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## **Comments of the Independent Office of Evaluation of IFAD on the Country Strategic Opportunities Programme 2026-2031 for the Lao People's Democratic Republic**

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**Action:** The Executive Board is invited to review the comments of the Independent Office of Evaluation of IFAD on the country strategic opportunities programme 2026–2031 for the Lao People's Democratic Republic.

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# Comments of the Independent Office of Evaluation of IFAD on the Country Strategic Opportunities Programme 2026-2031 for the Lao People's Democratic Republic

## I. General comments

1. The Independent Office of Evaluation of IFAD (IOE) completed its first country strategy and programme evaluation (CSPE) for the Lao People's Democratic Republic in January 2025 and presented the report at the 129<sup>th</sup> session of the Evaluation Committee in June 2025. The findings and recommendations were discussed with Committee members and Management. The CSPE assessed the 2011–2023 portfolio, which included nine loan-funded projects: Rural Livelihoods Improvement Programme in Attapeu and Sayabouri (RLIP); Northern Region Sustainable Livelihoods through Livestock Development Project (NRSLLDP); Sustainable Natural Resource Management and Productivity Enhancement Project (SNRMPEP); Soum Son Seun Jai - Community-based Food Security and Economic Opportunities Programme (SSSJ); Southern Laos Food and Nutrition Security and Market Linkages Programme (FNML); Northern Smallholder Livestock Commercialization Project - Rural Financial Services Programme (NSLCP-RFSP); Agriculture for Nutrition – Phase 1 (AFN I); Partnerships for Irrigation and Commercialization of Smallholder Agriculture Project (PICSA) and Agriculture for Nutrition – Phase 2 (AFN II) with a total cost of US\$341.8 million, of which US\$118.1 million was financed by IFAD. It also reviewed 39 grants and non-lending activities, including on policy engagement, partnerships and knowledge initiatives. The CSPE provided the primary evidence base for the formulation of the forthcoming country strategic opportunities programme (COSOP).
2. The evaluation found that overall portfolio relevance was moderately satisfactory. The portfolio broadly addressed country needs via alignment with country policies and added value through IFAD's corporate priorities. The 2011 COSOP introduced sectoral project approaches and deepened partnerships with the Asian Development Bank (ADB), World Food Programme (WFP) and National Agriculture and Forestry Research Institute; farmer groups also took on a more prominent role. The 2018 COSOP confirmed the ADB and WFP partnership and approach, with a focus on irrigation and markets for food crops in less-poor areas through PICSA. It continued IFAD's focus on nutrition-sensitive agriculture in upland and poor communities through AFN I and II. It also continued support for decentralization, farmer groups and raising the profile of the Lao Farmer Network as a strategic national partner. Formal land-use rights were less of a strategic focus. Projects helped to increase food production and individual capacities were built.
3. Notwithstanding these results, the 2011 COSOP projects were not as successful. New cofinancing modalities required new implementation processes and skills, while commercial crops supported by projects did not anticipate adverse environmental impacts. While the 2018 COSOP projects were effective, the dual approach reduced coherence within the programme and also reduced potential for engagement in policy dialogue with development partners in the country. The weakest points in the portfolio were: low efficiency; uncertainty in the approach to creating value through farmer group-enterprise contracts; and low sustainability of small infrastructure works. Impact data was lacking and from the available evidence it was not clear how projects contributed to the increase in assets observed in several project sites.
4. The CSPE made five recommendations to guide the new COSOP. First, it recommended that IFAD adopt a sustainable approach to ensure continued

in-country presence and engagement. Second, it suggested that key decisions for cofinancing consider both coherence and potential trade-offs. Third, it urged a redefinition of IFAD's approach to enhancing farmer group sustainability and making these groups more inclusive. Fourth, it recommended the future COSOP specify its approach to climate resilience, natural resource management (NRM) and the needs of people with limited land access. Finally, it urged IFAD to establish transparent systems for reporting operational costs, with clear financial ceilings.

5. The Lao People's Democratic Republic's new COSOP (2026-2031) aims to contribute to reducing poverty and enhance the living standards and well-being of rural households, with particular attention to women, youth and marginalized groups. It pursues two objectives: (i) enhance the resilience and production capacity of smallholder rural households through climate-resilient, inclusive and nutrition-sensitive farming systems; and (ii) catalyse inclusive value chains and empower producers – especially women, youth and ethnic groups – and agribusiness micro, small and medium-sized enterprises to expand market access and drive green growth. These objectives will guide IFAD's investments and non-lending work over the next six years.
6. The new COSOP acknowledges the CSPE both in a section on lessons learned and in an amendment to a proposed targeting strategy that would inform IFAD approaches in the country. In the former, the COSOP proposes four strategic shifts that respond to CSPE recommendations, on: (i) groups and cooperatives; (ii) pro-poor, climate-resilient value chain-based approaches; (iii) scaling up viable digital solutions; and (iv) "right-sized" policy engagement, scaled to the portfolio and country presence. The new COSOP maintains IFAD's focus on inclusive value-chain approaches and continues to provide expertise in nutrition interventions. However, several areas would benefit from sharper operational guidance to ensure that the CSPE's intent is fully realized during implementation.

## II. Specific comments

7. **Institutional sustainability.** The COSOP could be more demanding and ambitious in spelling out sustainable processes and solutions. The CSPE identified efforts to sustain public extension services as unsuccessful due to frequent changes in administrative processes, weaknesses in monitoring pilots, the temporary nature of district extension jobs and dependence on international funding. Sustainability of infrastructure was also identified as a weakness, including a lack of operation and maintenance structures at the group and community levels. In response, the COSOP mentions that IFAD would directly support government decentralization efforts through improved provincial, district and village development planning, implementation and management capacities. It also includes developing an operation and maintenance guide as a non-lending activity. The strategy could clarify the nature of IFAD's support to state decentralization and how group-centred capacity-building activities would address operation and maintenance for groups and communities, including the support role of financial services.
8. **Targeting.** The COSOP maintains its focus in aligning targeting, with poverty data-informed Decree 348 (the AFN targeting model). It also prioritizes geographic targeting, which includes remoteness in northern and southern provinces as a criterion and indicator. The reinforced mainstreaming of youth is a welcome addition, as is the inclusion of young people and women into agricultural production groups along with existing financial services. Nonetheless, a targeting contradiction identified by the CSPE persists. The CSPE mentions that while IFAD's work in less-poor communities was relevant and aligned with its global targeting strategy, the 2018 COSOP could have clarified how the participation of better-off and poorer communities in the PICSA approach would be balanced. The new COSOP identifies productivity and market projects (PICSA and Laos Higher Education for Accelerated Development) as targeting poor and non-poor

smallholders, with a specific mention of non-poor smallholders and tailored packages for marginalized groups (identified via participatory dialogues and poverty surveys). The strategy could consider additional targeting mechanisms that identify clear roles for non-poor smallholders. Similarly, local targeting that identifies irrigation and intensification potential should include measures that limit elite capture.

9. **Financial inclusion.** After the limited success of IFAD's engagement with rural financial services identified by the CSPE, the new strategy engages more deeply with the financial sector and this engagement is mainstreamed across strategy and activities. The strategy could be more forceful in anticipating some of the sustainability-linked actions for financial services, such as connecting agricultural production groups with financial services (including village bank networks) early on. This would ensure that their capacity is built and cement relationships between communities and financial institutions from project inception. Finance pilots through banks and other financial institutions should include established actors such as village bank networks, the Lao Women's Union and the Bank of the Lao People's Democratic Republic early on. Finally, financial institutions should be involved in capacity-building and operation and maintenance arrangements for rural infrastructure.
10. **Natural resource management, climate change resilience and sustainability.** The CSPE identified various NRM and climate change resilience issues, which the new strategy addresses in part. It is positive to see outcomes in strategic objective 1 focusing explicitly on climate-resilient farming systems and taking into account animal breeds – one of the strengths identified by the CSPE. Nonetheless the strategy could consider several additional issues. First, one of the COSOP's theory of change assumptions was that environmental conditions are expected to remain quite stable. Taking increased vulnerability to climate change-induced disasters into account could sharpen the strategy's relevance and logic. Similarly, the CSPE identified tools and actions developed by project partners (such as ADB) that addressed NRM issues. The strategy could go further in learning from – and sharing experience with – partners in this domain. Finally, the new COSOP mentions Government's interest in promoting high-value crops including cassava (knowledge exchanges in high-value crops will be pursued through South-South and Triangular Cooperation). The CSPE identified the uncontrolled expansion of high-value crops such as coffee and cassava as detrimental to sound NRM in the portfolio. The new COSOP should include mechanisms that address NRM issues related to promoting high-value crops.
11. **Non-lending activities and in-country engagement.** The CSPE's first recommendation centred on formalizing a country programme coordinator. The agreement at completion point partially agreed with the recommendation, arguing that the feasibility of formalizing the function of coordinator would be assessed, while noting that the new Bangkok regional office would increase engagement and other functions. The COSOP outlines the country programme management structures, noting that a country director and project delivery teams are based in the region, and that the coordinator's functions are being undertaken by a consultant. Considering the non-lending interventions proposed in the new COSOP and the coordination required to bring in non-resident teams for project design, supervision and non-lending activities, the COSOP should clarify how envisioned non-lending activities would match the strategy's ambitious development objectives given the country programme coordinator's unchanged institutional profile.
12. **Resource risk management.** The COSOP outlined various transition scenarios (appendix III) in which the Lao People's Democratic Republic is expected to graduate from least developed country status. The COSOP states that no scenario envisages changes in access to IFAD financing. More importantly, the COSOP seeks

to strengthen government capacity to lower the debt burden by improving the performance of the agricultural sector (e.g. through strategic objective 2). The COSOP notes the opportunities for climate finance and other supplementary resources, which could strengthen the impact of project activities and reduce the debt burden for these actions.

### **III. Final comments**

13. The new COSOP aligns well with national development goals and with the CSPE recommendations. This is particularly the case in terms of inclusive value chains, climate resilience and nutrition. However, several operational elements could benefit from clarification. These include: measures for institutional sustainability; targeting measures that include non-poor people; measures to include existing financial institutions and expertise into operations; and NRM strategies that limit the negative impacts of high-value crops. The COSOP could benefit from further explanation about how non-lending activities will be carried out with existing IFAD resources. Finally, while risk management has been assessed, the new strategy may consider how to support the Government in addressing national debt sustainability and reinforcing the agricultural sector's role and contribution. Since the agreement at completion point has already been signed, IOE recommends that the new COSOP's midterm assessment revisit and respond to the points raised by IOE in these areas.