide range of commercial challenges.



But Bai Bang is not financially independent, and mill performance is not yet economically secure. As a member company of the Vietnam Paper Corporation (VPC), a general corporation controlling the country's largest pulp and paper mills, Bai Bang is constrained from operating as an independent profit-maximizing business. VPC regulates the activities of these mills, restricting competition between them. VPC uses Bai Bang's profits to cross-subsidise other less profitable mills and controls its input purchases, product pricing and investment decisions. This is a threat to Bai Bang's long-term viability.

Economic impact. The mill has had a substantial impact on the regional economy. The district around the mill stands out as a pocket of wealth in a poor province. Average wages of mill workers are about twice those of other state enterprise workers and mill workers' living conditions are excellent. The presence of the mill has raised forest worker living standards considerably above those of local farmers (including those with potential to grow logs for sale to the mill). But the wages and living standards of forest workers are far behind those of mill workers.

Economy-wide, however, the project is too small to have any substantial impact: the mill represents a mere 0.09 per cent of Vietnam's GDP. In terms of forestry requirement the mill draws less than 1 per cent of Vietnam's forestry production. Productionwise the mill has a significant role: in 1996 it accounted for 26 per cent of the total paper production in Vietnam.

Production. The mill is being operated and maintained reasonably well. Substantial pulp imports and increased tariffs on imported paper have boosted production to around full capacity. New investments were recently introduced to improve paper quality, but further improvements are needed to withstand import competition in an increasingly demanding domestic market.

Concerns about the availability of logs for the mill were a persistent theme throughout the project's early life. Considerable resources were devoted to overcoming the shortage of log supply. A professional plantation programme is in place and log supplies are now adequate for mill needs, but the profitability of forestry operations is low. The greatly improved log supply situation has more to do with policy changes in Vietnam than with the Bai Bang project and the need to feed the mill. Liberalizations in land tenure arrangements have led to a massive expansion in tree planting. These liberalizations have authorized the allocation of state forest land to private individuals, facilitated land contracts with revenue-sharing arrangements between farmers and the raw materials company, and promoted a growing awareness of the economic advantages of reforestation (with environmental advantages as an effect), all greatly improving incentives for forest workers. Forestry activities are sustainable and delivering economic benefits to the region.

Human resources and social benefits. The project's contribution to human resource capacity building has been substantial. Relevant programmes and institutions put in place by the project include on-the-job training; transfer of knowledge programmes to enable handover to the Vietnamese; establishment of an effective vocational training school, which now trains workers for all Vietnam's paper mills; and, training of forestry workers on a large scale.

The project provides social benefits – through its generation of profits, payments to government revenue, contribution to hillside reforestation, provision of social services to the wider community, payments to workers, and payments for logs at prices higher than their value in other uses. The project also imposes social and human costs – through inevitable emissions from the mill (though pollution is small), and possibly also through Vietnamese consumers having to pay a higher price than necessary for their paper. Annual net social benefits exceed annual net social costs, according to a calculated estimate presented in the impact report.

Apart from some disquiet about the increasing social differentiation between households and the large gaps between the wages of mill and forestry workers, the benefits to workers and their families – higher wages, improved access to consumer goods, improved health, housing, transport, education and training opportunities, and a richer cultural life – have been delivered without adding to social problems. But the number of



The mill needs to reduce its operating costs by between 10 and 15 per cent to withstand international competition.

Photo: Anders Berlin.

beneficiaries is small relative to the region's population – around 25,000 jobs are sustained by the project in mill, forestry and closely dependent industries.

Life styles and culture. Although traditional lifestyles have changed, most people regard the change in livelihood – from shifting agriculture to stable farming and tree growing – as beneficial to family welfare. There is no evidence of overt discrimination against ethnic minorities in the region. Ethnic minorities have participated in the benefits of the project, including training designed specifically for their participation.

In the early years of the project, language and cultural barriers in combination with bureaucratic restrictions inhibited social and cultural exchange between the Swedes and the Vietnamese. Social tensions arose from time to time. This factor, though its exact role may be difficult to determine, undoubtedly had a negative effect on the development of the project. Both Swedes and Vietnamese, however, persevered to overcome differences and tensions, a driving element being an enduring goodwill extended by the Vietnamese to Sida and the Swedes working on the project. Cooperation atmosphere gradually improved over the years to the point where working conditions and management styles came to be key attributes learned from the Swedes.

Swedish experts introduced conventional Western style management principles with a Scandinavian flavour of equity and caring. It was not until 1989, when Vietnam's transition to a market economy began in earnest, that these principles could be effectively applied. Management practices at Bai Bang are admired throughout the state-owned enterprise sector and seen as superior to normal Vietnamese practice.

Value for money? It is probably correct, as many have argued, that the money spent on Bai Bang could have been put to better use in other sectors. Whether Sweden and Vietnam got value for money depends on what the alternative uses of the funds were, and also the valuation placed on the broader and more intangible benefits of the project.

If the Swedish money spent on Bai Bang had instead been invested in an interest-bearing account, and the interest used to finance general imports by Vietnam, the amount available in 1996 to finance imports

would have been several times the estimated net benefit for that year, as calculated in the cost-benefit analysis in the impact report. But this is a crude and impractical benchmark. For reasons discussed in the report, it is likely that the accumulated real value of resources transferred to Vietnam was less than Sida project outlays. On the other hand, there are important spillover effects of the project - such as directly promoting the reforestation of the region, as well as being a showcase for the design of the reform process - which have not been captured in the quantitative analysis.

Vietnam's paper needs are increasing rapidly. These must be met by domestic production and/or imports. Whether paper production is an efficient use of Vietnamese resources is a key consideration. Vietnam has a comparative advantage in growing pulp logs — high-rainfall mountain land with low-value alternative uses to forestry and a hardworking, low-income mountain area workforce. A capital-intensive mill may therefore still be consistent with the country's strong comparative advantage in labour-intensive activities.

The Swedish support was an official political manifestation with implicit political objectives. What exactly these objectives were at the beginning, what value that may be placed on them (e.g. the value placed on having demonstrated solidarity with the Vietnamese people), and to what extent they may be seen as having been achieved, has not been within the scope of this evaluation to assess. As for explicitly stated project objectives, the evaluators' summary assessment is that all have been met. In at least the latter sense, therefore, Sweden and Vietnam got value for money.

Lessons learned

The two reports discuss a number of general lessons to be learned for today's development cooperation efforts. Here is a summary of the main points.

1. The economic environment is decisive for the fate of a project - but can also be influenced by a project.

The development of market institutions, prudent macroeconomic management, open trade policies and promotion of competition are crucial to the success and long-term sustainability of development projects. While a project is dependent on a market-oriented economic environment, it may also help to promote an economic reform process.

Much of the reason why the Bai Bang mill and forestry activities are now sustainable is because of the changes brought about by economic reform (*doi moi* in Vietnamese). It is open to question but unlikely that the

creation of a sustainable forest development would at all have been possible without the changes in land tenure and the decollectivization of the forestry system. The immediate response to these changes was a demand for logs at a market price offered by the mill. The mill would almost certainly not be financially viable without the liberalization of the pricing system and the expanded autonomy given to state enterprises. Nor would its productivity performance have been achievable without the shift toward performance based remuneration. The spread of improved incomes in the districts surrounding the mill would not have been possible without the sanctioning of private business activities.

As an opposite effect, however, the project almost certainly helped the economic reform process. Firstly, it helped by directly exposing Vietnamese policy-makers to alternatives - in enterprise management, technological capabilities and wealth. This in turn gave Sweden a possibility to contribute to the discussion on how Vietnam could attempt to chart the difficult waters of economic and institutional change. Again, it was very fortunate for the project that Vietnam embarked upon its profound reforms just as the operational phase was being started.

2. Local ownership of projects is essential.

Bai Bang was a consultant-intensive project: 40 per cent of Swedish funds allocated for the project was spent on Swedish manpower. The number of expatriates was probably too high. Problems identified by successive review missions in the 1980s referred to worker incentives and supply of domestic raw materials as the main bottlenecks. Sending Swedish experts was clearly not the most productive way to address these problems, and might well have been counterproductive by emphasizing the Swedish character of the project and reducing incentives for the Vietnamese to manage it as efficiently as possible within their capacity.

Sida was highly dependent on its consultants, WP-System and later Scanmanagement, when assessing types and levels of expatriate input. The consultants consistently emphasized Swedish know-how as a guarantor against failure. Sida failed to ensure that review missions included sources of alternative thinking, thereby impeding local ownership.

3. Measures to stimulate locally initiated institutional reforms and incentive structures are frequently a more constructive donor strategy than conditionality.

Both Vietnamese and Swedes assumed that the aid relationship would be based on equality and solidarity. The high costs and risks of Bai Bang, and North Vietnam's concern with sovereignty and security, challenged this expectation. As early as in the planning phase, Vietnamese authorities and Sida fought over the definition of the project. Recognizing the risks of building a modern industrial project in a backward region of a state of which one had minimal information and was granted limited freedom of movement, Sweden wanted to tighten controls through the agreement and through a strong project presence. Hanoi resisted. Subsequent delays and cost overruns sharpened the conflict over project control. Also, Sida wanted the mill to control its wood supply. The Ministry of Forestry resisted.

When the Swedish press published reports of forced labour in forest enterprises supplying Bai Bang, matters came to a head. Increasingly, the donor introduced conditionality, such as requiring Vietnam to modify basic administrative structures. Conditionality mostly failed, either because the demands were unrealistic, or because they were not seen as credible (Vietnam knowing that Sweden could not easily disengage). Measures that stimulated reforms already under way, were more successful. Sida helped Vietnamese authorities to improve management structures and incentive systems in the mill, and the living conditions of forestry workers, and did so at a time when national reforms worked in the same direction.

4. Adapting modern technology to a new resource environment and social organization requires special efforts to understand and consider the cultural, social and institutional setting.

Bai Bang demonstrates the problems inherent in adapting modern technology to a new resource environment and social organization. The technological bias in what was conceived mainly as a construction project initially led to a neglect of the institutional and social setting.

The problem of securing raw materials caused the introduction of several inappropriate technologies in the forestry sector. Throughout the project there was a tendency to seek "Swedish solutions" to problems that required other remedies. Project planners' learning to adjust for mistakes was slow and painful, much due to a poor understanding of the cultural context and its implications. Training in language, and cultural and political skills remained probably the most neglected aspect of the project.

Understanding the social and institutional setting requires well-functioning channels for interaction between cooperating partners. They should cover mechanisms for adjusting project elements to accommodate shifting priorities and changes in the project environment, and for speedy resolution when there is conflict. At the project level in Bai Bang, however, effective structures for interaction were missing.

5. For the survival of a long-term cooperation, political vision and continued high level commitment can prove a necessary complement to rational planning. For project success, however, a conducive economic environment is also required.

Bai Bang's origins as an expression of political solidarity had distinct consequences. Sida's own feasibility studies first branded the idea as uneconomical, and the project would not have been approved had it not been for the strong and consistent national political backing on both sides. Also, without such support, the project would hardly have survived the crisis in Vietnam's economy and successive budget overruns. What saved the project at a still later stage, however, when 'the political rationale' for continued Swedish support had faded, was Vietnam's turn to economic reform (*doi moi*). Thus, although political will and perseverance were crucial for project survival in the early years, it was economic reform that in the end made Bai Bang sustainable. ■

Posttidning B

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