
**Lao People's Democratic Republic
Country strategic opportunities programme
2026–2031**

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Action: The Executive Board is invited to review the country strategic opportunities programme 2026–2031 for the Lao People's Democratic Republic.

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Map of IFAD-financed operations in the country



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 19-08-2025

Executive summary

A. Introduction

1. This country strategic opportunities programme was prepared with the Government of the Lao People's Democratic Republic and stakeholders, drawing on the Independent Office of Evaluation of IFAD country strategy and programme evaluation (2024) and the 2018–2025 country strategic opportunities programme completion review (2025). It will guide IFAD-financed operations and partnerships during the period 2026–2031, in alignment with Government and IFAD priorities.
2. The Lao People's Democratic Republic (with a population of 7.7 million, 65 per cent of it rural) is a lower-middle-income country. Despite progress in poverty reduction over the past two decades, challenges remain in food security, nutrition, income stability and diversification.
3. The food sector is impacted by low productivity, limited access to modern inputs, climate vulnerability, land fragmentation, tenure insecurity and infrastructure gaps. There is limited value addition in the agriculture sector, leading to low incomes and lack of proper access to technology, with significant post-harvest losses.
4. Women, youth and ethnic groups have limited opportunities and little access to assets and services.

B. Overall goal and strategic objectives

5. The country strategic opportunities programme's goal is to reduce rural poverty, raise rural living standards and increase well-being, in alignment with Lao People's Democratic Republic's 10th National Socio-Economic Development Plan (2026–2030), through two interlinked strategic objectives.
6. **Strategic objective 1:** Enhance the resilience and production capacity of smallholder rural households through climate-resilient, inclusive and nutrition-sensitive farming systems.
7. **Strategic objective 2:** 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.

C. Financing

8. The country strategic opportunities programme will be financed under the Twelfth and Thirteenth Replenishments of IFAD's Resources.¹ The current allocation is US\$47.539 million. Additional resources will be mobilized through cofinancing and climate funds to heighten resilience and scale impact.

¹ The borrower confirmed willingness to borrow under IFAD13 on 25 March 2025.

Lao People's Democratic Republic

Country strategic opportunities programme

2026–2031

I. Country context

A. Socioeconomic context

1. The Lao People's Democratic Republic is a land-locked country in South East Asia, bordered by China, Viet Nam, Cambodia, Thailand and Myanmar. Its terrain is predominantly mountainous,² with roughly 70 per cent of the country covered by forests,³ posing challenges for infrastructure development and agricultural expansion.
2. The country has an estimated population of 7.7 million (2023), spread across some 8,400 villages in 148 districts in 18 provinces, with over 65 per cent residing in rural areas.⁴ Population density is low and uneven, making the delivery of services and infrastructure a challenge.
3. The Lao People's Democratic Republic has a developing economy driven by agriculture, hydropower, mining and tourism. The composition of its GDP in 2023 was reported as agriculture at 21 per cent, industry at 33.2 per cent and services at 45.9 per cent.⁵ The Lao economy remains vulnerable to external shocks, including commodity price fluctuations, and to climate risks.
4. The country has substantially reduced poverty over the past two decades.⁶ Its current poverty rate stands at 31 per cent, based on the low-income country poverty line of US\$3.65 per day (2024). According to the latest data from 2022, using a broad measure of well-being developed by the Government, 21 per cent of rural households can be classified as poor.⁷ Rural poverty remains deeply entrenched in remote upland areas and among ethnic groups.
5. Gross national income (GNI) per capita stood at US\$2,111 in 2023, putting the country in the lower-middle-income category.⁸ However, progress has slowed post-COVID, with annual GDP growth falling from 6-7 per cent (pre-pandemic) to 4.1 per cent in 2024.⁹ This slowdown has adversely affected job creation, rural investment and public service delivery.
6. The country is grappling with an economic and debt crisis, leading to continued dependence on official development assistance. Public debt is at unsustainable levels, and macroeconomic instability continues to constrain growth¹⁰ amid inflation and currency depreciation.¹¹
7. Women have few economic opportunities and assets and are concentrated in informal, low-paid work or unpaid family labour. They have limited access to resources and assets due to patriarchal inheritance customs despite accounting for just above 50 per cent of the agricultural workforce.¹²

² Earth Site Location. <https://www.earth-site.co.uk/Education/terrain-and-topography-of-laos-mountains-valleys-and-plains/>.

³ [Understanding forest area figures from the FAO Global Forest Resources Assessment 2020 and the Department of Forestry Forest Assessments](#) (FAO, 2021).

⁴ *Population and Housing Census* (Lao Statistics Bureau, 2023).

⁵ The World Factbook, Laos (CIA, 2023).

⁶ *Lao People's Democratic Republic Poverty Assessment* (WB, 2021).

⁷ *Poverty Data Report* (MAE, 2022).

⁸ *GNI per Capita Data* (WB, 2023).

⁹ *Lao People's Democratic Republic Economic Growth Requires Reforms for Stability* (WB, 2024).

¹⁰ *Lao People's Democratic Republic Economic Monitor: Reforms for Stability and Growth* (WB, 2024).

¹¹ *Lao People's Democratic Republic Economic Outlook* (ADB, 2024).

¹² [Country Gender Assessment of Agriculture and the Rural sector in Lao People's Democratic Republic](#) (FAO, 2018).

8. The cumulative school dropout rate from the start of primary school to the end of upper secondary school is reported to exceed 70-75 per cent.¹³ Youth face unemployment and underemployment due to a mismatch between skills and labour market demand. Limited local opportunities drive rural youth migration to urban areas and neighbouring countries.
9. The Lao People's Democratic Republic officially recognizes 49 ethnic groups,¹⁴ many of which reside in remote upland areas and have poorer service access and limited livelihood options. Rapid modernization and resettlement programmes have eroded traditional languages, knowledge systems, practices and social structures, heightening their marginalization.

Table 1
Country indicators

<i>Indicator</i>	<i>Data</i>	<i>Reference year</i>	<i>Data source</i>
GNI per capita	\$2,111 (atlas method)	2023	World Bank (WB)
GDP growth	4.1%	2024	Asian Development Bank (ADB)
Public debt (% of GDP)	108%	2023	ADB
Debt service ratio	28.2% of exports	2022	WB
Debt to GDP ratio	108%	2023	ADB
Inflation rate (%)	31%	2023	WB
Population size	7.7 million	2023	United Nations Population Division
Population, female	49.7%	2022	WB
Youth population	19.5%	2023	United Nations Population Division
Unemployment rate	0.8%	2023	International Labour Organization
Fragility index	73.8 (moderate)	2024	Fragile States Index
INFORM Risk Index	3.6 (medium risk)	2025	INFORM Report 2025

B. Transition scenario

10. The Lao People's Democratic Republic will remain a lower-middle-income country in all transition projections covering the new COSOP implementation period (appendix III). However, it is expected to move out of least developed country (LDC) status by the end of 2026 following its progress in meeting the necessary criteria, including improvements in income and human assets. Its forthcoming shift from LDC status is not expected to impact its access to IFAD finance, since access is primarily based on country income cut-offs, creditworthiness and debt distress assessments. IFAD must continue close surveillance of debt indicators and macroeconomic trends, as any deviation towards the low-case scenario would increase the risk of repayment difficulties or further fiscal tightening, which would negatively impact the Government's investment to alleviate poverty and the country's ability to implement IFAD-financed projects and provide counterpart financing. Conversely, the high-case scenario would entail a more stable operational environment in which IFAD financing could more effectively contribute to rural transformation and poverty reduction.

C. Food system, agricultural and rural sector priorities

11. The Lao People's Democratic Republic's food system is predominantly rural and subsistence-based,¹⁵ with agriculture employing 70 per cent of the workforce in 2023.¹⁶
12. Smallholder farmers dominate agricultural production. The average farm size has shrunk to 1.5 hectares due to population growth¹⁷ and land fragmentation, limiting economies of scale and mechanization.

¹³ [UIS Data Browser](#) (UNESCO, 2025).

¹⁴ <https://minorityrights.org/country/laos/> (Minority Rights Group).

¹⁵ While about 70 per cent of farming households cultivate rice, only 5 per cent do so for commercial purposes (FAO/CIRAD, 2022).

¹⁶ [Economic Update Lao PDR](#) (WB, 2023).

¹⁷ *Lao Rural Livelihoods in Times of Crisis: Evidence from a Qualitative Community Survey* (WB, 2022).

13. Micro, small and medium-sized enterprises (MSMEs) drive farm-to-market transitions, create rural jobs and dominate non-farm employment. Largely family-run mills, processors, traders and retailers with limited capital, they supply farmers with seed, fertilizers, tools and equipment and link smallholders with domestic markets (wet markets, supermarkets) and export channels (Viet Nam, Thailand, China).

Challenges and opportunities

14. Key challenges include rural poverty, food insecurity and malnutrition, climate vulnerability, declining biodiversity, land degradation, tenure insecurity, infrastructure deficits, limited access to technology and finance and poor digital connectivity. Rural-urban and cross-border migration, particularly of youth, further reduces the agricultural labour force and undermines the sustainability of farming households.
15. The prevalence of moderate or severe food insecurity in the total population was reported to be 36.3 per cent in 2023.¹⁸ Stunting among children under 5 remains high at about 33 per cent, highlighting chronic malnutrition and persistent dietary diversity gaps, especially in rural and ethnic communities.
16. Global warming is intensifying droughts, floods and erratic rainfall, disrupting crop cycles, especially that of rice. Deforestation, land concessions, unsustainable practices and soil erosion reduce arable land and productivity. Complex and costly titling procedures, combined with weak enforcement and slow land registration, discourage investment.¹⁹ Unexploded ordnance clearance further complicates land use, with around 25 per cent of villages affected.
17. Limited climate-resilient infrastructure and marketing facilities impede farmers' access to markets. Only 15 per cent of rural roads are paved,²⁰ and maintenance is poor, while scarce storage and processing facilities drive post-harvest losses.²¹ High risk and transaction costs restrict smallholder credit and input access, with only 8 per cent of agricultural lending reaching small producers.²²
18. Agricultural production is hardly modernized and heavily reliant on unprocessed exports (e.g. rubber, cassava, food crops), with limited value addition and low competitiveness in domestic, regional and global markets.²³ This reduces smallholder incomes and constrains agrifood upgrading. Despite government support, MSMEs face persistent barriers to accessing finance, advisory services, technology and digital tools, limiting their ability to expand and integrate into value chains.²⁴
19. Opportunities include a government rural development strategy targeting underserved areas, allowing for more inclusive services and infrastructure. Investments in rural roads, climate-resilient infrastructure, productivity and enterprise can drive transformation. The Lao People's Democratic Republic's large youth population remains an untapped asset if barriers to skills, finance, digital access and market opportunities are eased.
20. The Government aims to shift towards market-oriented systems, promote high-value crops (coffee, cassava, bananas) and issue 1.6 million land certificates, prioritizing women and ethnic groups. The country's location in the heart of the Mekong subregion also offers opportunities to expand cross-border trade.

¹⁸ [*The State of Food Security and Nutrition in the World 2024 – Financing to end hunger, food insecurity and malnutrition in all its forms*](#) (FAO, IFAD, UNICEF, WFP, WHO, 2024).

¹⁹ *Land Sector Review* (WB, 2020); *Global Forest Watch* (WB, 2021).

²⁰ *Rural Infrastructure Assessment* (ADB, 2023).

²¹ ADB, 2019; WB, 2020.

²² Bank of Lao, 2024.

²³ *Evaluation of the implementation of the 9th Five-Year Agriculture, Forestry and Rural Development Plan* (MAE, 2025).

²⁴ *Access to Finance for MSME in Lao PDR* (WB, 2024).

21. Under government leadership, and in synergy with the work of other development partners, the COSOP will contribute to these transformations by supporting agricultural producer groups (APGs) and MSMEs to meet export standards, pursue import-substitution opportunities and improve food security and nutrition. It will invest in climate-resilient infrastructure and scale up information and communications technologies for development (ICT4D) solutions, where feasible, building on and leveraging initiatives of other partners. MSMEs will be engaged as input suppliers, aggregators, processors and transporters along priority value chains.

Government policy and institutional framework

22. The Lao People's Democratic Republic has a strong agriculture and rural development policy framework. The 10th National Socio-Economic Development Plan (NSED) (2026–2030) prioritizes green growth, higher living standards, environmental protection, climate resilience and disaster risk reduction.
23. Complementary strategies include the Agriculture, Forestry and Rural Development Plan (2026–2030), the Natural Resources and Environment Plan, the National Adaptation Plan (2025–2035), the Trade and Private Sector Development Roadmap (2022–2026), the Ministry of Industry and Commerce (MoIC) Roadmap and the National Plan of Action on Nutrition (2021–2025).
24. In June 2025, the Government merged four key ministries in an institutional restructuring to boost efficiency and performance (appendix II, key file 3).

II. IFAD engagement: lessons learned

A. Results achieved during the previous COSOP

25. The 2018–2024 COSOP delivered strong measurable gains in smallholder productivity, resilience and food security, while non-lending work seeded practical innovations and platforms off a relatively small total IFAD envelope of loans and grants.
26. Key lending achievements: approximately 55,000 households adopted climate-smart practices (290 per cent of the COSOP target), 46,000 increased production (310 per cent), 40,000 reduced food insecurity (169 per cent) and 31,800 raised incomes (88 per cent). The endline of the Agriculture for Nutrition Project – Phase 1 (AFN I) shows that 85 per cent of targeted households moved above the poverty line; the Partnerships for Irrigation and Commercialization of Smallholder Agriculture Project (PICSA) reports 60–74 per cent yield gains and was scaled up. Nutrition outcomes were mixed: women's dietary diversity lagged, yet Farmer Nutrition School (FNS)/Village Nutrition Plan (VNP) models proved replicable and are scaling. Rural finance and youth jobs underperformed (cancellation of the Rural Financial Services Programme [RFSP]; 34 per cent of the youth-employment target).
27. Non-lending focused on nutrition convergence (district nutrition committees (DNCs)/FNS/VNP), national food systems dialogue, Network for Agriculture and Rural Development Think-tanks policy work, digital/knowledge management (KM) pilots (farmer registry, targeting tools, the Project Monitoring and Information System [PROMIS]/the Strengthening Agro-climatic Monitoring and Information System [SAMIS]) and Mekong exchanges.

B. Lessons from the previous COSOP and other sources

28. The country's experience over the past 10 years has yielded several key lessons and recommendations regarding both strategic and operational aspects of IFAD's work, as highlighted in the country strategy and programme evaluation (CSPE) and the COSOP completion review.
29. The lessons indicate that IFAD's focus on the food-insecure poor was relevant for many contexts, but there is also a need to work more closely with rural

entrepreneurs and enterprises to drive inclusive rural growth. Effective targeting requires context-specific strategies that ensure the meaningful inclusion of ethnic groups, youth and landless households, particularly where infrastructure and services are limited. With respect to land, IFAD learned that it should not directly engage in issuing titles; this must be led by government and handled sensitively. With respect to rural finance, partnerships should be with regulated financial institutions rather than ministries, reflecting IFAD policy and the RFSP experience. The experience with nutrition programmes in the country has shown that multisectoral collaboration for nutrition using the convergence approach is effective.²⁵ Gender mainstreaming works best when properly staffed and structural barriers are addressed (e.g. access to land under the 2019 Land Law). In monitoring and evaluation (M&E), setting realistic targets and ensuring full reporting (e.g. youth employment) are critical.

30. Agricultural extension serves smallholders best when decentralized, demand-driven and value-chain connected. Scaling innovations works when solutions are simple, practical and tailored to local conditions. Sustainability increases when activities align with national policies, decentralization and institutional capacity; the mixed sustainability of APGs and water user groups (WUGs) and the need to embed operations and maintenance (O&M) and financing early on were noted. The use of digital tools (e.g. PROMIS, SAMIS, Digital Farmer Registry) should be increased to reduce transaction costs and expand access to information, finance and markets.
31. In line with the CSPE agreement at completion point (ACP), endorsed by IFAD and the Government on 26 May 2025 (appendix VI), the new COSOP will pursue four strategic shifts. First, it will re-envision APGs and cooperatives as sustainable member-focused institutions with clear access-to-finance pathways. This will include capacity-building and linkages to financial service providers (FSPs) and promote stronger women's leadership. At the same time, local entrepreneurs and MSMEs will be elevated as core partners for aggregation, services and market access (ACP recommendation 3). Second, the COSOP will adopt a pro-poor, climate-resilient value chain approach that systematically addresses bottlenecks along critical chains and increases the adoption of climate-resilient practices and natural resource management (ACP recommendation 4). Third, it will scale up viable digital solutions to improve access to information, finance and markets and reinforce national M&E systems – for example, through farmer registries, e-payments and data platforms (ACP recommendation 5). Finally, policy engagement will be “right-sized,” focusing on priority areas such as nutrition and inclusive rural producer organizations, in line with the scale of the portfolio and country presence.

III. Strategy for transformational country programmes

A. COSOP theory of change

32. The COSOP theory of change (ToC) has identified several pathways that can help to address some key barriers and contribute to rural poverty reduction, food and nutrition security, higher incomes and improved living standards for rural households (appendix XIII). The ToC is summarized below.
33. **IF** rural smallholders are given access to quality inputs, appropriate equipment and training in climate-resilient practices and are organized into APGs/cooperatives with improved governance, business services and explicit linkages to FSPs; and **IF** rural producers partner with local entrepreneurs/MSMEs to meet quality and safety standards and aggregate and market produce (including via digital tools); and **IF** investments are made in productive infrastructure (irrigation, rural roads, storage/processing); and **IF** a conducive enabling environment is fostered through multisectoral coordination, targeted policy support and knowledge generation;

²⁵ AFN II Project Design Report (IFAD, 2022).

34. **THEN** the programme will contribute to less rural poverty, greater food and nutrition security and more resilient, sustainable livelihoods;
35. **BECAUSE** these combined efforts will lead to: intensified and diversified production; improved household food availability and incomes; increased consumption of nutritious, locally available foods; stronger, more sustainable producer organizations that provide services and facilitate access to working capital and financial services through partnerships; more sustainable natural resource management and climate-resilient practices; better physical and digital connectivity to markets; and inclusive business partnerships that expand market opportunities.
36. Key assumptions are that: smallholders are willing to participate and adopt improved practices; enterprises and FSPs are willing and able to collaborate in target areas (with IFAD facilitating links, not operating credit lines); markets remain accessible and remunerative; local institutions can deliver and sustain services; and political, economic and environmental conditions remain sufficiently stable to allow uninterrupted implementation and long-term impact.

B. Overall goal and strategic objectives

37. The goal of the COSOP will be to contribute to poverty reduction and improve the living standards and well-being of rural households, with particular attention to women, youth and marginalized groups.
38. The COSOP is aligned with the 10th NSEDP (2026–2030) and the strategies and plans outlined by key government agencies. The COSOP is also well-aligned with United Nations Sustainable Development Goals (SDGs) 1 (no poverty), 2 (zero hunger), 3 (good health and well-being), 5 (gender equality), 8 (decent work and economic growth), 13 (climate action), 15 (life on land) and 18 (lives safe from unexploded ordnance, specific to the country).
39. In line with the Lao People's Democratic Republic and IFAD's strategic objectives, the country programme will pursue the following two interlinked strategic objectives in the country during 2026–2031. The potential synergies across different intervention areas and outcomes will be pursued and trade-offs clearly balanced through good agricultural practices and climate adaptation measures for mitigation and trade-offs.
40. **Strategic objective 1: Enhance the resilience and production capacity of smallholder rural households through climate-resilient, inclusive and nutrition-sensitive farming systems.** To achieve this objective, the COSOP will focus on building smallholder farmers' production diversification capacity and increasing their adoption of climate-resilient, nutrition-sensitive farming practices and technologies that boost productivity and reduce workloads.
41. **Outcome 1.1:** Improved agricultural productivity through: (i) strengthening of the technical, digital and organizational capacities of APGs and WUGs; (ii) improvement of extension services; and (iii) climate-resilient infrastructure, crop and livestock diversification, integrated soil and water management, organic farming and good agricultural practices to promote resource efficiency, ecosystem protection and food safety practices in line with the Government's Green Growth Strategy.
42. **Outcome 1.2:** Improved nutritional status of rural households, especially women and children, through: (i) the introduction of nutrition-sensitive agricultural practices, farming systems and value chains; (ii) nutrition and food safety training, including training on the importance of diversified diets, food hygiene and health risks from pesticides; and (iii) investments in school-based nutrition.
43. **Outcome 1.3:** Natural resources managed more sustainably and farming systems made more climate-resilient, contributing to greater biodiversity, lower greenhouse gas emissions and improved ecosystem services. This will be undertaken through

the use of climate-adaptive practices, plant varieties and animal breeds in diversified farming systems and sustainable forest management practices.

44. **Strategic objective 2: Catalyse inclusive value chains and empower producers – especially women, youth, and ethnic groups – and agribusiness MSMEs to expand market access and drive green growth.** To achieve this objective, the country programme will enhance the capacity of APGs, young entrepreneurs and agribusiness MSMEs through greater access to markets, finance, business development services, digital innovations and facilitated partnerships that foster an enabling policy and institutional environment.
45. **Outcome 2.1:** Better physical and logistical access to markets for APGs and agribusiness MSMEs as a result of investments in roads, processing and storage facilities that will facilitate commercial production and aggregation, promote APG access to rural finance and further explore the potential for linking APG engagement with the village bank network and partnerships with the Lao Farmer Association, among other institutions.
46. **Outcome 2.2:** Greater capacity and improved business linkages between rural producer organizations and agribusiness MSMEs in agricultural value chains through: (i) training in business planning and development; (ii) the building of formal agribusiness partnerships and networks; (iii) access to financial services tailored to their needs by piloting funding through banks and financial institutions; (iv) deployment of digital technologies for information and market access.
47. **Outcome 2.3:** An enabling business environment supported by multi-stakeholder collaboration that promotes inclusive policies, multisectoral planning and the dissemination of market-relevant knowledge, facilitating sustainable value chain development, including nutrition-sensitive value chains.
48. **Sustainability.** The country programme will promote sustainability across the economic, institutional, social and environmental dimensions. Economic sustainability will be pursued by strengthening farmers' capacity, access to finance and inputs and market linkages, so they can consistently access improved technologies and sell produce sufficient in volume and quality. Nutrition outcomes will be sustained by embedding approaches in government systems, while community-level awareness-raising will support lasting production and consumption of highly nutritional foods, including through links with the national school meal programme. Institutional sustainability will be ensured through clearly articulated exit strategies at the project level, with the handover of investments in irrigation systems, roads, WUGs, APGs and other assets to government agencies and local organizations for continued technical and financial support. The COSOP will also strengthen the linkages between APGs and FSPs, including village bank networks, as well as the organizational and technical capacities of WUGs to operate and maintain the irrigation systems in a participatory manner. Environmental sustainability will be reinforced by promoting sustainable natural resource use, particularly in conserving biodiversity and supporting improved practices that contribute to climate-change mitigation and adaptation. This will include capacity-building for farmers and key institutions such as the National Agriculture and Forestry Research Institute (NAFRI), the Lao Farmer Association and the Lao Women's Union (LWU).
49. **Scaling-up.** Scaling up will be supported by demonstrating the value added of climate-resilient and productivity-boosting practices and technologies to farmers' incomes and well-being. The private sector will play a critical role by ensuring the availability of inputs and technologies for which higher demand is expected. IFAD and the Government will assess their role in scaling-up and pursue partnerships with other financiers to scale up successful experiences.
50. **Mainstreaming.** The four IFAD priority themes will be mainstreamed into the COSOP as follows:

- **Environment and climate.** The programme will address climate vulnerabilities through integrated, locally led solutions. It will strengthen community resilience by promoting adaptation measures, climate-resilient infrastructure, environmentally friendly production practices, diversified livelihoods and the protection of natural ecosystems.
- **Gender and social inclusion.** The programme will foster inclusive rural transformation by reinforcing gender mainstreaming, piloting gender-transformative approaches and advancing women's empowerment and leadership in food systems. Building on past experience, the COSOP will ensure dedicated staff resources for gender and will partner with NGOs that advocate for women's rights.
- **Youth.** The programme will expand agribusiness and entrepreneurship opportunities for rural youth, including young people from ethnic groups and disadvantaged backgrounds, within sustainable agricultural and nutrition-sensitive value chains.
- **Nutrition.** The programme will prioritize nutrition-sensitive agriculture, building on IFAD's innovative convergence approach and leveraging partnerships with United Nations agencies and small and medium-sized enterprises. It will support nutrition education, promote dietary diversity and draw on local biodiversity and neglected and underutilized species, building on the untapped knowledge and sustainable practices of women and ethnic groups, and improve food safety and nutrition outcomes, especially for women, adolescent girls and young children.

C. Target group and targeting strategy

51. The targeting aligns with Decree 348. Nutrition-sensitive projects (AFN II) prioritize poor and vulnerable households (children under 5, adolescents, pregnant women/nursing mothers) using government poverty data. Productivity/market projects (PICSA, Laos Higher Education for Accelerated Development [LEAD]) target poor and non-poor smallholders willing to participate, with tailored packages for marginalized groups (landless people, women-headed households, ethnic groups) identified through participatory dialogues and poverty surveys. Climate/natural resource management projects (LEAD) also target households vulnerable to climate hazards in fragile ecosystems.
52. Projects will organize smallholders into APGs under Decree 606 to lower transaction costs and capture scale. Support covers aggregation and basic equipment, plus business planning, digital literacy and financial management. Consistent with the CSPE (2024) and current practice, projects will promote the leadership of women and youth in APGs/cooperatives and facilitate access to existing financial services (including financial literacy and youth-tailored products). The COSOP will broker MSME partnerships (off-take/services) and support MSME capacity, business plans, finance and compliance (standards, e-certification, traceability).
53. Geographic targeting blends national poverty, food insecurity, malnutrition, and climate vulnerability, as well as development potential, prioritizing remote northern and southern provinces. PICSA additional financing (AF) focuses on districts with irrigation and intensification potential; AFN II prioritizes high-risk, high-malnutrition villages; LEAD projects target climate-vulnerable villages with viable nutrition-sensitive chains. The joint SDG-Fund initiative on food systems and climate resilience operates in Oudomxay and Luangprabang.

IV. IFAD interventions

A. Financing instruments

54. The Debt Sustainability Analysis (DSA)²⁶ showed the country's risk of debt distress downgraded since May 2023. The country is eligible for blend terms under Thirteenth Replenishment of IFAD's Resources (IFAD13), as the World Bank classifies it as a gap country with a 2023 GNI per capita²⁷ of US\$2,110, which is above the operational cut-off of US\$1,335 for International Development Association eligibility for more than two consecutive years. Therefore, the country is not eligible for Debt Sustainability Framework or Borrowed Resource Access Mechanism (BRAM) funding under IFAD13. Future lending terms will be informed by future DSA assessments.

B. Country-level policy engagement

55. Country-level policy engagement will focus on the areas where IFAD has leverage: (i) nutrition-sensitive agriculture/food-systems convergence; (ii) inclusive producer organizations/cooperatives with clear finance and market pathways; and (iii) irrigation O&M/WUG governance. As a non-resident agency, IFAD engages through implementing ministries and core policy forums (e.g. Agriculture and Rural Development Sector Working Group [ARD-SWG], Irrigation Subsector Working Group [ISSWG]), complemented with United Nations coordination. The Social, Environmental and Climate Assessment Procedures (SECAP) mainstreams climate resilience, with field evidence turned into thematic studies and provincial guidance.

Table 2
COSOP strategic objectives

Key development priority (strategic objective)	Underlying institutions	Policy reform challenges	Proposed interventions (lending, non-lending)
Strategic objective 1	Ministry of Agriculture and Environment (MAE) (Department of Irrigation, Department of Agriculture Extension and Cooperatives); Ministry of Health (National Nutrition Committee/Provincial Nutrition Committee/DNC); Ministry of Finance; provinces/districts; ARD-SWG; ISSWG	- Subnational convergence uneven; VNPs not routinely budgeted. - District extension lacks standard Climate Smart Agriculture (CSA) and nutrition-sensitive packages. - WUG by-laws/asset registers/weak O&M budgeting; unclear major-repair rules. - SECAP/Environmental and Social Management Plan and climate-proofing not institutionalized.	Lending: AFN II (convergence, VNP); PICSA-AF (CSA, WUGs); LEAD (food safety). Non-lending: Department of Irrigation-endorsed WUG by-laws and O&M guide; SECAP standard operating procedures; 2-3 policy briefs.
Strategic objective 2	MAE; MoIC; Ministry of Health; Bank of Lao People's Democratic Republic/regulators; FSPs/microfinance institution and village-bank networks; private platforms	- APG/cooperative governance uneven; limited women/youth leadership. - Weak bankability; unclear APG-FSP/village-bank pathways.	Lending: PICSA-AF, AFN II, LEAD (producer organizations/cooperative strengthening and greater inclusion; linkage to rural finance via parallel cofinancing/existing entities; enhanced MSME compliance; value chain services; business/financial literacy). Non-lending: APG "graduation" toolkit (standard by-laws, service menu, leadership targets).

²⁶ [IMF Country Report](#) (IMF, 2024).

²⁷ [GNI per capita, Atlas method \(current US\\$\) – Lao People's Democratic Republic](#) (WB, 2024).

C. Institution building

56. IFAD will capitalize on existing government structures and systems to support project management and the implementation of project activities. It will directly support government decentralization efforts through improved provincial, district and village development planning, implementation and management capacities. The COSOP will build capacity among community-based organizations, village agriculture technicians and veterinary workers, APGs, WUGs and women's groups for nutrition-sensitive activities; upgrade the business skills of rural entrepreneurs and small enterprises and improve quality and phytosanitary standards for the export market.

D. Innovation

57. The COSOP will bring innovation through the adoption of a more systematic and inclusive value chain approach to the way MSMEs and APGs function and the use of ICT4D for access to finance and markets. Innovations will also be fostered through the adoption of local food solutions in nutrition-sensitive agriculture.

E. Knowledge management

58. The country programme will document and package evidence into policy briefs and learning notes, including on climate-proofing (from SECAP implementation) and case studies of APGs/cooperatives and MSMEs (successes and failures), derived from project M&E systems. These products will inform evidence-based policy advocacy in project coordination meetings and government SWG and will be disseminated through existing platforms and repositories (the Government, projects, United Nations Country Team [UNCT], IFAD). Each project will have a KM plan linked to its M&E system, while IFAD coordinates quality assurance and, under a small policy/KM grant, supports the production of COSOP-level policy briefs.

F. Information and communications technologies for development

59. The Lao People's Democratic Republic's growing digital infrastructure offers high potential for scaling up digital solutions for agriculture. The Government has piloted a Digital Farmer Registry (using PICSA data) to improve transparency in farm production. IFAD will support the adoption of digital farmer registries and the use of digital data collection tools at the provincial level through PICSA-AF and potentially build on this work to facilitate digital services under LEAD. LEAD will promote the use of existing e-commerce platforms (e.g. Laoproducts, Madeinlaos) in collaboration with MAE and MoIC (appendix XII). LEAD will also focus on digital and financial literacy and promote youth-led peer learning via social media to further drive the adoption of organic farming and good agricultural practices.
60. Through partnerships with the Food and Agriculture Organization of the United Nations (FAO)-supported SAMIS and Laos Climate Services in Agriculture (LACSA), early flood warning information will be disseminated, particularly through community engagement and the use of digital and social media in AFN II and LEAD.

G. Strategic partnerships and South-South and Triangular Cooperation

Government and civil society

61. The key government interlocutor for the country programme will be the Ministry of Finance, which has now been merged with the former Ministry of Planning and Investment. IFAD-financed projects will be managed and implemented primarily through MAE and the provincial and district agriculture and environment offices. There will be close technical coordination with MoIC and other relevant government technical agencies, as appropriate. NAFRI and the Centre for Development and

Environment of the University of Bern will continue to be involved in the promotion and conservation of wild foods in local diets.

Civil society organizations

62. The COSOP will continue to leverage the engagement of local civil society organizations in project design and implementation for specific undertakings. Village community-based organizations will be used to support APGs, village agriculture technicians and village veterinary workers. Partnerships will be further strengthened with the LWU, the Lao Youth Union and the Lao Farmer Association. The country programme will continue to collaborate with the Scaling Up Nutrition (SUN) Business Network, which is part of the global SUN Movement.

Development partners (United Nations agencies, international financial institutions, NGOs, etc.)

63. The country programme will continue its close collaboration with key development partners (e.g. ADB, German Agency for International Cooperation) and engage with them regularly, both bilaterally and through UNCT, SWG and SSWG, to build synergies and complementarity and for evidenced-based policy dialogues on project-level investments.
64. IFAD will continue its collaboration with FAO and the World Food Programme (WFP) through AFN II and projects currently under design (Home-Grown School Meal Programme).
65. In addition, IFAD is currently co-designing the “Integrated Food Systems and Climate Resilience Initiative” under the SDG funds, together with the United Nations Resident Coordinator’s Office, FAO, WFP, the United Nations Development Programme, the United Nations Children’s Fund, the United Nations Human Settlements Programme and the United Nations Environment Programme (appendix II, key file 4).

Private sector

66. The private sector is expected to play a key role in investing in logistics, building supply chains, assisting in its role as an aggregator and processor and providing access to markets for small producers. Ongoing IFAD-financed projects have established multi-stakeholder platforms to promote business relationships with its target groups. Multi-stakeholder platforms will be used to connect APGs and MSMEs with agribusinesses, processors and retailers to secure stable markets and fair prices and with FSPs, including village bank networks, to ensure access to finance. Partnership agreements will be supported with the aim of facilitating producers’ and private companies’ linkages in order to ensure demand-driven production and partnership with tech companies to help MSMEs access online marketplaces.

South-South and Triangular Cooperation

67. The COSOP will pursue South-South and Triangular Cooperation (SSTC) by mobilizing internal and external resources. Building on regional experience in the Mekong subregion, priority areas may include exchanges on high-value crops, agriculture e-commerce and/or e-certification and food safety in selected value chains and the strengthening of inclusive, financially sustainable APGs. Lao partners will engage in Association of Southeast Asian Nations/subregional platforms (e.g. the Mekong Learning and Knowledge Fair), and the China-IFAD SSTC Facility (Phase II) will be explored as a financing window (appendix VIII).

V. COSOP implementation

A. Investment volume and sources

68. IFAD has allocated US\$47.539 million to the Lao People's Democratic Republic from the IFAD12 and IFAD13 cycles for use during the current COSOP period. PICSA received additional financing of US\$10 million (IFAD12), effective 19 June 2025, to scale up activities in four provinces. The US\$6.7 million funding gap for AFN II will be covered with IFAD12 and IFAD13 resources.²⁸ LEAD will be financed through an IFAD13 loan of US\$17.59 million. Proposed IFAD14 financing will be determined at the beginning of the next replenishment cycle (2028–2030).

Table 4

IFAD financing and cofinancing of ongoing and planned projects

(Millions of United States dollars)

Project	IFAD financing	Source (PBAS ^a , BRAM ^b)	Cofinancing		Cofinancing ratio
			Domestic	International	
	13.235	PBAS-IFAD 12			
	5.214	PBAS-IFAD 12			
AFN II	1.500	PBAS- IFAD13	8.353	20.000 (GAFSP ^c)	1:1.42
PICSA-AF	10.000	PBAS -IFAD12	1.428	-	1:0.14
LEAD	17.590	PBAS- IFAD13	tbc ^d	tbc	tbc
Total	47.539		9.781	20.000	

^a Performance-based allocation system.

^b BRAM.

^c Global Agriculture and Food Security Program.

^d To be confirmed.

B. Resources for additional activities

69. Opportunities for climate finance and other supplementary resources to complement the country lending programme will be pursued for the IFAD13-IFAD14 pipelines, where feasible.

C. Transparency

70. IFAD will ensure transparency in the management of its cofinanced projects and will put mechanisms for information dissemination and grievance redress in place in all projects to ensure inclusion and transparency.

D. Country programme management

71. Since 2018, IFAD has operated a non-resident arrangement in the Lao People's Democratic Republic. The country director and project delivery teams are based in the region, while day-to-day engagement is supported by a national coordinator consultant in Vientiane. Programme delivery is ensured through direct supervision, regular in-person missions and continuous online support. Policy engagement and partnerships are pursued through Government-led platforms (e.g. Sector Working Group on Agriculture and Rural Development and its subgroups) and through United Nations and development partner mechanisms. Project units remain embedded in line ministries to strengthen national ownership.

E. Monitoring and evaluation

72. The Results Management Framework will be the main COSOP monitoring tool. An annual COSOP review will be conducted to assess progress and agree on course updates. In response to MAE's request, IFAD is supporting the development of PROMIS, a cross-project M&E platform that will improve coordination among MAE projects (ACP recommendation 5). Lessons learned will be systematically captured and disseminated through policy briefs, case studies and portfolio learning events and shared via Government-led platforms (e.g. the Sector Working Group

²⁸ Additional financing of US\$5.2 million was approved in Dec 2024 by the IFAD Executive Board (LOT); a further US\$1.5 million will be requested in 2025.

on Agriculture and Rural Development) and United Nations/development partner mechanisms to inform scaling and policy engagement.

VI. Target group engagement

73. IFAD includes a range of mechanisms to engage key stakeholders. These include regular community consultations during project design, planning and implementation, target group feedback through surveys and meetings and grievance redress mechanisms. Stakeholder engagement plans and grievance redress mechanisms have been developed for implementation at the project level. Free and Prior Informed Consent procedures are applied at the project level and will be adhered to in order to ensure that ethnic groups are an integral part of the inclusion process.

VII. Risk management

74. Risks include overall debt distress, tight fiscal space and limited public sector financial resources, which can decrease public social expenditure. The COSOP will monitor key variables and indicators that could jeopardize the effectiveness of IFAD interventions in the country. Implementation risks include limited technical capacity at the provincial and district levels, which can slow implementation. Financial management, procurement and social and environmental risks have been identified along with mitigation measures to address them (appendix XI).

Results management framework²⁹

Country Strategy Alignment	Strategic Objectives	Outcome	Outcome Indicators	Output Indicators	Contributing projects
10th Five-Year Agriculture & Forestry and Rural Development Plan (2026-2030) and the Proposed five-year plan (2026-2030) on natural resources and environment and the Agricultural Development Strategy and the Ministry of Industry and Commerce (MOIC) roadmap which aligns with broader national strategies to transition from LDC status. The plan is well aligned with the United Nations Sustainable Development Goals (SDGs) 1, 2, 3, 5, 8, 13 and 15.	Goal: Contribute to reducing poverty and enhance the living standards and well-being of rural households		▪ Less than 5% of target households still below the poverty line ▪ At least 19,042 households with increased incomes (by at least 20%) and decreased food insecurity (by at least 20%) ▪ At least 50% women and 25% youth among projects' participants	▪ 53,042 households receiving project services.	PICSA (AF), AFNII, <i>LEAD targets are just projection. They will need to be updated once PDR is completed</i>
	SO1: To enhance the resilience and production capacity of smallholder rural households through climate-resilient, inclusive, and nutrition-sensitive farming systems.	Outcome 1.1: Improved agricultural productivity	▪ 62% of households reporting adoption of new/improved inputs, technologies or practices ▪ 62% of households reporting an increase in production	▪ 32,000 households trained in improved production practices and technologies	PICSA (AF), AFNII
		Outcome 1.2: Improved nutritional status of rural households, especially women and children	▪ 80% households reporting minimum dietary diversity (MDDW)	▪ 19,200 households provided with targeted support to improve their nutrition	PICSA (AF), AFNII
		Outcome 1.3: Natural resources managed more sustainably, and farming systems made more climate-resilient	▪ 28,000 hectares of land brought under climate resilient management ▪ 60% households reporting adoption of environmentally sustainable and climate resilient technologies and practices	▪ 9,840 households supported to sustainably manage natural resources and climate-related risks	PICSA (AF), AFNII, <i>LEAD targets are just projection. They will need to be updated once PDR is completed</i>
		Outcome 2.1: Improved physical and logistical access to markets for APGs and agribusiness MSMEs	▪ 6,000 households reporting improved physical access to markets, processing and storage facilities	▪ 415 km of roads constructed, rehabilitated or upgraded ▪ 500 market, processing or storage facilities constructed or rehabilitated	PICSA (AF), AFNII, <i>LEAD targets are just projection. They will need to be updated once PDR is completed</i>
	SO2: To catalyze inclusive value chains and empower producers and agribusiness MSMEs to expand market access and drive green growth.	Outcome 2.2: Improved business linkages between rural producer organizations	▪ 600 rural producers' organizations engaged in formal agreement with private entities	▪ 1000 rural producers' organizations supported	PICSA (AF), AFNII, <i>LEAD targets are just projection. They will need to be</i>

²⁹ This Results Management Framework include only an estimation of LEAD outcome or outputs targets. Upon finalization of LEAD design, this RMF will be updated.

		and agribusiness MSMEs in agricultural value chains	70% of rural producers' organizations reporting an increase in sales		<u>updated once PDR is completed</u>
		Outcome 2.3: An enabling business environment		6 market-relevant knowledge products generated and disseminated	PICSA (AF), AFNII, <u>LEAD targets are just projection. They will need to be updated once PDR is completed</u>

Key files

Key file 1: Rural Poverty and agricultural sector issues (refers to chapter I C)

Priority Areas	Affected Group	Major Issues	Actions Needed
Rural Poverty	Smallholder farmers, ethnic groups, landless labourers	Low income, limited access to resources, seasonal unemployment, geographic isolation and poor nutritional status and food insecurity.	Cash-for-work programs, skills training, social safety nets, inclusive land reforms, targeted nutrition programmes.
Food Security	Subsistence farmers, women-led households, children	Seasonal hunger, crop failures, poor dietary diversity, dependency on rain-fed agriculture, high stunting rates among children under five.	Crop diversification, home gardens, nutrition-sensitive agriculture, integration of nutrition in extension services, nutrition education, dietary behaviour change communication, diversified farming systems.
Lack of Climate-Resilient Agriculture	Rice farmers, upland communities	High dependence on rain-fed agriculture, frequent crop losses from floods and droughts, low adaptive capacity.	Climate-smart agriculture techniques, agroforestry, early-warning systems, water-harvesting infrastructure, drought and flood-tolerant seed varieties, digital CSA advisory tools, weather and pest alerts, prioritization of upland and vulnerable communities.
Access to Land & Sustainable Resources	Rural poor, women headed households, small holder and ethnic groups.	Weak land tenure (especially for women/ethnic groups), deforestation, overgrazing, limited long-term investment incentives.	Accelerated equitable land titling for poor and vulnerable households; promotion of inclusive and participatory land tenure arrangements; community-based forest and pasture management; soil conservation; legal recognition of customary land rights; youth-targeted land leasing or land access schemes; digital land registry systems; capacity building for local land administration.
Rural Infrastructure	Remote villages, small-scale producers.	No or poor roads, poor road maintenance, limited electricity, inadequate irrigation/storage, weak digital connectivity, high post-harvest losses.	Climate-resilient rural road development and enhanced management/maintenance system and budget, solar-powered irrigation, community-managed storage, renewable energy access, post-harvest facilities, rural broadband expansion, climate-resilient infrastructure design.

Priority Areas	Affected Group	Major Issues	Actions Needed
Access to Inputs	Small-scale farmers	High seed and fertilizer costs, counterfeit inputs, supply-chain gaps, weak quality control.	Quality input subsidies, local seed banks, strengthened input distribution networks, quality assurance systems, input certification and traceability tools.
Sustainable Extension Services	Farmers in isolated areas, small holders, women farmers, ethnic groups.	Inadequate outreach, knowledge gaps, underfunded services, gender-insensitive advice. Remote farmers lack support. High fertilizer costs and limited reach of agronomy advice lower yields.	Expand mobile/village-based extension workers, Train more female extension agents, mobile advisory units, farmer field schools, and digital advisory tools (e.g., SMS alerts). Subsidize inputs, and digital advisory tools. Support digital literacy and develop e-learning using of social media and peer to peer learning
Market Access & Value Chain Development	Agri-entrepreneurs, cooperatives including women and youth-led enterprises	Poor market linkages, low bargaining power, limited processing facilities, high transport costs.	Collection centres, support to cooperatives, agro-processing infrastructure, digital data platforms for monitoring, linkages with e-commerce platforms, partnerships with traders, aggregators, processors.
Access to Output Markets	Fruit/growers, cash-crop producers	Price volatility, exploitative middlemen, lack of certification for export.	Direct buyer contracts, e-commerce platforms, price stabilization mechanisms, certification and compliance systems for export markets.
Access Finance to	Smallholder farmers, particularly women, youths and members of ethnic groups	Low access to credit, high-interest informal loans, limited outreach of formal financial services, collateral constraints.	Fintech and mobile money, risk-sharing facilities for agri-loans, improved terms with PFIs, collateral-free microloans, crop insurance, financial literacy training, youth- and women-friendly financial products.
Gender Equity	Rural women and girls, female-headed households	Unequal land/asset ownership, unpaid labor, limited access to markets and finance, weak participation in decision-making and producer organizations.	Land-titling reforms, gender-responsive budgeting, women's leadership training, childcare support, Business Action Learning for Innovation (BALI), enhanced representation in producer organizations, access to finance and markets, business development services, time-saving technologies.

Priority Areas	Affected Group	Major Issues	Actions Needed
Youth Employment	Rural youth (15–35 ³⁰ years)	Limited on-farm opportunities, skills mismatches, urban migration.	Agri-entrepreneurship training, digital skills programs, start-up and innovation grants for youth-led agribusinesses, rural job fairs, land access mechanisms, favourable youth policies, increased youth voice and leadership in producer organizations.

³⁰ According to Article 2 of the Lao Youth Law, "youth are Lao citizens between the age of **fifteen and thirty-five**, regardless of sex, ethnicity, religion, beliefs, profession, social status."

Key file 2: Target group identification. Priority issues and potential response (refers to chapter I-C, III-C)

Typology	Poverty Levels and Causes	Coping Actions	Priority Needs	COSOP Response
Landless Labourers	High poverty; no land ownership; reliance on seasonal/daily wages; lack of assets and safety nets; exposure to exploitative labour; no access to finance or social protection.	Seasonal jobs; high-risk work (logging, poaching); informal loans/debt bondage; child labour; reduced food intake; migration; forest product collection.	Stable employment; vocational skills; fair labour rights; legal land access; basic healthcare; school support for children.	Support skills training and employment diversification; promote inclusion in social protection schemes; link to climate-resilient labour-based infrastructure schemes.
Subsistence Farmers	High poverty; small, fragmented, or degraded land; rain-fed dependence; lack of inputs; climate shocks; weak market access; poor infrastructure.	Seasonal migration; asset sales; debt; low-input farming; school dropouts; undernutrition.	Improved land tenure; irrigation; climate-smart inputs; market access; training; diversified income sources.	Invest in irrigation, inputs, training, and diversification; support land tenure and adaptive practices; strengthen value chains.
Smallholder farmers	Medium to high poverty; poor infrastructure; limited education/resources; high climate vulnerability; water shortages; limited livestock.	Collection of NTFPs; subsistence farming; migration; reliance on middlemen.	Productive assets; climate-resilient practices; vocational training; water access; market linkages.	Support climate-resilient agriculture; strengthen extension, water infrastructure, and livestock development; improve market access and value addition.
Women	Medium to high poverty; gender inequality; unpaid care burden; limited access to land, finance, and decision-making; weak participation in organizations.	Domestic work; seasonal jobs; informal labour; migration; low-return micro-business.	Economic inclusion; asset ownership; leadership opportunities; access to finance and markets; time-saving tools.	Gender-responsive targeting; women's leadership training; access to land and finance; support to women-led businesses and inclusive producer groups.
Youth	Medium to high poverty; limited education/skills; low value attached to agriculture; lack of employment and agribusiness opportunities; outmigration.	Casual labour; migration; informal or unsafe work; dependence on family.	Skills, capital and land access; employment; digital tools; role in decision-making.	Youth-led agri-enterprise support; innovation grants; digital agri-tools training; inclusive governance in APGs and cooperatives.
Adolescent girls	Medium to high poverty; gender-based barriers; early marriage/pregnancy; exclusion from planning and education.	Family dependence; early marriage; migration or exploitation.	Education; voice in planning; SRHR access; protection from violence/exploitation.	Empowerment via GALS, Farmer Nutrition Schools or vocational training; education and nutrition support; inclusion in youth and gender initiatives.
Women-headed households	Medium to high poverty; limited productive assets; social discrimination; heavy workload; weak land tenure.	Migration; asset sales; child labour; dependence on informal networks.	Climate-resilient agriculture; access to credit, productive assets, and post-harvest infrastructure.	Tailored livelihood and agribusiness support; nutrition gardens; land access support; targeted financial services.
Upland Ethnic Groups	Highest poverty incidence (>30%); remote areas; limited access to services; vulnerable to climate shocks; cultural barriers.	Shifting cultivation; seasonal migration; NTFP reliance.	Secure land; climate-resilient farming; roads; bilingual education and health services.	Land rights support; agroecological practices; infrastructure; ethnic-language materials and tailored extension.

Agricultural Producer Groups (APG)	Medium to high poverty; weak cohesion and sustainability; limited capacity, processing, and financial access.	Dependency on development support; group dissolution post-project.	Business and organizational capacity; market access; finance; infrastructure.	Institutional strengthening; technical training on climate resilient agriculture and productivity; financial and business literacy; links to private sector and finance; ICT and infrastructure investment.
Micro-Small & Medium Enterprises (MSMEs)	Medium to low poverty; high operational costs in rural areas; low innovation; infrastructure and financing gaps.	Under-capacity operation.	Rural service expansion; finance and ICT access; BDS; innovation.	Promote rural MSMEs through linkages with APGs; Business training; ICT4D support; financial services tailored to MSMEs.

Key file 3: Organization matrix (strength, weaknesses, opportunities and threats analysis) (refers to chapter I-C, III-B, IV-B, C, G)

Following the March-June 2025 restructuring of government ministries (reduced from 17 to 13), this analysis outlines the strengths, weaknesses, opportunities, and threats of key national and non-state actors relevant to IFAD's engagement in Lao PDR.

Organization	Strengths	Weaknesses	Opportunities	Threats
Ministry of Finance (MoF) (incl. former MPI)	Central in economic and budget planning; interface with IFIs; manages ODA	Limited revenue mobilization; high debt burden; limited M&E and inter-ministerial coordination	Digitalization of PFM; tax reform; merger improves integration of planning & budgeting	Sovereign default risks; donor fatigue; volatile global economy
Ministry of Agriculture and Environment (MAE) (incl. former MAF + MONRE)	Manages land/forest; food security; large rural presence (PAFO/DAFO); clear strategy	Low capacity for innovation scaling; limited extension budgets; weak youth engagement	Climate finance access; REDD+/PES; agro-processing; digital farmer registries	Climate shocks; land conflicts; plant/animal disease; input/output price volatility
Ministry of Industry and Commerce (MoIC) (incl. Energy and Mines)	Leads trade, SME, industrialization; SEZs; strong regional trade role	Weak enforcement; poor logistics; limited SME support in rural areas	Trade corridor use; niche markets; e-commerce; regional integration (ASEAN, RCEP)	Import pressure; compliance costs; policy unpredictability; rural exclusion
District Agriculture and Environment Offices, Cooperatives, Agribusinesses	Local innovation and farmer proximity; operational role in extension	Infrastructure gaps; weak CSA and market access knowledge	Mobile extension, farmer linking, nutrition engagement	Youth outmigration; land disputes; pest/disease outbreaks
Lao Farmers Association (LFA)	Trusted network; sectoral focus; aligned with food security priorities	Weak technical/financial capacity; over-reliance on state/donors	CSA programs; digital tools; youth-targeted agri innovation	Climate shocks; rural-urban migration; market volatility
Lao Women's Union (LWU)	Broad grassroots reach; trusted; strong gender policy advocacy	Top-down structure; overstretched mandate; funding dependence	Women-led enterprise support; legal advocacy; digital literacy	Gender norms; exploitation risks; inflation and market shocks
Lao Organic Agriculture Federation (LOAF)	Indigenous knowledge; unique biodiversity; traditional practices	Certification costs; weak logistics; tech shortfalls	Growing organic demand; agri-tourism; "Lao Organic" brand	Competition; pesticide drift; certification policy instability

Organization	Strengths	Weaknesses	Opportunities	Threats
Cooperatives and CBOs	Legal framework; community mobilization; CSO links	Weak governance and gender inclusion; elite capture; urban-centric	Women/youth enterprise scaling; local participatory planning	GESI gaps; environmental degradation; cultural resistance
Private Sector	Main driver of value chains and innovation; access to capital and markets	Risk of exclusion of vulnerable groups; weak social accountability	Trade and export growth; CSR models; PPP pilots with APGs/MSMEs	Investment volatility; land conflict; weak climate engagement

Key File 4: Strategic partnerships potential (refers to chapter IV-B, G, V-A)

Partnering Objective	Partner	Nature of Project / Justification Partnering for	Project/Programme Coverage	Status	Expected Results from Partnership
Reduce poverty and scale climate-smart agriculture & sustainable land management	World Bank	The World Bank financed portfolio in Laos includes: • 8 Studies / Advisory Services and Analytics. • 21 projects (as of January 20, 2025) World Bank / IDA funding \$880.3 million Trust Funds \$111 million¹ Total project budget commitment \$991.3 Reducing Rural Poverty and Malnutrition Project II (RRPM II). Community Livelihood Enhancement and Resilience Enhancing Systematic Land Registration Project Lao PDR Competitiveness and Trade Project - Additional Financing	The World Bank has recently closed several projects in the country such as the Lao Agriculture Competitiveness Project and the Poverty Reduction Fund.	Expected to close in December 2027. There maybe Additional Finance for Climate Resilience and could be extended to 2028. MAF Social registry, Decree 348), MPI Nutrition sensitive conditional cash transfers. First 1000 days cash transfer and children under 2. Nutritional convergence. Coordinating 5 different projects social services. Planning coordination. Impact evaluation mitigation of stunting. accountability and monitoring. At HH level to roll out hh level impact score card at HH level. SBCC aligning the 5 projects approach social behaviour change communication.	Knowledge sharing and best practices in the achievement of Decree 348 related to the Governments poverty reduction strategy, nutrition convergence and participatory techniques. Avoid duplication and learn from targeting approach at the village level
Strengthen investments in infrastructure	ADB: To date, ADB has committed 384 public sector loans, grants, and technical	Co-finance integrated water resource management and agroforestry to reduce erosion and improve soil health.	Mekong tributaries (e.g., Nam Ngum Basin); Northern highlands. The Lao PDR participates in the regional and global trade	On-Going	Investment in downstream agriculture productivity through PICSA.

Partnering Objective	Partner	Nature of Project / Justification Partnering for	Project/Programme Coverage	Status	Expected Results from Partnership
	assistance totaling \$2.9 billion to the Lao PDR.	ADB has been the Lao PDR's long-term partner in agriculture since the early 1970s. For over 5 decades, ADB has helped transform the sector to become market-base, with a focus on food security, agricultural commercialization, stabilization of shifting cultivation, disaster risk management, and sustainable forest management. Skills Enhancement for Inclusive and Green Economic Development Project Advancing Women's Leadership in Asia and the Pacific	of agricultural, food, and forest products—with ADB's support enhancing the country's sanitary and phytosanitary capacities, its food safety, and the protection of its plants and animals.		Parallel financing of project investments.
Participatory Land Use Planning and Participatory Agricultural Land Management (PLUP/PALM),	GIZ	This is demonstrated through positive examples of the application of the PLUP/PALM.	On-Going	Existing (scaling)	To demonstrate how participatory land use planning can have a positive impact on public service delivery and rural communities and thus contributing to

Partnering Objective	Partner	Nature of Project / Justification Partnering	Project/Programme Coverage	Status	Expected Results from Partnership
					wider sustainable development
JICA has supported Laos in a wide range of areas, including infrastructure, legislation, health, agriculture, education and forest conservation	JICA	MoC between IFAD and JICA.	Explore opportunities for joint efforts through South-South and Triangular Cooperation	On-going and planned.	Develop agricultural value chains through private sector partnerships, and deepen agricultural research, policy dialogue, co-finance, and innovative finance.
Focus more on climate Change and Natural Resource Management	Swiss Development Cooperation (SDC)	Enhancing Systematic Land Registration Lao Upland rural Advisory services (CHF 5.58 mn) Early warning System Land for Life (CHF 4.19 mn) Flood Resilience in the Lower Mekong (CHF 1.86mn) Sustainable Consumption & Production (CHF 3.23 mn)	Helvetas		

Partnering Objective	Partner	Nature of Project / Justification Partnering	Project/Programme Coverage	Status	Expected Results from Partnership
Integrate climate adaptation into local governance & biodiversity corridors	UNDP	Support community-based climate risk planning and biodiversity corridors linking protected areas.	Xieng Khouang, Houaphanh (uplands), and Phou Khao Khouay NP	Existing	100 climate-resilient village plans; 250,000 ha of biodiversity corridors established; 30% rise in non-timber forest product incomes.
Improve maternal/child nutrition through climate-adaptive food systems	WFP	Fortified food distribution linked to smallholder farm production; resilience-building via school gardens & nutrition education.	Food-insecure northern provinces (e.g., Oudomxay, Luang Namtha)	Existing (expansion)	100,000 women/children receiving nutrient supplements; 300 schools with resilient gardens; 25% drop in stunting in target zones.
	FAO	Readiness portfolio with GCF. Also provide policy support to the Government AG Dev Strategy (up to 2030), Ag, Research Strategy, National Seed Policy, Livelihood Transformation Policy, Tea Master Plan and Investment policy for agriculture. AG food system Transformation window to		We have a big climate change team in Bangkok. We hire consultants.	

Partnering Objective	Partner	Nature of Project / Justification Partnering	Project/Programme Coverage	Status	Expected Results from Partnership
		upscale with GEF 9 at the Global level			
Resilience to Climate Smart Agriculture	UNDP FAO LuxDev	To advance green and climate finance for sustainable development and resilience. Climate Change Three GEF and one GCF and in Pipeline we have GEF STAR project and another GCF (USD 25 mn).	Strengthening the country's capacity to finance environmental and climate goals, with a particular emphasis on the extractive sector, biodiversity finance, and green finance across various ministries. Upland Areas to reduce slash and burn. Environmentally friendly inputs, Forming Farmer Groups and Sustainable Water management. Climate adaptation in Lowlands (Attapeu, Salavan) Restore the degraded forestry area. Ramsar site and biodiversity resources (Animals and plants). Will start this year. All GEF 8. Readiness one. The Government does not have capacity to approach GCF and GEF directly.	OPIM policy. GEF two modalities they ask agency to implement or to oversee. Usually, it is Government for GBFF it is OPIM Modality Department of MONRE. Now OPIM Modality. Government must pass the modality. For one project we employed NGO. Under preparation. NDA (OFP) MPI have their own plans. A lot of proposals.	

Partnering Objective	Partner	Nature of Project / Justification Partnering	Project/Programme Coverage	Status	Expected Results from Partnership
Build farmer resilience via seed banks & drought/flood early warning systems	FAO	Establish community seed banks for indigenous crops; deploy FAO's digital agro-met advisory platforms (e.g., WaPOR).	Drought/flood-prone areas (e.g., Salavan, Attapeu)	Under Negotiation	80% farmers accessing early warnings; 120 community seed banks; 15 drought-tolerant crop varieties adopted.
Empower Women Smallholder Farmers & Enhance Gender-Equitable Agri-Value Chains	UN Women (Primary), FAO, Ministry of Agriculture and Forestry (MAF), Ministry of Labour and Social Welfare (MoLSW), Local Women's Unions, NGOs	Project: Strengthening Women's Land Rights, Access to Finance, and Leadership in Sustainable Agriculture. Justification: Women constitute ~60% of the agricultural workforce but face significant barriers (land access, credit, tech, decision-making). Closing this gender gap is critical for national productivity & food security.	Northern & Central Provinces (e.g., Luang Prabang, Xieng Khouang, Bolikhamxai) - targeting women-led smallholder farms & collectives.	Pipeline / Formulation (Existing smaller initiatives ongoing)	Increased women's land tenure security; Enhanced access to credit/inputs; Increased adoption of climate-smart practices by women; Higher incomes for women farmers; Strengthened women's cooperatives.
Improve Child Nutrition	UNICEF (Primary), WFP, FAO, MAF, Ministry of Health (MoH), Ministry of Education and Sports (MoES)	Project: Integrating Nutrition-Sensitive Agriculture & Child Labor Prevention in Smallholder Farming Communities. Justification: High rates of child stunting (33%) and child labor in agriculture (~30% of children 5-17). Linking farm	Southern Provinces (e.g., Savannakhet, Salavan, Attapeu) & Northern food-insecure districts; Focus on smallholder communities with high child vulnerability.	Ongoing Expansion (Components integrated project needed) / exist,	Reduced child stunting & malnutrition; Increased dietary diversity in households; Improved school attendance & performance; Enhanced

Partnering Objective	Partner	Nature of Project / Justification Partnering	Project/Programme Coverage	Status	Expected Results from Partnership
		diversification/nutrition education to school feeding & child protection addresses root causes.			community child protection systems.
Promote Climate-Smart Agriculture (CSA) & Sustainable Land Management	FAO (Lead), UNDP, UNEP, Green Climate Fund (GCF), MAF, Ministry of Natural Resources and Environment (MoNRE)	Project: Scaling Up Climate-Resilient Rice Systems & Agroforestry. Justification: Rice is staple & livelihood base, highly climate-vulnerable. Promoting drought/flood-resilient varieties, water-efficient techniques, & agroforestry combats land degradation, boosts yields sustainably, and builds resilience (aligned with NAPAs).	Mekong Corridor Provinces (Vientiane, Savannakhet, Champasak) & Northern Highlands for upland rice systems.	Ongoing Projects / Seeking Scale-Up	Increased rice yields & stability under climate stress; Reduced soil erosion & water use; Enhanced carbon sequestration; Adoption of national CSA guidelines; Strengthened farmer field schools (FFS) on CSA.
Youth Engagement	JICA/FAO	Support star-ups for business incubation for youth.	national	On-going	Increased youth employment and incomes.
Enhance Regional Connectivity & Trade	Government of China (GoC), Chinese State-Owned Enterprises (SOEs - e.g., CREC, CRCC)	Laos-China Railway (BRI Flagship): Physical & economic integration with ASEAN/China. Justification: Landlocked Laos becomes regional logistics hub.	Vientiane - Boten (China Border); major stations & economic corridors along route.	Operational (Since 2021)	Increased trade volume, reduced transport costs/time, boosted tourism, stimulated corridor development,

Partnering Objective	Partner	Nature of Project / Justification Partnering	Project/Programme Coverage	Status	Expected Results from Partnership
					enhanced regional integration.
Improve Agricultural Productivity & Export	Yunnan Provincial Gov't, Chinese Agribusiness Firms (e.g., rubber, banana)	Commercial Plantations & Processing Facilities: Develop export-oriented agriculture. Justification: Access to vast Chinese market, Chinese capital/tech for commercial farming.	Primarily Northern Laos (Rubber, Banana, Sugarcane plantations), some processing plants.	Ongoing Expansion (Environmental/Social concerns noted)	Increased agricultural exports, rural employment (debated), technology transfer, market access diversification.
Access to Markets	SMEs, MSMEs and exporter such as Dao Coffee	Understanding export requirements as well as linking specific APGs to export markets	Coffee and other export VC	To be Initiated	Increased Market access for APGs
Digital Infrastructure	Open SPP	Working pilots on digital farmer registry and digital tools for replication in other projects to promote transparency	PICSA	Ongoing with expected multi donor collaboration	Increased transparency and access to data, potential to scale additional services
Access to Finance	LTS Ventures	Existing village banking model including village savings, loans, enabled by a digital platform offering last mile transparency	Active in IFAD target provinces	To be initiated	Potential to improve access to finance especially for climate resilience and crop insurance

Transition projections

Introduction

1. Lao People's Democratic Republic is a Lower Middle-Income Country (Low-MIC) located in Southeast Asia. It has an estimated population of 7.7 million people in 2023, of which approximately 65% are rural inhabitants.
2. As recommended by the UN Committee for Development Policy (CDP), Lao PDR is expected to transition from Least Developed Country (LDC) status by the end of 2026. This transition was recommended following the country's progress in meeting the required criteria, including improvements in income and human assets. The process includes a Smooth Transition Strategy (STS) to mitigate potential challenges.
3. This Transition Projections analysis was prepared to contribute to the preparation of the Lao PDR country strategic opportunities programme (COSOP) for the 2026-2031 period, and it is oriented by the IFAD Transition Framework (2018). It discusses current development transition stage and provides a prospective analysis of potential macroeconomic future scenarios using some selected indicators. The main indicators used for this transition analysis are the GDP growth, GDP per capita, the public indebtedness and its ratio to GDP, which express the country's credit worthiness, and inflation. Other variables such as poverty, fragility and rural institutions and policies are also considered. Depending on its results, the transition scenarios resulting from this analysis would have implications on the loan conditions for future IFAD financing to support the country's efforts in rural development. The main sources utilized in this Appendix come from specific data and analysis by the World Bank (WB) and the International Monetary Fund (IMF).

Macroeconomy, poverty and vulnerability: recent trends and outlook

2.1. Macroeconomy and poverty

4. Since 2000, Lao PDR has been one of the world's fastest-growing economies, with an average annual GDP growth of around 7 percent. However, this growth declined from 7% in 2016 to 5.5% in 2019, dropped sharply to 0.5% in 2020 and then started recovering in 2021. By 2024, growth reached 4.1% and it is projected to increase by 3.5% in 2025. This trend was reflected in the GDP per capita³¹, which grew at annual rates above 5% between 2005 and 2017, dropped to -1% in 2020 and started recovering in 2021 to reach 2.3% in 2023. In monetary terms, the GDP per capita (current USD) registered a remarkable increase from USD 319 in 2000, reaching a peak at USD 2,589 in 2019, and declining in the following years down to USD 2,067 in 2023.
5. The notable GDP growth starting in 2000 was mostly driven by the mining and hydropower sectors, and infrastructure development, although it was not particularly inclusive. Poverty has decreased, but at a slower pace than in other fast-growing countries in the region. The national poverty rate dropped from 24.6% in 2012/13 to 18.3% in 2018/19; the decline was more significant in rural areas, where poverty fell from 31.4% to 23.8%, compared to urban areas, where the rate remained stable at around 7%. However, considering the Lower Middle Income Poverty Line (USD 3.65 per day per capita, PPP) poverty was still at 31% in 2024 and it is not expected to decline in 2025³². Furthermore, inequality is still

³¹ Overarching data obtained from World Bank <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=LA&year=2000>

³² WB, Lao key indicators and projections, April 2025

high and growing: 90% of the poor live in rural areas, despite rural residents representing around 62% of the total population, while the Gini Index rose from 32.6 in 2002 to 38.8 in 2018, it is projected to reach 40% in 2025.

6. Inflation kept at reasonable levels between 2005 and 2021, with an annual average of 4.3%, being 7.6% the highest rate in 2011 and the lowest 0.1% in 2011. In 2021 the inflation rate was 3.8%, but it jumped to 23% in 2022, 31.2% in 2023, and declined to a still very high 23.1% in 2024³³. The inflation rate in June was estimated to be 7.20%.³⁴ The International Monetary Fund (IMF) projects it will drop to 9.4% in 2025 (11% according to the World Bank), and it would range between 7 and 9.8% until 2030³⁵. The high inflation rates in recent years were driven mainly by rising prices of food and fuel, and heavily reduced the purchase power, mainly of rural households.
7. The depreciation of the kip, which lost around 50% of its value against the US dollar between late 2021 and 2022, also contributed to trigger inflation. As a highly dollarized economy, Lao depends heavily on imports for food, fuel and essential goods. Additionally, the currency shock rapidly led to higher domestic prices. The country's high external debt and limited foreign reserves further constrained its ability to stabilize the exchange rate, while global commodity price hikes—exacerbated first by the COVID19 pandemic and then by the war in Ukraine—intensified cost pressures. Although inflation is projected to gradually decline over the coming years, structural vulnerabilities, including fiscal fragility and import dependency, suggest that price volatility may persist in the medium term.
8. In recent years, public and publicly guaranteed debt (PPG) has raised to unsustainable levels, climbing from 76.0% of the GDP in 2020 to 130.7% in 2022³⁶. According to a May 2025 World Bank report, PPG debt was at 108% of GDP by the end of 2023, or 116% when including domestic expenditure arrears and a swap arrangement. The very high public debt service obligations weaken the country's creditworthiness and, jointly with low domestic revenue mobilization, exceeds government revenue capacity and tightens the fiscal space. As a result, public investment in essential sectors has declined significantly: combined spending on education and health fell to just 2.1% of GDP allocated in 2024³⁷. Lao is currently dependent on loan repayment deferrals, which reduce the pressure on foreign exchange demand in the short-term, but do not provide long-term solvency. Without further deferrals, external debt repayments are projected to average \$1.3 billion per year over 2025-2028, equivalent to roughly 9% of GDP annually. When combined with domestic debts repayments of around 2% of GDP, total repayments reach 11% of GDP, resulting in an unsustainable situation due to high financing needs and foreign exchange risks. In this context, in late 2024 Lao PDR was assessed by the IMF and the World Bank to be in external and overall debt distress, while Fitch Ratings rated the country at CCC and Moody's Investors Service at Caa3, which expresses substantial risk, although with a stable outlook. In October 2024, the International Monetary Fund (IMF) concluded the 2024 Article IV Consultation with Lao PDR, resulting in agreements about several economic measures that the Government would implement. For its part, the government aims to return to

³³ World Bank Data

³⁴ Bank of Lao June 2025.

³⁵ IMF Lao Datasets <https://www.imf.org/external/datamapper/PCPIPCH@WEO/LAO?zoom=LAO&highlight=LAO>

³⁶ IMF Lao November 2024 Article 4 2024 consultation

[Lao People's Democratic Republic: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Lao People's Democratic Republic](#)

³⁷ World Bank (2024). Lao Economic Monitor – October 2024: Safeguarding Stability and Rebuilding Buffers <https://thedocs.worldbank.org/en/doc/5c2594a0cc6846465fe3bafda50ad993-0070062024/related/LEM-October-2024-Final.pdf>

international markets by 2027 through the implementation of their medium-term financing plan³⁸

Box 1. Key Drivers of Lao's Public Debt Distress

Factor	Explanation
1. Infrastructure-driven borrowing	Large-scale investments (e.g. railway, hydropower) financed through external loans, mainly from China, with limited mid-term fiscal return. ³⁹
2. High exposure to FX risk	Over half of public debt is in foreign currency. The depreciation of the Kip increases the real cost of debt repayments.
3. Low domestic revenue	Weak tax collection limits fiscal capacity and increases dependence on external borrowing.
4. Poor debt management	Inadequate transparency, weak planning and accumulation of off-budget liabilities, especially from State-Owned Enterprises.
5. External shocks	COVID-19, global inflation and commodity price shocks ⁴⁰ , hit tourism, exports and remittances, worsening the impact of debt dynamics.

Sources: IMF (2024), World Bank (2025), Lao DSA (2023)

9. Amid this critical situation, there are some recent positive signals, despite persisting substantial risks and challenges. Driven by the tourism, transport, electricity generation, mining, agriculture and manufacturing sectors, GDP growth reached 3.7% in 2023, 4.1% in 2024 and it is projected an annual 2025 rate of 3.5%. Nonetheless, it is expected to remain below pre-pandemic levels over the medium term. Inflation declined from 31.2% in 2023 to 23.1% in 2024, it reached 11.2% in March 2025 and an annual rate of 11% is projected by the World Bank for 2025 (9.4% by the IMF), which is still high. The government is implementing reforms to improve the public finances, including revenue mobilization and expenditure constraints, which led to a fiscal surplus of 0.7% of the GDP in 2023 and 0.8% in 2024. However, for the 2025-2027 period a 0.5% fiscal deficit is projected.
10. While nominal wages and household income are growing, prices are rising faster, and poverty is not expected to decrease substantially in the medium term. Indeed, a January 2025 World Bank survey shows that around a third of households have reduced spending on food, health and education, a trend that poses serious challenges for poverty reduction efforts⁴¹. Under these conditions, improving child nutrition has become a top priority in a country where one-third of children under five suffer from stunting (impaired growth and development due to chronic malnutrition), and over 10% experience wasting (low weight for height)⁴².
11. Regarding rural demographic aspects, rural population continued increasing in the past years, although at a slow pace. Between 2015 and 2023, the rural population increased from 4.55 million people to 4.73 million. At the same time, the urban population is growing faster, resulting in a steady decrease of the proportion of rural population compared to the total, so that its participation decreased from 67% in 2015 to 62% in 2023⁴³. Current rural population trends, both in absolute numbers and share of total population, reflect a steadily declining rural population growth rate, which fell from 0.5% in 2015 to 0.3% in 2023. This shift is driven by

³⁸ IMF Lao November 2024 Article 4 2024 consultation

³⁹ Many of these infrastructure projects have not delivered the economic returns or social benefits originally expected. For example, the Laos–China Railway (Boten–Vientiane), inaugurated in 2021 with an investment of approximately USD 6 billion, has been criticized for its low immediate returns and for significantly increasing the country's external debt, without yet generating sufficient revenue to cover operational and maintenance costs.

⁴⁰ The war in Ukraine contributed significantly to global inflation and volatility in fuel, fertilizer, and food prices, which affected Laos's import costs and trade balance.

⁴¹ WB HH monitoring survey in Lao, January 2025 [Household Welfare Monitoring in the Lao PDR](#)

⁴² WB, Human Capital Summit, June 2024 [Second Lao PDR Human Capital Summit](#)

⁴³ World Bank Data <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=LA>

urbanization and migration to neighbouring countries, influenced by factors such as employment opportunities and access to education, and a transition from temporary migrants to permanent urban residency⁴⁴.

12. Considering the remaining challenges and some positive developments discussed above, and taking into account the most relevant economic variables, the high level of public and publicly guaranteed debt emerges as a substantial challenge that can impede short-term stability and mid-term healthy growth and poverty reduction. With public debt projected above 100% of GDP in the following years, debt service (external and internal) at around 11% in 2025-2028 (with no expectations of relevant changes in the near future), and revenues at around 18% of GDP, recent improvements and the whole economy remain at high risk. Among other consequences, this situation risks triggering debt service default, more inflation and worse external currency rates, a very tight fiscal space, and a sustained decrease of social public expenditure, impacting on poverty and malnutrition rates.

2.2. Vulnerability analysis

13. Economic vulnerability was broadly discussed above, so this section is mainly focused on vulnerability to climate change, to extreme natural events and to social shocks, and it also analyses the rural sector institutions and policies performance.
14. The ND-GAIN Country Index⁴⁵, prepared by the Notre Dame Global Adaptation Initiative (ND-GAIN), summarizes a country's vulnerability to climate change, which is composed by a vulnerability score and a readiness score. Vulnerability measures a country's exposure, sensitivity and ability to adapt to the negative impact of climate change, while readiness measures its ability to leverage investments and convert them to adaptation actions. The latest ND-GAIN Country Index reports that, in 2022, Lao ranked 131 out of 187 countries with a score of 42.3, being the country ranked 1 the best adapted to climate change, and where a hypothetical score of 100 implies a full adaptive capacity. This low ranking indicates that Lao faces high exposure and sensitivity to climate risks, such as floods, droughts, and temperature variability, while lacking sufficient institutional and infrastructural capacity to respond effectively. In practice, this means that rural populations—especially those relying on rainfed agriculture and natural resources—are disproportionately at risk, and that the national framework for climate adaptation remains weak.
15. The World Risk Report 2023⁴⁶ (the latest report available) highlighted that in 2022, Lao was ranked 127 out of 193 countries in the World Risk Index (the country ranked 1 is in the best situation). This index assesses the countries' exposure and vulnerability to extreme natural events and climate change. Exposure indicates how many people are affected by natural disasters, while vulnerability considers factors like a country's ability to cope with and adapt to these events. This index is made of five indicators, and it is interesting to see that Lao presents low risk to exposure and susceptibility to extreme events, medium risk to vulnerability, high risk in terms of the country's coping capacities and very high risk regarding its adaptive capacities. A basic reading of this disaggregated indicators shows that the natural conditions in the country are much better positioned than Lao's institutional capacities to deal with extreme natural events.

⁴⁴ Niwa, T., & Nishimoto, F. Rural–Urban Migration in Northern Laos. May 2025 [Rural–Urban Migration in Northern Laos | SpringerLink](#)

⁴⁵ ND-GAIN Index [Rankings // Notre Dame Global Adaptation Initiative // University of Notre Dame](#)

⁴⁶ World Risk Report 2023
https://weltrisikobericht.de/wp-content/uploads/2023/10/WRR_2023_english_online161023.pdf

16. The UN Multidimensional Vulnerability Index (MVI) is based on two pillars: structural vulnerability, linked to a country's exposure to adverse external shocks and stressors, and (lack of) structural resilience, which is associated with the (lack of) capacity of a country to withstand such shocks. This index considers economic, environmental and social vulnerability. The 2024 MVI Report⁴⁷ assessed 142 developing countries, with ratings ranging from 32.1 (the best ranked one) and 72.9 (the worst ranked), while the mean was 52.9. Lao received a score of 43.8, significantly better than the mean. However, this rating should be interpreted cautiously as the MVI incorporates economic, environmental and social vulnerability, and that in 2023 the country was amid a deep economic crisis and just showing initial signs of slight improvement.
17. The Fragile States Index (FSI)⁴⁸, by the Fund for Peace, is composed by 12 economic, political, social and cohesion indicators. The FSI ranges from zero to 120, being zero an ideal situation while 120 expresses extreme fragility. In 2024 FSI rated 179 countries, where a ranking of 1 indicates the most fragile country. Lao was ranked 71st with a score of 73.8, marking a clear improvement compared to 2006, when it was ranked the 39th most fragile state with a score of 88.7. This improvement was mainly due to a remarkable enhancement of the security apparatus, jointly with the human rights, public services and external interventions, while on the other hand the indicators on economy and state legitimacy have worsened. Due to the improvement in the FSI, Lao obtains a better assessment in this index compared to other vulnerability assessments.
18. IFAD undertakes the Rural Sector Performance Assessment (RSPA) periodically, which is focused on six thematic clusters fundamental for rural development, each of which include several indicators (106 in total) that are individually assessed and rated between 1 and 6, being 6 the best score. In 2024, the overall RSPA score for Lao was 3.5, being the nutrition and gender equality cluster the best rated (4.1), followed by policies and legal framework (3.8), while the lowest rating corresponded to financial policy, access to services and markets (2.8), followed by the governance and public administration cluster (3.1). However, given that each cluster includes in average 17 indicators, a detailed analysis of the 106 indicators shows uneven performance within each cluster.
19. Considering the comprehensive range of information and indicators included in each of the indexes previously discussed, three priority areas emerge for addressing Lao's challenges and vulnerabilities: can be stated public debt remains the most critical macroeconomic challenge, institutional management and capacity building requires urgent strengthening, and climate change adaptation capabilities need enhancement. Improvement in these domains is essential for reducing the country's multidimensional vulnerabilities.
20. Macroeconomic scenarios for Lao PDR
21. To inform strategic decision-making for the upcoming COSOP cycle, this note presents three macroeconomic scenarios for key national indicators in the period 2025–2029: real GDP growth, public debt as a percentage of GDP, debt service ratio (percentage of GDP) and average annual inflation. The scenarios follow the methodology recommended in IFAD's Transition Framework and reflect plausible macroeconomic trajectories based on current projections and recent historical trends.

⁴⁷ UN Multidimensional Vulnerability Index (MVI)

⁴⁸ Global Fragile States Index (2024) [Global Data](#) | [Fragile States Index](#)

22. The baseline scenario is based on the IMF's World Economic Outlook April 2025, and the Joint Bank-Fund Debt Sustainability Analysis (DSA) November 2024, assuming continuation of current policy and economic conditions. The improvement and adverse scenarios represent upward and downward variations from the baseline, drawing on historical data (2015–2024) and judgement regarding fiscal risks, investment flows, and inflationary pressures. These scenarios are not predictive, but rather serve to explore the range of economic conditions under which IFAD and national partners may need to operate in the medium term.

22.1. Transition scenarios and projections for key variables

23. Following IFAD Transition Framework, the following three transition scenarios were projected:

Transition scenarios

Scenario	Definition
Baseline Scenario	Reflects the most likely trajectory based on official projections by the International Monetary Fund ⁴⁹ , World Bank and Joint WB-IMF Debt Sustainability Analysis (DSA) ⁵⁰ , assuming no major shocks or structural changes.
Improvement Scenario	Assumes moderately optimistic conditions with gradual stabilization, partial policy success, and improved macroeconomic indicators.
Adverse Scenario	Represents a deterioration scenario with weaker growth, external vulnerabilities, and continued fiscal and/or debt stress.

24. To project these three scenarios, the following table presents the foreseeing behaviour under each scenario for key macroeconomic variables:

Lao PDR: Projections of key variables in three transition scenarios 2025-2029

Macroeconomic variables	Baseline Scenario (avg. 2025–2029)	Improvement Scenario	Adverse Scenario	Remarks
Real GDP Growth (% annual, constant prices)	2.9%	4.0%	2.0%	Based on pre-pandemic levels and post-COVID recovery patterns.
Average Annual Inflation (%)	8.2%	5.5%	10.0%	Based on IMF projections and expert judgement: baseline reflects partial stabilization, improvement scenario assumes gradual inflation control, and adverse scenario considers persistent inflation pressures.
Public Debt (PPG % of GDP) ^{*51}	123%	110%	130%	Based on WB-IMF DSA data: baseline follows current path, improvement assumes gradual stabilization, and adverse reflects macro deterioration.
Debt Service Ratio (% of exports) *	18.5%	15%	22%	Based on DSA data: baseline reflects 2025–2029 average; improvement assumes better export performance and debt

⁴⁹ International Monetary Fund. World Economic Outlook Database, April 2025

⁵⁰ International Monetary Fund and World Bank. Lao: Joint WB-IMF Debt Sustainability Analysis (DSA), November 2024

⁵¹ Public Debt refers to Public and Publicly Guaranteed (PPG) debt, which includes central government debt, publicly guaranteed debt, and other relevant liabilities such as SOE obligations and swap arrangements. The "debt service ratio" corresponds to PPG external debt service as a percentage of exports, reflecting short-term external liquidity pressure.

				restructuring; adverse reflects sustained debt and trade stress.
Other variables				
Rural population:		4.733.363 (2023)		
Rural population (% of total population):		61,8 (2023)		
Rural population growth (annual %):		0,3 (2023)		

Source: International Monetary Fund, World Economic Outlook Database, April 2025

*International Monetary Fund (IMF) and World Bank. Lao: Joint Bank-Fund Debt Sustainability Analysis (DSA), November 2024.

Macroeconomic scenarios: overall analysis

Baseline Scenario – Moderate Stabilization and Persistent Vulnerability

25. Under the baseline scenario, a slow recovery process and return to stability are foreseen, and no new severe economic challenges are predicted. Under this scenario, real GDP growth is projected to average 2.9% annually from 2025 to 2029. This is significantly lower than the 6-7% average pre-pandemic GDP growth. The relatively weak forecasted growth is the result of persistent fiscal problems, a not very dynamic private sector, and ongoing external vulnerabilities. While such growth scenario marks a partial recovery from the crisis initiated in 2019-2020, GNI per capita is expected to remain lower than the peak of 2.520 USD reached in 2019. Lao PDR will remain within the Lower-Middle-Income (LMIC) classification defined by the World Bank.
26. According to IMF projections, inflation is expected to remain high, with an average annual rate of 8.2% between 2025 and 2029. Although this is an improvement compared to the peaks of over 30% in the 2022–2023 period, price volatility remains high and is driven by structural factors such as import dependency and currency fragility. Consequently, household purchasing power, particularly in rural areas, is likely to remain constrained, hampering poverty reduction.
27. Public debt would still be a major concern. In the baseline scenario, PPG debt is projected to average 123% of GDP between 2025 and 2029⁵². Consequently, debt service obligations are foreseen to remain high, with a debt service ratio of 18.5% of exports, which exceeds the threshold considered sustainable for LMICs. This situation reflects tight fiscal space, rising repayment burdens, and dependence on short-term relief such as payment deferrals.
28. Despite achieving modest progress in macroeconomic stabilization and some improvements in fiscal balances in 2023–2024, Lao's overall economic position would remain fragile due to structural vulnerabilities such as weak domestic revenue mobilization and exposure to external shocks, which would constrain Lao's transition projections.
29. Adverse Scenario – Economic Stagnation and Increased Vulnerability
30. In the adverse scenario, Lao PDR would continue facing tough economic challenges, including difficulties to consolidate macroeconomic stabilization, persistent inflation, weak growth, and rising debt-related risks.

⁵² International Monetary Fund and World Bank. Lao: Joint WB-IMF Debt Sustainability Analysis (DSA), November 2024

31. Under this scenario, real GDP growth would remain stagnant at around 2.0% annually in the 2025-2029 period. Despite this stagnation, Lao would remain within the World Bank's LMIC category.
32. Inflation would remain high at around 10.0% annually, suggesting difficulties to manage prices increase and a continued depreciation of the kip. This could be exacerbated by a lack of international reserves rising import prices. Under these conditions, the real income of the rural households would erode.
33. The debt situation would further deteriorate, with public and publicly guaranteed debt averaging around 130% of GDP, surpassing already unsustainable levels and increasing the risk of default. The debt service ratio would reach 22% of exports, imposing a crippling burden on external earnings. In a context of weak exports, the country could face a debt trap, where new borrowing is used to cover past obligations, rather than to support investment or development priorities. Such a level of debt service in the context of constant fiscal pressure and exchange rate volatility poses a significant risk of a debt trap⁵³. Mounting obligations squeeze out necessary public spending —especially in health, education and rural development— and limit the government's room for investment in support to productive sectors that drive economic growth.

Improvement Scenario – Gradual Recovery and Reinforced Stability

34. In the improvement scenario, Lao PDR would experience a gradual but slow recovery. While the country does not reach pre-pandemic growth levels, it achieves moderate macroeconomic stability, and this could lay the foundations for more inclusive development.
35. Real GDP growth would average 4.0% annually between 2025 and 2029, a positive scenario, yet significantly lower than the average registered in the 2000-2018 period. However, this improvement would not be sufficient for Lao to reach the Upper Middle-Income Country (UMIC) classification, whose threshold was USD 4,466 in 2024, and the country would remain as a Lower Middle-Income (LMIC).
36. Inflation would gradually ease to around 5.5% annually, reflecting a partially stabilized exchange rate. Particularly in rural areas, price stability would enhance real household income.
37. Public debt would remain high but slightly decline to 110% of GDP, assuming continued fiscal consolidation, improved revenue mobilization, and some successful debt renegotiations or deferrals. The debt service ratio would decline to 15% of exports, which, although still above international thresholds for sustainability, would represent a more manageable burden.

Implications on IFAD's engagement in the country

38. Given the current economic and social challenges discussed in section 2, and the transition scenarios projected in section 3, Lao PDR will remain a L-MIC in all scenarios covering the implementation period of the new COSOP (2026-2031).
39. Furthermore, the forthcoming transition from LDC status is not expected to impact the country's access to IFAD finance. The latter access is mainly based on country income cut-offs, creditworthiness and debt distress assessments as per IFAD transition framework and its associated graduation policy. Similarly, other

⁵³ A *debt trap* refers to a situation where a country must borrow continuously to service existing debt, often resulting in a vicious cycle of rising debt, constrained fiscal space, and underinvestment in public goods. It is a structural condition in which debt dynamics become self-reinforcing and difficult to reverse without external assistance or deep reforms.

international development finance institutions don't rely on the LDC designation when allocating resources.

40. While 2026 transition from LDC would have limited impact on access to development finance provided by IFIs, a recent analysis conducted by UNDP concluded that the transition may result in less favourable terms on concessional loans from bilateral donors as well as constrained access to some climate finance funds such as LDCF.
41. Lao PDR current debt distress —characterized by unsustainable public debt levels, limited fiscal space, and high external repayment obligations— will be far more critical when it comes to prospective IFAD in-country engagement. Lao PDR will continue needing IFAD support, although the country's capacity to repay current and upcoming IFAD loans could be an issue. The debt situation presents IFAD with a paradox: while the country's fiscal situation raises legitimate concerns about debt repayment capacity and government co-financing, it is precisely this context that makes IFAD's support more necessary than ever. Rural areas risk being further deprioritized in national budgeting, deepening territorial inequalities. Therefore, rather than withdrawing, IFAD should find ways to continue supporting Lao through carefully tailored instruments to support small farmers and to promote inclusive growth and sustainable rural development.
42. Lending terms and conditions. In the IFAD12 cycle (2022-2024) IFAD made available to Lao USD 13.2 mil and in the ongoing IFAD13 (2025-2027) USD 19.1 million to be provided as loans. The country accesses these resources at Blend financial terms that, in May 2025, are the following: (i) a maturity period of 25 years, including a grace period of five years; (ii) the loans bear a service charge on the principal amount outstanding, subject to a floor of 0.75 per cent per annum; and (iii) additionally, interest is payable on the principal amount outstanding at a fixed rate of 1.25 per cent, with adjustments made for single-currency loans (USD and EUR). In due of its debt distress Lao PDR is expected to remain an IDA gap country and therefore it is expected that the country will continue accessing IFAD loans under Blend conditions. However, adjustments to interest rates could occur in the future. The amount available to each country is defined before the beginning of each three-year IFAD cycle. The IFAD resources for Lao are assigned through the Performance Based Allocation System (PBAS), to which it is expected that the country will continue accessing given its LMIC classification.
43. COSOP priorities. The economic, poverty and institutional analysis undertaken to elaborate the transition projections included in this document, suggest that the priority areas for IFAD support to the country could include: (i) to continue supporting food production for family self-consumption, food and nutritional security, and surpluses to be sold in the markets for income generation; (ii) strengthening small farmers' resilience to economic and climate shocks through the incorporation of practices and technologies to make production more resilient to extreme climate events, post-harvest and processing investments, diversification of production, strengthening the conditions for accessing value chains and markets, and capacity building in these matters; (iii) strengthening institutional capacities of public, grass-root and private rural actors, and enhancing their long-term adaptive capacity; and (iv) policy dialogue in few (1 or 2) topics that are priority to the country, where IFAD has comparative advantage and credibility and could contribute to enhance the institutional and policy environment to promote sustainable and inclusive rural development.

44. Along the COSOP implementation, it is important to monitor key variables and indicators that could jeopardize the effectiveness of IFAD interventions in the country. For example, the availability of fiscal space, the priority to be given to the rural and social investment in the government budget, inflation rates and the external debt trends are macroeconomic variables that could heavily impact on IFAD's work if the current trends are not improved and/or if the government does not prioritize its partnership with IFAD when assigning public resources.
45. **Co-financing and partnerships.** To reduce implementation and financing risks, and increase the impact of its interventions, IFAD must devote efforts to strategic partnerships with other development partners, including those that can offer co-financing and/or technical assistance, particularly in under-served rural communities. IFAD was quite successful in partnering with other international development financiers and bringing large amounts to co-finance IFAD-funded projects. Indeed, IFAD contributed USD 31 million to the Partnerships for Irrigation and Commercialization Project (2019-2025), while the Asian Development Bank (ADB) and the German Agency for International Cooperation (GIZ) financed this project with more than USD 60 million each, making a total of USD 155 million from the three co-financiers. Likewise, IFAD financed the Agriculture for Nutrition Project with USD 20 million and managed to obtain co-financing from the Global Agriculture and Food Security Programme (GAFSP) the amount of USD 20 million. Given IFAD's limited resources, this successful co-financing strategy should continue guiding IFAD partnerships. IFAD strategy should also include pursuing partnerships with other strategic actors that could contribute technical expertise such as FAO, the WFP and ***other related multilateral and bilateral agencies***.
46. In conclusion, Lao PDR will continue requiring IFAD financing and tailored support. At the same time, IFAD must maintain close surveillance of debt indicators and macroeconomic trends, as any deviation towards the low-case scenario would increase the risk of repayment difficulties or further fiscal tightening that would negatively affect the country's ability to implement IFAD-financed projects and provide counterpart financing. Conversely the high case scenario would entail a more stable operational environment, in which IFAD financing could be more effective to achieve rural transformation and poverty reduction, and the risks of repayment delays would be reduced.

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SECAP background study

Introduction

1. The **SECAP background study** serves as a linkage to understand the **gaps / challenges** that could be encountered while implementing IFAD's Country Portfolio programmes in Lao PDR; it sets the stage for COSOP on thematic topics of social, environmental, and climate change integration into the Country Portfolio. The objective of the study is to provide insightful guidance to COSOP for mainstreaming climate change, environmental concerns and social disparities, building on the previous COSOP and CPSE reports. The study is based on a desk review of available documents and published reports and provides a modest situational analysis of social, environmental and climate risks. It also includes a set of key recommendations which are based on the analysis as well as recommendations of the CPSE. The study has also drawn from the World Bank's Climate Change Knowledge portal as well as the Country Risk profile Report prepared by the World Bank and Asian Development Bank. In addition, the Note has been prepared following IFAD's SECAP 2021 Edition Volumes 1 and 2 and other relevant strategic documents. The present note would have benefitted further if afforded more time and opportunities to gather relevant data and information through consultative meetings and selected stakeholder engagements, particularly in the context of development challenges faced by ethnic groups and youth.

Part 1 - Situational analysis and main challenges

Socioeconomic situation and underlying causes

2. The Lao PDR has an estimated population of 7.7 million (2023), with over 65% residing in rural areas.⁵⁴ The population is youthful, with a median age of 24.5 years and 34% under 15 years old.⁵⁵ Ethnic diversity is significant, comprising 50 officially recognized groups.⁵⁶
3. **Poverty:** The country has reduced poverty significantly over the last two decades, with the national poverty rate falling from 33% (2000) to 18% (2019).⁵⁷ However, rural poverty remains acute, affecting 23.8% of the population compared to 10% in urban areas⁵⁸ and the gap continues to increase due to a differential pace in poverty reduction with rural and remote areas facing the most severe impacts. Poverty has a higher incidence in the South and Central Provinces, among ethnic groups and among households whose head has a low level of education. The majority of these households with low education levels belong to ethnic groups, depend on subsistence agriculture or suffer from the consequences of unemployment. The gross national income (GNI) per capita in the Lao PDR was USD 2,560 in 2023 which places the country in the lower-middle-income category.⁵⁹ However, progress has slowed post-COVID, with annual GDP growth dropping from 6–7% (pre-pandemic) to 4.1% in 2024.⁶⁰
4. **Gender:** In 2023, 63.2% of labour force participation was by women, compared to 56% by men. Women shared 61% of unpaid work, while men shared 26%. constitute a major segment of the informal economy in Lao PDR, engaging in activities like agriculture, small-scale trade, and handicrafts. Lack of access to financial and social protection services have affected women's livelihoods, the capacity to earn income and

⁵⁴ Lao Statistics Bureau, *Population and Housing Census* (2023).

⁵⁵ UNFPA, *Lao PDR Demographic Profile* (2023).

⁵⁶ Lao Government, *Ethnic Groups Classification Report* (2015).

⁵⁷ World Bank, *Lao PDR Poverty Assessment* (2021).

⁵⁸ Lao Statistics Bureau, *Poverty and Consumption Report* (2020).

⁵⁹ World Bank, *GNI per Capita Data* (2023).

⁶⁰ [Lao Economic Growth Requires Reforms for Stability - World Bank](#) (2024)

the disparities in women's access to resources, particularly in rural areas, impeding women's economic empowerment. Access to finance is particularly poor for women in the agricultural sector as most women lack land ownership and titling, thus failing to provide collateral for formal credit. Women's contributions to agriculture are also underestimated, and they are typically involved in unpaid household and off-farm labour. This division of labour increases their workload without corresponding economic benefits. The economic effects since 2020 such as high inflation and a weak currency have further affected women's capacity to access education and healthcare for girls due to financial limitations, while restricted access to health services has influenced their overall well-being and capacity to engage in the workforce. In 2024, the Lao PDR was ranked 104th out of 146 countries by the Gender Inequality Index, which attributed this inequality to social norms and disparities in economic participation, education attainment, health and political empowerment.

5. **Youth:** Lao PDR has one of the youngest populations in the region with approximately 60% of its population under the age of 25 and 70% residing in rural areas⁶¹. Youth are defined in the national context as individuals between the ages of 15 and 35. Projections show a rapid increase in working-age population and a falling dependency ratio. Thus, in the medium-term, Lao PDR is set to benefit from the “demographic dividend” to the economy. Despite this potential, young people in Lao PDR face persistent barriers to employment and participation in the labour market. Capitalising on these gains will depend on the country's ability to generate sufficient decent jobs and equip both young women and men with market-relevant skills, education, and access to productive assets⁶². Youth unemployment is a concern in Laos and many young people lack the skills and opportunities to secure decent jobs. Youth employment is dominated by low-productivity, unremunerated work in the agriculture sector, with almost three quarters of youth workers engaged in agriculture, half of whom (almost 51%) being non-wage family workers⁶³. Labour force participation rates among youth (ages 15–24) remain low at 33.5% for young women and 36.9% for young men; though in rural areas without roads, young women marginally outpace young men (22.9% vs. 21.8%). Youth unemployment is the highest among all age groups, and underemployment, particularly in informal and subsistence work disproportionately affects young rural women.
6. Youth in Laos PDR face a multitude of interconnected challenges, including limited access to quality education and healthcare, vulnerability to child marriage and teenage pregnancy, and risks associated with online media and natural disasters⁶⁴. The most urgent challenge is the high proportion of youth who are Not in Education, Employment, or Training (NEET), affecting 38.6% of those aged 15–24. Young women are significantly more affected (41.7%) than young men (35.5%), and the share reaches over 54.5% in rural areas without road access. These disparities are linked to gendered barriers such as limited access to vocational training, early marriage, restrictive social norms, and childcare burdens. While national youth literacy is relatively high—92.7% for young women and 95% for young men—a gender gap persists in rural and underserved areas, reinforcing existing structural inequalities.⁶⁵ Addressing these issues requires a multi-faceted approach, including strengthening education and vocational training, promoting sexual and reproductive health, and enhancing social protection.

⁶¹ FFTC Agricultural Policy Platform article 1340 *Youth and Agri-entrepreneurship in Lao PDR* (<https://ap.fftc.org/tw/article/1340>)

⁶² UNFPA, World Bank, ILO, UNICEF

⁶³ FFTC Agricultural Policy Platform article 1340 *Youth and Agri-entrepreneurship in Lao PDR* (<https://ap.fftc.org/tw/article/1340>)

⁶⁴ UNFPA, World Bank, ILO, UNICEF

⁶⁵ LAO PDR Gender Factbook, Lao Statistics Bureau, Ministry of Planning and Investment 2024; Lao Social Indicator Survey III 2023

7. Youth migration is driven by a combination of factors, including limited employment opportunities and low wages, leading young people to seek work, particularly in neighbouring countries like Thailand. Young people also migrate internally within Laos, often from rural areas to urban centres, seeking better opportunities. Low wages and job insecurity are major drivers of youth migration, both internally within Laos and externally to other countries⁶⁶. Migration is highly gendered, with a significant proportion of emigrants being women, many of whom may find work through irregular channels, limiting their access to decent employment. Thailand is a primary destination for Lao migrants, particularly those seeking low-skilled labour in sectors like agriculture, manufacturing, and services. Migrant workers send significant amounts of money back to Laos, which contributes to the national economy.⁶⁷ Recognising the myriad of challenges faced by youth in Laos PDR, several development agencies have started entrepreneurship development programmes (such as FAO's Agripreneurs for Green Rural Enterprises and the Economy (AGREE) scheme of the Lao Upland Rural Advisory Service's (LURAS)⁶⁸, the EU's Switch Asia programme in Lao PDR⁶⁹ supporting young entrepreneurs and MSMEs in the tourism value chain, building capacities and facilitating access of the youth to credit and markets thereby gradually initiating youth involvement in enterprises across various sectors.
8. **Ethnic Groups:** Lao PDR is the most ethnically diverse country in Southeast Asia. As per the 2015 census, the population of Lao PDR comprises four main ethno-linguistic families: Lao-Tai (62.4%), Mon-Khmer (23.7%), Hmong-Iu Mien (9.7%), and Sino-Tibetan (2.9%)⁷⁰. The four ethno-linguistic families are officially divided into 50 ethnic groups that include more than 200 ethnic subgroups⁷¹. The Lao-Tai, with 8 sub-groups mostly made up of Lao people, are the dominant ethnicity and tend to live in the lowlands and do rice farming. With 33 sub-groups, the Mon-Khmer have the widest range of linguistic and cultural diversity. Originally, they were wet-rice farmers but were displaced and forced up the sides of the mountains by the migration of the Lao-Tai. The Hmong-Mien and the Chinese-Tibetan arrived fairly recently in the 19th century from China and today these two ethnolinguistic groups live on the mountains in the northern provinces of Laos. Together they make up a group of peoples composed of several ethnic subgroups – two distinct sub-groups among the Hmong-Mien and 7 among the Sino-Tibetan. Despite the ethno-linguistic diversity in the country, the official policy has been to consider all diverse groups as one nationality and this is formalised in the National Assembly's official Agreement 213 of November, 2008. The majority of the ethnic groups inhabit the remote, mountainous and forested areas of Laos and practise more traditional ways of life with distinct sociocultural differences; they experience marginalization.
9. Lao PDR's constitution (1991) notes the need to incorporate the concerns of all ethnic groups in developing policy across sectors and reaffirms its intention to strengthen the rights of all ethnic groups (Article 8 and 22). Article 8 specifically states that all ethnic groups 'have the right to preserve their own traditions and culture' and forbids discrimination between ethnic groups⁷². A national legislation relevant to the ethnic groups is the ethnic minority policy, Decree 207, which upholds the principle that all ethnic groups should have improved access to services and that all discrimination must be eradicated.

⁶⁶ International Organization for Migration (IOM) (2023). *Migration in the Lao PDR: A Country Profile 2023*. IOM, Geneva.

⁶⁷ *ibid*

⁶⁸ FAO. 2022. Empowering youth to revitalize agrifood systems in Lao PDR: Stories from young agri-entrepreneurs. Rome.

⁶⁹ <https://www.switch-asia.eu/project>

⁷⁰ Lao Statistics Bureau, 2016

⁷¹ Centre for Development Policy Research, Ministry of Planning and Investment

⁷² Ethnic Groups Development Plan (EGDP) for scaling implementation of ER Programme (Ver 2) prepared by GIZ for submission to GCF, May 2022

10. The ethnic groups predominantly inhabit the upland and mountain areas in the north and along the eastern part of the country bordering Vietnam. Traditionally, these communities practiced shifting cultivation or swidden (*hay kheuan nhai* or pioneering shifting cultivation clearing primary forests) complemented with harvesting of forest produces from the fallows and regenerating young forests for food and income. This practice was prohibited by the government and communities encouraged to adopt a more environmentally benign form of shifting cultivation (*hay moun vien* or rotational shifting cultivation) on allocated plots or within agreed areas without encroachment into new forest areas, although settled agriculture using 'improved, conservation-oriented farming' has been encouraged in the long term⁷³.
11. A major policy thrust for managing shifting cultivation has been the Village Relocation and Consolidation Strategy of 1989 which encouraged the ethnic-linguistic groups inhabiting the uplands and mountain areas of Laos to move down to lowland areas where there are more economic opportunities, productive agriculture and better access to government services. To facilitate transition to settled agriculture, improve economic opportunities and also prevent further deforestation, cash crop plantations, in particular, rubber has been strongly supported by the government. Land concessions were awarded to foreign investors – particularly Chinese and Vietnamese private sector – and this triggered largescale forest clearing⁷⁴. Largescale clearing of forests for commercial logging or industrial plantations (particularly rubber) has displaced and marginalised the ethnic groups⁷⁵. The promotion of industrial plantations has resulted in vast areas of ancestral lands being conceded to foreign investors increasing land scarcity, 'deterritorialization' (or appropriation of ancestral territories) benefitting foreign investors and leaving villagers without adequate compensation and as day labourers in their own land⁷⁶. The relocation policy, though well intended, has left upland communities deprived of access (and ownership) rights to their ancestral land, severely curtailing rights to few allocate plots thus posing a threat to the traditional lifestyles of the ethnic groups. Village relocations, restriction of access to land for rotational shifting cultivation and the growing restriction of access to forests for non-timber forest produce collection due to increasing concessions for commercial plantations, mining and hydro-projects have severely increased vulnerability of the ethnic groups to food shortages. This vulnerability arises on account of the lack of access to adequate cultivation land, reduced or restricted access to young fallows and forests for NTFP collection for food and income. Lack of access to capital, inputs, markets and basic amenities such as education and health further accentuate their vulnerability⁷⁷.
12. Recent studies accessing the impact of commercial plantations do indicate the benefits of cash crop plantations like rubber, particularly in areas bordering China and Vietnam. These studies clearly indicate that a diversification of livelihoods, particularly commercial cropping complementing shifting cultivation actually enhances food and income security of households compared to single livelihood pursuits of only shifting cultivation or pure commercial plantations such as rubber. In fact, pursuing only commercial crops actually tend to increase the vulnerability of households due to a reduction in staple security and insufficient cash income, thus severely compromising their response capacities.⁷⁸. Development projects targeting ethnic groups in the upland and mountains, in particular those practising rotational shifting cultivation should take note of these findings and factor in a flexibility of choice for the target

⁷³ Kenney-Lazer, M (2013) Shifting cultivation in Laos: Transitions in policy and perspective. Report commissioned by the Secretariat of the SWG for Agriculture and Rural Development (SWG-ARD), Clark University, USA

⁷⁴ <https://doi.org/10.3390/su13147617>

⁷⁵ Freund S & Gervan S Mekong Institute Research Working Paper Series 2010

⁷⁶ <https://doi.org/10.1016/j.polgeo.2011.06.005>

⁷⁷ ADB 2005 Ethnic Minority Development Framework for Forest Plantation Development Project

⁷⁸ Sustainability 2021, 13, 7617. <https://doi.org/10.3390/su13147617>

households to continue with rotational shifting cultivation complemented with settled agriculture and commercial cropping. Overall, key issues of ethnic groups requiring attention include land rights, improved access to education in Lao language and ethnic minority languages, access to health care, increased gender equality, political participation and representation, improved access to finance and markets, and ensuring that internal resettlement initiatives do not increase poverty and food insecurity and respect traditional cultural and social systems⁷⁹.

13. Targeting will apply an intersectional lens, recognising that rural women, youth, ethnic minorities, and persons with disabilities, particularly in remote and climate-vulnerable areas, often face overlapping forms of exclusion. Target groups will be identified using disaggregated poverty, nutrition, and vulnerability data, focusing on provinces where poverty, stunting, and climate risks overlap. Tailored outreach, culturally sensitive facilitation, and differentiated service delivery will ensure equitable participation. For example, young women from ethnic minorities or persons with disabilities in remote areas face compounded barriers that will be addressed through customised support measures.
14. **Nutrition:** Despite a robust food production in the country, hunger and nutrition are persistent issues in Laos, especially in rural areas where poverty is more prevalent. Around 32.8% of children under the age of five in Lao PDR are stunted, as of 2022, indicating chronic malnutrition and its potential long-lasting effects on physical cognitive development. This rate has decreased slightly compared to 33% in 2017, but it remains high and indicates the continued challenge of addressing malnutrition in the country. While stunting among children under-two has dropped from 42% in 2012 to 25.4% in 2018, wasting among children below five years old has risen (from 5.1% in 2012 to 9% in 2018 to 10.7% in 2022). Remote rural areas and the poorest households face higher stunting rates than counterparts from urban areas and rich households. High rates of malnutrition, particularly among children and pregnant women, have long-term health implications. In provinces like Sekong and Salavan, chronic malnutrition rates are alarmingly high, affecting women's health and their ability to work and care for their families. Women bear the brunt of increased care responsibilities due to malnutrition and health issues in their families, limiting their time and opportunities for economic and educational activities. Chronic malnutrition rates, particularly among children and pregnant women, are influenced by several interrelated factors such as poverty and economic challenges, geographic and ethnic disparities, health and nutrition practices, food insecurity and dietary practices, water, sanitation and hygiene (WASH) issues. Addressing these factors requires a comprehensive approach that includes improving economic conditions, enhancing access to healthcare and education, promoting better nutrition and WASH practices, and targeting interventions to the most affected regions and communities.

Environment and climate context, trends and implications

15. Lao PDR is endowed with abundant natural resources, such as minerals and a wealth of forests, which cover more than 40% of its land surface. The Mekong River and its tributaries provide rich water resources, also presenting the potential for power generation and irrigation development. Wetlands in Lao PDR play an important role in water regulation and combating droughts. The country has about 30 significant wetland sites, which cover an estimated 1 million hectares. Relative to other Asian nations, many of these assets remain in a comparatively healthy state. However, since the turn of the 21st century, exploitation of natural resources has accelerated, including construction of a cascade of new hydropower dams on the Mekong River and its tributaries. Although Lao PDR is still rich ecologically, biodiversity has been significantly

⁷⁹ Country Technical Note on Indigenous Peoples issues: Lao Peoples Democratic Republic IWGIA and IFAD. March 2022 Update

reduced by a range of factors, including population growth, land use change, resource extraction and the transition from subsistence farming to a market economy.

16. The World Bank Group's Country Partnership Strategy Progress Report with Lao PDR recognized that the country's forests continue to be exploited in unsustainable ways, particularly through both poorly managed legal and illegal logging and pioneering shifting cultivation or *hay kheuan nhai* (though this practice has been significantly controlled through land use management, relocation of villages from uplands to valleys, concessions for transition to rotational shifting cultivation or *hay moun vien* on allocated plots and without encroachment into pristine forests and supportive measures introduced by the government over the years). A more serious trend, especially in the context of climate change impacts, is the culture of deforestation driven by expansion of commercial agricultural, compromising the long-term sustainability of the landscape and the livelihoods of rural communities. In addition, mining and hydropower projects also contribute to deforestation. This trend has exacerbated in recent years with increased concessions accorded to private sector players for mining or agricultural expansion, particularly for rubber, cassava and other commercial crops that are in high demand in neighbouring countries.⁸⁰ In 2015 the decree for Protected Areas (No.: 134/G) was published in order to strengthen conservation and make Protected Areas ecologically sustainable (Lao PDR, 2015) and has presently resulted in a network of 25 National Biodiversity Conservation Areas (NBCA) as ongoing efforts aimed at increasing forest cover to 70% by 2035.
17. In addition to deforestation, agricultural expansion has also fuelled monocropping and the increased use of agro-chemicals (particularly pesticides), adversely impacting agro-biodiversity while increasing contamination and subsequent degradation of soil, land and aquatic resources. Land degradation in Lao PDR is triggered by deforestation and accentuated by soil erosion from natural disasters resulting in reduced natural nutritional enrichment of the soil, land use change from development project such as energy-mining, infrastructures, over use of chemicals in agriculture and industries, drought events which reduce crop productivities and decreased livestock, and the distortion of shifting cultivation due to expansion of plantation crops. Agricultural transformation and consequent land use change in Lao PDR are classic examples of transitions that reduce resilience to climate and other shocks while simultaneously degrading the biodiversity of ecosystems⁸¹. Lao PDR has several regulations in place to address land degradation, including the Revised Land Law, the National Land Policy, the Forest Law (Revised), and the Environmental Protection Law. These laws and policies aim to promote sustainable land management (SLM), protect forest resources, move towards the country's commitments for land degradation neutrality and ensure the long-term productivity of land.

Climate Risks

18. The National Adaptation Plan (2009) and the Nationally Determined Commitments of Lao PDR point to the significant vulnerabilities the country faces from climate risks^{82,83}. Lao PDR faces projected warming of 3.6°C by the 2090s against the baseline conditions over 1986–2005. Modelling based on the Berkeley Earth Dataset indicate a 1.03°C rise in temperature around the vicinity of Vientiane between 1900–1917 and 2000–2017. The dataset also suggests that there has been accelerated warming since the turn of the 21st century in all regions of Lao PDR. The World Bank's Climate Change Knowledge Portal (CCKP) suggests that rises in annual maximum and minimum temperatures are expected to be more rapid than that for average temperatures. Monthly minimum

⁸⁰ 2019-Ministry of Natural Resources and Environment, Lao PDR - Sixth National Report to the United Nations Convention on Biological Diversity

⁸¹ National Report on Land Degradation Neutrality Target Setting Programme: Lao PDR. October, 2020

⁸² Lao PDR Nationally Determined Commitments 2021

⁸³ Lao PDR National Adaptation Programme of Action to Climate Change 2009

temperatures are expected to typically rise 10-20% faster and are likely to amplify pressures on human health, livelihoods and ecosystems⁸⁴.

19. Ensemble models indicate that annual precipitation rates are expected to increase, with larger changes under higher emission pathways. The intensity of sub-daily extreme rainfall events appears to be increasing with temperature, a finding supported by evidence from different regions of Asia and already documented in Lao PDR. The country's 2nd National Communication to the UNFCCC reports a transition to more intense precipitation periods with the frequency of months experiencing more than 600 mm rainfall increasing over the 20th century⁸⁵. The Coupled Model Inter-comparison Project Phase 5 (CMIPP5), the main data source for CCKP, shows a trend of consistent warming and an increase in the intensity of heavy precipitation periods and extreme events for the country. These changes increase vulnerability of the country to various climate-related hazards and the CCKP indicates high risks from floods, cyclones, landslides, water scarcity and prolonged dryspells, extreme heat conditions and wildfires.
20. Lao PDR is ranked 69th out of 191 countries by the 2019 Inform Risk Index, suggesting that the country faces high disaster risk levels. Lao PDR's overall ranking on the INFORM risk index is somewhat exacerbated by its lack of coping capacity and to a lesser extent the vulnerability of its population.⁸⁶
21. Climate-related shocks exacerbate existing social inequalities. Women, youth, ethnic minorities, and persons with disabilities often face higher exposure to climate risks and lower adaptive capacity due to limited access to resources, information, and decision-making spaces. Adaptation and disaster risk reduction measures under the COSOP will integrate gender- and socially-inclusive targeting to ensure that climate-smart solutions address the differentiated needs, priorities, and capacities of all vulnerable groups. Climate-resilient agriculture and disaster risk reduction measures will be designed to address the differentiated vulnerabilities of women, youth, ethnic minorities, and persons with disabilities. For example, early warning systems will integrate community-based dissemination channels accessible to women and PWDs, and climate-smart practices will be tailored to their constraints and those of ethnic communities.
22. *Floods*: Lao PDR's exposure to flooding is assessed to be extremely high, including, riverine and flash flooding. The country's NAP highlights the country's vulnerability due to the risks arising from increased intensity and frequency of floods and calls for support in enhancing national adaptive capacities both institutional and of communities. Without adaptation action, the riparian population annually exposed to river flooding is projected to double to over 80,000 people by the 2030s. Variations of waterflow in the Mekong is impacted not only due to precipitation events in SE Asia, but also regulated by climate change in the Tibetan Plateau where the Mekong originates. With increasing warming, glacial melt and rapid thawing of the permafrost in the Tibetan plateau will increase water and debris flow in Himalayan rivers, increasing the frequency and severity of flash floods and flooding in their basins⁸⁷. The country also has some limited exposure to tropical cyclones and their associated hazards. The risks of disaster linked to climate hazards in Lao PDR have been underscored by recent events.
23. *Droughts and dryspells*: Although the country's exposure to drought is lower different provinces already experience prolonged dryspells resulting in water stress. Projections for Southeast Asia suggest that the return periods of 12-month droughts could reduce

⁸⁴ Climate Change Risk Profile: Laos PDR (2021). The World Bank Group and Asian Development Bank.

⁸⁵ Lao PDR (2013). Second National Communication to the UNFCCC. URL: <https://unfccc.int/sites/default/files/resource/Laonc2.pdf>

⁸⁶ Climate Change Risk Profile: Laos PDR (2021). The World Bank Group and Asian Development Bank.

⁸⁷ P. Wester, A. Mishra, A. Mukherji, A. B. Shrestha (eds) (2019) *The Hindu Kush Himalaya Assessment - Mountains, Climate Change, Sustainability, People*. Springer Nature Switzerland AG Cham

– in other words, drought incidences could become more frequent. Droughts disrupt the hydrological system, threaten biodiversity, and have adverse effects on population health. Approximately 188,000 households in Lao PDR are estimated to be at risk of food insecurity due to droughts linked to climate change, which are likely to lead to longer and more severe drought periods in the future. The projections of the CCKP model ensemble on meteorological drought hold some uncertainty, but generally point towards an increased annual likelihood of drought. In 2015, severe drought, partly driven by a strong El Niño event, damaged tens of thousands of hectares of upland, rice, and fruit crops.⁸⁸

24. *High Temperatures and Heat*: Lao PDR regularly experiences high temperatures. The CCKP model ensemble projects significant increases in the annual probability of a heat wave under the different emissions pathways. The threshold for the human body's ability to regulate temperature has been reported at 35°C (wet bulb ambient air temperature). Temperatures significantly lower than the 35°C threshold can still pose a significant threat for human health. The number of days during which ambient temperatures exceed 35°C is projected to increase considerably under all emissions pathways. Increased incidence of extreme heat represents a major threat to human health especially for outdoor labour adversely affecting their productivity. This has serious implications for the agricultural as well as service sectors. Productivity losses due to heat stress are expected to increase affecting the poor as heavy manual labour jobs, common among the lowest paid, are also the most at risk due to heat stress. Poorer businesses are least able to afford air conditioning, an increasing need given the projected increase in temperatures. Poorer farmers and communities are least able to afford disaster insurance, local water storage, irrigation infrastructure, and technologies for adaptation. Research has also provided more evidence that the effects are not gender neutral, as women and children are among the highest risk groups.
25. *Diseases*: WHO highlights that climate change threatens to stall progress in reducing disease risk in Lao PDR. Malaria is a particular threat for the country, and an increase in the population at risk of around 400,000 is projected when moving from RCP2.6 to RCP8.5 by the 2040s and 2070s, respectively. Similarly, the vectoral capacity for dengue fever increases under both emissions pathways, but by slightly less under RCP2.6 as compared to RCP8.5. Projections suggest an increase in the population affected by flooding, which also raises the risk of the spread of water-borne diseases. Leptospirosis is among several diseases linked to flooding in Lao PDR. Global research has also linked both drought and flood to increased incidence of diarrheal disease. As of 2016, diarrheal disease was responsible for 11% of all under-5 deaths in Lao PDR⁸⁹.
26. Climate change could influence food production via direct and indirect effects on crop growth processes. Direct effects include alterations to carbon dioxide availability, precipitation patterns and temperatures. Rice is particularly vulnerable to elevated night-time minimum temperatures. One study has suggested that the influence of climate change on temperature and rainfall patterns could depress local rice yields by around 5–20% by the 2040s, with losses typically larger on higher emissions pathways. A significant adaptation effort is required to address reductions in yields driven by projected increases in the incidence of extreme heat during the growing season of staple crops⁹⁰.
27. Vulnerability to climate change impacts in Lao PDR arises due to a combination of political, geographic, and social factors. Communities in Lao PDR face significant climate-related hazards that are exacerbated by poverty, malnourishment, and high exposure of poor and marginalized communities. The impacts of climate change are

⁸⁸ Climate Change Risk Profile: Laos PDR (2021). The World Bank Group and Asian Development Bank.

⁸⁹ Climate Change Risk Profile: Laos PDR (2021). The World Bank Group and Asian Development Bank.

⁹⁰ Climate Change Risk Profile: Laos PDR (2021). The World Bank Group and Asian Development Bank.

likely to disproportionately affect the poor and marginalised. Inequality is widening in Laos and this may further amplify the impacts of climate-related disasters.

Part 2 - Institutions and legal framework

Institutions

28. The March 2025 restructuring of the Lao PDR government, approved unanimously by the National Assembly, reduced the number of ministries from 17 to 13. Several mergers were made to improve administrative efficiency, decentralize governance, and enhance anti-corruption oversight. The following institutions now represent the key strategic partners for IFAD's mainstreaming priorities:

29. Core Government Ministries and Agencies

- (a) Ministry of Agriculture and Environment (MAE): Formed by merging the Ministry of Agriculture and Forestry (MAF) with the Ministry of Natural Resources and Environment (MONRE). Now responsible for: Agriculture and livestock; Forestry and biodiversity; Irrigation infrastructure; Land and water resource management; Climate policy and environmental protection. This is a core partner for IFAD in natural resource management, climate resilience, sustainable agriculture, and adaptation finance.
- (b) Ministry of Finance (MOF): Resulting from the merger of the Ministry of Planning and Investment (MPI) with the existing Ministry of Finance. MOF now leads: Public financial management; National socio-economic planning (e.g., 10th NSEDP 2026–2030); External financing, donor coordination and aid effectiveness. MOF is IFAD's Borrower and plays a central role in IFAD COSOP alignment, resource mobilization, and macroeconomic planning.
- (c) Ministry of Industry and Commerce (MOIC): Now includes the former Ministry of Energy and Mines. Oversees: Rural enterprise and value chain development; Market linkages and trade promotion; Renewable energy access for productive use in rural areas; MOIC is key for IFAD-supported agro-processing and private-sector partnerships.
- (d) Ministry of Public Works and Transport (MPWT): Continues to lead rural infrastructure development including roads, bridges, , and transport corridors. Crucial for improving rural market access.
- (e) Prime Minister's Office (PMO): Following the dissolution of the Ministry of Home Affairs, PMO now oversees parts of governance and administrative coordination, including some elements of local administration and religious affairs.

30. Key Mass Organizations and Civic Institutions

- (a) Lao Women's Union (LWU): Nationwide presence in rural communities. Key partner for IFAD in promoting gender equality, women's economic empowerment, financial literacy, and nutrition awareness.
- (b) Lao Youth Union (LYU): National network for engaging youth in rural innovation, vocational training, digital inclusion, and entrepreneurship.
- (c) Lao Farmer Association (LFA): Represents farmers' interests. Active in cooperative development, networking, production clusters, and inclusive agricultural extension.
- (d) National Front for Development (NFD): Coordinates engagement with ethnic minorities and Indigenous Peoples and supports participatory planning and social cohesion.

31. Key Financial Institutions

- (a) Bank of the Lao PDR (BoL): Regulates and licenses rural banks, MFIs, and community savings schemes. Leads policy on rural financial inclusion and digital financial services.
- (b) Microfinance Institutions (MFIs): Provide access to credit, savings, and micro-insurance services in rural areas. Important for reaching women, youth, and Indigenous Peoples.
- (c) Village Development Funds (VDFs) and Savings and Credit Groups (SCGs): Community-managed funds often supported by LWU or NGOs. These are effective tools for grassroots finance, especially in remote or upland communities.

Overarching policy framework

Policy and regulatory frameworks

Table 1: Policy and regulatory frameworks relating to SECAP

Theme	Key Policies/Frameworks	Relevance to IFAD
Nutrition	NNS 2025, NPAN 2021–25 (13 objectives, 36 indicators); operational guidelines include NS-CSA	Enables nutrition-sensitive agri programming and integrated M&E
Gender & Social Inclusion	LWU programs; constitutional/civil-service reforms; NSEDP gender targets	Supports household-level gender outcomes and women’s empowerment
Youth	NSEDP components on vocational/agri training via LYU	Opens pathways for youth agribusiness and employment
Indigenous Inclusion	IP embedded in NPAN/NSEDP; NFD coordination	Supports participatory targeting and IPA grant mechanisms
Climate & Environment	NDC 2.0/3.0, NAP, NBSAP, UNCCD action plans	Provides alignment for resilience, mitigation, biodiversity financing
Regulatory Convergence	Smart-city tax reforms, sectoral planning	Creates enabling conditions for private and blended finance

32. Gender Equality and Social Inclusion

- (a) **Lao Women’s Union-embedded Gender Policies:** National strategies—such as **the 10th NSEDP (2026–2030)**—embed targets for enhancing women’s access to resources, leadership, and decision-making. LWU-led programs span literacy, entrepreneurship, financial integration, and reproductive health services.
- (b) **Constitutional and Civil Servant Law Reforms (2025):** National Assembly amendments improved local-administration powers, extended civil service retirement/intake ages, and reinforced anti-corruption inspection frameworks—creating an enabling environment for strengthened gender and social inclusion under COSOP.

33. Nutrition

- (a) The [National Nutrition Strategy to 2030](#) and the National Plan of Action for Nutrition (NNSPA) for 2021–2025 are the guiding elements for the nutrition interventions and the multisectoral planning at district and provincial levels that will be supported under COSOP 2026–2030 instruments. This provides a ten-year, multi-sectoral framework targeting undernutrition among vulnerable groups, focusing on the 1,000-day window, dietary diversity, poverty, and women’s roles. The National Plan

of Action on Nutrition (NPAN) 2021–2025 builds on the earlier strategy, defining 13 objectives and 36 indicators across direct, underlying, and systemic causes of malnutrition. Includes dietary diversification, WASH, maternal services, gender equity, finance, and disaster resilience

(b) **Operational Guideline for NPAN (2021–2025)**: Reflects multi-sectoral approaches, Nutrition-Sensitive Climate-Smart Agriculture (NS-CSA), and inclusion of disability and gender considerations suncsalaos.orgwvi.org.

(c) At recent [Food System Summit report](#) for Lao PDR, the technical groups of the Member State Dialogue in Lao PDR identified four key thematic areas: (i) ensuring safe and nutritious food for all, (ii) boosting nature-positive food production at sufficient scales; (iii) advancing equitable livelihoods and value distribution; and (iv) building resilience to vulnerabilities, shocks and stresses. Under COSOP 2026-2030 instruments (PICSA AF component 3), the country programme will support sustainable food systems across these four priority areas.

34. *Youth*. While Laos lacks a standalone National Youth Policy, the 10th NSEDP emphasizes youth-targeted vocational training, agri-entrepreneurship, and digital inclusion—implemented via Lao Youth Union in partnership with sector ministries.

35. *Ethnic groups*. The National Assembly’s official Agreement 213 of November, 2008 considers all diverse groups as one nationality. Decree 207, issued in 2020 specifically outlines principles, regulations and measures for managing ethnic group affairs and aims to address the unique needs and circumstances of various ethnic groups, particularly those considered vulnerable, while promoting their access to services and eradicating discrimination. Under the decree, all ethnic groups are to be permitted to practise their special customs and traditions in accordance with the country’s constitution and laws.

36. *Climate, Environment & Biodiversity*

(a) The revised **Environmental Protection Law (EPL, 2013)** is the nation’s principal environmental legislation. The EPL set up unified environmental management with the objective of preserving and facilitating sustainable use of natural resources. The Ministry of Natural Resources and Environment (MoNRE) is responsible for implementation of the EPL, and include the Ministerial Instruction No. 8030/MONRE (2013) and the Environmental Assessment Guidelines (2012) which provide direction to the environmental and social assessment process in Lao PDR. Additionally, the more recent Ministerial Instructions on Public Involvement in the Process of Environmental Impact Assessment of Investment Projects provide updated guidance on the environmental and social assessment process.

(b) **Nationally Determined Contributions (NDC)**: Laos submitted NDC 2.0 in March 2021 (60 % reduction by 2030, conditional on finance), and began preparing NDC 3.0 in February 2025 under UNDP/UNFCCC coordination.

(c) **National Adaptation Plan (NAP)**: Under development within the new MAE, with multi-stakeholder input to align with COSOP climate resilience efforts.

(d) **National Biodiversity Strategy and Action Plan (NBSAP) 2016–2025**: Ongoing under CBD commitments, synchronized with agriculture and forestry planning.

(e) **UNCCD**: Action frameworks in place, oriented to land restoration, desertification, and sustainable land management under MAE

37. *Regulatory Frameworks & Multilateral Plans*

(a) **Convention Underpinning**: Laos is party to Rio Convention frameworks: UNFCCC, CBD, and UNCCD—each with national action plans implemented via MAE (formerly MONRE + MAF).

- (b) The National Strategy on Climate Change of the Lao PDR (NSCC), dated March 2010, builds on the country's commitment to its climate change adaption efforts. The vision set out in the NSCC is to secure a future where the Lao PDR is capable of mitigating and adapting to changing climatic conditions in a way that promotes sustainable economic development, reduces poverty, protects public health and safety, enhances the quality of Lao PDR's natural environment, and advances the quality of life for all Lao people.
 - (c) The enhanced [Nationally Determined Contribution](#) (NDC) to the UNFCCC was submitted by GoL in March 2021. The conditional mitigation scenario for 2023 and targets towards net zero emissions 2050 include a target for the agriculture sector which is: 50,000 hectares with adjusted water management practices in lowland rice cultivation, corresponding to an average target of 128 ktCO₂e/y GHG emission reductions between 2030 and 2050. The long-term adaptation measures for the agriculture sector are to: (i) Promote climate resilience in farming systems and agriculture Infrastructure and (ii) Promote appropriate technologies for climate change adaptation, including nature-based and circular economy solutions. In April 2025, the Lao Government endorsed its first National Adaptation Plan on Climate Change 2025-2035 in line with the National Climate Change Strategy 2010. The National Strategy on Climate Change and National Adaptation Plan define agriculture and food security as the first priority sector.
 - (d) **Convergent Sector Strategies:** Agriculture, Water, Health, Education sectors employ convergent planning (e.g., CGIAR-AISIP workshops, World Bank multisector nutrition convergence) undp.orgworldbank.org.
 - (e) **Smart City and Private Sector Incentives:** 2025 NA reforms introduced tax incentives for smart-city development (e.g., Amata Smart & Eco City), offering novel opportunity for rural-urban economic linkages and private-sector engagement.
38. In addition, the following are relevant and need to be in the purview during programme design and implementation:
- (a) **The Decree on Protected Area No. 134/G dated 13/5/2015** determines principles, regulations and standards related to the establishment, allocation, protection, development, utilization and inspection of Protected Areas. Local communities residing in and around Protected Areas and contribute to the protection and regeneration of forest and Non-Timber Forest Products in the Protected Areas, have the rights to use forest and forest products as determined in the allocation plan of the Protected Area.
 - (b) **Law on Chemicals Management No 7/NA**, recognizing the role of MAF (now MAE) to control and monitor the use and disposal of agrichemicals for crops and livestock, including pesticides (2016).
 - (c) **The Prime Minister [Decree No 258/Gov](#) on Pesticides Management and Use (dated 2017)** aligned national regulations with the International Code of Conduct on Pesticides Management. The Ministerial Decision No. 238/ MAF on Control of Pesticides Businesses and a Ministerial Decision on Pesticide Registration No. 3604/MAF were approved in 2019, reflecting the guidance of the International Code of Conduct. Under MAF (now MAE), the Department of Agriculture (DoA) is mandated to oversee all usage of pesticides. (Since 2010, Lao PDR is a signatory of the [Rotterdam Convention](#) that aims at (i) to promoting shared responsibility and cooperative efforts among Parties in the international trade of certain hazardous chemicals in order to protect human health and the environment from potential harm; and (ii) contributing to the environmentally sound use of those hazardous chemicals, by facilitating information exchange

about their characteristics, by providing for a national decision-making process on their import and export and by disseminating these decisions to Parties).

- (d) Lao PDR has introduced a **framework for Lao Good Agriculture Practice** and Organic Agriculture Standard since 2004 and 2005. Until now, the Ministry of Agriculture and Forestry has issued four ministerial decisions, covering produce quality management standards, environmental management, and labour safety, health and welfare.
- (e) **The Law on Water and Water Resources (revised 2017 and updated)** defines principles, regulations and measures relating to the management, prevention, development and use of water and water resources to ensure they are effective and sustainable in response to the living conditions of people, agriculture, industry production, and regional and international integration. Laws and decrees related to irrigation management are: the Law on Irrigation (2012), Decree 1149 dated 27/06/2000 on the Full Transfer of Irrigation Systems to Water User Associations (IMT) and Decree 1150 dated 27/06/2000 on the Establishment and operation of Water User Associations (WUA).
- (f) **Grievance Redress Mechanism (GRM):** The national assembly has also adopted the Law 35 dated 2014 on grievance redress mechanisms (GRM) and has set up a hotline for citizens to submit comments, complaints, and grievances. The Compensation and Resettlement Decree No. 84/GOL (2016) also includes provision for GRM.
- (g) **Labour and working conditions:** The Ministry of Labour and Social Welfare, with support from UNICEF, launched in January 2023 the first ever National Plan of Action for Child Protection System Strengthening in Lao PDR ([LINK](#)). Law on the protection of the rights and interests of children ([No. 05/NA 27 December 2006](#))

Programmes and partnerships

39. *Government-led Initiatives. Local Development Programme (Lao/338):* Led by MPI (now under MOF) in partnership with LuxDev (Luxembourg) and SDC (Switzerland), this rural development initiative (2023–2027) operates in Bokeo, Borikhamxay, Khammuan and Vientiane provinces. Focus areas are capacity-building, small infrastructure, livelihood support, nutrition, education, and disaster resilience. *Synergy:* Shared goals with IFAD’s rural infrastructure, nutrition, and resilience components offer strong entry points for alignment.

40. IFAD-funded Projects

- (a) **Agriculture for Nutrition II (AFN II, 2023–2030):** A US\$48.3 M joint IFAD + GAFSP + Government project targeting 168,000 rural individuals across six provinces, focusing on climate-resilient farming, home gardens, community nutrition, gender, youth, and disability inclusion. *Synergy:* Coordination with the National Nutrition Committee & WFP promotes a cohesive delivery model.
- (b) **Partnerships for Irrigation and Commercialisation of Smallholder Agriculture (PICSA, 2019–2028):** An IFAD-funded initiative focusing on irrigation, watershed management, market connectivity, and nutrition integration across 350 villages

41. Private Sector & NGOs

- (a) **Sunlabob International:** Social enterprise providing solar energy services through village hubs, with potential for coupling renewable energy access with climate-smart ag and irrigation.
- (b) **Friends-International:** Operates youth and social services programs in Laos, potentially synergic with IFAD’s youth inclusion and social protection priorities.

42. Regional Engagement

Mekong Institute (MI): GMS-level IGO offering human resource and capacity development in rural development, trade, and governance—an avenue for scaling cross-border learning

43. Coordination & Synergy Opportunities

- (a) **Multi-Sector Steering Platforms:** Engagement through SWG-ARD, Lao/338, and NNC enables alignment of nutrition, agriculture, climate, and infrastructure programs.
- (b) **Financial Co-investments:** Shared opportunities exist with LRRRA and AFN II to co-design blended projects targeting watershed, irrigation & nutrition services.
- (c) **Private Sector Linkages:** Sunlabob's decentralized rural energy model can support agro-processing, pump irrigation, and digital extension via PICS/AFN II frameworks.
- (d) **Youth & Social Inclusion:** Partner with Friends-International and the Lao Youth Union (LYU) to integrate youth mentoring, vocational training, and agri-entrepreneur support.
- (e) **Regional Knowledge Exchange:** Leverage Mekong Institute's training platforms for staff capacity building across COSOP thematic areas and cross-country learning.

Part 3 - Strategic recommendations

Lessons learned

Lessons from the previous COSOP and other sources

44. The Lao PDR COSOP Country Review Report (2018-2025), 2024 and the Country Strategy and Programme Evaluation (CSPE), 2024 noted that the Country Portfolio's experience over the past few years has yielded several key lessons and recommendations regarding both strategic and operational aspects of IFAD's country programme. These are based on what the COSOP has delivered well through its on-going projects and identifies the areas that need to be strengthened. The lessons and recommendations are categorized below and include the following.

- (a) **IFAD's focus on the poor and those with food insecurity and poor nutritional status in remote areas and its pro-poor approach** to improving agriculture production, livelihoods and value chains was highly relevant to the needs of the rural poor and fitted well with its mandate. However, this implies budgeting higher operational costs for these areas.
- (b) **Project area and Targeting:** To achieve greater impact and remain within the specified operating cost budget, projects should concentrate on selected districts which should be chosen from among those which are aligned with GoL's priorities to sustain project investments.⁹¹
- (c) **Alignment with the Decentralized Government Approach:** At the project level there is increased engagement with district governments, villages and project participants in keeping with the decentralised approach. This builds ownership and transparency and efficiency by adopting the decentralised approach to local procurement.
- (d) **Agriculture Extension:** Agriculture extension best serves its clients when it is decentralized, demand-led, and directly connected to production activities or value chains that are relevant for small-holders. A village-based approach that

⁹¹ IFAD Lao PDR Country Team and AFN II and PICS/AFN II projects have developed an advanced targeting tool and matrix to select target areas based on clear, set criteria.

uses lead farmers, local level facilitators and veterinaries works well for outreach.

- (e) **Nutrition:** The experience with nutrition programmes in the country has shown that the multi-sector collaboration for nutrition using the convergence approach is an effective one.⁹² Village women are interested and can be trained as effective facilitators to promote the delivery and exchange of information. Sustainability of these activities can be enhanced by institutionalizing the Farmer Nutrition School (FNS) model within government extension services.
- (f) **Market Access and Linkages:** Measures need to be undertaken for making the Agricultural Producer Groups (APGs) more sustainable through tailor made and practical on the ground support and improved linkages with agro-enterprises and market infrastructure (roads, aggregation centres, processing and storage facilities).
- (g) **Climate Change and Environmental Sustainability:** Complementing agricultural support with sustainable land management measures, emphasizing land use planning, forest conservation, and watershed management can enhance natural resource management. The CRR, further highlights that there are major challenges for upland communities and smallholder agriculture farmers which require a more systematic approach that integrates sustainable landuse, climate resilience and ecosystem-based solutions. Complementing SLM, emphasising land use planning, forest conservation, and watershed management can enhance natural resource management. Strengthening agroecological practices, soil conservation, and environmental safeguards will help mitigate degradation and ensure long-term sustainability and resilience of farming systems.
- (h) **Policy Advocacy:** The country programme does not always have strong entry points for policy dialogue and as such the expectations from the policy engagement should be determined in keeping with strong in-country ownership and commitment and highlight evidence in support of the policy advocacy priorities.
- (i) **Non-lending activities:** The effectiveness of IFAD's non-lending activities in the Lao PDR has been constrained by reduced availability of grant funding. This can be better addressed through advocate for increased blended finance models, leveraging climate finance (e.g., GEF, Adaptation Fund, GAFSP, innovation or Policy grants), and co-financing arrangements with development partners and private sector actors.
- (j) **Innovation:** Prioritize cost-effective and scalable innovations that smallholder farmers can afford and sustain beyond project support. Focus on simple, practical solutions tailored to local farming conditions to maximize adoption. Pilot and validate innovations with farmers before scaling up to ensure feasibility and effectiveness.
- (k) **Exit Strategy:** Align activities with national policies and institutional capacities for post-project sustainability. Phased transition with timelines, capacity-building, and government buy-in for responsible handover. Secure commitments in Financing Agreements (FA) for specific government and community roles; formalize exit terms (funding, post-project support).

Strategic actions and targeting

⁹² PCR. AFN 1. IFAD. June 2023. For Nutrition - Phase 2 (AFN II)

45. The COSOP 2026-2030 contributes to multiple Sustainable Development Goals through its focus on poverty reduction, food security, gender equality, economic growth and climate action as described in the Lao PDR UN Sustainable Development Cooperation Framework (UNSDCF) 2024-2028. The COSOP complements ongoing development cooperation initiatives in Lao PDR's agriculture sector, including with World Bank's Climate-Friendly Agribusiness Value Chains Sector (CLEAR) Project, FAO's Strengthening Agricultural Market Information Systems (SAMIS) project and Agro-Ecological Zoning (AEZ) project, ADB's Sustainable Agrifood Systems Sector Project (SASSP), SDC's Vocational Training and Employment Support Service, and GIZ/EU's Protection and Sustainable Use of Forest Ecosystems and Biodiversity in Laos project (ProFEB)
46. The Strategic Objectives of the present COSOP 2026-2030 are also well aligned to the 10th NSEDP 2026-2030, the 10th Five-Year AFRDP-2026-2030, NREP, National Adaptation Plan 2025-2035, NDC 2021 as well as MSME Development Plan (2021-2025), the Trade and Private Sector Development Roadmap-2022-2026 (TPSDR), the Ministry of Industry and Commerce (MOIC)'s roadmap and the National Plan of Action on Nutrition (NPAN) 2021-2025. These strategies prioritize transitioning from subsistence to market-oriented agriculture through diversification and enhanced productivity, agro-processing development, export diversification, and climate adaptation. The national frameworks emphasize engaging smallholder farmers, particularly women and youth, in dynamic value chains while strengthening farmer organizations and investing in climate-resilient infrastructure and technologies. Targeting strategies will apply an intersectional lens to address compounded vulnerabilities faced by women, youth, ethnic minorities, and persons with disabilities, particularly in remote rural areas. Specific outreach, capacity-building, and tailored service delivery models will ensure these groups benefit equitably from COSOP interventions.
47. The Strategic Objectives of COSOP 2026-2030 strongly resonate with the National Green Growth Strategy (NGGS 2018-2030) and the Agricultural Development Strategy (ADS 2025-2030) developed by the Government of Lao PDR. The Strategic Objectives also strongly align to the country's NDC objectives in the agriculture sector⁹³ The IFAD Country Portfolio in Lao PDR can increase its impact by strategically finetuning COSOP implementation in alignment with the Government of Lao PDR's ongoing efforts to promote Green Growth and Sustainable Agriculture and by supporting and strengthening Green and Sustainable Agriculture Framework 2021 operationalisation. COSOP 2026-2030 offers opportunities through the ongoing and pipeline projects to demonstrate feasible approaches for balancing growth without compromising environmental concerns or increasing climate risks
48. To that extend, the following recommendations are suggested for consideration of COSOP 2026-2030:

Resilience building of farming systems and farming community in Laos PDR

49. Resilience building entails a broad spectrum of interventions ranging from technical considerations, socio-economic approaches to institutional capacity building. For COSOP 2026-2030, implementation approaches should build on past experiences both within the country and the region, strengthening efforts for managing diversity of resources and ecosystems and the production of safe, healthy food. While supporting the shift towards commercial agriculture through the development of market-oriented value chains, conscious efforts should be made to promote diversity as a risk management strategy, thereby building resilience to market and climate shocks. Approaches that succeed in striking a balance between market-oriented value chain development and the sustainable management of natural resources without

⁹³ Lao PDR Nationally Determined Contributions (NDC) 2021

compromising on environmental and conservation concerns could then provide viable, proven models to balance economic growth and environmental conservation that could be scaled across the country.

50. With the increasing risks from climate hazards, COSOP 2026-2030 must also support efforts for improving disaster risk reduction particularly in the promotion of Early Warning Systems and could complement ongoing efforts within the country by focusing on community led flood early warning approaches that have proved successful elsewhere⁹⁴

Gender Empowerment

51. Women's empowerment in Laos is particularly hampered by poor access to education, health services and finance. For the rural women, this is further accentuated by disparities in women's access to resources. Access to finance is particularly poor for women in the agricultural sector as most women lack land ownership and titling, thus failing to provide collateral for formal credit. Building on IFAD's Gender Policy and regional experience, the 2026–2030 COSOP will enhance rural women's financial literacy and access to financial services, embedding gender-transformative approaches in value chain development, financial inclusion, and climate-resilient agriculture. IFAD projects will ensure that financial literacy and improved access to finance are instrumental in enabling women's participation in economic enterprises. Women's groups mobilised within IFAD projects will be strengthened to become active and influential actors in value chains, driving their economic empowerment. At the policy level, engagement will promote joint land ownership and titling, and advocate for the acceptance of group guarantees as collateral in lieu of land titles, thereby expanding women's access to agricultural credit.
52. IFAD projects should strive to make financial literacy and improved access to financial services instrumental in enhancing women's participation in economic enterprises. Women's groups mobilised within IFAD projects should be capacitated to transform into effective actors in value chains, thus helping them to become economically empowered. Gender empowerment efforts will also promote women's leadership in natural resource management and climate resilience planning, recognising their critical role in managing land, water, and biodiversity at the community level. At the policy level, policy engagements should advocate for joint ownership and titling of land and also advocate for the acceptance of group guarantees as collaterals for credit in lieu of land titles, thus enhancing women's access to credit in the agricultural sector.

Youth engagement

53. With over 60% of the population under 25 years of age, Lao PDR is set to benefit from the "demographic dividend" to the economy in the medium-term. However, the full potential will be realized only if young women and men are better equipped with the appropriate skills and knowledge. Skill development and capacity building designed to cater to the job market is critical for profitable youth engagement, arrest youth migration and prevent social risks of drug abuse and sexual exploitation. Vocational training and skill development, complemented with strategic harnessing of acquired skills of returnees can provide opportunities for significantly transforming youth engagement, arrest youth migration and thereby, their contribution to the economy. Towards this objective, IFAD projects will support youth upskilling initiatives, particularly in enterprise development and digital technologies relevant to the value chains promoted under the country programme. Interventions will prioritise "Not in Education, Employment or Training" (NEET) youth, return migrants, and young women in rural areas. Vocational training, youth skill development and capacity building will

⁹⁴ Community based flood early warning system ICIMOD <https://www.icimod.org/cbfews/>

be aligned with market-demanded skills in agri-food systems, renewable energy, climate-smart agriculture and sustainable agro-processing technologies, eco-tourism, and digital technologies. This will link employment creation to green and climate-resilient value chains, enhancing both economic opportunities and environmental sustainability.

54. Partnerships with private sector actors will foster apprenticeships, entrepreneurship grants, and mentorship schemes, while leveraging the skills and experience of returning migrants to strengthen targeted value chains.

Upskilling and Green Extension for transition to Resilient Market-Oriented Agriculture:

55. The NGGS and ADS both advocate for the move towards a market-oriented agriculture, emphasising quality production and marketing of finely-branded, differentiated high-value niche products using cleaner, greener, safer, healthier and more sustainable forms of production and processing. The GSAF 2021 proposes GSA as the vehicle for operationalising the NGGS and ADS. With the shift in focus from production agriculture to market-oriented objectives, GSA requires a re-orientation and repurposing of agricultural extension and target sustainable production and increase sustainable choices for the producers and processors. Lao PDR is well aware that entering new, green markets, value addition, adoption of cleaner production techniques, and safer use of agricultural inputs can only be achieved through upskilling the workforce within the sector. This includes the promotion and development of local unique products, which link to tourism, export, and food security. Lao producers need to be upskilled in various forms of standards, regulations, handling of inputs, mechanisation, modern irrigation techniques, post-harvest processing and packaging, transport and marketing, in order to achieve the desired sustainability outcomes. Upskilling at all levels from individual farmers to institutions and administrative bodies is urgently required. Associated with upskilling, development of “agripreneurs” that operate across the entire value chain and markets is critical as well. It is obvious that this will require agriculture extension needs to be repurposed to support green sustainable agricultural growth, focusing not only on productivity but fostering practices that are aimed to increase yields whilst reducing waste and inefficiency problems in value chains, particularly in the post-harvest stages and are strongly founded on agro-ecological principles⁹⁵. The strategic objectives of COSOP 2025-2030 are sufficiently accommodative to include these requirements and the Country Portfolio could contribute significantly to the country’s upskilling efforts while simultaneously contribute to the development of a cadre of extension workers required for Green Extension.
56. **Supporting Lao PDR’s initiatives on meeting commitments to UNFSS:** The technical groups of the Member State Dialogue in Lao PDR identified four key thematic areas: (i) ensuring safe and nutritious food for all, (ii) boosting nature-positive food production at sufficient scales; (iii) advancing equitable livelihoods and value distribution; and (iv) building resilience to vulnerabilities, shocks and stresses for furthering commitments to the UNFSS. Opportunities for supporting the country’s efforts to promote sustainable food systems across these four priority areas has already been identified and included in one of the ongoing projects under COSOP 2026-2030 (PICSA AF). This effort must be strengthened and further supported through projects in the pipeline. In addition, provisions must be made within ongoing and future projects to encourage cross-infusion and learnings from IFAD’s IPAF projects on food systems, management of traditional food resources, including NUS.
57. **SSTC and Harnessing knowledge generated by Grants for enhancing COSOP effectiveness:** The CSPE 2024 pointed out the missed opportunities for enhancing Portfolio effectiveness by not harnessing knowledge generated through Grants. IFAD

⁹⁵ Green and Sustainable Agriculture Framework for Lao PDR to 2030, Department of Policy and Legal Affairs, Ministry of Agriculture, 2021

supported a regional grant “Consortium for Unfavourable Rice Environments (CURE)” for two phases. Technologies developed through CURE could be extremely relevant and useful for building resilience of farming systems and the farming community in Laos. Similarly, the experience and knowledge of partner organisations that have implemented grants under IFAD’s IPAF window could also be relevant and extremely useful for ongoing efforts within the portfolio to promote wild edibles, NTFPs and NUS crops as nutrient dense food resources and potential niche products that can facilitate the inclusion of poor households and communities as value chain actors. Land degradation is a serious issue in Laos PDR driven by the country’s transition to commercial agriculture, mining, hydropower projects and the resultant depletion of forest cover. Complementary strategies propose sustainable management of resources primarily through the promotion of sustainable landuse practices which includes managing land degradation consequent to distortions in the practice of shifting cultivation. IFAD’s past interventions in Laos PDR included sustainable natural resource management, including alternatives to shifting cultivation, but was discontinued ‘as it proved too complex and was not further pursued’ (CRR, 2025). IFAD’s Regional Grants to ICIMOD included managing change in shifting cultivation and a series of knowledge products on the subject are available⁹⁶ which can be drawn upon to revive efforts to continue IFAD’s interventions in this area. Ongoing projects (AFN II and PICSA) could offer opportunities for introducing approaches for stabilising shifting cultivation and reducing forest and land degradation due to the practice. The South-South Triangular Cooperation facility should be tapped to promote knowledge and experience sharing and knowledge harnessing from grants for attaining COSOP strategic objectives.

- 58. Strengthen capacities within IFAD projects and partner agencies for SECAP compliance mechanisms:** The CSPE 2024 clearly states ‘Finally, SECAP processes were incoherent and required more support’. This observation from the COSOP evaluation is not unexpected given the lack of adequate mechanisms within partner agencies to effectively monitor SECAP compliance or take the required remedial measures. COSOP 2026-2030 must start with a clear action plan for strengthening SECAP implementation, monitoring and learning mechanisms for projects as well as for partner agencies, particularly within the Ministries and Provincial bodies. The CRR 2025 observes that the ESCMP played a crucial role in identifying key environmental impacts and outlining mitigation measures indicating that prioritising SECAP within projects can prove to be effective in reducing risks and enhancing compliance. COSOP 2026-2030 must, therefore, factor in (i) capacity building of project teams at all levels on SECAP (ii) hold specific dialogues with partner Ministries to establish mechanisms at all levels for enhancing awareness and sensitisation to SECAP requirements (iii) hold dialogues with implementing Ministries to put in place a M&EL mechanism to monitor implementation and compliance to SECAP standards. The last is extremely important to enhance capacities within borrower institutions for SECAP safeguards compliance. The table below provides an indicative action plan for setting the stage for strengthening SECAP compliance capacities of project teams and partner institutions.

Table 2: Indicative Action Plan for Enhancing SECAP Compliance Capacities of Project Teams and Partner Institutions

Action	Objective	Target groups/clientele	Responsible Agency for operationalisation
Sensitisation and Awareness Raising	Familiarise Project teams and partner institution teams with SECAP standards and safeguard requirements; instruments	Project teams; members from partner Ministries (Focal and Implementing Ministries)	IFAD (APR/Country team)

⁹⁶ Choudhury, D., Bhuchar, S., Thomas, S. (2021). *Transitioning shifting cultivation to resilient farming systems in South and Southeast Asia*. Resource book. ICIMOD

	for risk and mitigation identification and tracking		
Building a cadre of in-country SECAP Trainers	Capacity building of a cadre of Trainers drawn from Project teams and partner institution members at provincial and district levels	Project teams; Ministries; National consultants/experts	IFAD Country team/Project teams
Mainstreaming SECAP into MEL	Identifying Safeguard indicators for each Standard and incorporating into project M&E Framework; drawing up a schedule of Review and Learning events resulting in refining safeguard mitigation action and approaches	Project teams; Ministries; other DPs (at national and provincial levels)	Country team/Project teams
Peer learning and Experience Sharing for identifying Good Practices	Sharing and learning events with wide variety of DPs and Ministries involved in SECAP implementation to identify good practices in safeguard compliance; peer learning and for formulating a Compliance Capacity Building and Monitoring Mechanism	Project teams drawn from diverse DP Agencies; Relevant Ministries and Experts	IFAD (APR/Country team)
Policy engagement for developing an Institutional Framework for SECAP Compliance	In collaboration with other DPs, engage with wide range of stakeholders (particularly relevant Ministries) to advocate for an Institutional Framework for SECAP Compliance Capacity Building and Monitoring	Ministries, Provincial Agencies, DPs	IFAD Country team/APR

Monitoring and evaluation

59. The Results Management Framework (RMF) will constitute the main tool for the monitoring of the country programme. An annual review of the COSOP will be conducted to report on progress. Project monitoring involves the borrower/recipient/partner and IFAD, focusing on social, environmental, and climate measures outlined in management programs and documents. High-risk projects require regular monitoring, potentially involving independent experts. Non-compliance with SECAP requirements requires mitigation actions, overseen by IFAD and national authorities. Any significant changes or impacts must be promptly reported to IFAD, with corresponding mitigation plans. Legal remedies are available for extreme cases of non-compliance. Risk classification and management plans are continuously monitored and updated throughout the project lifecycle. The project's monitoring and evaluation (M&E) framework prioritize gender, youth, and poverty data disaggregation. Led by the Project Management Unit (PMU) and coordination committees, M&E activities involve implementing partners and stakeholders to ensure comprehensive oversight. SECAP-related monitoring aligns with the Environmental and Social Compliance Monitoring Plan (ESCMP).
60. In response to MAF's request, IFAD is supporting the development of a cross-project M&E system (PROMIS) under AFN I and II. This aims to improve coordination, synergy, reduce overlap, and foster cooperation among stakeholders, in line with the principles of the Vientiane Declaration.

Fragility assessment note

Lao PDR is not in the World Bank's List of Fragile and Conflict-affected Situations for FY 2024

Agreement at completion point

Lao People's Democratic Republic Country Strategy and Programme Evaluation Agreement at Completion Point (ACP)

A. Introduction

1. The Independent Office of Evaluation of IFAD (IOE) conducted the first country-level evaluation conducted in Lao PDR. The evaluation period, 2011-2023 covers the implementation of nine projects, with a total IFAD financing of USD106.4 million since 2011. It will inform the new COSOP to be prepared in 2025.
2. The main objectives of the CSPE were to: (i) assess the performance and results of the IFAD strategy and operations in Lao PDR, as outlined in the COSOPs, (ii) generate findings and recommendations for IFAD's upcoming country strategy and its partnership with the Government of Lao PDR, and (iii) identify lessons that could be shared on IFAD's presence and interventions in other with a smaller IFAD portfolio and a large development aid landscape.
3. This **agreement at completion point (ACP)** contains recommendations based on the evaluation findings and conclusions presented in the CSPE report, as well as proposed follow-up actions as agreed by IFAD and the Government. The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail and will be submitted to the IFAD Executive Board as an annex to the new country strategic opportunities programme for Laos. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

B. Recommendations and proposed follow-up actions

4. The upcoming COSOP (2026) will cover a period starting from 2026 and extending to 2031. The two on-going projects would continue implementation during that period (AFN II, until 2030, and PICSA additional financing until 2028). The recommendations will be relevant to the new COSOP, IFAD's strategic decisions on human resources and funding sources, and project-level adjustments. They take into account both the CSPE results and opportunities and threats of special relevance to IFAD's action in Lao PDR in this new period. The COSOP should build on three opportunities: (i) the national 2026-2030 five-year plan; (ii) the new Law on cooperatives, the growing capacity of Lao Farmer Association (LFA) and the availability of a village bank network; (iii) cooperation and trade among ASEAN countries. Threats that deserve priority attention in the new COSOP are (i) a delayed recovery from the on-going economic and indebtedness crisis, leading to continued dependency on Official Development Assistance (ODA) and grants in rural development; (ii) the growing climate change impacts in rural areas; and (iii) a reinforcing gap in productive assets among the rural population, particularly between those who have access to more fertile land and the others.
5. **Recommendation 1. IFAD should adopt a sustainable approach to ensure continued in-country presence and engagement.** Given the presence of UN organisations and IFIs in the country, IFAD needs to be visible, involved and represented at adequate levels. IFAD should strengthen in-country engagement with regard to non-lending activities, even if portfolio size and thematic focus could be maintained at current level, IFAD should continue its close partnership with Ministry of Agriculture and Forestry (MAF). Under the ongoing IFAD reforms (Decentralisation 2.0), responsibilities for managing the country portfolio in IFAD should be reviewed.

The aim would be to ensure proximity and continuity in engagement with Government partners. The position of the in-country coordinator should be formalised. The country director must be present in country during strategic consultations and decisions with Government and international partners. These inputs should start in 2025 so that IFAD can meaningfully contribute to the RBA's interaction with government on the upcoming five-year plan. Enhanced in-country presence would allow a renewed, more proactive approach to knowledge management exchanges between Laos and relevant countries. Finally, IFAD should mobilise additional human resources for applications to competitive project financing grants.

Proposed Follow-up: Partially Agreed. *While the Government of Lao PDR and IFAD acknowledge the importance of a sustained and visible in-country presence, the decision to station a Country Director (CD) in any country is driven by a prioritization exercise, based on portfolio size and future business opportunities. While the current size of the portfolio does not envisage a CD-led office, IFAD is committed to strengthening its in-country engagement and visibility. As part of the ongoing review of operational metrics, IFAD will assess the feasibility of formalizing a Country Programme Coordinator (CPC) position in Lao PDR. At the same time, the Country Director or delegated representative—based regionally, currently in Hanoi—will remain actively and consistently engaged, including through in-person and virtual participation in strategic consultations and decision-making with the Government and development partners.*

Additionally, IFAD has already mobilized additional regional human resources based regionally — currently in Bangkok — to strengthen engagement, access competitive project financing and grants and enhance knowledge exchanges and learning partnerships between Lao PDR and other relevant countries.

This approach will be regularly reviewed and adapted in line with IFAD's corporate decentralization reforms and the evolving needs and priorities of Lao PDR.

Responsible partners: IFAD Department of Country Operations (DCO)/ Senior Management

Timeline: 2026-2031

6. **Recommendation 2. IFAD should take a strategic decision regarding co-financing partnership considering both coherence and potential trade-offs.** IFAD should continue the joint WFP-IFAD project, while enhancing focus on IFAD's added value, production groups and market access, focussing on the needs and opportunities of the remote upland areas and paying special attention to higher difficulties of ethnic communities in the South. IFAD should carefully examine how to make its projects that are parallel to an ADB project (PICSA approach) fully aligned with its own targeting policy and should invite ADB to partner with IFAD on small rural infrastructure resilience. If both WFP and ADB partnerships continue, the COSOP should provide an explicit rationale: supporting smallholders in both upland areas and areas with more agricultural production potential. If this is not feasible, IFAD should consider alternative partners on farmer organizations and climate-resilient small infrastructure.

Proposed Follow-up: Agreed and on-going. *The Government of Lao PDR and IFAD jointly recognize the importance of a strategic and coherent approach to co-financing partnerships that reflects national rural development priorities, promotes complementarity among development actors, and leverages IFAD's comparative advantage.*

The ongoing joint implementation of AFN II (IFAD12 loan financing blended with a GAFSP grant through 2030) by the Government, IFAD, and WFP continues to enhance nutrition outcomes while strengthening production groups, improving market access, and addressing the specific needs of remote upland areas, with a focus on the South and ethnic communities.

Regarding the PICSA approach, implemented under a programmatic framework that includes the ADB-financed SRIWSMP and the GIZ/GCF-financed ERP, the Government and IFAD reaffirm that targeting remains consistent with IFAD's policy and national development goals. While the broader program covers both poor and near-poor districts to facilitate market integration and systemic impact, IFAD's targeting within PICSA continues to prioritize the poorest and most vulnerable smallholders, especially in villages not directly reached by ADB (i.e., PICSA and GIZ villages).

Should IFAD continue partnerships with both WFP and ADB under the new COSOP, the rationale for doing so will be made explicit—supporting differentiated approaches for smallholders in both remote upland areas and zones with higher agricultural production potential. At the same time, recognizing possible trade-offs, IFAD and the Government are jointly identifying additional or alternative partners to strengthen support for farmer organizations and climate-resilient small-scale infrastructure. These strategic directions will be fully elaborated in the design of the upcoming 2026–2031 COSOP, in close consultation with the Government of Lao PDR, as the owner of IFAD-financed projects.

Responsible partners: IFAD Laos (APR), Ministry of Finance and Ministry of Agriculture and Forestry

Timeline: 2026–2031

7. **Recommendation 3. IFAD should redefine its approach to enhance the sustainability of farmer groups and make them more inclusive.** Depending on the level of new country presence, the COSOP should decide or not to select support to inclusive farmer groups and emerging cooperatives as a focus, for example through PICSA and any new project. The partnership with LFA should be redefined to continue to support the growth of farmer groups while remaining open to other market-oriented local service providers. Women's participation in the leadership of farmer groups and their access to existing credit options should be supported. A partnership with a village bank service provider could be considered. How to better include the economically active poor in the groups should be redefined starting with PICSA additional financing, building more groups in each village. Support to contracts between farmer groups and enterprises should incorporate best practice in pro-poor value chains in the region, while support to key value chain services in smallholder animal production should continue. This renewed approach to value chain development would gain from active strategic dialogue with value chain experts in Laos and in the region under the above second scenario.

Proposed Follow-up: Agreed and on-going. *The Government of Lao PDR and IFAD are already addressing this recommendation through current initiatives under AFN II and PICSA Additional Financing. These focus on strengthening the sustainability and inclusiveness of farmer groups and cooperatives, with balanced group composition that enables better-off households to catalyze opportunities for poorer members. Support includes emerging cooperatives, enhanced leadership roles for women, and targeted financial and business literacy (e.g., GALS and BALI under AFN II).*

The upcoming 2026–2031 COSOP will define whether support to inclusive farmer groups and cooperatives remains a strategic priority and identify new partnerships beyond LFA, including with market-oriented service providers. Expanded access to microfinance, potentially through ADB co-financing, is under consideration for the IFAD13 pipeline.

Support to pro-poor value chains—especially in smallholder livestock production—will be deepened through improved farmer-enterprise contracting, informed by regional best practices (as applied in AFN II, PICSA AF, and the IFAD13 design). IFAD and the Government will also pursue strategic dialogue with national and regional value chain experts to refine this inclusive value chain approach.

Responsible partners: IFAD (APR, ECG, PMI, GPR) + Government (MAE for agricultural production, processing, and market linkages & MOF for rural and microfinance and policy oversight, in closer collaboration with Ministry of Industry and Commerce on Multi-Stakeholder Platforms and trade facilitation as well as other relevant ministries and local authorities, depending on the thematic focus and partnership requirements).

Timeline: 2026–2031

8. **Recommendation 4. The upcoming COSOP should specify the approach to climate resilience, natural resource management and the needs of those with limited land access.** In remaining pockets of poverty, the COSOP should provide direction for AFN II's value chain development, helping smallholders to maintain diversified livelihood sources and upgrade production quality to access markets for environmentally sound products (small animals, selected NTFPs, fruit and vegetables). In areas with more agricultural potential (PICSA additional financing), sound NRM management should be promoted among participating enterprises, not only smallholders. Resilient small infrastructure in a changing climate should be a focus, through cooperation with other development partners and paying attention to both design and operations. The participation of CSOs should grow beyond what is already planned in AFN II and would gain from focussing on community capacity to maintain access to the road network and drinking water sources, especially in the South. This would serve the economically active poor that have limited land access and will therefore benefit little from land intensification.

Proposed Follow-up: Agreed. The 2026–2031 COSOP and IFAD13 design will define a clearer approach to climate resilience, natural resource management (NRM), and support for land-constrained, economically active poor. IFAD is also seeking to mobilize blended climate finance through GEF-9 to strengthen climate mainstreaming under IFAD13. Key thematic priorities include: (i) climate finance, (ii) adaptive capacity-building, (iii) NRM, and (iv) rural infrastructure and renewable energy.

AFN II will continue promoting diversified, climate-resilient livelihoods (e.g., small livestock, NTFPs, horticulture), while PICSA AF will reinforce NRM practices among both smallholders and enterprises. Climate-resilient infrastructure—particularly irrigation, roads, and water systems—will remain a portfolio-wide focus, with attention to sustainable design and maintenance.

The new COSOP will also explore expanded CSO engagement to strengthen community-level infrastructure access and management.

Responsible partners: IFAD (APR, ECG, PMI) + Government (Ministry of Agriculture and Forestry + Ministry of Finance)

Timeline: 2026-2031

9. **Recommendation 5. IFAD should set up a transparent system for reporting operational costs with clear financial ceilings.** A structured capacity development programme should be developed with clear, achievable targets for both government and project staff. At national level, MAF's demand for a cross-project M&E system should be taken into account. IFAD projects' MIS should be designed for that purpose. This would contribute to prevent overlap and inefficiencies and encourage cooperation among projects and development partners, as envisaged by the Vientiane Declaration.

Proposed Follow-up: Agreed and on-going. IFAD has established the Online Project Procurement End-to-End reporting system (OPEN) to improve transparency in operational cost reporting. Financial ceilings per category are reflected in project Procurement Plans (PPs) and Annual Work Plans and Budgets (AWPBs), which are submitted via OPEN for IFAD's technical review and No Objection. Relevant project staff have been trained on the system, with continued support from IFAD procurement and financial specialists.

In response to MAF's request, IFAD is supporting the development of a cross-project M&E system (PROMIS) under AFN I and II. This aims to improve coordination, reduce overlap, and foster cooperation among stakeholders, in line with the principles of the Vientiane Declaration.

Responsible partners: IFAD (APR, PFM) + Government (MOF + MAF)

Timeline: 2026-2031

Signed by:



Santiphap Phomvihane
Minister of Finance
Lao People's Democratic Republic

Date:

26 May 2025



Donal Brown
Associate Vice-President, Department of Country Operations
International Fund for Agricultural Development

Date: 28/05/2025

COSOP preparation process

I. Analytical and Evaluative Inputs

1. The design of the Lao PDR Country Strategic Opportunities Programme (2026-2031) was grounded in a rigorous diagnostic foundation that integrated technical, institutional, and participatory analyses. Drawing on mixed-method evaluation research, longitudinal portfolio reviews, disaggregated household-level data, risk modelling, and programme synthesised institutional learning and evidence to inform a forward-looking strategy. Key sources and their contributions to the COSOP have been listed below:
 - (i) **Country Strategy and Programme Evaluation (CSPE) led by the IFAD Independent Office of Evaluation (2024)**: The CSPE provided critical evidence on strengths and systemic bottlenecks in the 2016-2023 IFAD-supported portfolio of Lao PDR. Most notably, it revealed a persistent gap between grant-funded innovation pilots and their integration into lending operations, insufficient pathways for scaling successful models, and weak post-project sustainability mechanisms. These findings directly informed the design of institutional partnerships, exit strategies, and innovation scaling modalities in the new programme.
 - (ii) **Country Strategic Opportunities Programme Completion Review (2025)**: This internal review assessed performance of the 2019-2025 programme cycle using logframe/ RMF reconstruction, trendline analyses, sustainability metrics, as well as the CSPE (2024). It identified effective practices in decentralised infrastructure delivery and climate-smart agriculture but also flagged limitations in social inclusion and adaptive learning systems. The findings prompted targeted design improvements in gender-responsive infrastructure, multi-stakeholder monitoring systems, and village-level targeting.
 - (iii) **2022 Multidimensional Poverty Survey (provided by the Rural Development Department, Ministry of Agriculture and Forestry (MAF))⁹⁷**: Covering over 1.2 million households across 8,402 villages, this nationally representative survey served as the foundation for area-based targeting and social inclusion design. Using national metrics in line with decree 348 classifications, the programme defined its entry, consolidation, and transition logic; in alignment with the criteria used to define poverty in exiting IFAD projects of PICSA and AFN II.
 - (iv) **National Agriculture and Forestry Research Institute Technical Briefs and Investment Plan**: Evidence generated through field trials and technical documentation from the National Agriculture and Forestry Research Institute, particularly the Investment Plan for Rice-based Agriculture (shared with IFAD in February 2025), played a central role in shaping the COSOP's climate smart agriculture investment logic. These inputs provided empirical data on varietal adaptation, agroecological zoning, alternate wetting and drying irrigation methods, and integrated pest management strategies. Biodiversity conservation priorities were also informed by gene pool preservation initiatives. Notably, trial results quantified the environmental and economic potential of scaling such practices, including a demonstrated 80 percent reduction in herbicide use and the feasibility of methane-reduction payment schemes valued at up to USD 90 per hectare. The Investment Plan further articulated the national research system's forward-looking priorities, such as farmer-led varietal selection, sustainable intensification, and strengthened rice seed systems. These were discussed extensively in bilateral sessions and

⁹⁷ Please note that this Ministry has been merged with the Ministry of Natural Resources Management, forming the Ministry of Agriculture and Environment (MAE) as at 18/06/2025.

systematically embedded in the programme's results framework and theory of change.

- (v) **Learning from Ongoing Investments:** The Partnerships for Irrigation and Commercialisation of Smallholder Agriculture Project (PICSA) and the Agriculture for Nutrition Phase II Project (AFN II) provided operational learning from the implementation environment. Key contributions included insights into farmer registry system challenges, subnational budget absorption, producer organization targeting, and the complexity of participatory extension modalities. These lessons will be translated into design adaptations for the new IFAD13 project across institutional responsibilities, fiduciary controls, and results frameworks.
- (vi) **Other Integrated Tools and Analyses:** Spatial and environmental risk analyses, including the Social, Environmental and Climate Assessment Procedures (SECAP) Screening, complemented core analytical inputs. These drew upon national land-use and agroecological datasets, combined with village-level hazard exposure maps, to assess vulnerability to floods, droughts, and unexploded ordnance contamination. Additional geospatial platforms such as the Lao Climate Services for Agriculture and the Satellite-based Agricultural Monitoring Information System were used to overlay adoption trends, climate exposure, and resilience indicators. These tools collectively supported the refinement of geographic prioritisation, risk mitigation strategies, and safeguards integration in the design, particularly of the SECAP Annex.

II. Stakeholder Consultations.

2. The consultation and co-design process for the Country Strategic Opportunities Programme and the accompanying Project Concept Note was structured through a sequenced and inclusive methodology. It applied recognised good practice in stakeholder analysis, participatory planning, and institutional alignment. Stakeholder engagement occurred across multiple levels, from central government to provincial authorities, civil society, private sector actors, and development partners. These interactions were grounded in both formal diagnostic meetings and iterative design reviews, and were structured to support validation, contextual adaptation, and ownership of the investment roadmap.
3. **Routine Country Strategic Opportunities Programme and Project Concept Note co-design meetings were held between March- June 2025 preceding the in-country mission**, with participation from International Fund for Agricultural Development staff, government focal points, and technical consultants. These sessions employed structured planning tools, iterative scenario modelling, and stakeholder-informed prioritisation matrices to refine the potential theory of change, results framework, and implementation roadmap. Their sequencing and focus were shaped by key findings from the CSPE (2024) and the CRR (2025), both of which had identified gaps in innovation scaling, decentralisation, and sustainability. As a result, the in-country mission plan for June 2025 strategically targeted geographic zones, institutional bottlenecks, and programme design features most in need of reform. The planning meetings also established common criteria for area selection and partnership engagement, thereby strengthening the scientific and operational validity of the resulting investment proposals.
4. **A stakeholder mapping exercise, initially conducted in May 2025, was updated iteratively** as new engagement areas emerged. Stakeholders were categorised across government, research institutions, implementation units, civil society, and development partners, enabling systematic outreach and thematic clustering during consultations.
5. **Bilateral consultations were conducted with ten national government bodies**, including the Ministry of Agriculture and Forestry, Ministry of Planning and

Investment, Ministry of Finance, Ministry of Industry and Commerce, Ministry of Technology and Communications, Ministry of Natural Resources and Environment, Ministry of Health, National Agriculture and Forestry Research Institute, Lao Front for National Development, Lao Farmers Association. These dialogues were instrumental in aligning the programme with sectoral investment pipelines, digital integration frameworks, subnational delivery strategies, traceability and farmer identification systems, and participatory land-use planning approaches.

6. **Consultations with provincial and district authorities were held in Luang Prabang on 14 June 2025.** These validated implementation models for decentralised budgeting, gender-sensitive infrastructure, localised extension delivery, and community feedback loops using low-cost technology (such as community radio, WeChat and WhatsApp). The discussions confirmed the feasibility of targeting ethnic groups through stratified village typologies and participatory engagement.
7. **Engagements with National Project Coordination Offices (NPCO) and District Project Coordination Offices (DPCO) of the Partnerships for Irrigation and Commercialisation of Smallholder Agriculture project (PICSA) and the Agriculture for Nutrition Phase II Project (AFN II)** provided granular operational insights that proved critical in shaping the operational logic and results management framework of the Country Strategic Opportunities Programme. Consultations with both the National Project Coordination Offices (NPCOs) and District Project Coordination Offices (DPCOs) enabled the identification of systemic implementation constraints, such as incomplete farmer registration due to weak data interoperability, the inconsistent performance of producer groups, and variation in uptake of nutrition-sensitive targeting protocols. These were complemented by field observations and data on participatory planning dynamics, absorption bottlenecks in budget execution, and fiduciary risk management at subnational levels.
8. Presentations by project staff provided disaggregated statistics on farmer outreach, adoption rates of climate-resilient infrastructure, and outcomes of behaviour change models such as Farmer Nutrition Schools and producer group mobilisation. These findings directly informed COSOP indicators on institutional efficiency, adaptive service delivery, and inclusive targeting performance. They also shaped the structure and logic of the Theory of Change, particularly through the integration of scalable, community-led implementation modalities.
9. These engagements ensured that the COSOP's Results Management Framework was not only informed by high-level strategic goals but also deeply anchored in the operational realities, institutional capacity, and implementation experience of IFAD-financed projects in Lao PDR.
10. **The unpacking and analysis of key successful innovations financed by IFAD in Lao PDR such as the Programme Results Management Information System (PROMIS),** originally financed through an IFAD investment, demonstrated a concerted commitment to strengthening evidence-driven implementation. A dedicated technical track led by the Information and Communication Technologies for Development (ICT4D) Specialist and the Innovation Specialist facilitated detailed policy engagements with the Ministry of Agriculture and Forestry. These discussions unpacked the strengths and weaknesses of PROMIS, identified limitations in data granularity and interoperability, and defined practical next steps for system enhancement. The engagement also identified opportunities for integration and scaling of PROMIS functionalities across the new Country Strategic Opportunities Programme. This illustrated the programme's deliberate investment in technological readiness and institutional alignment and underscored the strategic use of expertise and

resources to advance scalable, interoperable digital systems that can enhance performance monitoring, learning, and cross-project coherence.

11. **Non-governmental actors such as local community-based organisations, private-sector stakeholders, academic institutions, and regional think tanks were consulted** through structured dialogues and written inputs. Contributions covered topics such as market integration for smallholders, value chain governance, digital finance, and youth-led agribusiness models.
12. **All relevant development partners and UN agencies** were consulted during the COSOP Workshop (09-10 June 2025) as well as the Wrap Up Meeting (20 June 2025). This included bilateral engagements with the Food and Agriculture Organization (FAO), World Food Programme (WFP), Swiss Agency for Development and Cooperation (SADC), World Bank (WB), and UNRCO, Luxembourg Development (Lux Dev), United Nations Development Programme (UNDP) who provided coordination inputs on convergence areas such as climate-smart agriculture indicators, Global Environment Facility pipeline development, social protection, and digital advisory services.
13. **The National Consultation Workshop held between 9-10 June 2025 at the Crowne Plaza Hotel in Vientiane** was attended by over 100 stakeholders and served as the formal launch of the consultation sequence. Co-chaired by the Department of International Cooperation and the International Fund for Agricultural Development, **Day 1 focused on strategic priorities for the Country Strategic Opportunities Programme**, and featured technical sessions from line ministries, including presentations on the National Socio-Economic Development Plan, budget decentralisation, and sectoral priorities in agriculture, trade, environment, and finance. **Day 2 focused on the emerging Project Concept Note**, its alignment with the Country Strategic Opportunities Programme, and its forward-looking innovation pillars. Stakeholder contributions on traceability, digital identity, village-based data integration, and community-based resilience were synthesised into actionable programming directions.
14. **The pre-wrap-up meeting held on 19 June 2025** refined geographic targeting, adaptive safeguards, and institutional responsibilities. **The Wrap-Up Meeting on 20 June 2025** confirmed alignment with the 10th National Socio-Economic Development Plan, validated the proposed results management framework, and endorsed the investment focus areas for the new COSOP period (2026-2031).

III. Knowledge Platforms and Data Harmonisation

15. The COSOP preparation incorporated a range of technical platforms and data tools to enhance triangulation, consistency, and evidence-informed decision-making.
 - (i) **Statistical Systems:** The Rural Development Department's multidimensional poverty database was harmonised with spatial administrative data to support targeting at the village level. Contributions from the Ministry of Planning and Investment and the Ministry of Home Affairs supported consistency with planning systems and programme monitoring frameworks.
 - (ii) **Geospatial Platforms:** Platforms such as the Lao Climate Services for Agriculture and the Satellite-based Agricultural Monitoring Information System were consulted for real-time climate, cropping, and vulnerability data. These informed both safeguards design and adaptive area selections of the COSOP.
 - (iii) **Knowledge and Dissemination Interfaces:** National platforms such as the Lao Farmer Advisory Bulletin and Pha Khao Lao knowledge hub were reviewed for integration into knowledge sharing and feedback mechanisms. Linkages to the Smart Village initiative are being explored for adaptive learning, open innovation, and real-time data feedback. Additionally, the Programme Results Management

Information System (ProMIS) was referenced for monitoring alignment and performance tracking across past and planned investments.

16. The preparation of the 2026-2031 Country Strategic Opportunities Programme reflected a rigorous analytical and participatory methods balancing technical evidence with national ownership, institutional integration, and community-level voice. The process established a data-rich and forward-looking strategic platform for scalable, inclusive, and climate-resilient rural transformation in the Lao PDR.

South-South and Triangular Cooperation Strategy

I. Introduction

1. This annex outlines South–South and Triangular Cooperation (SSTC) opportunities that the IFAD country programme in Lao PDR will pursue during 2026–2031. In line with IFAD’s SSTC Strategy 2022–2027, SSTC will be used to diffuse tested innovations, support policy engagement and scale practical solutions through country programmes. Activities will be demand-driven, modest in scope, and implemented alongside operations.
2. Building on the 2018 COSOP, Lao PDR has a solid base of SSTC experience. The previous COSOP emphasised (i) market integration within ASEAN, (ii) policy engagement via networks of national policy think tanks, and (iii) knowledge management through learning fairs and exchange visits/learning routes. IFAD’s Mekong Multi-Country Office (MCO) coordinated exchanges across Viet Nam, Cambodia, Lao PDR, Thailand and Myanmar; study tours (including to Viet Nam, the Philippines and the Republic of Korea) exposed project teams and government counterparts to practical solutions. The Mekong Knowledge and Learning Fairs (MKLF), central to MCO knowledge management, resumed in 2024 after COVID-19, and grant-funded exchanges (e.g. Scaling up Climate Resilient Value Chain Initiatives, SSCVC) further strengthened peer learning.
3. Building on these lessons, the 2026 COSOP will pursue a pragmatic, right-sized SSTC programme focused on a small number of priorities directly linked to the COSOP’s strategic objectives. SSTC will be coordinated at regional level through IFAD’s ICO in Hanoi and the Regional Office in Bangkok, and resourced through regional SSTC grants, targeted bilateral technical assistance, and selected facilities, most notably the China–IFAD SSTC Facility (Phase II), complemented by partnerships with the Food and Agriculture Organization of the United Nations (FAO), the Asian Development Bank (ADB) and ASEAN platforms.

II. Opportunities for rural development investment promotion and technical exchanges

4. The most practical SSTC opportunities lie where nearby peers already excel and where adoption costs are low:
 - (a) *Rice value chains* (quality seed systems, post-harvest/drying and grading, simple contract models);
 - (b) *Irrigation operation and maintenance (O&M) for Water User Groups (WUGs)* through standard templates and participatory routines;
 - (c) *Food safety and e-certification* to ease cross-border trade for one–two priority chains; and
 - (d) *Rural e-commerce and digital finance to help APGs/MSMEs reach markets and get paid*. ASEAN SPS/e-cert initiatives and Mekong training platforms can accelerate learning and reduce paperwork for exporters.
 - (e) *APG inclusiveness and strengthening*.

III. SSTC engagement rationale

5. SSTC will directly support the COSOP Theory of Change by:
 - (a) raising smallholder productivity and resilience (rice and irrigation O&M, strengthened APGs),
 - (b) improving compliance and market access (food safety/e-cert),
 - (c) expanding enterprise opportunities (rural e-commerce and digital payments).

6. This focus mirrors IFAD's SSTC objectives, spreading practical innovations and strengthening policy/institutional capabilities, and aligns with the China-IFAD Facility priorities on productive, entrepreneurial, financial and marketing capacities and on inclusive business models and South-South market links.

IV. Partnerships and initiatives

7. **Primary partners and platforms.** Exchanges will prioritise China, Viet Nam and Thailand, Cambodia (with occasional India, Nepal) for technical cooperation, with IRRI support where relevant on rice, and with ASEAN SPS/e-cert platforms for trade facilitation. The China-IFAD SSTC Facility (Phase II) will be approached for targeted funding, including rural e-commerce know-how. Mekong Institute offerings will be tapped for short, practical courses on value chains and market access.
8. Potential initiatives (2026–2031) include:
 - (a) **Rice value chains or WUG O&M.** Two focused exchanges with Viet Nam/Thailand (plus an IRRI clinic where relevant) on seed quality, post-harvest handling and standard WUG O&M tools (operation schedules, fee/tariff templates, simple manuals and participatory audit checklists). Aim for adoption of selected practices in two provinces.
 - (b) **Food safety and e-certification** (pilot one-two chains). Co-develop a basic residue-testing and e-cert workflow with ASEAN counterparts; conduct two institutional exchanges (authority/lab ↔ ASEAN peers); train ≥20 APGs/MSMEs on compliance.
 - (c) **Rural e-commerce and digital finance.** In coordination with the national agriculture e-commerce platform, onboard sellers, standardise product listings and returns, and roll out QR/e-payment basics. Target 100 APGs/MSMEs trained, 30 onboarded, 10 complete at least one online transaction; seek selective support from the China-IFAD SSTC Facility.
 - (d) Selection criteria. Activities will be chosen for government demand and ownership, alignment with COSOP priorities, scalability/replicability, and complementarity with ongoing loans and grants, keeping the annual SSTC plan to 2-3 activities to avoid dispersion.

V. Conclusion

9. The SSTC programme will stay right-sized: few themes, close-in partners, modest targets, practical adoption. Government and IFAD will agree a light annual SSTC plan (activities, roles, budget, indicators) and review progress in the annual COSOP review, with scope to scale up in 2029–2031 if results and resources warrant. This disciplined approach keeps SSTC realistic while maximising its contribution to the COSOP objectives.

Financial management issues summary

A. COUNTRY FM ANALYSIS

Country Disbursement Ratio (rolling-year)	39.7 %
Unjustified Obligations:	
Outstanding Ineligible Expenditure	USD10,306 under AFN II for VAT expenditure paid in FY2024 from IFAD financing. The amount was confirmed in the FY2024 external audit report.
Outstanding Advances (Projects in Closed Status)	Nil (There are two ongoing projects, AFN II closing on 31 December 2030 & PICSA closing on 31 December 2028).
PBAS Available allocation (current cycle):	Allocated Amount: 19,090,000 Available Balance: 19,090,000
BRAM access	NO
Country income category	LMIC

Country situation:

TI index

1. As per the CPI Index 2024, Laos PDR ranked 114/180, and scored 33/100⁹⁸, an improvement of 5 points from the 2023 score. Although there is an improvement from previous year, the score places the country in a substantial risk of perceived public sector corruption, signifying weak transparency, accountability and anti-corruption mechanisms which can impact on overall Public Financial Management and overall economic stability.

Public Expenditure and Financial Accountability (PEFA)

2. The most recent PEFA country assessment was launched in 2019⁹⁹ and highlighted both strengths and weaknesses in the PFM system. Budget Reliability scored (A) indicating high alignment with good practices; Predictability and Control in Budget Execution (B/B+) indicating above basic alignment with good practices. Other strengths were noted on improved instruments for control of budget execution and more prudent fiscal management; enhanced treasury and cash management systems at the central government level; focus on tax policy and management resulting in better automation and integration of PFM processes, improved financial reporting and oversight by SAO and formal legislature scrutiny improved accountability. However, its impact was affected by limited capacity to assess the result of fiscal management and debate government's fiscal policy choices.
3. Most indicators, however, scored 'C' or 'D', indicating basic alignment or weak performance. Limited effectiveness of PFM systems and regulatory framework lacking enforcement capacity and the need to strengthen performance monitoring; the need for a new reform framework to establish solid foundations for improved PFM processes; limited credibility of the budget for achieving high-level policy objectives; lack of a fully developed medium-term expenditure framework (MTEF); manual consolidation of expenditures below provincial level; absence of systems to track resources at service delivery level; decision-making hindered by the lack of a unified chart of accounts; data reliability issues due to manual fiscal data consolidation; inadequate budget execution reporting due to limited functions and coverage of

⁹⁸ <https://www.transparency.org/en/cpi/2024/index/laos>

⁹⁹ Lao PDR 2019 | Public Expenditure and Financial Accountability (PEFA)

current GFIS systems; no interface between customs and tax systems affecting revenue and expenditure records; absence of functionalities for commitment controls and bank reconciliation and the district offices not included in the GFIS coverage. Furthermore, internal and external audit functions not sufficiently resourced and skilled to mitigate control weaknesses identified and generally weak procurement system in all four dimensions of procurement.

4. Overall, some strengths were noted in certain areas, but significant weaknesses remained that needed to be addressed through improved systems and PFM reforms.

Country Partnership Framework

5. The WBG Country Partnership Framework 2023-2026¹⁰⁰ highlighted weak financial management capacities, undermining the full use of country systems. The weakness is attributed to low skills among government staff, weak capacity at sub-national level, an acute shortage of FMS in Laos and a low quota for FM staffing. The other FM pillars of accounting, internal controls and funds flows arrangements mostly rely on government systems that were being strengthened through the broader PFM engagement. Reforms aimed at strengthening government budget preparation and control systems, treasury management, accounting, and financial reporting under E-FITS and the PFM Reform Program were in progress and contributing to strengthening country systems.

Debt sustainability analysis of IMF¹⁰¹

6. As per the 2024 DSA, Lao P.D.R. was assessed to be in external and overall debt distress under the Low-Income Countries Debt Sustainability Framework (LIC-DSF). The country's risk rating and debt sustainability had deteriorated since May 2023 DSA due to an adverse macroeconomic environment (through a strong exchange rate depreciation), an expansion of debt coverage to include guaranteed debt, expenditure arrears, and the issuance of domestic debt to recapitalize state-owned banks. The country's debt sustainability is still in a challenging situation due to the significant amount of debt at the starting point and a continuing currency depreciation against the backdrop of surging external financing needs and the expansionary monetary policy. Public and publicly guaranteed (PPG) and external debt to GDP ratios were projected to decline in 2024 due to deferrals on principal repayments, lowering gross financing needs. But after that, currency depreciation would drive up the debt ratio, despite primary surpluses and positive real GDP growth. As a result, most of the PPG external and public debt indicators for both solvency and liquidity, including the present value of PPG debt-to-GDP ratio, would remain very high and above the indicative threshold significantly for two decades, which indicate a high probability of a future distress event. The continued debt servicing deferrals over recent years, including again in 2024, and on-going negotiations also indicate debt distress. This result, along with the evidence of major economic vulnerabilities (including significant financing needs, limited access to international markets, limited international reserves, increasing rollover risks, potential for additional exchange rate depreciation pressures and bank recapitalization, and substantial contingent liabilities), warrants a rating of "in debt distress" for both external and public debt and an assessment of unsustainable public debt. Adjustment options are limited, as the primary surpluses required to reduce debt indicators below risk thresholds in the medium-term are not politically feasible or socially desirable.

PFM legislation

¹⁰⁰

<https://documents1.worldbank.org/curated/en/09971731222228702/pdf/BOSIB0ba4460490c70b52a08b105fa5296a.pdf>

¹⁰¹ <https://www.imf.org/-/media/Files/Publications/CR/2024/English/1laoea2024001-print-pdf.ashx>

7. A legal framework exists¹⁰² as established by the Law on Accounting (2013 and amended in 2023-No.46/NA¹⁰³), Law on Independent Audit (2014 and Enterprise Law (2022)). Under the Law on Independent Audit of 2014, accountancy professionals are regulated at the state level by the Ministry of Finance (MoF) and at the professional level by the Laos Chamber of Professional Accountants and Auditors (LCPAA) which was established in 1998 with an objective to unite accountancy professionals in Laos. LCPAA is an Associate member of IFAC and a primary member of ASEAN Federation of Accountants. The MoF is designated as the audit oversight authority in the jurisdiction. Public interest entities (PIEs) are required to apply International Financial Reporting Standards (IFRS) when preparing financial statements. Auditing standards are based on International Standards on Auditing (ISA). The amended law introduced clearer provisions for numerical reporting and laid the groundwork for operationalizing investigation and disciplinary procedures.

Current portfolio recurring issues

8. Staff capacity issues persist across the two ongoing projects (AFN II & PICSA) requiring regular implementation support and continuous FM training at central and district levels. Project Implementation Manual & Financial Management Manual were outdated, these should be reviewed regularly and updated as necessary to avoid compliance issues. Audit report quality issues were recurrent on the current portfolio; a strategy should be put in place for audit arrangements under the new project to prevent similar issues. Project activities are implemented in decentralized locations which rely on manual accounting which is prone to errors, monitoring and consolidation of financial reports is a major task, and financial reports often have quality issues. Integrated systems can provide financial data instantly, and regular reviews and corrections made promptly. Limited Financial Management Specialists/Consultants in Laos affects project implementation support. Local consultants are familiar with the environment and are conversant with the local language which is beneficial to the projects. A long-term solution would be to collaborate with other partners operating in the country for a common database of FM consultants for Program support.

PFM systems Impact on FM operations under the new COSOP

9. Low skills among staff coupled with weak capacity at district and provisional levels and a shortage of FM Specialists in the country can affect the staffing modalities and capacities on upcoming project. Additionally, control measures in the new project might be hampered by the insufficiently resourced internal audit function. Similarly external audit capacity issues could also impact the quality and timeliness of audit reports and oversight. The current debt distress situation necessitates the design of future projects that consider debt exposures, with the aim of mitigating their impact on the country's economic stability.

Use of country systems- The project will utilize country financial management systems to the extent possible, in line with IFAD's commitment to harmonization and country ownership. FM staffing capacity will be assessed during design to ensure adequacy in both numbers and skills. Ongoing reforms, such as those under the E-FITS initiative, offer opportunities to strengthen accounting and financial reporting systems. Government budget preparation and control mechanisms will be adopted for project budgeting, and funds will be disbursed through strengthened fund flow arrangements that rely on national systems. Internal and external audit capacities will also be assessed to inform appropriate audit arrangements for the project. Where gaps are identified across any fiduciary pillars, the collaborative design process will propose mitigation measures and explore opportunities for targeted strengthening. This

¹⁰² <https://www.ifac.org/about-ifac/membership/profile/lao-pdr>

¹⁰³ Law on Accounting (amendment), No.46/NA, date 20 November 2023

approach will reduce transaction costs, enhance institutional capacity, and ensure compliance with IFAD's fiduciary standards.

PFM reform

10. The current PFM Reform Implementation Plans offer a new opportunity to (a) review and complete the legal framework; (b) develop the core systems (particularly the treasury, accounting, and reporting systems); (c) integrate progressively all parallel information management systems into an FMIS architecture; and (d) support the effective enforcement of the PFM regulatory framework. Work is progressing on integrating medium-term fiscal planning into the budgetary process, improving tax administration, establishing more effective supervision over State Owned Enterprises, making public procurement more efficient and transparent, reconsidering the standards used in the government's financial statements, and developing the work and resource plans of the State Audit Agency.
11. The IFAD country program can benefit from these reforms through the core systems under development and integrated FMIS which can improve efficiency in reporting, particularly considering the decentralized operations. In addition, a well-resourced State Audit Agency will benefit the new program through external audit services.

Accountancy and audit profession in the country

12. Lao PDR has made some strides in accounting and auditing professions in recent years; however, challenges are still faced to achieve full maturity and alignment with international best practices. There is limited capacity and resources for enforcement and quality assurance, shortage of qualified professionals especially in rural areas, limited CPD access and practical training opportunities and, low awareness of ethical standards and international best practices. LCPAA partnerships and mentoring agreements in place with the Association of Chartered Certified Accountants (ACCA)-November 2022; Malaysia Institute of Accountants (MIA)-ASEAN Federation of Accountants (AFA) and Federation of Accounting Professions (TFAC) can provide the required technical trainings to upskill the profession.

Lending terms applicable during the COSOP

13. Laos' article IV released on November 2024 contained a DSA assessment showing the country's risk of debt distress as in debt distress, downgraded since May 2023. The country is eligible for blend terms in IFAD13 as it is classified as Gap country at the World Bank with 2023 GNI per capita ¹⁰⁴ of USD2,110 above the operational cut-off of USD1,335 for IDA eligibility for more than two consecutive years. Therefore, Laos is not eligible for DSF or BRAM in IFAD13. Future lending terms will be informed by future DSA assessment.
14. COSOP FM risk-From the PFM strategic analysis above, the COSOP inherent FM risk classification is Substantial.

B. PORTFOLIO – LESSONS {Strengths and Weaknesses}

Project	Project Status	%Disbursement of all financing instruments	Project FM inherent risk rating	Performance Score: Quality of Financial Management	Performance Score: Quality & Timeliness of Audit	Performance Score: Disbursement Rate	Performance Score: Counterpart funds	Completion date
PICSA	Available for Disbursement	62.95	Substantial	Moderately Satisfactory	Mod. satisfactory	Satisfactory	Satisfactory	30/06/2028

¹⁰⁴ <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=LA>

AFN II	Available for Disbursement	16.47	Substantial	Moderately Satisfactory	Not Specified	Satisfactory	Moderately Satisfactory	29/06/2030
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15. **AFN II** - The quality of financial management is rated moderately satisfactory. AFN II benefited from the experience and lessons learnt from AFN I, systems, prompt operationalization of the project & staffing, assets and the quick satisfaction of the initial disbursement conditions.
16. However, during the start of the project, there were issues around operationalization of the NPCOs, the installation and use of accounting software, incomplete and inadequate financial management manual, asset and vehicle management and records, control issues around cash handling; payment of sitting allowances in contravention of schedule 2 of the financing agreement; inadequate electronic backup of financial records coupled with lack of physical space to file project documents; uncompetitive vendor selections, and heavy physical cash dependency. Measures were put in place and implemented for most of the issues, PIM and FMM updated accordingly, however some actions are under implementation. PASE-SE accounting software was installed at NPCO; however, the system is not installed at district level and relies on excel. IFRs, AWPBs were submitted on time and the first Unaudited financial statements was submitted ahead of time though with quality issues which were addressed. The first external audit was conducted, and the audit report was submitted on time. The Department of Inspection under MAF conducts project internal audits.
17. **PICSA** - The quality of financial management is rated moderately satisfactory. Adequate FM staff is onboard at PGT, PPIT, and DPIT levels. Provincial and District level staff require continuous training due to lack of qualifications and experience. There is a large decentralization of program operations at provinces and districts, and the capacity issues of Finance officers at District and Provinces results in work overload at the central level. In addition to the required monitoring and oversight roles, effort is required by the PGT Finance to review and consolidate financial information from 19 districts and 4 provinces.
18. An accounting software ACCPAC is used to record transactions. IFRs, Unaudited Financial statements and AWPBs are submitted on time. However quality issues persist on each submission.
19. Inconsistencies in the provisions of the PIM and the processes and procedures adopted sometimes emanate from approval of new procedure without updating the PIM and seeking NO from IFAD. Counterpart contribution not adequately reported, eg. Office space thereby understating the reported government contribution to the project.
20. The quality and timeliness of audit is moderately satisfactory. The Financial statements are of an acceptable quality, however there were issues on the audit report reference to a vague accounting standard by the private audit firm which called for a revision of the audit report with clear accounting standard referenced. This issue had persisted for 3 years; however, it was resolved on the FY2024 audit report and it is expected that the issues will not be repeated for future audits.
21. Both projects have satisfactory disbursement rates.

Lessons learnt

22. Good FM systems and processes adopted from previous phase in the portfolio aided the prompt satisfaction of disbursement conditions.
23. PIM/FMM requires regular reviews to ensure necessary revisions and updates are made in line with current practices to avoid compliance issues.

24. Persistent external audit report issues due to private firm capacities which required called for revision of audit reports; a strategy for audit arrangements is required to prevent similar issues.
25. Decentralized project designs result in huge workloads for Central office FM staff through supervising and monitoring district and provincial offices and collecting financial reports for consolidation and reporting within 30days following quarter end. Integrated systems can provide financial data instantly and regular reviews and corrections made promptly for timely accurate consolidated reports.
26. Staff capacity issues were observed in both projects. Continuous FM training at central and provincial/district levels is required. In addition, risk-based implementation support is provided where projects with high risk are given more attention.
27. Independent Financial Management Specialists/Consultants in Laos are few thereby affecting any immediate implementation support required by the projects. Local consultants are familiar with the environment, which is beneficial to the projects. Collaborating with other partners operating in the country can help with a common database of consultants to support Programs.

Procurement risk matrix – part A country level

Part A - Assessment of National Procurement System

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
Pillar I – Legal, Regulatory and Policy Framework					
1	The public procurement legal framework achieves the agreed principles and complies with applicable obligations.				
1(a)	Scope of application and coverage of the legal and regulatory framework	– National procurement regulations (accessible via http://ppmd.mof.gov.la) include: - o Law on Public Procurement No. 30/NA (2017); - o Instruction on Implementation of Law on Public Procurement No. 0477/MOF (2019); - o Procurement Manual (2022), and - o Harmonized Standard Bidding Documents (2021). – The national procurement regulations to be apply to ministries, agencies, local administrative authorities, state enterprises, local and foreign individuals, legal entities and organizations relating to public procurements in Lao PDR.	L	– Project to introduce Procurement Guidelines as a part of the Project Implementation Manual to integrate IFAD Procurement procedures.	L
1(b)	Procurement methods	– Open competitive bidding is the default method, with other methods permitted for contracts below thresholds set out in the instructions (which are to be revised every 2 years), or in particular cases set out in the instructions, which require approval by designated persons (CSPRA¹⁰⁶, ADB 2021). – Procurement methods for works, goods, and non-consulting services: Open bidding; Limited bidding; Request for quotations (Price Comparison); Direct contracting. – Direct contracting can be applied for contract with cost estimation LAK 5 million or less, or special cases required the approval of the tender committees or ad-hoc committees appointed on case by case basis (Article 17, Instruction 0477/MOF).	L	–	L

¹⁰⁵ The Indicators and Sub-Indicators are extracted from OECD-MAPS II of 2017 in order to harmonise with other MDBs and to save time and effort in conducting Part A assessments in case a recent MAPS II assessment has been conducted for the borrower's country system. The criteria to be applied in assessing each Sub-Indicator are those of OECD-MAPS II.

¹⁰⁶ Country and Sectoral Procurement Risk Assessment, ADB, 2021.

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		– Selection methods for consulting services include QCBS, QBS, CQS, LCS, FBS, and SSS.			
1(c)	Advertising rules and time limits	– The project owner or procuring entities shall post an invitation for bids or selection of consultants to mass media, website or through electronic media (Article 18, IRR 0477/MOF). – Publicly advertise on newspapers (e.g. Vientiane Times for English and Vientiane Mai Newspaper for Lao), websites or electronic media. Sometimes, advertisement in English is also found in Vientiane Mai Newspaper. Frequency: Usually 2 times/week x 2 weeks, sometimes more. – Minimum duration for bid preparation: 35 days for Open bidding, 15 days for RFQ, 30 days for RFP (Article 18, Instruction 0477/MOF). There is no separate provision on minimum duration of bid preparation for international open bidding.	M	– Advertise procurement notices on PPMD's website and EA/IA website. – Extend the minimum time limits for international open bidding to allow adequate time for submitting proposals.	M
1(d)	Rules on participation	– Eligible participation in bidding: Be local and foreign individuals, legal entities possessing taxpayer identification numbers or business licenses and performance of taxes certificates and other obligations in compliance with the laws (Article 36, Law on Public Procurement No. 30/NA). – The legal framework generally supports non-discriminatory participation, transparent tender processes (CSPRA, ADB 2021). – State-owned enterprises (SOE) are eligible if they are financially autonomous, operate under commercial law, and are not under supervision of such project implementing agency (Article 36, Instruction 0477/MOF). SOE can participate the same as private enterprises.	L	– Tender committee verify bidder eligibility (including debarment list) before conducting bid evaluation.	L
1(e)	Procurement documentation and specifications	– Four harmonized standard bidding documents in Lao and English languages (reviewed by WB and ADB) approved and issued by MOF for OCB Works, OCB Goods, RFQ Works, RFQ Goods in 2021 (CSPRA, ADB 2021). (http://ppmd.mof.gov.la/Standard%20Bidding%20Documents#). – RFP for consulting service is available in Lao language. There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP.	M	– For ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted.	M
1(f)	Evaluation and award criteria	– Bid evaluation criteria are stated in tender document. For goods and works apply pass/fail. One-envelope is usually used, but sometimes two-envelope is used for big contracts. Recently, GOL introduced life cycle cost for goods to be put in evaluation. Non-price attributes including sustainable conditions	L	–	L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		can be included in the bid evaluation criteria (Article 44, Instruction 0477/MOF) Detailed examination of bids or proposals shall carry out based on criteria as indicated in the bidding documents or request for proposals. The application of additional criteria shall not be allowed. If there is any correction on arithmetical errors or other relevance, the notification to the concerned bidder or consultant for acceptance is required (Article 44, Instruction 0477/MOF).			
1(g)	Submission, receipt and opening of tenders	- Tenders are submitted and receipted at time and location mentioned in the tender document. Bid opening is carried out right after the deadline of bid submission. The bidders sign on the list of attendance and the bid opening minutes. The bid opening minute are provided on request for record. - The tender committees shall keep confidentiality of examination, evaluation, recommendation of contract award until the approval of contract award and the contract signing (Article 46, Instruction 0477/MOF).	L	–	L
1(h)	Right to challenge and appeal	- During tenders, bidders unsatisfied with the procurement process, namely from unfairness, from the lack of transparency, and partiality by tender committees may file a written complaint to project owners or procuring entities for resolution within fifteen days. If the resolution is not to the bidders' satisfaction, matters may be submitted to relevant government agencies (Article 46, Law on Public Procurement No. 30/NA). - Bidder may submit complaint to project owner or procuring entity within fourteen (14) days prior the contract signing. Complaint will be resolved within 15 days, if not, it may be transferred to higher level or court (Article 46, Instruction 0477/MOF). - Manual on procurement complaint mechanisms including application forms (in Laos language) was developed and available on procurement website (http://ppmd.mof.gov.la/). - Appeals can go to Government Inspection Committee under presidential office.	L	–	L
1(i)	Contract management	Project owners or procuring entities appoint project management for managing contracts to ensure the quantity, quality and timeframe in works, goods and/or services and consulting services contracts. Outputs shall be approved and certified by inspection and certification committees. If technical and quality certifications are required, such certifications shall be from engineers or independent experts (Article 53, Public Procurement Law 30/NA).	M	– Independent construction supervision shall be compulsory for works	M

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		– For contract variation, GOV does not have limit regulations on the value or time.			
1(j)	Electronic Procurement (e-Procurement)	– The transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet.	S	– GOL to develop an electronic procurement system for the country. – Advertise procurement notices on PPMD's website and EA/IA website	S
1(k)	Norms for safekeeping of records, documents and electronic data.	– The signed contract, documents and procurement related information shall retain at least ten (10) years period (Article 53, Instruction 0477/MOF). However, no norms for safekeeping are mentioned. In practice, in addition to the hardcopy, project staff usually make electronic copy for record keeping. Procurement officer will keep the original records.	L	–	L
1(l)	Public procurement principles in specialised legislation	– Public procurement principles are specified in Public Procurement Law. Procurement under Public Private Partnership (PPP) Arrangement comprises of (i) Build, own, operate (BOO), (ii) Build, operate, transfer (BOT) and others which risks are transferred to private sector. Procurement under Public Private Partnership (PPP) arrangement shall be procured under open bidding procedure (Article 18, Instruction 0477/MOF).	L	–	L
2	Implementing regulations and tools support the legal framework				
2(a)	Implementing regulations to define processes and procedures conditions	– Instruction to implement Public Procurement Law 0477/MOF dated 13/2/2019 and Instruction 1995/MOF dated 24/6/2019; Procurement Manual in Lao language (http://ppmd.mof.gov.la). – MOF is responsible for update the procurement instruction.	L	–	L
2(b)	Model procurement documents for goods, works and services	– Harmonized SBDs for works, goods, and non-consulting services (updated in 2021) are available in Lao and English languages (http://ppmd.mof.gov.la/Standard%20Bidding%20Documents#). – RFP for consulting service is available in Lao language.	L	–	L
2(c)	Standard contract	– The contract is in the harmonized SBD. The General Conditions of Contract outlined in the harmonized SBDs align with international best practices, ensuring compatibility with Multilateral Development Bank (MDB) procurement rules.	M	– Adopt and use IFAD standard procurement documents for ICB and consulting services with international advertisement.	M

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		- Currently, projects use harmonized bidding document for works, goods, and non-consulting services and donor's RFP for consulting services. - There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP. IFAD standard procurement documents for works and goods have not been translated into Lao yet.			
2(d)	User's guide or manual for procuring entities (insert link to manual if possible)	- MOF has Procurement and Price Monitoring Division (PPMD) under the Department of State Assess Management. - Procurement Manual in Lao and English language (updated in 2022) is available at the PPMD's website (http://ppmd.mof.gov.la).	L	–	L
3	The legal and policy frameworks support the sustainable development of the country and the implementation of international obligations				
3(a)	Sustainable Public Procurement (SPP)	- The Action Plan for Green Public Procurement (APGPP) 2022-2025 Vision to 2030, approved by Decree No. 6351/MONRE of December 29, 2022, sets out a strategic approach to implementing sustainable public procurement (SPP) in Lao PDR. - The government promotes public procurement by protecting the rights and interest of the government, individuals, legal entities or organizations and preserving the environment for green sustainability (Article 4, Public Procurement Law 30/NA). - The legal and regulatory frameworks allow for sustainability (i.e. economic, environmental and social criteria) to be incorporated in procurement procedures (Article 44, Instruction 0477/MOF). - The Public Procurement Manual (revised in 2022, section 5.4) provides instructions on life-cycle-cost evaluation criteria. The Manual notes that when combining with price criteria, the total weightings of all non-price criteria should normally not exceed 30% but it may be set as high as fifty percent (50%) if justified to achieve value for money. - Sustainable procurement is addressed in the harmonised SBD for goods (2022).	L		L
3(b)	Obligations deriving from international agreement	In case of the implementation of international conventions and treaties, agreements between government and donors or any donor's agency who applied their own particular procurement regulations, such procurement regulations shall be applied. In case of the implementation of international conventions and treaties to which the Lao PDR is a party, no particular procurement procedures are specified, the law on public procurement and this Instruction shall be applied (Article 7, Instruction 0477/MOF).	L		L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		– In case of discrepancies between GOL and donor procedures the Project PIM will be used. IA select procedures following project setup.			
Consolidated findings for Pillar I		– The transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet. – There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP.	M	– Develop a national electronic procurement system; Advertise procurement notices on PPMD's website and EA/IA website. – For ICB and consulting services with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted.	M
Pillar II – Institutional Framework and Management Capacity					
4	The public procurement system is mainstreamed and well-integrated with the public financial management system				
4(a)	Procurement planning and the budget cycle	– Annual public procurement plans shall be prepared and attached to annual budget plans. The annual procurement plan shall be summarized and reported to the financial sector for further summary and reporting to government. – A detailed procurement plan shall be prepared after the National Assembly's approval on annual state budget in consistency with market and capability of contractor or supplier and/or service provider or consultant (Article 18, Instruction 0477/MOF).	L	–	L
4(b)	Financial procedures and the procurement cycle	– The annual procurement plan and detailed public procurement plan shall be summarized and reported to the financial sector for further summary and reporting to government (Article 18, Instruction 0477/MOF). – Procurement and budget cycles are not fully linked as there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). – It is a common practice for procurement office to check the availability of fund before solicitation of tenders.	M	– No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds.	M
5	The country has an institution in charge of the normative/regulatory function				
5(a)	Status and legal basis of the normative/regul	– Procurement and Price Monitoring Division (PPMD) of MOF under State Assess Management Department.	L		L

Indicator # and Sub- Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inher ent Risk	Proposed Mitigation measure/s	Net Risk
	atory institution function	– Ministry of Agriculture and Forestry (MAF) has Project Management Division in charge of procurement.			
5(b)	Responsibilities of the normative/regul atory function	– Procurement and Price Monitoring Division (PPMD) of MOF: providing advice to procuring entities, drafting procurement policies, proposing changes/drafting amendments to the legal and regulatory framework, monitoring public procurement, providing procurement information, managing statistical databases, preparing reports on procurement to other parts of government, developing and supporting implementation of initiatives for improvements of the public procurement system, providing tools and documents, including integrity training programmes, to support training and capacity development of the staff responsible for implementing procurement.	L		L
5(c)	Organisation, funding, staffing, and level of independence and authority	– The government centrally manages public procurements in a unified manner countrywide and delegates direct responsibility to the Ministry of Finance (MOF) in coordination with the Ministry of Planning and Investment, ministries, agencies, local administrative authorities and other parties concerned. Public procurement management authorities include: (i) The Ministry of Finance; (ii) Provincial/capital Departments of Finance; (iii) District/ town/city Finance Offices (Article 73, Public Procurement Law 30/NA). – Procurement and Price Monitoring Division (PPMD) is established under the State Assets Management Department (SAMD) of MOF. The PPMD is a secretariat to the Director General of the SAMD. – The PPMD of MOF is inadequately resourced to carry out all of its intended duties satisfactorily (CSPRA, ADB 2021). The PPMD consists of only eight employees as of July 2024.	L		L
5(d)	Avoiding conflict of interest	– The PPMD is composed of four units – procurement legislation, general and approval of procurement plans, procurement monitoring, and procurement complaints mechanism. – Definition of conflict of interest in the procurement context is elaborated in the Procurement Manual (Section 5.3.2) and Standard Bidding Documents (2022).	L		L
6	Procuring entities and their mandates are clearly defined.				
6(a)	Definition, responsibilities and formal	– Rights and obligations of Project Owners, Procuring Entities are defined (Articles 59 and 60, Public Procurement Law 30/NA).	L	–	L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
	powers of procuring entities	– Tender committees are appointed to carry out procurement (of goods, works and services) or selection of consultants. The tender committee consists of 3 to 7 members from project owners or procuring entities' technical team and specific experience staffs from relevant sector. In addition, the tender committee may appoint 3 to 5 members as secretariat team to assist the works. The secretariat team members shall hold experiences, technical and basic knowledge of procurement matters, but not engage in voting or participating in decision on this matter (Article 40, Instruction 0477/MOF). – Decision-making stay at ministry for ICB/NCB. For NS that is delegated to the Director General of Ministry's department. At provincial and district levels the decision making is governor for NCB and head of PAFO and DAFO for NS.			
6(b)	Centralised procurement body	– Framework agreements are specified under the national procurement regulation (Article 18, Instruction 0477/MOF) and Procurement Manual. However, the national procurement regulations have no provisions on a centralised/concentrated procurement body in charge of consolidating the procurement needs of several public entities; soliciting and concluding framework agreements from which all public entities could call upon according to their needs. – The government centrally manages public procurements in a unified manner countrywide and delegates direct responsibility to the Ministry of Finance in coordination with the Ministry of Planning and Investment, ministries, agencies, local administrative authorities and other parties concerned. Public procurement management authorities include: (i) The Ministry of Finance; (ii) Provincial/capital Departments of Finance; (iii) District/ town/city Finance Offices.	M	– Piloting implementation of centralised procurement and framework agreement following the procedures specified in the revised Procurement Manual (2022)	M
7	Public procurement is embedded in an effective information system				
7(a)	Publication of public procurement information supported by information technology	– Procurement information is accessed through newspapers at central level. In district and provincial level, procurement notices can be advertised via local television or local radio broadcasting, social media. Laos does not have an integrated information system (centralised online portal) that provides up-to-date information and is easily accessible to all interested parties at no cost. – No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department	S	– Procuring entities should be mandated to publish procurement information on the public procurement portal run by the Ministry of Finance / Procurement and Price Monitoring Division. – Use the OPEN system for monitoring procurement and contract implementation.	S

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019). – The website of Procurement and Price Monitoring Division (http://ppmd.mof.gov.la) was developed with support from EU/WB in 2022 with a function for uploading information on annual procurement plans, procurement opportunities, contract awards and procurement statistics. However, information is not regularly updated.			
7(b)	Use of e-Procurement	– Not use E-Procurement yet. There is no National e-GP Strategy or Roadmap in place to guide the e-Procurement system's development and implementation. According to the Lao PDR e-Government Procurement Readiness Assessment Report 2023, there are significant challenges ahead, particularly regarding the capacity of civil servants to plan, develop, and manage such systems.	S	– The MOF to develop and implement a National E-Procurement strategy.	S
7(c)	Strategies to manage procurement data	– The system to collect procurement data has not available. E-Procurement is not available. Donors (WB, ADB...) published contract awards on their websites.	S	– The MOF PPMD to process and publish essential statistical information on the national public procurement website.	S
8	The public procurement system has a strong capacity to develop and improve				
8(a)	Training, advice and assistance	– Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors (CSPRA, ADB 2021). – Training programme for departments within ministry level is now starting. However, it is not a permanent training programme. PPMD also provide procurement advisory at the modest level. – A training programme (BuildProc), OPEN training workshops are organised by IFAD; procurement trainings are organised by other donors.	M	– The MOF PPMD to set up a regular procurement training programme; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity.	M
8(b)	Recognition of procurement as a profession	– Procurement is recognised as a specific function, with procurement positions defined at different professional levels. JD is in the TOR. It is well defined at the central level. – The appointments and promotion are competitive and based on qualifications and professional certification. Staff performance evaluation is done annually. Procurement staff are being trained by donors.	L	–	L
8(c)	Monitoring performance to	– The country has not yet established a performance measurement system that focuses on both quantitative and qualitative aspects. The procurement database is not available. Debarred list is not available or accessible.	M	– GOL to establish a monitoring system together with database collection and retain.	M

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
	improve the system	– The country does not have a National Public Procurement Strategy including results frameworks in place that used to improve the system..			
Consolidated findings for Pillar II		- Procurement and budget cycles are not fully linked as there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). - No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019). - Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors (CSPRA, ADB 2021).	M	- No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds. - Procuring entities to be mandated to publish procurement information on the public procurement portal run by the Ministry of Finance / Procurement and Price Monitoring Division; Use the OPEN system for monitoring procurement and contract implementation. - The MOF PPMD to set up a regular procurement training programme; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity.	M
Pillar III – Public Procurement Operations and Market Practices					
9	Public procurement practices achieve stated objectives				
9(a)	Procurement Planning	– Procurement law requires project owner or procuring entity to prepare a draft annual procurement plan attached to its annual budget plan, and then a detailed annual procurement plan state budget (Article 18, Instruction 0477/MEF). – Procurement and budget cycles are not adequately linked, i.e. there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). – Needs analysis and market research guide a proactive identification of optimal procurement strategies. The procurement planning is based on past experience and partially with market price update. The requirements and desired outcomes of contracts are clearly defined. Sustainability criteria (e.g. an assessment on usage of materials and tools that no environmental impacts under sustainable and green growth direction) might be used to ensure value for money.	L	–	L
9(b)	Selection and contracting	– Multi-stage procedures are used in complex procurements to ensure that only qualified and eligible participants are included in the competitive process. Harmonised SBDs are used. It is not a problem for broad	M	– Information of contract awards to be announced on the MOF-PPMD procurement website and IA/project websites.	M

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		participation from potential competitors in civil works and goods. However, for consulting services, the duration is extended sometimes due to the lack of competitors, as a result of market limitation. – Procurement methods are chosen, documented and justified in accordance with the purpose and in compliance with the legal framework, i.e. thresholds in the instructions for implementing Public Procurement Law. Procedures for bid submission, receipt and opening are clearly described in the procurement documents and complied with. This means, for instance, allowing bidders or their representatives to attend bid openings, and allowing civil society to monitor bid submission, receipt and opening, as prescribed in the BD. – Throughout the bid evaluation and award process, confidentiality is ensured. Appropriate techniques are applied, to determine best value for money based on the criteria stated in the procurement documents and to award the contract. – Contract awards are announced to participated bidders only.			
9(c)	Contract management in practice	– Procurement processes (planning, bidding, contract award and contract implementation) are often delayed. Delays is common practice in contract implementation for goods, such as imported goods, and works, e.g. large civil works contracts located in remote areas and due to the unfavourable weather conditions. – Invoices are examined, time limits for payments comply with good international practices, and payments are processed as stipulated in the contract. Contract amendments are reviewed. – Procurement statistics are not available and no system is in place to measure and improve procurement practices.	M	- Prepare contract management plans for major contracts; - Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN Contract Monitoring Tool) with periodic progress reports and follow-up actions. – Construction supervision consultant should be used for construction works.	M
10	The public procurement market is fully functional				
10(a)	Dialogue and partnerships between public and private sector	– Open dialogue with private sector is not found. No government programme to build capacity among private companies, including for small businesses and training to help new entries into the public procurement marketplace was observed.	M	– GOL to expedite dialogue and partnership with private sector.	M
10(b)	Private sector's organisation and access to the public	– The private sector is still limited and has not yet been developed. There is no restrict for private sector to participate in public procurement. – The private sector is competitive, reasonably well organized in the main urban centers and responsive to public procurement opportunities, particularly those funded by multilateral or bilateral financing institutions.	M	– Establish and enforce the use of a nationwide e-Government Procurement (e-GP) platform with free public access to tender notices, awards, and procurement plans.	M

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
	procurement market	Access to information on upcoming opportunities is gained mainly through local newspaper advertisements. However, organization and market access decrease in remote areas due to the limited number of suppliers of manufactured goods and well equipped contractors, and obtaining competitive bids for procurement in sparsely populated rural areas has sometimes proved difficult (CSPRA, ADB 2021).			
10(c)	Key sectors and sector strategies	– Key sectors associated with the public procurement market are identified as transport and public works and health, which have higher risk and under central control. – Risks associated with certain sectors and opportunities to influence sector markets are assessed by donors such as ADB.	M	– The Government conduct risks associated with certain sectors and opportunities to influence sector markets.	M
Consolidated findings for Pillar III		– Contract awards are announced to participated bidders only. – Procurement processes (planning, bidding, contract award and contract implementation) are often delayed.	M	– Information of contract awards to be announced on the MOF-PPMD procurement website and IA/project websites. – Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN -Contract Monitoring Tool) with periodic progress reports and follow-up actions.	M
Pillar IV – Accountability, Integrity and Transparency of the Public Procurement System					
11	Transparency and civil society engagement strengthen integrity in public procurement				
11(a)	Enabling environment for public consultation and monitoring	– A transparent and consultative process is followed when formulating changes to the public procurement system has not been observed. No programmes to build the capacity of relevant stakeholders to understand, monitor and improve public procurement was found. – The system to get input, comments and feedback from civil society has not yet available.	S	– The PPMD to establish formal consultation mechanisms to ensure that the private sector, including Micro, Small, and Medium Enterprises (MSMEs). – and representative associations, are regularly informed and consulted on changes to the procurement framework.	S
11(b)	Adequate and timely access to information by the public	– The private sector and civil society can freely access upcoming bid information in newspapers and on agency websites, and can obtain bidding document and bid forms by contacting the EA. NCB contract awards for donor financed procurement are not normally published, although ICB contract awards are published by the donors. The public can attend bid openings but rarely take advantage.	S	– GOL to introduce a public procurement system. Bidders can access freely to procurement information and getting bidding document.	S

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		Procurement notices are published in newspapers. All stakeholders have adequate and timely access to information as a precondition for effective participation. Bidding documents are sold at LAK 100,000-200,000 for NS, and LAK 500,000 for NCB. Bidders can access to information.			
11(c)	Direct engagement of civil society	- Community can participate in the formulation of PP in IFAD projects. No restriction for citizen to observe. In general, no legal/regulatory and policy framework allows citizens to participate in the procurement process. - No evidence for direct participation of citizens in procurement processes through consultation, observation and monitoring was found.	S	GOL to promote the participation of citizens in supervising and monitoring process.	S
12	The country has effective control and audit systems				
12(a)	Legal framework, organisation and procedures of the control system	- There are no internal audit departments or units in any of the key agencies in any sector. There are, however, Inspection Departments which focus on whether an agency is following prescribed procedures when conducting its business. They do not conduct financial or procurement audits (CSPRA, ADB 2021). - External financial audit also check procurement in addition to the finance. MOF conduct internal check before making payment. However, the results are limited.	S	Conduct capacity building programs for internal auditors at government agencies.	S
12(b)	Co-ordination of controls and audits of public procurement	- The State Audit Organization (SAO) acts as external auditor conducting annual financial audits and its terms of reference also include an audit of procurement transactions. In practice, however, SAO staff have little or no training or experience of procurement and in-depth procurement audits are rare (CSPRA, ADB 2021). - No written procedures that state requirements for internal controls or written standards and procedures (e.g. a manual) for conducting procurement audits. - State audit and National Inspection will get involve only when there are complaints. Financial external audit is carried out annually.	S	Conduct capacity building programs for internal auditors at government agencies.	M
12(c)	Enforcement and follow-up on findings and recommendations	The Project and lined Ministries will solve issues as recommended in financial auditing reports. Project coordination offices are responsible to follow-up on the implementation of audit recommendations.	L		L
12(d)	Qualification and training to conduct	No specific training for procurement audit.	S	MOF to provide training for procurement audit and setup criteria for accredit procurement auditors for projects.	S

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
	procurement audits				
13	Procurement appeals mechanisms are effective and efficient				
13(a)	Process for challenges and appeals	– A process for challenges is setup. For projects, it will go from Project Office to in-charge department to lined Ministry. At MOF, PPMD is in-charge. State Inspection authority is involved when there are complaints. Procedures for challenges are clearly defined in bidding documents. Time frame is defined in the Public Procurement Law. – There is a complaints procedure in the law and instructions but it is rarely if ever used. There is no formal review mechanism. The WB supported PFM project has prepared a complaint mechanism for inclusion in the procurement (CSPRA, ADB 2021). – Manual on procurement complaint mechanism and Manual of Procedures for Complaint Review in Laos language is available on the procurement website (http://ppmd.mof.gov.la/).	M	– The WB supported PFM project for preparation of a complaint mechanism for inclusion in the procurement manual.	M
13(b)	Independence and capacity of the appeals body	– The PPMD is part of the Ministry of Finance, not an independent authority. The PPMD often lacks autonomy to make binding decisions without Ministry-level approval. PPMD staff often focus on procurement compliance rather than dispute resolution.	M	– Establish a central independent procurement complaints review board.	M
13(c)	Decisions of the appeals body	– The decision is based on information relevant to the case and consideration of the relevant information. – No regulation on publishing the decision of the appeals body are mentioned in the Public Procurement Law. The obligation to publicise decisions is just indicated in the Manual of Procedures for Complaint Review . If complaint come to PPMD, PPMD will issue written respond to complainer and that is the same for IA.	L	–	L
14	The country has ethics and anti-corruption measures in place				
14(a)	Legal definition of prohibited practices, conflicts of interest, and associated responsibilities, accountability and penalties	– Definitions of fraud, corruption and conflict of interest in procurement, consistent with obligations deriving from legally binding international anti-corruption agreements are not stated in the Public Procurement Law. – Template bidding documents (2021) include clear definitions and prohibitions on corrupt activities. The revised Law on Anti-Corruption dated 18 December 2012 came into effect on 16 January 2014. The GOL ratified the United Nations Convention against Corruption in 2009. The Law refers to a Counter Corruption Organization (CCO) responsible for its implementation and the CCO has assigned that duty to the State Inspection	M	– Definitions and provisions concerning conflict of interest to be elaborated in procurement regulations.	M

Indicator # and Sub- Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
		Authority (SIA), which has created the Anti-Corruption Inspection Department to undertake enforcement. Evidence of enforcement e.g. media announcements, or posting of debarment notices is limited (CSPRA, ADB 2021). Some definitions and provisions concerning conflict of interest are mentioned in the revised Procurement Manual (2022).			
14(b)	Provisions on prohibited practices in procurement documents	Provisions on prohibited practices are defined in instruction to bidder and contract forms in the harmonized SBD and Procurement Manual.	M	Include IFAD's templates of self-certification forms on anticorruption, sexual harassment, sexual exploitation and abuse for bidders and contractors in the bidding document/RFP and contract documents.	M
14(c)	Effective sanctions and enforcement systems	- Procuring entities have procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied. - Individuals, legal entities or organizations violating the Law on Public Procurement shall be educated, disciplined, fined, obliged to pay civil damages or subjected to criminal punishments depending on the seriousness of violation (Article 83, Law on Public Procurement No. 30/NA). - A system for suspension/debarment has not yet available.	M	- Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents. - Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.	M
14(d)	Anti-corruption framework and integrity training	The country has Anti-corruption Law.	L		L
14(e)	Stakeholder support to strengthen integrity in procurement	No civil society involved in public procurement.	M	GOL to promote the involvement of civil society in procurement.	M
14(f)	Secure mechanisms for reporting prohibited practices or unethical behaviour	Secure, accessible and confidential channels for reporting cases of fraud, corruption or other prohibited practices or unethical behaviour, legal provisions to protect whistle-blowers, and these are considered effective are mentioned in Anti-corruption law.	L		L

Indicator # and Sub-Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk	Proposed Mitigation measure/s	Net Risk
14(g)	Codes of conduct/codes of ethics and financial disclosure rule	There are no regulations on code of conduct on procurement.	M	The PPMD to prepare and propose for approval a Code of Conduct and Ethics relating to public procurement.	M
Consolidated findings for Pillar IV		- There are no internal audit departments or units in any of the key agencies in any sector. There are, however, Inspection Departments which focus on whether an agency is following prescribed procedures when conducting its business. They do not conduct financial or procurement audits (CSPRA, ADB 2021). - Procuring entities have procedures for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied.	S	- Conduct capacity building programs for internal auditors at government agencies. - Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents; Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.	S
Consolidated findings at country level		- The transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet. - There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP. - Procurement and budget cycles are not fully linked as there are no details on when a procurement activity may commence or use of advance procurement actions (CSPRA, ADB 2021). - No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019). - Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors. - Contract awards are announced to participated bidders only. - Procurement processes (planning, bidding, contract award and contract implementation) are often delayed.	S	- Develop a national electronic procurement system; Advertise procurement notices on PPMD's website and EA/IA website. - Procurement shall be carried out in accordance with the Law on Public Procurement (No. 30/NA, 2017), The Instruction on Implementation of Law on Public Procurement (Decree No. 0477/MOF, 2019) and subsequently updated public procurement regulations as long they are consistent with IFAD Project Procurement Guidelines. - For ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted. - No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds.	S

Indicator # and Sub- Indicator #	Sub-Indicator Description ¹⁰⁵	Findings regarding possible non-compliance with IFAD PPF	Inher ent Risk	Proposed Mitigation measure/s	Net Risk
		- There are no internal audit departments or units in any of the key agencies in any sector. There are, however, Inspection Departments which focus on whether an agency is following prescribed procedures when conducting its business. They do not conduct financial or procurement audits. - Procuring entities have clear procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied.		- Procuring entities to be mandated to publish procurement information on the public procurement portal run by the Ministry of Finance / Procurement and Price Monitoring Division; Use the OPEN system for monitoring procurement and contract implementation. - The MOF PPMD to setup regular procurement training programme; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity. - Information of contract awards to be announced on the MOF-PPMD procurement website and IA/project websites. - Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN -Contract Monitoring Tool) with periodic progress reports and follow-up actions. - Conduct capacity building programs for internal auditors at government agencies. - Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents; Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.	

Integrated country risk matrix

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
Country context The risks to the achievement of COSOP strategic objectives stemming from a country's context.	Moderate	Moderate	The COSOP's two strategic objectives — climate-resilient farming systems and inclusive value chains — are aligned with national policy and development priorities. All COSOP projects (PICSA AF, AFN-II and LEAD) are designed to address key contextual risks affecting smallholders, particularly in capacity building of project partners, climate vulnerability and market access with planned key interventions under PICSA, AFN II and LEAD to achieve the objectives. .
Political commitment The risk that a country's political developments (i.e. upcoming elections, impending changes in government, high political instability/turnover/uncertainty, changing political priorities, or ministerial restructuring) result in delays and/or in a reversal of key political decisions and commitments (including approval and implementation of laws and regulations, and timely counterpart funding) underpinning the success of IFAD's engagement in the country.	Low	Low	The COSOP's strategic objectives are closely aligned with national policies (NSED 2026–2030, Agricultural Development Strategy, MOIC roadmap), supporting LDC transition priorities. In addition, With merged ministries, namely the former MPI and MOF as MOF, with same focal points, this has also shortened process and steps. IFAD will maintain high-level policy engagement through existing SWGs and SSWGs and work across multiple ministries to ensure continuity amid restructuring. Strong implementation support and flexibility in planning will help manage any delays from political transitions. Moreover, IFAD-funded projects are directly implemented and managed by District technical implementing agencies.
Governance The risk that the country can suffer from governance breakdowns (lack of/weak political checks and balances; lack of/weak public auditing systems; lack of/weak transparent information on government rules, regulations, and decisions; lack of/weak standards to prevent fraud and corruption; lack of/poor quality/transparentcy of allocation of resources for rural development) which can negatively affect the achievement of COSOP's strategic objectives.	Moderate	Moderate	Government commitment has been demonstrated through the approval and co-financing of two ongoing IFAD projects. The upcoming project will be co-designed with Government. IFAD's procurement and oversight mechanisms ensure transparency and accountability.

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
Macroeconomics: The risk that macroeconomic policies (monetary, fiscal, debt management/sustainability, trade) are overall fragile, unsustainable, and/or vulnerable to domestic or external shocks, thus resulting in high inflation, low foreign exchange reserves, large fiscal deficits and debt distress. Inflation and public debt in the country increased sharply. In late 2024 Lao PDR was assessed by the IMF and the World Bank to be in external and overall debt distress. The government is enforcing strict public spending constraint. This could lead to government inability to mobilize counterpart funding, and to an overall adverse impact on market dynamics of value chains,	Substantial	Substantial	Although macroeconomic fragility exists, counterpart financing requirements are low in IFAD financed projects. IFAD is targeting the poor households keeping in mind the limited public expenditure. IFAD-funded projects incorporate adaptive measures to support target groups against market volatility—such as investments in livelihood improvements, resilient infrastructure, support of investment grants through projects for physical investments, diversified production, and rural business services.
Fragility and security The risk that the country is vulnerable to natural and man-made shocks including civil unrest, conflict, and/or weak governance structures and institutions.	Moderate	Moderate	Resilience-building activities related to natural and economic areas are embedded in project designs. Capacity building for local implementing agencies and farmer organizations and grievance redress mechanisms will reduce conflict risk and strengthen community cohesion.
Sector strategies and policies The risks to the achievement of COSOP strategic objectives stemming from a country's sector-level strategies and policies.	Low	Low	The strategic objectives of the COSOP have been identified in close coordination with the Government and relevant country partners and there is a strong supportive environment through the partnership building with sister projects and convergence approach for nutrition sensitive agriculture.
Policy alignment The risk that a country's strategies and policies governing the rural and agricultural sector are not sufficiently pro-poor and/or aligned to IFAD's priorities (e.g. on land, environment, climate, gender, ethnic groups, nutrition, youth, private sector engagement), undermining IFAD COSOP strategic objectives.	Low	Low	The country strategies are pro-poor and provide a strong backdrop of support for the country programme.

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
Policy development and implementation The risk that the country's strategies and policies governing the rural and agricultural sector lack a sound evidence base, are not representative of rural peoples' organization's views, are not adequately resourced or supported by legal/regulatory frameworks, and/or are unsustainable, thus undermining the achievement of COSOP strategic objectives.	Low	Moderate	The Government has a participatory mechanism for formulating its policies, strategies and national priorities, which are based on the development priorities of local development potentials and actual requirements of the rural population. This is well reflected in the key strategy documents and key project guides and technical manuals
Environmental, social and climate context The risk that existing or possible future social, environmental and/or climate conditions and events may have adverse effects on food and nutrition security, agricultural productivity, access to markets, and/or the incidence of pests and diseases, resulting in increased vulnerability or deterioration of IFAD's target populations' livelihoods and ecosystems. And/or the risk that activities aimed at achieving COSOP strategic objectives may cause threats to biodiversity, cultural heritage, Indigenous Peoples, labour standards and working conditions, community health and safety, and/or lead to increased pollution, inefficient use of resources, and/or physical and economic resettlement. Climate change accentuates social and environmental risks in Lao PDR. Climate modelling show a consistent trend of increasing temperature, periods of intense rainfall and extreme events, resulting in incidences of heat stress, heavy rain, floods (including flash floods), increased incidences of storms but also prolonged dry spells. These have implications for agriculture, natural resources, infrastructure, health and energy.	Moderate	Moderate	Climate resilient agricultural approaches complemented with income enhancement strategies will help vulnerable communities respond to such challenges. Agro-ecological approaches emphasising diversity of options, mixed, multi-tiered cropping, wide access to stress tolerant crop varieties and integrated soil and water management should be the foundation of climate resilient approaches, with special attention being paid to rainfed agricultural systems. Risk reduction can be further enhanced through capacity building in improved agricultural practices and natural resource management, particularly conservation and sustainable management of forests and biodiversity. Institutional capacities will be strengthened and partnerships with other actors (relevant government agencies, other DPs and research institutions) will be necessary to do so. These measures are in close alignment with the government of Lao PDR's strategies outlined in the National Adaptation Plan and related climate actions and form the central core of IFAD's programme in Lao PDR.

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
Activities aimed at achieving COSOP strategic objectives are not expected to enhance risks to biodiversity, cultural heritage, Indigenous Peoples or other social and environmental concerns significantly. However, Programme interventions aimed at expansion of settled agriculture, increased cropping intensity and the introduction of cash crops run the risk of potentially increased incidences of crop depredation by wildlife, especially in villages near protected areas and could compromise risk aversion mechanisms of small-holder farmers, thus making the target communities more vulnerable.			
Financial management COSOP activities may not be carried out in accordance with the provisions of IFAD's financial regulations and resources not used for the intended purpose with due regard to economy, efficiency and effectiveness.	Substantial	Substantial	Based on IFAD's financial regulations, Project FM manual will be developed to support FM and project implementation, with formal and refresher-training, regular mentoring and technical support on Financial Management and IFAD procedures and regulations. on
Organization and staffing There is limited capacity and resources, shortage of qualified professionals especially in rural areas, limited CPD access and practical training opportunities and, low awareness of ethical standards and international best practices. Additionally, staff capacity issues among government staff coupled with weak capacity at district and provisional levels and a shortage of FM Specialists in the country affects staffing modalities.	High	High	Investment in FM staff capacity building via various strategies; collaborate and partner with Professional Accounting Bodies for training, mentoring and upskilling of accounting and auditing professionals to provide the required capacities and expertise for FM staff.
Budgeting	Substantial	Substantial	Streamline the budget approval process including communication and coordination between the Ministry of Finance, line ministries, and external donors.

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
Elaborate national budget approval cycle can affect prompt availability of resources to externally funded projects. Projects can face cash flow problems if funds are not available when needed which can disrupt ongoing activities and lead to a halt in project operations until funds are released. The country was assessed as being in debt distress and funds allocated for government counterpart funding might be directed to other country priorities thereby affecting commitments. . Budgets can be affected by Foreign currency risk impact due to local currency fluctuations.			Project budgets should be included in the national budget to ensure availability of commitment authority. Budgets should be reviewed and updated regularly to reflect foreign currency changes for proper performance assessment.
Funds flow/disbursement arrangements Complex country systems and processes can affect smooth flow of funds. Decentralized operations require funds flow from Designated Accounts at Central level to National Office Project Accounts and then to Provincial/District level Accounts, posing a potential risk of misuse of funds.	Substantial	Substantial	Enhanced planning and engaging the national treasury and sharing ahead of time, resource requirements for timely processing of funds requests at National Level. Strengthen financial oversight and controls, with regular monitoring and audits, training on financial management, procurement, and anti-corruption practices and ensure accountability measures are in place.
Country internal controls Internal audit function has capacity issues and not well resourced; systems in place require improvement affecting control measures to mitigate against identified weaknesses which can lead to inefficient use of resources. Limited implementation of annual audit plan due to lack of resources and insufficient staffing; and audit findings not followed up in a consistent and effective manner.	High	High	

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
Absence of standards and training reduces the effectiveness of the internal audit function, which is mostly devoted to compliance-related checks. Weak internal control framework due to high degree of decentralization of core PFM systems (procurement, payroll, public investment and assets management, revenue collection, etc) at central and provincial levels and the absence of comprehensive and integrated information management systems.			Provision of adequate annual budget for the internal audit function and services to provide the much-needed resources to capacitate and enhance staffing. It will also facilitate implementation of audit work plans and provide oversight for the decentralised operations.
Accounting and financial reporting Data reliability issues due to manual fiscal data consolidation; Inadequate budget execution reporting because of limited functions and coverage of current GFIS systems; lack of functionalities for commitment controls and bank reconciliation; district offices not included in the GFIS coverage; Limited interface between customs and tax systems at country level may affect the accuracy of revenue records, posing a risk to the reliability of revenue data. This could impact the adequacy and timeliness of counterpart contributions.	Substantial	Substantial	An upgrade of the GFIS Systems to expand functionalities including commitment controls and bank reconciliation; expansion of geographic coverage of the system to district offices. The country can leverage existing national systems to reconcile customs and tax data and establish mechanisms to monitor discrepancies or inconsistencies in reported revenue figures. This will support improved reliability of data and help ensure timely and adequate counterpart contributions to funded projects.
External audit Staff capacities and resource allocation limits audit coverage and affects the quality and timeliness of audit reports. This impacts on oversight for transparency in the use of public funds.	High	High	Sufficient budget allocation is required for audit services including staffing and audit coverage. Implement training programs for audit staff in line with international standards and mandate staff to obtain relevant certifications.
Procurement risks	Moderate	Moderate	

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
Pillar I. Legal, regulatory and policy framework - The transition to e-Procurement in the country has only taken its initial step with the completion of the study assessing the country's preparedness for implementing e-Procurement (2023). The Public Procurement Law (PPL) already incorporates several provisions that facilitate the implementation of e-Procurement. Electronic Procurement is already mentioned in harmonized SBD. However, there is no installed facilities for e-Procurement to be executed yet. - There are gaps in standard bidding documents to meet requirements of IFAD's policy on anti-corruption and SECAP.	Moderate	Moderate	- Develop a national electronic procurement system; Advertise procurement notices on PPMD's website and EA/IA website. - For ICB and consulting service with international advertisement, IFAD's standard procurement documents will be adopted and used. For other methods, harmonized SBDs with additional provisions to meet SECAP safeguards requirements and IFAD policies on anti-corruption, SH and SEA can be adopted.
Pillar II. Institutional framework and management capacity - Procurement and budget cycles are not fully linked as there are no details on when a procurement activity may commence or use of advance procurement actions. - No comprehensive databases are available to provide consolidated information on procurement operations by government entities. The procurement function is fully decentralized at the ministry department level. Records are maintained for contracts by each implementing entity and there is neither a system nor database to track data available on procurement and contract management (PEFA 2019). - Lao PDR has no formal procurement professionalization program, and the main training options are periodical short courses provided by donors (CSPRA, ADB 2021).	Substantial	Substantial	- No solicitation of tenders/proposals takes place without certification/confirmation of the availability of funds. - Procuring entities to be mandated to publish procurement information on the public procurement portal run by the Procurement and Price Monitoring Division (PPMD) under the Ministry of Finance (MOF); Use the OPEN system for monitoring procurement and contract implementation. - The MOF-PPMD to setup regular procurement training programme; Projects to organize training courses for procurement staff to promote internal capacity building and maintain capacity.
Pillar III. Public procurement operations and market practices	Moderate	Moderate	- Information of contract awards to be announced on the MOF-PPMD

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
- Contract awards are announced to participated bidders only. - Procurement processes (planning, bidding, contract award and contract implementation) are often delayed.			procurement website and IA/project websites. - Monitoring closely procurement and contract implementation progress (using the excel procurement tracking forms in addition to IFAD's OPEN -Contract Monitoring Tool) with periodic progress reports and follow-up actions.
Pillar IV. Accountability, integrity and transparency of the public procurement system - There are no internal audit departments or units in any of the key agencies in any sector. There are, however, Inspection Departments which focus on whether an agency is following prescribed procedures when conducting its business. They do not conduct financial or procurement audits. - Procuring entities have procedure for reporting allegations of fraud, corruption, and other prohibited practices. However, the sanctions and enforcement system is not systematically applied.	Substantial	Substantial	- Conduct capacity building programs for internal auditors at government agencies. - Request bidders and contractors signing the Self-Certification Forms on anticorruption, sexual harassment, sexual exploitation and abuse as a part of bids/proposals and contract documents; Conduct prior and ex-post reviews to strengthen enforcement of the debarment system.

Information and communication technologies for development for Lao People's Democratic Republic

Background

1. As of 2023, 86.7% (~6.78 million connections) have mobile connectivity¹⁰⁷ with over 63% (approx. 4.97 million people) have access to internet. Another emerging trend is the active use of social media with over 4.25 million active social media users from Laos. While digital divide persists between urban vs rural, women's access to mobile connectivity is near similar to men (96+ score on digital equality on the GSMA mobile connectivity index. On both affordability as well as quality of internet Laos ranks overall 40th and 90th respectively on global levels¹⁰⁸. Despite these challenges rising smartphone use and expanding 4G/5G networks coupled with interventions to support digital access to services and its use presents an important opportunity to use digital as an enabler for rural development.
2. Lao PDR's National Digital Economy Development Vision (2021–2040) positions digital technology as a central pillar of sustainable national growth. By 2025, the strategy targets 90% 4G and 50% 5G coverage—with further goals of 100% online government services including digital IDs and national data management platforms to improve governance.¹⁰⁹
3. Under this vision there are plans for the promotion of agriculture development by using digital technology and enabling **Smart Agriculture** via data-driven tools, value chain digitization, building digital knowledge hubs and farmer training platforms, promoting e-commerce and digital marketplaces, including one district one product and supporting research and R&D for digital innovation in agri-production. Youth engagement is also a core part of the strategy as over 50% of Laos' 3.55 million internet users are young people. Digital skills through education and fostering digital entrepreneurship through innovation hubs, startup centers are the main strategies being pursued.
4. The vision, strategy and the work plan are well aligned to IFADs proposed interventions to support digitalisation of agriculture. The proposed digital interventions in the COSOP are also aligned to Lao PDR'S UNSDCF pillar 7: Private Sector and Skills Development, and Digitalization and build on consultations with government, UN and other donor agencies, NGOs, Civil society and private sector during the consultation process for the preparation of the COSOP.

Proposals from COSOP Consultations

5. The COSOP consultations highlighted concrete actions particularly focusing on rural infrastructure, youth engagement, and cross-sectoral digital services.
6. Pursuing Smart Agriculture such as expanding e-certification for GAP, Organic, and Phytosanitary standards, scaling up QR-coded traceability systems, and integrating IFAD project supported value chains into digital platforms like the Lao product, MadeinLaos, QAFreshMarket¹¹⁰. The use of Phakhaolao 2.0 platform for wild food mapping, alongside efforts to promote nutrition-sensitive production is integrated to IFAD ongoing projects (AFN II). New ICT tools—including weather advisories, market information, and e-extension service especially bundling solutions to

¹⁰⁷ GSMA Mobile connectivity Index, 2024 <https://www.mobileconnectivityindex.com/index.html#year=2024&zonesocode=LAO>

¹⁰⁸ Digital Quality of Life, 2024, <https://surfshark.com/research/dql>

¹⁰⁹ <https://mtc.gov.la/index.php?r=site/contents&id=15#>

¹¹⁰ Laoproduct.cn is an e-commerce marketplace supported by MOIC primarily for trading domestic and with China while MadeinLaos and QAFreshMarket are domestic and global e-marketplaces for agriculture and other products developed and managed by private sector with initial funding from bilateral donors.

support smallholders and women farmers was proposed. Co-development of e-payments, digital insurance, and climate-smart advisories with relevant ministries was also proposed.

7. In rural areas, despite extensive mobile coverage, broadband access remains limited due to challenging geography and dispersed populations. The consultations also recommended investments in digital infrastructure in underserved provinces and expanding real-time early warning systems such as FAO-supported Strengthening Agro-climatic Monitoring and Information System (SAMIS-2) and Laos Climate Services for Agriculture (LaCSA) system. Youth are seen as key drivers of digital adoption, with over half of internet users being young people. Initiatives like the "Youth Agri-Live"¹¹¹ platform aim to foster innovation and peer learning. The consultations also proposed upgrading digital skills in rural areas especially focusing on youth.
8. Standardizing digital tools, aligning project logframes with ODA systems such as PROMIS¹¹², and strengthening inter-agency coordination—especially among MAF, MOIC, and provincial authorities. The consultations further suggested scaling up the use of digital ID and digital farmer registries¹¹³ such as those piloted under PICSA project of IFAD. The financial sector will see several e-payment solutions and digital insurance pilots, supporting a broader shift toward a cashless economy, which provides an opportunity for IFAD to support wider adoption in rural areas.
9. Finally, strengthening digital literacy, certification systems, and compliance capacities—especially among farmers as well as provincial staff—is identified as foundational for achieving these digital development goals.

¹¹¹ FAO, 2022, <https://openknowledge.fao.org/server/api/core/bitstreams/14294d8c-a9a7-4da4-bdc7-7712de23872a/content>

¹¹² ODAMIS system under MAF supported by IFAD under AFN I and AFN II projects.

¹¹³ Digital farmer registry pilot aligned to PICSA project of IFAD in collaboration Open SPP (funded by co-develop) now covers over 350 APG in 19 districts and 4 provinces

Proposed ITC4D interventions aligned to IFAD strategic areas of intervention in Lao PDR

Strategic Area	Existing and potential initiatives discussed during COSOP consultations	Existing and potential Linkages with IFAD Lao PDR project
Digital Infrastructure & Coordination	- Address infrastructure gaps (e.g. ODAMIS, PROMIS¹¹⁴) - Link ODA projects' logframe with ODAMIS, PROMIS - Improve interagency coordination (MAE, MOIC, provinces, development partners)	- AFNII is funding PROMIS enhancement - AFN-II, PICSA M&E systems report to PROMIS. LEAD will also report on required indicators to PROMIS. - IFAD will participate in coordination platforms both organise by MAF/MONRE, UN and others on digital and data infrastructure
Climate-Smart Digital Tools	- Expand the use of LaCSA/SAMIS in rural areas - Pilot ICT bundles (weather, market, extension) - Link to farmer registries and literacy programmes	- AFN II engages/leverages SAMIS to deliver early warnings in IFAD-target areas - PICSA supports the piloting of digital farmer registries - IFAD will explore the possibility to expand the use of digital farmer registry by supporting deployment of existing solutions (such as under PICSA), building capacity of provincial staff and APGs and further use this data to engage with existing e-commerce platforms as well as connect APGs to traders, processors, aggregators for market access
Traceability & Certification	- Scale e-certification (GAP, Organic, Phyto) - Deploy QR-coded traceability - Strengthen provincial certification units to align with ASEAN	- LEAD will explore the possibility to build certification capacity (incl. e-learning modules) and traceability for farmers and staff - LEAD will explore the possibility to provide digital training in financial, business, and compliance literacy
Digital Services Development	- Codevelop climate smart advisories and e-payments - Pilot digital insurance and farming advisory tools	- LEAD will explore bundling of e-payment and digital advisory services through public-private engagement with ministries and digital platforms
Market Linkages	- Integrate IFAD value chains into Lao Trade Portal and Lao Product - Use platforms to connect farmers with markets	- LEAD will explore the possibility to develop a digital market access platform (MAE-MOIC collaboration), building on farmer registry pilots to facilitate producer-buyer linkages

¹¹⁴ PROMIS (Project Results and Monitoring Information System) and ODAMIS (ODA Management Information System) are national platforms that track performance and investments. They are part of digital infrastructure for governance and accountability.

Agrobiodiversity & Nutrition	- Use Phakhaolao 2.0¹¹⁵ platform for wild food mapping - Link wild food value chains to nutrition-sensitive production	- AFN II supports wild food mapping and integration into nutrition-sensitive value chains
Enabling Conditions	- Build digital skills of farmers, youth, provincial staff - Scale Youth AgriLive and e-learning approaches	- LEAD will explore the possibility to promote peer-to-peer digital learning (e.g., through using TikTok, Facebook) - LEAD will explore the possibility to support farmer-led e-learning videos to demonstrate innovations (e.g., GAP practices)

¹¹⁵ <https://phakhaolao.la/en/>

10. Looking ahead, IFAD's is growing its digital intervention in Lao PDR which reflects a strategic shift toward integrated, farmer-centric innovations that include building data systems, local capacities, as well as adapting to climate change and enabling access to market access and finance. LEAD will ensure alignment with existing interventions such as PROMIS as well explore the potential to scale the use of digital farmer registries to enable market access, the project will deepen these efforts by promoting e-learning, and peer-to-peer knowledge sharing to empower farmers, especially youth and women. IFAD through this COSOP will also support inter-agency coordination and its alignment with national digital strategies through collaborating with other public-private partners on strengthening climate resilience through early warnings (such as scaling SAMIS), e-certification (building on collaboration with ADB, Lux-DEV, FAO and other), e-payments, and wild food mapping (eg. Phakhaolao) opening pathways for diversification and income generation. Altogether, IFADs focus remains on using digital transformation as an enabler for improving productivity, resilience, and long-term systemic change

Theory of Change

1. Smallholder farmers in the Lao PDR suffer from low productivity due to limited access to improved inputs particularly quality seed, lack of access to modern equipment, production practices and limited access to irrigation (only 20% of farmland is irrigated), low quality of soils and high vulnerability to climate risks especially floods and droughts and limited adaptive capacity. Over 80% of farms are small and often scattered across multiple non-contiguous plots. Land tenure insecurity discourages long-term investment in land. Losses from farming can be high due to poor access to storage and post harvest processing facilities. The road networks are not well developed and limit market access.
2. Farmers are not well organized and do not have the capacity to add value to their produce. About 85% of smallholder produce is sold unprocessed. Rural households, particularly those headed by women, receive 30-45% below market value due to weak bargaining power and reliance on intermediaries. Farmers are not well organized and few are members of Agriculture Cooperatives or APGs because these organisations do not currently have much to offer their members. Women are very active in the agriculture sector but have low productivity and low incomes and a heavy workload due to lack of modern tools for farming. Youth participation in agricultural value chains has declined sharply, with recent surveys showing 68% prefer migration rather than take up the low paid arduous tasks in the sector. Households with limited land or employment need to be targeted through social protection programmes and provided special livelihood packages.
3. The Theory of Change (TOC) of the COSOP has identified several pathways which can assist in addressing some key barriers and lead to rural poverty reduction, food and nutrition security, increase in incomes and enhance the living standards of rural households. Some of the pathways that the COSOP will pursue include the following.
 - i. The pathways to achieving increase in production and reducing post-harvest losses will be through strengthening smallholder farmers organizations (farmer groups and emerging cooperatives) and providing them access to adaptive practices, improved inputs, modern farm machinery and equipment and access to production infrastructure particularly irrigation, rural roads, etc.
 - ii. The pathway to building climate resilience will be through the provision of climate-smart agricultural technologies and adaptive practices such as drought resistant seed, better adapted plant and animal varieties, protecting biodiversity, climate resilient infrastructure and sustainable land and natural resource management practices.
 - iii. The pathway to enhancing access to markets will be through adoption of a value chain approach to identify and address constraints at each stage of the production or marketing node, aggregation of produce through APGs, building partnerships with local entrepreneurs and MSMEs, improving quality and adding value through processing, improved market information and access to digital and financial services.
 - iv. The pathway to improving nutritional status will be through targeted support for nutrition sensitive value chains and targeted support to children through school feeding programmes and raising awareness about the importance of dietary diversity and nutrition among women and children, households and consumers using the convergence approach.
 - v. The pathway to increasing *Gender Equality, Social Inclusion and Women's Empowerment (GEWE)* will be through increasing their opportunities and assets and through approaches such as Gender Action Learning System (GALS) and Business Action Learning for Innovation (BALI).

- vi. The pathway to youth employment will be through provision of technical and vocational training to support youth entrepreneurship in agriculture and allied sectors.
- 4. The TOC of the COSOP is premised on the following change statement outlined below:
- 5. **IF** rural smallholders are provided access to quality agricultural inputs, modern equipment and trained in climate-resilient adaptive techniques, and organized into APGs which can offer benefits through business development and value addition and help in accessing market through digital technologies, **AND IF** rural producers and entrepreneurs form a partnership for increasing the quality and safety standards of their produce **AND IF** investments are made in productive infrastructure such as irrigation schemes, rural roads, storage, and processing facilities; **AND IF** a conducive enabling environment is fostered through multisectoral coordination, policy support, and knowledge generation;
- 6. **THEN** the programme will contribute to reduced rural poverty, improved food and nutrition security, and more resilient and sustainable rural livelihoods;
- 7. **BECAUSE** these combined efforts will lead to intensified and diversified agricultural production, improved household food availability and increased income; Increased access to and consumption of nutritious, locally available foods; More sustainable management of natural resources and adoption of practices that build climate resilience, protect biodiversity and reduce emissions and improve adaptation; Better m physical and digital access to markets; Stronger and more inclusive business partnerships that link producers to value chains and expand market opportunities; A supportive institutional and policy environment that promotes long-term rural transformation.
- 8. The key assumptions underpinning the theory of change are that smallholder farmers are willing to participate and adopt new practices; that markets for agricultural products remain stable, accessible, and profitable; that producer organizations and private sector actors are ready and able to collaborate; that local institutions have the capacity and resources to deliver and sustain services; and that political, economic, and environmental conditions remain sufficiently stable to enable uninterrupted implementation and long-term impact.

Figure 1: Theory of Change

