

Document: EB 2011/104/R.23/Rev.1  
Agenda: 10(c)(iv)  
Date: 13 December 2011  
Distribution: Public  
Original: English

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Enabling poor rural people  
to overcome poverty

## **President's report**

### **Proposed grant to the Lao People's Democratic Republic for the**

### **Soum Son Seun Jai - Community-based Food Security and Economic Opportunities Programme**

#### **Note to Executive Board representatives**

##### Focal points:

##### Technical questions:

**Stefania Dina**  
Country Programme Manager  
Tel.: +39 06 5459 2478  
e-mail: s.dina@ifad.org

##### Dispatch of documentation:

**Kelly Feenan**  
Head, Governing Bodies Office  
Tel.: +39 06 5459 2058  
e-mail: gb\_office@ifad.org

Executive Board — 104<sup>th</sup> Session  
Rome, 12-14 December 2011

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**For: Approval**

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## **Abbreviations and acronyms**

AWPB	annual workplan and budget
GIZ	German Agency for International Cooperation
M&E	monitoring and evaluation
MDG	Millennium Development Goal
NTFP	non-timber forest product
RIMS	Results and Impact Management System
RB-COSOP	results-based country strategic opportunities programme
WFP	World Food Programme

## Map of the programme area

### Lao People's Democratic Republic

#### Soum Son Seun Jai – Community-Based Food Security and Economic Opportunities Programme

President's report



10-10-2011



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.

IFAD Map compiled by IFAD

## **Lao People's Democratic Republic**

### **Soum Son Seun Jai - Community-based Food Security and Economic Opportunities Programme**

#### **Financing summary**

<b>Initiating institution:</b>	IFAD
<b>Recipient:</b>	Lao People's Democratic Republic
<b>Executing agency:</b>	Ministry of Agriculture and Forestry
<b>Total programme cost:</b>	US\$19.3 million
<b>Amount of IFAD grant:</b>	SDR 8.85 million (equivalent to approximately US\$13.9 million)
<b>Cofinancier(s):</b>	World Food Programme (WFP) and German Agency for International Cooperation (GIZ)
<b>Amount of cofinancing:</b>	WFP: US\$3.74 million GIZ: US\$0.43 million
<b>Terms of cofinancing:</b>	Parallel
<b>Contribution of recipient:</b>	US\$0.83 million
<b>Contribution of beneficiaries:</b>	US\$0.36 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed financing to the Lao People's Democratic Republic for the Soum Son Seun Jai - Community-based Food Security and Economic Opportunities Programme, as contained in paragraph 60.

## **Proposed grant to the Lao People's Democratic Republic for the Soum Son Seun Jai - Community-based Food Security and Economic Opportunities Programme**

### **I. Strategic context and rationale**

#### **A. Country and rural development and poverty context**

1. The Lao People's Democratic Republic is determined to leave behind its least developed country status by 2020. Despite progress towards this goal, high levels of poverty, food insecurity and malnutrition persist, particularly among non-Lao-Tai ethnic groups. These groups live in remote upland areas of the country where access to markets and other services is poor. Some government initiatives have posed additional threats to these communities. The individual land-titling programme, for instance, restricts households to three plots of land and reduces the length of fallow periods to a maximum of three years: this is not sustainable in the current upland farming systems, which are already depleted by the mono-cropping of crops such as maize. Foreign direct investment is also adversely impacting on these communities since land concessions have been granted to foreign investors for plantations on land traditionally regarded as village land. Finally, the impacts associated with climate change further jeopardize these upland communities by decreasing crop yields.
2. Potential opportunities for improving the living conditions of poor households exist and fall into at least four categories: (i) introduction of dry season crops into the current portfolio of production activities; (ii) development of decision-support tools to manage current cropping systems more effectively and make farmers more responsive to climate information; (iii) domestication and expansion of the sustainable production and harvesting of non-timber forest products (NTFPs); and (iv) increased revenues from the sale of livestock based on improved reproductive performance and better husbandry practices. At the same time, farmers' organizations need to be created and strengthened so that they can take the lead in issues such as community-based natural resources management and improved market access for farmers. Farmers' organizations provide opportunities for value addition; they enable farmers to play a significant role in commodity value chains; and marketing through a farmers' organization can increase farmers' returns.

#### **B. Rationale and alignment with government priorities and the RB-COSOP**

3. The rationale for IFAD assistance in the nine selected districts of the programme area stems from the relatively high levels of poverty in these upland areas where generating a surplus to be used for increased food consumption and wealth creation has become increasingly difficult. This is the result of both the natural features of the area and the limited capacity of the target groups to take advantage of opportunities.
4. The primary farming activity, the production of upland rice, is generally inadequate to meet the needs of poor households, and their situation is worsened by the declining soil fertility of upland cultivation. A wide range of dry season crops exists

that can be grown in different types of soil and at different temperatures. Those suitable for the programme area include cassava, soybean, groundnuts, Job's tears and mung beans. NTFPs play a critical role in the livelihoods of poor households, both as a source of income and as a source of dietary supplement.

5. Most poor households have at least one farm animal and sometimes more as part of their household asset base. However, these households generally lack awareness of proper husbandry practices, vaccination requirements and optimal feeding regimes, which can lead to declines in animals' survival and fertility rates. In this context, a community-level integrated farming strategy will integrate livestock more successfully in upland production systems through: (i) the development of a tailored approach for small-scale livestock husbandry; (ii) community vaccination programmes; (iii) production of animal feed and silage as part of a rice intercropping scheme, as a cover crop for fallow land or as a dry season crop; and (iv) use of animal manure to increase soil fertility.
6. Opportunities also exist to improve access to irrigation water through micro-scale irrigation schemes, which are a cost-effective way to reduce crop failure risks. Improved access to drinking water is justified by the high opportunity cost and social needs associated with the absence of gravity-fed drinking water supply schemes. On the marketing side, a number of market-based policy, institutional and human resources constraints are preventing the demand-pull factor to operate efficiently and reducing the capacity of smallholders to respond to market signals. The programme will address these constraints by, among others, strengthening farmers' organizations, improving village banking systems and facilitating contractual farming and public-private partnerships.
7. The programme will support the country's National Growth and Poverty Eradication Strategy, its Millennium Development Goal (MDG) targets, its Seventh National Socio-Economic Development Plan and its Strategy for Agricultural and Rural Development 2011-2020. It is in line with the proposed strategic objectives of IFAD's results-based country strategic opportunities programme (RB-COSOP) for 2011-2015 and with the IFAD Strategic Framework 2011-2015. The programme will ensure synergy and complementarity with other development partners' interventions, particularly in the areas of health and education.

## **II. Programme description**

### **A. Programme area and target group**

8. The programme will target 225 villages, where the incidence of poverty is higher than 30 per cent, in nine districts in two provinces: four districts in Sayabouly Province and five in Oudomxay Province. It plans to raise the incomes and the quality of life of about 17,000 rural households. The main target group will consist of ethnically diverse poor rural households, with two primary subgroups: (i) highly vulnerable food-insecure households with limited capacity to enter the market; and (ii) poor households that are moderately food-secure and have a greater potential to enter the market. Many households regularly move between these categories, and many programme activities will be suitable for both subgroups.

### **B. Programme development objective**

9. The programme goal is to contribute to the reduction of extreme poverty and hunger in Sayabouly and Oudomxay Provinces. The development objective is to ensure sustainable food security and income generation for the rural poor in the target villages.

### **C. Components/outcomes**

10. The programme has two components: (i) integrated farming systems; and (ii) links to markets. The first component comprises three interrelated subcomponents:

(i) improving upland conservation and production systems; (ii) livestock development; and (iii) water management. The second component comprises two subcomponents: (i) village access roads; and (ii) improving access to markets.

11. The expected outcomes include strengthened farmers' organizations able to promote the community-based management of natural resources; adoption of the proposed technologies; and improved access to water. The main expected outputs are additional land cultivated during the dry season and/or forage crops planted; NTFPs sustainably harvested and/or domesticated; additional land under irrigation; and small livestock vaccinated.

### **Integrated farming systems**

12. **Improving upland conservation and production systems.** The programme will support the design of community-based agricultural development plans using a participatory process to define integrated farming, livestock and forest activities. Such activities may include: strengthening of farmers' organizations; support to production systems; extension activities; nurseries; nutrition interventions; and climate risk management. Pilot schemes on community-based leasehold forestry in degraded forest land and on communal land tenure may also be established.
13. Programme implementation will involve the cascade training of all main partners by international and local consultants. These trained partners will provide services to farmers' organizations in the target villages on the activities listed above. Furthermore, extending its integrated approach, the programme, with the collaboration of the Northern Agriculture and Forestry College in Luang Prabang, will identify potential trainees from among the ethnic students.
14. **Livestock development.** Often highly vulnerable households cannot participate in livestock-related activities because they lack spare labour resources to risk trying out new ideas. The result is that they often self-exclude themselves from participating in these activities. To ensure their participation, the programme, building on experience gained in other countries in the region, has designed three tailored approaches involving: (i) improved poultry husbandry for the highly vulnerable, in particular women; (ii) market-oriented poultry production; and (iii) improved pig husbandry.
15. Each Provincial Agriculture and Forestry Department, through a designated senior livestock coordinator supported by short-term staff providing technical assistance inputs, will coordinate implementation and will backstop the district training teams. A livestock specialist from the District Agriculture and Forestry Office will be the team leader and provide follow-up support to the farmers' organizations after the initial phase. The Lao Women's Union will be involved in training activities.
16. **Water management.** This subcomponent comprises micro-irrigation schemes and village drinking water supply schemes. Opportunities exist to develop micro-scale irrigation schemes using a diversion weir and gravity-fed canals. Land titling of the area covered by such irrigation schemes will be a precondition for the construction of these schemes. To prevent farmers from selling their land title before the construction of the irrigation scheme, an agreement will be attached to each land title prohibiting sale of the title for the entire duration of the programme. The programme will finance the construction of an estimated 400 hectares of micro-irrigation schemes and will train an estimated 40 water users' associations. One innovation will be the construction of five pilot pressurized irrigation schemes (5-6 hectares each) for fruit and vegetable cultivation. This pilot activity will build on the experiences of programmes in Guatemala, India and Madagascar in scaling up micro-irrigation systems.
17. The proposed schemes will be gravity-fed, taking water from an upland spring or stream, which will also ensure a higher water quality. Schemes designed under the



programme will have 30 per cent more capacity than necessary to provide sufficient water to allow for population growth over the next five years. The programme will finance the construction of 40 schemes, 30 of which will include provision for limited irrigation for home gardening. The programme will also finance the training of communities on sanitation.

18. The District Agriculture and Forestry Offices will be the main implementers of activities under this component (except for the drinking water supply schemes, which will be the responsibility of the Department of Public Health) and will provide planning and extension support to target villages and households. The Provincial Agriculture and Forestry Offices and technical assistance staff will backstop the district offices. During the selection of the schemes, the district offices will jointly undertake a planning session at the village or the *kum-ban* (village cluster) level. The Ministry of Agriculture and Forestry will provide demand-driven technical assistance.
19. **Links to markets.** This component is expected to yield a number of outcomes that will help ensure greater economic and financial opportunities for the target groups. Market linkage activities are likely to impact the two target groups differently. It is anticipated that vulnerable households will use the income derived from better access to markets to improve their food security situation. Moderately food-secure households, on the other hand, are likely to use the income from market-based activities to shift from subsistence farming to a more organized and structured production system where product consolidation and active product marketing become possible. They are also expected to have higher incomes thanks to the increase in local value-added activities.
20. **Village access roads.** Three types of roads are envisaged: (i) short lengths of tracks 2.0-2.5 metres wide; (ii) unimproved access roads of 3.5-4.0 metres wide; and (iii) improved access roads 4.5-5.0 metres wide. Village road maintenance groups will be formed for all types of roads. They will be responsible for simple routine road maintenance of specified lengths of road under performance-based contracts with the Department of Public Works and Transport. They will not be responsible for major maintenance or repairs, which will be government-financed. As far as implementation is concerned, responsibility for the design and contracting process for the rural access roads will lie with the Department of Public Works and Transport.
21. **Improving access to markets.** Activities financed by the programme will strengthen access to markets and technical information, establish processing groups, promote public-private partnerships between farmers' organizations and traders/exporters, establish warehouse receipts systems and build storage facilities. The programme will also facilitate a partnership between local commercial banks and the village banking system in order to improve access to finance. When and where possible, it will strengthen public-private partnerships and farmers' organizations in close cooperation with the WFP Purchase for Progress initiative.
22. The programme will focus on building the capacity of private service providers, NGOs, district offices, agricultural extension officers (at the *kum-ban* level) and agricultural colleges so that, eventually, they will be able to deliver a range of technical services at the village level and effectively facilitate market linkage and public-private partnership activities. The proposed support activities focus on training of trainers delivered jointly by international and local consultants. The international consultants will lead the training and advisory support, and develop relevant training material to support local organizations. The local consultants will provide regular technical support over the duration of the programme.

### III. Programme implementation

#### A. Approach

23. The programme will link improvements of the programme area's limited natural resource base with enhanced market access. The starting point will be the definition of community-based agricultural development plans to improve and expand the resource base by: (i) introducing dry season crops; (ii) integrating climate risk management strategies with the use of decision-support tools to strengthen climate resilience; (iii) encouraging community-based and sustainable management together with the domestication of NTFPs; and (iv) integrating livestock and crop interventions.
24. Where possible, the programme will develop processing opportunities through a participatory approach, taking into consideration the need to respond to market standards. Marketing improvements will depend on correcting a number of policy and market failings and addressing key institutional and human resources constraints. In general, access to programme activities will be dictated by the aptitude, characteristics and capacity of the target group. As a result, not all programme activities will be delivered to all target villages.
25. **Implementation phasing.** In phase 1, the programme will focus on capacity development, on-farm trials and demonstrations, and development of the knowledge systems needed to ensure programme implementation. The on-farm trials and demonstrations will highlight appropriate interventions for scaling up during phase 2. During phase 1, the programme will launch different pilot activities and will assist farmers' organizations in developing informally based on local potential for aggregating and bulking local produce for sale where there is farmer interest in such an approach. Technical assistance through national and international research partners, NGOs and individual consultants will be important to help guide this approach.
26. In phase 2, the programme will prepare lessons based on the trials and demonstrations, and extend them to additional villages. Private-sector linkages will be mobilized by establishing financing and purchase agreements with established farmers' organizations. With increased private-sector links, some farmers' organizations may require formal registration under the new law on cooperatives and may need less technical assistance. During this phase, an exit strategy will be developed.
27. Phase 3 will see the continued extension of farming system support and the consolidation of market linkage programmes. An explicit focus during this period will be on disseminating knowledge and mainstreaming programme lessons.
28. **Approach to the non-Lao-Tai ethnic groups.** During the design phase, two indigenous peoples' specialists consulted with villagers on their needs. They also discussed priorities with the Lao Front for National Construction, mass organizations (similar to civil society organizations) and others working on ethnicity issues. The programme design mission visited approximately 60 villages, almost all settled predominately by ethnic communities. Villagers discussed their land-use, income and food security problems; the constraints they faced in access to funds, technologies and markets; and difficulties originating from resettlement in terms of access to land and village social capital. All villages appreciated the programme's objectives of strengthening market access through support to agriculture and value-added marketing. The approach to the non-Lao-Tai ethnic groups will involve: (i) using local languages; (ii) ensuring that traditional land-use practices are integrated into the ongoing land-use planning and the proposed agricultural development activities; and (iii) practising the principle of free and prior informed consultation on all programme activities through the provision of adequate information, and through a third party if necessary.

## **B. Organizational framework**

29. The Ministry of Finance will be responsible for maintaining and operating the designated account and for submitting the withdrawal applications to IFAD based on the submissions prepared by the two provinces and consolidated by the Ministry of Agriculture and Forestry. At the national level, the Ministry of Agriculture and Forestry as the executing agency will have a small programme unit with four staff members. It will chair a national programme working group that will bring together senior representatives of the different ministries and agencies and whose mandate will be to review implementation plans and budget requirements. The Ministry will also prepare the programme implementation manual. The Ministry of Planning and Investment will ensure that the planned interventions are fully aligned with national plans and strategies.
30. Consistent with government policies for decentralization, the responsibility for implementation will be with the provincial and district line agencies and the mass organizations. The programme will take into account the culture and language of each ethnic group and will ensure that representatives from each group are involved in the decision-making process. In each province, the Provincial Agriculture and Forestry Office will play a programme coordinating and facilitating role.
31. At the district level, the District Agriculture and Forestry Office and the district offices of the other provincial agencies (Department of Industry and Commerce, Department of Public Health and Department of Public Works and Transport) will implement programme activities. The District Agriculture and Forestry Office will serve as the focal point for monitoring the progress of activities in all sectors. The staff of *kum-ban* technical service centres will, among other activities, facilitate the involvement of community and ethnic groups in programme decision-making and provide training and support to villagers.

## **C. Planning, monitoring and evaluation, and learning and knowledge management**

32. The programme will introduce a participatory planning approach to ensure that programme activities best reflect the needs of the target groups and are appropriate to the local context. Based on a series of participatory planning consultations at village and *kum-ban* levels, an annual workplan and budget (AWPB) will be prepared for each province, detailing annual planning of activities, implementation responsibilities and expected outcomes.
33. The monitoring and evaluation (M&E) system will be designed to produce reliable information for results-based management of the programme. The M&E data will be tracked by poverty status, gender and ethnicity. When appropriate, outcome and impact indicators will be also disaggregated by poverty quintile. The M&E data will be collected through different mechanisms: (i) quarterly reporting forms; (ii) the Results and Impact Management System (RIMS) together with impact surveys (a RIMS and baseline survey was undertaken in May 2011); and (iii) other data-collection tools, which will be tailored to specific activities and will take into account accumulated knowledge, including ethnic groups' knowledge.
34. Country portfolio reviews and programme workshops will invite a wide range of stakeholders to reflect on lessons learned through programme activities. It is also expected that use of the programme's M&E system will become a good practice for other programmes under the Ministry of Agriculture and Forestry.

## **D. Financial management, procurement and governance**

35. The financial management of the programme will be linked to national systems of financial flows and governed by Ministry of Finance decree No. 2695 (dated 1 November 2010) on the financial management rules applicable to official

development assistance funds. Strong initial training in financial management is part of the programme design and will follow the cascade training approach. Refresher training is also planned. A draft financial management manual has been prepared and will be available in Lao language from the programme start. The budget system will follow a performance-based approach. The different budget-holding implementing agencies will be directly accountable for managing the funds for programme implementation. The flow of funds will follow the AWPB, which will identify programme activities, the relevant implementing agencies and the relevant budget. Government counterpart funding, mainly to cover tax on fuel, small operating expenses and some road maintenance costs, will be made available to the central, provincial or district agencies by the Ministry of Agriculture and Forestry, also based on the AWPB. After the first initial advance, replenishment to each sub-account will be made taking into account the performance of each district and line agency. The Agriculture and Forestry Office in each province will prepare the programme's financial statements. These financial statements will be consolidated by the coordination unit at the Ministry of Agriculture and Forestry and will be subject to an annual audit by an independent auditor. The IFAD Guidelines on Programme Audits will be applied and the appointment of the auditor will be subject to IFAD's no objection.

36. As an exception to section 4.08 (Eligible Expenditures) of the General Conditions for Agricultural Development Financing, expenses for training, studies, recruitment of consultants and preparation of documents for initial procurement actions incurred as from 1 June 2011 may be considered eligible for reimbursement for a total amount not exceeding US\$73,500.
37. To address the concerns about the potential for corruption in the programme, IFAD will apply a zero-tolerance policy. The design incorporates measures such as: (i) making publicly available all key documents; (ii) notifying promptly all bidders of the contract awards and the summary of the evaluation of all bids; (iii) obtaining agreement on the newspapers in which specific advertisements will be placed; (iv) publishing prices paid for items in different locations; (v) creating a complaint-handling system; (vi) undertaking consumer satisfaction surveys; and (vii) contracting an independent entity to undertake ad hoc procurement reviews.

## **E. Supervision**

38. Programme supervision during the first 12-18 months will focus on ensuring that: the AWPB for the first programme year is operational; programme accounting and recording systems are in place at national, provincial and district levels; the bank accounts have been opened and the initial deposit from IFAD has been received; a functioning M&E system has been set up; initial procurement is completed in a timely fashion; and training courses are being undertaken. During this phase, the coordination unit at the Ministry of Agriculture and Forestry will visit the provincial and district Agriculture and Forestry Offices each month to review their accounts and ensure the accuracy and timeliness of financial information. The visits will also serve to provide on-the-job training to the finance staff of these offices, using the cascade training approach.

## **IV. Programme costs, financing, benefits**

### **A. Programme costs**

39. Overall, the proposed programme will cost about US\$19.3 million (LAK 154.6 billion) over six years. Programme costs were estimated based on prices in the Lao People's Democratic Republic in January 2011. Basic estimates have been made in Lao Kip (LAK) or else in United States dollars and then converted to LAK at a base exchange rate of US\$1 = LAK 8,000. Physical contingencies have been estimated at 10 per cent on all items except on lump sum estimates, vehicles, staff or person months of technical assistance. Price

contingencies are estimated at 6 per cent per annum for domestic items and 1 per cent on foreign exchange costs. In line with the plan and consistent with past currency movements, the LAK:US\$ exchange rate is assumed to remain constant over the programme period.

## B. Programme financing

40. Proposed programme financing in United States dollar terms is set out in the table below.

	IFAD		BILATERALS		WFP		Programme				Total		Foreign exchange	Local (excl. taxes)	taxes	
	Beneficiaries	Government	Beneficiaries	Government	Beneficiaries	Government	Beneficiaries	Government	Beneficiaries	Government	Beneficiaries	Government				
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%				
<b>A. Integrated farming systems</b>																
1. Improving upland conservation and production systems	2 937.7	60.2	347.8	7.1	1 504.5	30.8	-	-	93.8	1.9	4 883.7	25.	1 544.1	3 245.8	93.8	
2. Livestock development	2 479.8	96.8	-	-	-	-	83.2	3.2	0.0	-	2 563.0	13.	840.	1 722.1	-	
<b>3. Water management</b>																
Micro	872.	48.7	-	-	698.8	39.0	191.7	10.7	27.6	1.5	1 790.6	9.3	496.	1 266.5	27.6	
Village water supply	725.	62.9	-	-	345.0	29.9	83.2	7.2	-0.0	-	1 153.3	6.0	344.	808.4	-	
<b>Subtotal Water management</b>	<b>1 597.6</b>	<b>54.3</b>	<b>-</b>	<b>-</b>	<b>1 043.8</b>	<b>35.5</b>	<b>274.9</b>	<b>9.3</b>	<b>27.6</b>	<b>0.9</b>	<b>2 943.8</b>	<b>15.</b>	<b>841.</b>	<b>2 074.8</b>	<b>27.6</b>	
<b>Subtotal Integrated farming systems</b>	<b>7 015.1</b>	<b>67.5</b>	<b>347.8</b>	<b>3.3</b>	<b>2 548.2</b>	<b>24.5</b>	<b>358.0</b>	<b>3.4</b>	<b>121.4</b>	<b>1.2</b>	<b>10 390.5</b>	<b>53.</b>	<b>3 226.4</b>	<b>7 042.7</b>	<b>121.</b>	
<b>B. Links to markets</b>																
1. Village access roads	2 872.0	66.7	-	-	1 196.8	27.8	-	-	233.8	5.4	4 302.6	22.	1 109.3	3 155.8	37.5	
2. Improving access to markets	2 406.9	98.5	-	-	-	-	-	-	37.5	1.5	2 444.4	12.	1 254.2	1 152.7	37.5	
<b>Subtotal Links to markets</b>	<b>5 278.9</b>	<b>78.2</b>	<b>-</b>	<b>-</b>	<b>1 196.8</b>	<b>17.7</b>	<b>-</b>	<b>-</b>	<b>271.3</b>	<b>4.0</b>	<b>6 747.0</b>	<b>34.</b>	<b>2 363.5</b>	<b>4 308.5</b>	<b>74.9</b>	
<b>C. Programme coordination and knowledge management</b>																
1. Provincial coordination	510.	63.0	86.9	10.7	-	-	-	-	213.0	26.3	810.4	4.2	220.1	568.8	21.5	
2. National coordination unit	851.7	95.1	-	-	-	-	-	-	44.3	4.9	896.0	4.6	342.2	542.9	10.9	
3. District coordination and kum-ban coordination	306.3	62.5	-	-	-	-	-	-	183.6	37.5	489.9	2.5	-	489.9	-	
<b>Subtotal programme coordination and knowledge management</b>	<b>1 668.6</b>	<b>76.0</b>	<b>86.9</b>	<b>4.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440.9</b>	<b>20.1</b>	<b>2 196.3</b>	<b>11.4</b>	<b>562.4</b>	<b>1 601.6</b>	<b>32.3</b>	
<b>TOTAL</b>	<b>13 962.5</b>	<b>72.2</b>	<b>434.7</b>	<b>2.2</b>	<b>3 745.0</b>	<b>19.4</b>	<b>358.0</b>	<b>1.9</b>	<b>833.5</b>	<b>4.3</b>	<b>19 333.8</b>	<b>100.0</b>	<b>6 152.3</b>	<b>12 952.9</b>	<b>228.6</b>	

41. IFAD will provide programme financing of US\$13.96 million, or 72 per cent of programme costs. Financing is also expected from the German Agency for International Cooperation (GIZ) on some technical assistance (2.2 per cent of total cost) and from WFP for a livelihood initiative for nutrition in Oudomxay Province and the labour element of civil works (19.4 per cent of total cost). Government funding is estimated at 4.3 per cent of total cost and represents taxes, small operating costs, some road maintenance costs and salaries of government staff participating in the programme. The balance will be made up by the beneficiaries (1.9 per cent) under the form of labour. As the programme is grant-funded, it will be exempt from duties and taxes except for the tax on fuel, which will be financed by the Government.

## C. Summary benefit and economic analysis

42. Financial analysis of the irrigation and livestock models shows that excellent farm-level benefits can be obtained from irrigation and sound benefits from small-scale pig and poultry development. The return per person-day of time input is estimated to be several times the typical farmer-to-farmer wage rate. Benefits from these activities will remain strong, even with a one third fall in commodity prices from the present level. The economic rates of return and benefit cost ratios for these activities, viewed in isolation, are also strong as are the economic returns from improving village water supply.
43. An economic internal rate of return (EIRR) has been calculated on the basis of the planned programme activities and targets. Indicative farm models were used to capture in the analysis the benefits from the irrigation works and the livestock development activities. Concerning the activities of the construction/rehabilitation of feeder roads, the analysis captures the savings that result from decreased vehicle operating costs. This is only a part of the potential benefits that the road construction activities can generate; the passenger time savings and the wider system benefits to the local economy are not included in the aggregate benefit stream estimates due to data constraints. Benefits from the agricultural extension activities and introduction of conservation practices are captured in the analysis using as a proxy a farm model of improved farming practices over an area of

1,200 hectares. Two major factors that can influence the profitability of the programme are examined in the sensitivity analysis: the price of rice, which is the major staple crop and the basic assumed output of the farm models; and the cost of roads, which are frequently subject to cost overruns. Given the estimated programme cost, the base case scenario estimates an EIRR of 9 per cent. It should be noted that the programme will take measures to diversify the livelihoods of the target population and the risk of overreliance on rice cultivation is therefore mitigated. Furthermore, as the analysis in the base case cannot reliably capture the system-wide benefits that rural roads generate, the EIRR of 9 per cent can be considered a conservative estimate.

## **D. Sustainability**

44. The first programme component is designed to identify, develop and promote upland cultivation and conservation systems that can replace the current unsustainable systems. Such an approach, if successful, will benefit all the households targeted in terms of improved and sustainable household food and income security. The programme design promotes sustainability by establishing and developing farmers' organizations and enabling them to enter into contractual arrangements with the private sector. Such an approach is designed to help farmers' organizations become sustainable and significant players in their chosen value chains and will benefit all the members of these organizations.

## **E. Risk identification and mitigation**

45. A possible risk to successful implementation is related to the limited capacity of government agencies. Also, availability of other suitable service providers is limited. The design addresses this risk by seconding or contracting additional staff – following a training needs assessment, regional exchanges and visits – and by providing technical assistance in partnership with GIZ or directly using IFAD grant funds where necessary.
46. A second risk is the limited land assets of many upland communities that were resettled or now live in merged larger villages. This risk will be addressed by piloting community land registration in selected communities for later scaling up. The resource assets of poor communities will also be augmented through a leasehold forestry system for degraded forest areas.
47. A third risk relates to trade. In some places, traders may operate a cartel and may be unwilling to work with farmers' organizations that demand higher prices. To address this risk, the programme will promote: (i) the facilitation of public-private partnership aiming at reducing the differences between sellers and buyers; (ii) policy dialogue to define the best modalities for improving the farmer-buyer relationship; and (iii) studies on concessions and contract forms aiming at improving this relationship.
48. Finally, there is the risk of extreme weather and the effects of climate change. Regeneration and proper management of natural resources, conservation of biodiversity, assessment of climate-related risks, and promotion and adoption of adaptive responses will contribute to mitigating this risk. Furthermore, the programme design will include the mainstreaming of climate risk management strategies.

## **V. Corporate considerations**

### **A. Compliance with IFAD policies**

49. Programme design complies with key IFAD policies and strategies relating to targeting, gender, land and climate change. Its approach to the non-Lao-Tai ethnic groups is entirely consistent with IFAD's Policy on Engagement with Indigenous Peoples (although the term "indigenous peoples" is not used in the Lao context).

The programme's approach to targeting poor communities will be based, initially, on an area-targeting approach. Subsequently, at the village level, the programme will use self-targeting based on programme activities that interest poor households and not the better-off ones.

50. The programme's approach to the land issue is based on ensuring, as part of its capacity-building activities, that villagers are fully aware of their rights to land either as individuals or as a community. The programme will pilot some activities of land-use planning for communal titling but will not become directly involved with the Government's individual land-titling programme. The reason for this is that the Government's approach to land allocation is to restrict households to three plots of land. The current upland farming systems are not sustainable when the rotation has only a maximum of three years fallow. This is why the programme's development focus will be on identifying, testing and subsequently promoting more productive and sustainable upland farming systems.
51. The programme's support for livestock production will, for the most part, target women as they take the prime responsibility for raising pigs and poultry. Support for NTFP production and conservation will also target women since groups of women will manage the village nurseries. The programme also includes provisions for selecting women technical staff and for ensuring that women are specifically represented during planning at the *kum-ban* level. Where necessary, there will be separate meetings involving women.
52. In accordance with the findings of IFAD's environmental assessment process, specific programme activities will improve soil fertility and fallow management, promote community-based forest management and sustainable NTFP development, and support farmer-to-farmer dissemination of information and training. None of the programme components requires a formal environmental and social impact assessment; however, ongoing environmental analysis will be part of programme implementation, as is specified in IFAD's environmental and social assessment procedures for category B programmes. This will include integration of climate change impacts using any new scaled-down climate projections.

## **B. Alignment and harmonization**

53. The programme is fully aligned with the National Growth and Poverty Eradication Strategy, the Seventh National Socio-Economic Development Plan, the MDG targets and the Strategy for Agricultural and Rural Development (2011-2020). Its design has been undertaken jointly with development partners working in the programme areas. This approach will ensure complementarities and synergies during implementation. Furthermore, the programme will be implemented through government structures (no additional offices will be created) and will follow the government system for planning and M&E.

## **C. Innovations and scaling up**

54. IFAD intends to facilitate testing and implementation of a sustainable integrated farming system approach suitable particularly for the upland poor. Once such an approach is proven to be effective, scaling up will involve ensuring adequate capacity within provincial and district Agriculture and Forestry Office structures to sustain such activities on their own. Emphasis will be placed on a cascading training-of-trainer approach to help build capacity at the local level, through local private service providers, as well as within the district Agriculture and Forestry Offices.
55. Focus will be on testing partnerships along the entire supply chain, from input suppliers and financing institutions, to farmers groups, to buyer/processors to help build dynamism along the supply chain, involving poor households. If the pilots prove successful, IFAD's role in the scaling-up phase will be to facilitate the transfer of knowledge, experience and insights gained during the pilot phase to

other locations and to provide high-level advice to provincial and district Agriculture and Forestry Offices on adjustments required to help tailor the lessons learned to unique conditions in other areas. A scaling-up strategy will be carried out through a three phase process involving piloting, M&E/learning and scaling up. Scaling up will take place through replication and adaptation from one area to another. The Ministry of Agriculture and Forestry is the executing agency for many rural development programmes in the country and is also the co-Chair of the Agriculture and Natural Resource Sector Working Group. This will facilitate further scaling up through other partners.

#### **D. Policy engagement**

56. As a contribution to broader dialogue with the Government on policies required to enable the Lao People's Democratic Republic to achieve the MDGs, a policy working group composed of local and international experts will be created with IFAD support in order to help bridge the gap between the operational and the strategic levels. The working group will, inter alia: (i) provide feedback on the effectiveness of ongoing policies and (ii) explore the potential for scaling up successful operations. The working group's annual workplans will be developed with the Government and partners.

#### **VI. Legal instruments and authority**

57. A programme financing agreement between the Lao People's Democratic Republic and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement is attached as an annex.
58. The Lao People's Democratic Republic is empowered under its laws to receive financing from IFAD.
59. I am satisfied that the proposed financing complies with the Agreement Establishing IFAD and the Lending Policies and Criteria.

#### **VII. Recommendation**

60. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a grant to the Lao People's Democratic Republic in an amount equivalent to eight million eight hundred and fifty thousand special drawing rights (SDR 8,850,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President



**Negotiated financing agreement:**  
**"*Soum Son Seun Jai* – Community-Based Food Security and Economic Opportunities Programme"**

(Negotiations concluded on 3 November 2011)

Grant Number: \_\_\_\_\_

Programme Title: *Soum Son Seun Jai* - Community-Based Food Security and Economic Opportunities Programme (the "Programme")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

Lao People's Democratic Republic (the "Recipient")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

**Section A**

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenant (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions"), are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Grant to the Recipient (the "Financing"), which the Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

**Section B**

1. The amount of the Grant is eight million eight hundred and fifty thousand (8 850 000) Special Drawing Rights (SDR).
2. The first day of the applicable Fiscal Year shall be the first of October.
3. There shall be a Designated Account opened in accordance with Section 4.04(d) of the General Conditions by the Recipient in a bank acceptable to the Fund, for receiving and holding the Grant proceeds in USD. The Designated Account shall be managed by the Ministry of Finance (MOF).
4. There shall be Programme Accounts at the Programme Coordination Unit (PCU), the Provincial Agriculture and Forestry Offices (PAFO) and the District Agriculture and Forestry Offices (DAFO) and in Districts where Programme activities shall be implemented. The Programme Accounts shall be denominated in Lao Kip and/or USD for the benefit of the Programme Parties and shall be opened in commercial banks

acceptable to the Fund. The Programme Accounts shall be managed respectively by the PCU, PAFOs and DAFOs.

### **Section C**

1. The Lead Programme Agency (LPA) shall be the Ministry of Agriculture and Forestry (MAF).
2. The following are designated as additional Programme Parties: the Ministry of Finance, the Provincial Agriculture and Forestry Offices, the District Agriculture and Forestry Offices, the Departments of Public Health (at Provincial and District levels), the Departments of Industry and Commerce (at Provincial and District levels), the Departments of Public Works and Transport (at Provincial and District levels) and *Kum-Ban* Technical Service Centers.
3. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

### **Section D**

The Grant will be administered and the Programme supervised by the Fund.

### **Section E**

1. The following is designated as an additional ground for suspension of the right of the Recipient to request withdrawals under this Agreement:
  - (a) The Programme Coordinator has been removed from the Programme without the prior concurrence of the Fund.
2. The following are designated as additional general conditions precedent to withdrawal:
  - (a) No withdrawals shall be made until the Programme Implementation Manual (PIM) shall have been approved by the Fund in draft.
  - (b) The Programme Coordination Unit in Vientiane shall have been established and the Coordinator and Finance Manager shall have been duly selected by the Ministry of Agriculture and Forestry with the prior concurrence of the Fund.
  - (c) The Provincial Programme Coordinators shall have been duly allocated.
  - (d) The Designated Account referred to in paragraph 3, Section B above, shall have been duly opened by the Recipient.
3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

(Title)  
International Fund for Agricultural Development  
Via Paolo di Dono, 44  
00142 Rome, Italy

For the Recipient:

(Title)  
Ministry of Finance  
P.O. Box 46  
23rd Singha Road  
Vientiane, Lao PDR

This Agreement, dated [\_\_\_\_\_], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Recipient.

\_\_\_\_\_  
For the Fund  
[insert name and title]

\_\_\_\_\_  
For the Recipient  
[insert name and title]

## Schedule 1

### *Programme Description and Implementation Arrangements*

#### I. Programme Description

1. *Target Population.* The Programme shall benefit mainly; (i) highly vulnerable food-insecure households with limited capacity to enter into the market and (ii) poor households that are moderately food-secure and have a greater potential to enter into the market. The Programme shall be implemented in four districts within the Sayabouly province (Hongsa, Ngeun, Xienghon and Xaysathan) and five districts within the Oudomxay province (Beng, Hun, Namo, Nga and Pakbeng) (the "Programme Area"). Target villages in the Programme Area shall be selected following criteria defined in the PIM.
2. *Goal.* The goal of the Programme is to contribute to the reduction of extreme poverty in the Sayabouly and Oudomxay provinces.
3. *Objective.* The objective of the Programme is to ensure sustainable food security and income generation for the rural poor in the target villages.
4. *Components.* The Programme shall consist of the following Components:

#### **Component A: Integrated farming systems**

This Component shall comprise the following three sub-components:

##### Sub-component A.1: Improvement of upland conservation and production systems

*Activities.* Activities under this sub-component include the elaboration of Community-based Agricultural Development Plans (CADP) as part of the Community Development plan where integrated farming-livestock-forest activities will be defined. Based on these plans, the Programme shall fund the following activities:

- (i) Support to production systems;
- (ii) Support to farmers' organizations through capacity building in areas such as governance, basic management, joint purchase of inputs and marketing;
- (iii) Agricultural extension activities in conservation agriculture, crop diversification during rainy and dry seasons, climate risk management strategies as well as Non-Timber Forest Products (NTFP) sustainable harvesting and domestication;
- (iv) Nurseries. Establishment of nurseries at district and village levels to supply seedlings for forest, fruit trees and NTFP species needed for the Programme's activities;
- (v) Livelihood Initiative for Nutrition. Training of government staff to provide education on good nutrition habits, home gardening activities and livestock development activities;
- (vi) Climate risk management strategies such as community-based natural resource management and adaptation and mitigation activities;
- (vii) Pilot on accessing degraded forest land for setting up community-based leasehold forestry; and
- (viii) Pilots on communal land tenure and establishment of Participatory Land Use Planning to be linked to CADP.

*Implementation.* The activities of sub-component A.1 shall be carried out by partners such as local service providers, NGOs, district offices, *Kum-Bans*, national meteorological service, decentralised agricultural extensions and agricultural colleges.

### Sub-component A.2: Livestock development

*Activities.* This sub-component shall be achieved through the following approaches and activities:

- (i) *Improved poultry husbandry.* Activities under this approach include: conducting surveys to identify interested women from poor households and on the current poultry production systems; training; introduction of a regular vaccination programme for poultry; provision of materials for the construction of improved housing; provision of feeders and drinkers; establishment of and support to poultry farmers' organizations; and establishment of a close cooperation with small and medium scale enterprise for inputs and advisory services.
- (ii) *Market oriented poultry production.* This approach shall be carried out through the following activities: the establishment of a revolving fund for farmers' organizations, provision of crossbred pullets, establishment of a close cooperation with small and medium enterprises for marketing operations; and local value chain studies for poultry and related products.
- (iii) *Improved pig husbandry.* This approach shall be carried out through activities similar as those outlined in paragraph (i) above but in relation to pigs. However, no distribution of piglets will be undertaken.

*Implementation.* Each Provincial Agriculture and Forestry Office (PAFO) shall coordinate the implementation of sub-component A.2 and backstop the district training teams through a senior livestock coordinator. A livestock specialist from the District Agriculture and Forestry Office (DAFO) shall act as team leader and provide follow-up support to the farmers' organizations after the initial phase. The Lao Women's Union shall provide training in organizational management and revolving funds administration to farmers' organizations.

### Sub-component A.3: Water management

*Activities.* The Programme shall support efficient water harvesting through the following activities:

- (i) *Development and Construction of Micro-irrigation schemes* through surveys and design; establishment of approximately 40 Water Users Associations; training for the staff of the District Agriculture and Forestry Offices (DAFO) and Provincial Agriculture and Forestry Offices (PAFO); and construction of approximately five pilot pressured irrigation schemes for fruit and vegetable cultivation.
- (ii) *Development and Construction of Village drinking water supply schemes* through surveys and design; training of approximately 40 users' committees and for the Departments of Public Health's (DOPH) staff.

*Implementation.* DAFO shall be the main partner for the implementation of the activities foreseen in this sub-component as well as the Department of Public Health (DOPH) for the activities mentioned in paragraph (ii) above. The DAFO and the DOPH shall jointly

undertake planning sessions at the village and *Kum-Ban* level to select the schemes that will be built.

### **Component B: Links to markets**

This Component shall comprise the following two sub-components:

#### Sub-component B.1: Construction of village-access roads

This sub-component shall finance the construction of new roads and the upgrading of existing ones in targeted villages, including the costs of survey and design. Village Road Maintenance Groups (VRMG) shall be established for the simple maintenance of the roads.

*Implementation.* The selection of the roads to be constructed/upgraded shall be part of the annual planning and budgeting process in line with the Programme targeting approach defined in the PIM. The Department of Public Works and Transport shall sign performance-based contract with the VRMG for the routine maintenance of the roads. The World Food Programme intends to assist in the implementation of the activities under this sub-component in the Oudomxay province.

#### Sub-component B.2: Improvement of access to markets

The following activities shall be undertaken under this sub-component:

- (i) Support to farmers' organizations;
- (ii) Access to market and technical information through capacity building for the district offices (DAFO and Department of Industry and Commerce) and assistance to farmers' organizations to access production and market information;
- (iii) Technical support through farmers' organizations to their members;
- (iv) Establishment of processing sub-groups within farmers' organizations;
- (v) Conclusion of partnerships between farmers' organizations and traders/exporters through linking farmers' organizations to traders/exporters and provision of international and national expertise;
- (vi) Establishment of systems of warehouse receipts and storage facilities;
- (vii) Improving access to finance through the establishment of a partnership between commercial local banks and village banking systems.

*Implementation.* The training activities under this sub-component shall be implemented by local and international service providers as well as by the Provincial and District offices.

## **II. Implementation Arrangements**

### 5. Lead Programme Agency

5.1. *Designation.* The Ministry of Agriculture and Forestry (MAF), in its capacity as the Lead Programme Agency, shall have the overall responsibility for the implementation of the Programme. The Ministry of Finance (MOF) shall be responsible for managing the Designated Account and for submitting withdrawal applications to the Fund based on the submissions prepared by the two provinces and consolidated by the PCU.

5.2. *Responsibilities.* The MAF shall ensure the general coordination of the Programme activities and ensure the coordination with other relevant Ministries and Departments.

## 6. Programme Coordination Unit

6.1. The Programme Coordination Unit (PCU) shall be hosted by the MAF and shall be composed of: a coordinator, a finance manager, an accountant and a senior Monitoring and Evaluation (M&E) officer. At the start of the Programme, the PCU shall also include a short term procurement specialist to cover the first year of implementation.

6.2. *Responsibilities.* The PCU shall be responsible for the consolidation of the AWPBs from the two Provinces, the progress and annual reports, financial statements and withdrawal applications for onward transmission to the Minister of Finance (MOF) and to the Fund. The PCU staff shall be selected under procedures acceptable to the Fund, and have qualifications and experiences commensurate with their duties. The selected staff shall be assigned to work exclusively for the Programme.

## 7. National Programme Steering Committee

7.1. *Establishment.* The Recipient shall establish a National Programme Steering Committee (NPSC).

7.2. *Composition.* The NPSC shall be chaired by the MAF. Its membership shall include representatives from the following Ministries: Planning and Investment, Finance, Industry and Commerce, Public Health and the Public Works and Transport.

7.3. *Responsibilities.* The NPSC shall review the implementation plans and budget requirements of the Programme activities in consultation with the provinces and districts. The Ministry of Planning and Investment shall ensure that the planned interventions are fully aligned with the national plans and strategies. The NPSC shall meet at least twice a year and on an *ad hoc* basis when necessary.

## 8. Provincial Programme Steering Committee

8.1. *Establishment.* The existing Provincial Socio-Economic Development Committee shall act as the Provincial Programme Steering Committee (PPSC). The Secretariat of the PPSC shall be ensured by the PAFO.

8.2. *Responsibilities.* The PPSC shall review and approve all consolidated AWPBs as well as progress and annual reports before their transmission to the MAF for consolidation and onward transmission to the NPSC and IFAD. The PPSC shall meet at least twice a year and on an *ad hoc* basis when necessary.

## 9. District Programme Steering Committee

9.1. *Establishment.* The existing District Socio-Economic Development Committee shall act as the District Programme Steering Committee (DPSC). The Secretariat of the DPSC shall be ensured by the DAFO.

9.2. *Responsibilities.* The DPSC shall review and approve all AWPBs as well as progress and annual reports before their transmission to the MAF through the PPSC for consolidation and onward transmission to the NPSC and IFAD. The DPSC shall meet at least twice a year and on an *ad hoc* basis when necessary.

## 10. Provincial Level

10.1. *PAFO.* At the Provincial level, the PAFO shall play a Programme coordinating and facilitating role. Each PAFO shall allocate a Programme coordinator, a senior finance

officer, a senior M&E officer, an accountant, a treasurer and an assistant. The staff allocated by the PAFO shall be assigned to work exclusively for the Programme.

10.2. *Responsibilities.* The PAFO shall be responsible for the finalising of AWPBs, progress reports and withdrawal applications and shall coordinate inputs from the line agencies and from within the PAFO. The PAFO shall also coordinate and supervise the implementation of the agricultural, forestry and irrigation activities which will be implemented at the district level.

10.3. *Provincial Inter-Sector Working Teams.* The PAFO shall establish and coordinate a Provincial Inter-Sector Working Team (PISWT) in each province. The membership of the PISWT shall include representatives from the provincial agencies implementing Programme activities and representatives from the organizations involved in the implementation of Programme activities. The PISWT shall act as the liaison and focal point for coordinating and formulating implementation plans and detailed budget allocations. The Departments of Planning and Investment (DPI) will be a member of the PISWT and shall ensure that the Programme plans comply with the provincial Socio-Economic Development Plan. The PISWT shall meet regularly to ensure successful coordination and implementation of Programme activities.

## 11. District Level

11.1. *DAFO.* At the District level, the DAFO with the Departments of Industry and Commerce, DOPH and DPWT shall be responsible for the implementation of Programme activities. The DAFO shall serve as a focal point to monitor progress of activities in all sectors. Each DAFO shall allocate a planning officer, a finance officer and a treasurer from their existing staff to work on Programme activities. The staff allocated by the DAFO shall be assigned to work exclusively for the Programme.

11.2. *Responsibilities.* The DAFO shall be responsible for the finalising of the District AWPBs, progress reports and withdrawal applications and shall coordinate inputs from the line agencies and from within the DAFO. The DAFO shall implement the implementation of the agricultural, forestry and irrigation activities at the district level.

11.3. *District Inter-Sector Working Teams.* The DAFO shall establish and coordinate a District Inter-Sector Working Team (DISWT) in each district. The membership of the DISWT shall include representatives from the district agencies implementing Programme activities and representatives from the organizations involved in the implementation of Programme activities. The DISWT shall act as the liaison and focal point for coordinating and formulating implementation plans and detailed budget allocations. The DISWT shall meet regularly to ensure successful coordination and implementation of Programme activities at district level.

## 12. Kum-Ban Technical Service Centers

12.1. Wherever possible, the *Kum-Ban* Technical Service Centers shall be the key focus for village mobilization and consultation and shall also support the villages and farmers' organizations. The responsibilities of the *Kum-Ban* Technical Service Centers shall be defined in the PIM.

12.2. Each *Kum-Ban* Technical Service Center shall have a minimum of two technical staff and have the following responsibilities: (i) facilitate community and ethnic groups involvement in Programme decision making; (ii) provide training and support to the villagers; (iii) provide links between villages, farmers' organizations and the private sector, including service providers; and (iv) coordinate annual consultations with villagers to develop implementation priorities.



### 13. Phasing

13.1. The Programme shall be implemented in three Phases over six years. During the first phase, the Programme shall focus on capacity development, on-farm trials and demonstrations and development of the knowledge systems. Different pilot activities shall be launched to assist farmers' organizations to develop informally. Phase 2 shall extend trials and demonstrations to more villages. Farmers' organizations may require formalization of their status in accordance with relevant national laws. Financing and purchase agreements shall be concluded with established farmers' organizations. Phase 3 shall ensure the continued extension of farming systems support and consolidation of market linkages with the explicit focus on disseminating knowledge and mainstreaming lessons.

### 14. Programme Implementation Manual

14.1. The MAF through the PCU, shall prepare the Programme Implementation Manual (PIM).

14.2. The PIM shall include among other things:

- (a) Terms of reference and implementation responsibilities of Programme staff, service providers and implementing agencies;
- (b) Criteria for the performance appraisal of the Programme staff;
- (c) Selection criteria and fund allocation criteria for the participating villages;
- (d) Procedures, modalities and criteria for the operation of the revolving fund for farmers' organizations under sub-component A.3;
- (e) Selection criteria for the implementation of the micro-irrigation schemes including land titling as a pre-condition;
- (f) Programme operational and financial procedures, including participatory planning, implementation and monitoring procedures;
- (g) M&E system and procedures including RIMS+.

14.3. *Adoption and Approval.* The LPA shall cause the PCU to forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund. If the Fund does not comment on the draft PIM within 30 days after receipt, it shall be deemed approved.

### 15. Monitoring and Evaluation

15.1. The Programme shall have a M&E system collecting data through different mechanisms including quarterly report forms, RIMS+ impact surveys and other data collection tools tailored for specific interventions. Each PAFO shall have a M&E officer who will focus on gathering data through the RIMS+. At each DAFO, there shall be a M&E staff responsible of supporting *Kum-Ban* Technical Service Centers and village staff for data collection to ensure that all the reporting forms are completed in an accurate and timely manner.

## Schedule 2

### Allocation Table

1. *Allocation of Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Grant and the allocation of the amounts of the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Grant Amount Allocated (expressed in SDR)	Percentage Net of taxes and co-financiers/beneficiaries contributions
1. Civil Works	1 870 000	100%
2. Vehicles and Equipment	545 000	100%
3. Inputs	830 000	100%
4. Technical Assistance, Studies and Services	2 445 000	100%
(b)		
5. Training and Capacity Building	1 420 000	100%
(c)		
6. Salaries and Per Diem	260 000	100%
7. Operating Costs	595 000	100%
Unallocated	885 000	
<b>TOTAL</b>	<b>8 850 000</b>	

(b) The terms used in the Table above are defined as follows:

“Inputs” means eligible expenditures incurred under Category 3 such as livestock, seeds, fertilizers and veterinary expenses.

“Operating Costs” means eligible expenditures incurred under Category 7 with respect to equipment and vehicles operations and maintenance, annual operating costs such as telephone and electricity.

2. *Retroactive Financing.* Withdrawals not exceeding SDR 25 000 under Category 4 and SDR 22 000 under Category 5 may be made from the Grant Account in respect of expenditures for training, studies, recruitment of consultants, preparation of documents for initial procurement actions incurred as from 1 June 2011. Such expenditures may be considered Eligible Expenditures for all purposes of this Agreement.

**Schedule 3***Special Covenant*

Prior to the entry into force of this Agreement, the Recipient shall ensure that the following staff are allocated at the Provincial level: (i) a Programme Coordinator; (ii) a senior finance officer; (iii) a senior M&E officer; and (iv) three other staff (an accountant, a treasurer and an assistant).

# Logical framework

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
<i>Goal</i>			
Contribute to reduce extreme poverty and hunger	<ul style="list-style-type: none"> <li>Progress in achieving the MDG No. 1 by 2015 in the two provinces (reducing poverty rates by at least 5 percentage point)</li> </ul>	<ul style="list-style-type: none"> <li>MDG reports</li> <li>LECS survey</li> </ul>	<ul style="list-style-type: none"> <li>Continued government commitment to poverty reduction</li> </ul>
<i>Development Objective</i>			
Ensure sustainable food security and income generation for the rural poor in the target villages	<ul style="list-style-type: none"> <li>20% increase in income and in the ownership of household assets</li> <li>20% reduction in child malnutrition</li> <li>At least 35% of households with improved food security (having enough food for 10 months per year)</li> </ul>	<ul style="list-style-type: none"> <li>LECS Surveys</li> <li>WFP Surveys</li> <li>RIMS+ baseline, mid-term and completion surveys</li> </ul>	<ul style="list-style-type: none"> <li>Economic and social stability in Oudomxay and Sayabouly provinces</li> <li>Decentralization of development activities continues to be a government policy</li> </ul>
<i>Outcomes and Outputs</i>			
<p><i>Component A – Integrated farming systems:</i></p> <p>Target group farmers in the uplands use improved and sustainable integrated production and conservation systems</p>	<p>Outcomes:</p> <ul style="list-style-type: none"> <li>20% increase in agricultural output</li> <li>At least 30% of households adopting conservation technology practices (1/3 women)</li> <li>At least 30% of households adopting models for improved poultry production or pig husbandry (90% women)</li> <li>225 farmers' organisations established</li> </ul> <p>Outputs:</p> <ul style="list-style-type: none"> <li>At least 40% of households receive technical advisory services</li> <li>At least 30% of households having at least one member trained in conservation technology practices (1/3 women)</li> <li>At least 225 Farmers' Field Schools held in all target villages, with specialized training devoted to women and ethnic groups</li> <li>At least 30% of poultry and pigs vaccinated</li> <li>40 irrigation schemes and area rehabilitated/constructed</li> <li>40 drinking water supply schemes, including 30 also serving irrigation for home gardening, of which 1/3 benefit female headed-households</li> </ul>	<ul style="list-style-type: none"> <li>RIMS surveys</li> <li>Groups records</li> <li>Specific studies</li> </ul>	<ul style="list-style-type: none"> <li>Villages have secure access to land and the land titling process does not result in an unsustainable reduction of land surface</li> <li>Communities assume responsibility for O&amp;M of irrigation and water supply schemes</li> <li>Village administrations and villagers support community approaches to natural resources management</li> <li>Crop failure resulting from extreme weather conditions or rodent infestation is limited</li> <li>Adequate TA is provided</li> </ul>
<p><i>Component B - Links to markets:</i></p> <p>Links to markets are functioning effectively and farmers have sustainable access to markets</p>	<p>Outcomes:</p> <ul style="list-style-type: none"> <li>At least 30% of target households report improvement in accessibility of village road</li> <li>At least 30% of target villages benefit marketing, storage, processing groups/facilities, of which 1/3 of the beneficiaries are women</li> <li>Beneficiaries who receive marketing support improve household income by 20% on average. At least one-third are female-headed households</li> </ul> <p>Outputs:</p> <ul style="list-style-type: none"> <li>220 Km of road constructed and/or upgraded</li> <li>50 villages establish road maintenance groups</li> <li>30% of the target group participate in at least two separate training events each year, of which all training events will include separate sub-training for women and ethnic groups</li> <li>30% of the target group join at least one interest group and stay with the same group for the duration of the programme</li> <li>30% of the target group participate in a PPP</li> <li>At least 40% of the target group receive market information</li> </ul>	<ul style="list-style-type: none"> <li>RIMS surveys</li> <li>Groups records</li> <li>Specific studies</li> </ul>	<ul style="list-style-type: none"> <li>Informal regulation of trade is reversed</li> <li>Traders willing to work with farmers' organisations and sufficient competition allows farmers' organisations choices</li> <li>Communities assume responsibility for routine road maintenance</li> <li>Levels of trust in villages adequate for establishing effective farmers' organisations</li> <li>Adequate TA is provided</li> </ul>

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