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Lao People's Democratic Republic
Country Strategic Opportunities Programme
2018-2024

Note to Executive Board representatives

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Abbreviations and acronyms

AsDB	Asian Development Bank
AFN	Agriculture for Nutrition
ASAP	Adaptation for Smallholder Agriculture Programme
ASEAN	Association of Southeast Asian Nations
COSOP	country strategic opportunities programme
DPs	development partners
FAO	Food and Agriculture Organization of the United Nations
FNML	Southern Laos Food and Nutrition Security and Market Linkages Programme
GAFSP	Global Agriculture and Food Security Programme
GIZ	German Agency for International Cooperation
GoL	Government of the Lao People's Democratic Republic
IMF	International Monetary Fund
IRRI	International Rice Research Institute
MAF	Ministry of Agriculture and Forestry
NSLCP	Northern Smallholder Livestock Commercialization Project
NNSPA	National Nutrition Strategy to 2025 and Plan of Action 2016-2020
NSEDP	National Socio-Economic Development Plan
NSO	network support organization
PICSA	Partnership for Irrigation and Smallholders Commercial Agriculture
NRSLLDP	Northern Region Sustainable Livelihoods Through Livestock Development Project
PPPP	private-public-producer-partnership
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
SNRMPEP	Sustainable Natural Resources Management and Productivity Enhancement
SSSJ	Soum Son Seun Jai Programme - Community-based Food Security and Economic Opportunities Programme
SSFSN	Strategic Support for Food Security and Nutrition Project
WASH	water, sanitation and hygiene
WFP	World Food Programme
WOCAT	World Overview of Conservation Approaches and Technologies

Map of IFAD-funded operations in the country

Lao People's Democratic Republic

IFAD-funded ongoing operations

COSOP



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.

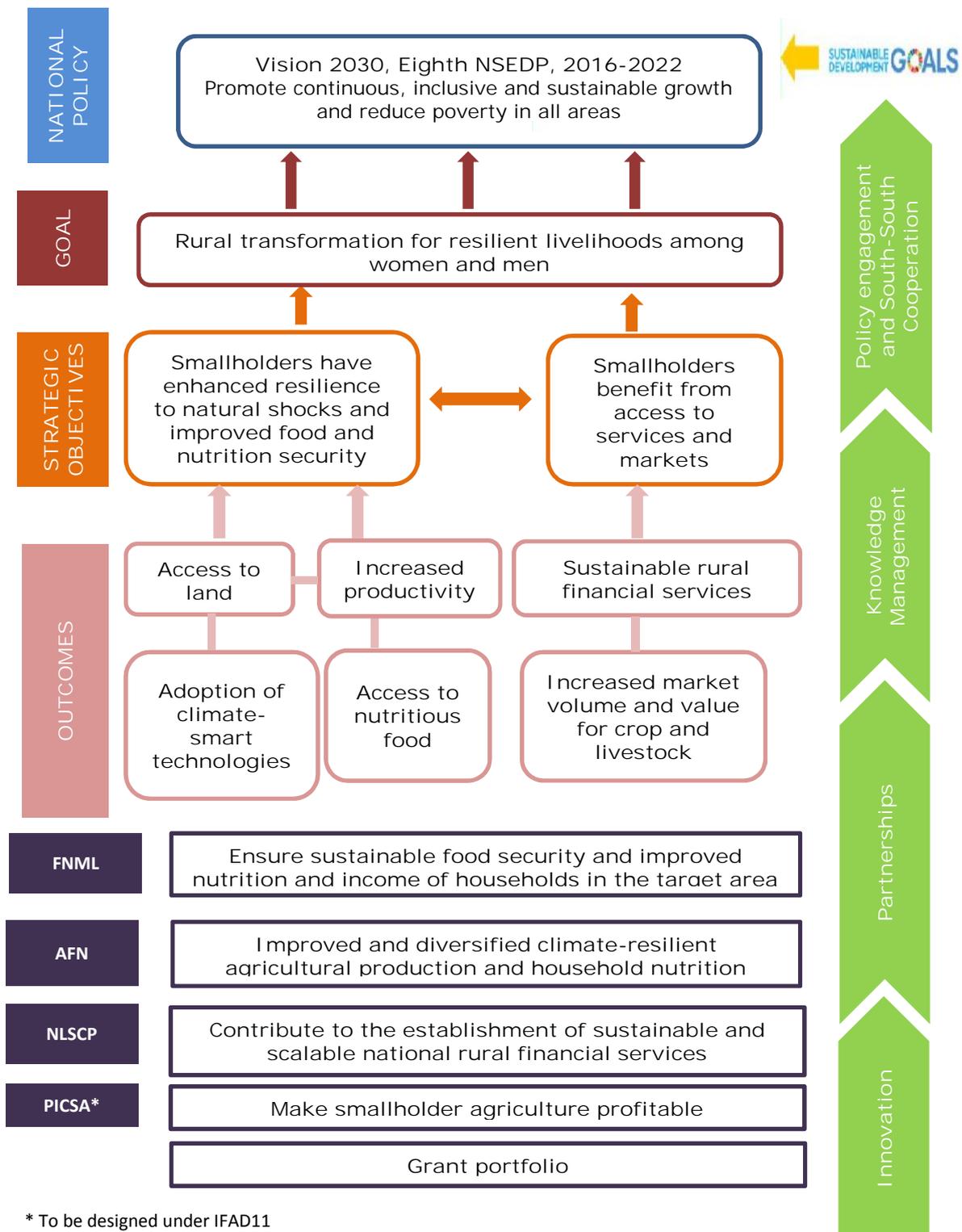
IFAD Map compiled by IFAD | 28-06-2018

Executive summary

1. The Lao People's Democratic Republic has graduated from its status as a poverty-stricken, low-income country to become a dynamic middle-income country during the past two decades. Government policies, supported by investments in education and health, have facilitated rapid and steady economic growth. This approach nearly halved income poverty (US\$1.90/day) between 1997 and 2012, reducing it to 16.7 per cent. Poverty persists mainly in the uplands and remote rural areas.
2. The Lao People's Democratic Republic's economic growth is based primarily on natural resources such as hydropower, mining and timber, while smallholder agriculture is the predominant source of income and employment for 78 per cent of the population.
3. The country's economic integration in the Association of Southeast Asian Nations (ASEAN) offers opportunities for cross-border trade and higher agricultural production. Agriculture will remain the key sector for developing rural livelihoods for the foreseeable future and has gradually been shifting from subsistence farming to a more business-oriented sector, driven by strong regional demand. Challenges to rural development consist of the country's high vulnerability to climate change, limited technical and business knowledge among farmers and limited access to markets and services, including rural finance.
4. IFAD's comparative advantage in Lao People's Democratic Republic is rooted in smallholder agricultural technology, improving nutrition, building resilience to climate change and developing value chains. In order to achieve the largest possible scale and impact, IFAD will continue to partner with development partners DPs such as the Asian Development Bank (AsDB) and cooperate with technical agencies, including the Food and Agriculture Organization of the United Nations (FAO), World Food Programme (WFP), German Agency for International Cooperation (GIZ), World Overview of Conservation Approaches and Technologies (WOCAT) and International Rice Research Institute (IRRI). The country strategic opportunities programme (COSOP) will complement programmes funded by other DPs by financing innovative approaches for climate-smart agriculture, co-investments with private-public-producer-partnerships (PPPPs) and sustainable rural finance.
5. The COSOP's goal is to build resilient livelihoods among women and men in the rural areas of the Lao People's Democratic Republic. It will be achieved through the provision of financing and technical support to scale up innovative development models. IFAD will focus on strengthening vulnerable groups, including: (i) smallholder farmers (women and men); (ii) women and female-headed households; and (iii) female and male youth. Intervention targeting and design will give due consideration to the particular cultural and social needs of ethnic groups.
6. The COSOP will be implemented through two strategic objectives as follows.
Strategic objective 1: Smallholders have enhanced resilience to natural shocks and improved food security and nutrition. Investments will be directed to climate-smart agricultural technologies and decentralized services. Nutrition will be mainstreamed in all investment projects, building on the results of the Global Agriculture and Food Security Programme (GAFSP)-funded Strategic Support for Food Security and Nutrition Project (SSFSNP)/Agriculture for Nutrition (AFN) and the Southern Laos Food and Nutrition Security and Market Linkages Programme (FNML).
7. Strategic objective 2: Smallholders have enhanced access to financial services and markets. IFAD will support the scaling up of a successful microfinance system and co-investment models with farmers, their organizations and PPPPs, promoted by the Northern Smallholder Livestock Commercialization Project (NSLCP) and FNML.

8. The COSOP covers the period 2018-2024. It supports the Eighth National Socio-Economic Development Plan (NSEDP), Agriculture Development Strategy 2016-2022 and consequent policies. In addition to the three ongoing loan/grant-funded programmes (SSFSN/AFN, FNML and NSLCP), IFAD will provide loans of approximately US\$21 million per IFAD financing cycle (2019-2021; 2022-2024). The country programme will access additional technical support from IFAD-funded grant projects (see figure 1).

Figure 1: Lao People’s Democratic Republic COSOP 2018-2024



Lao People's Democratic Republic

Country Strategic Opportunities Programme

I. Country diagnosis

1. Population. Around 6.5 million people (2015) live in Lao People's Democratic Republic. The country is home to some 49 ethnic groups and 240 subgroups, commonly clustered into four broad groups: Lao-Tai, or lowland people (67 percent of the population); Mon-Khmer, or hillside people (21 percent); Hmong-Lu Mien, or upland or forest people (8 percent); and Chinese-Tibetan, or border people (3 per cent). The Lao-Tai are generally economically better off, as the other three ethnic groups represent about 56 per cent of the poor population.¹ Population density averages about 30 persons per km². The rural population accounts for 67 per cent, but urbanization is a growing phenomenon and has increased by 40 per cent over the past 10 years.²
2. Economic context. The Lao People's Democratic Republic economic and political integration into the Association of Southeast Asian Nations (ASEAN) region spurred robust growth of its GDP on the order of eight per cent per year, yielding a gross national income (GNI) per capita of US\$2,150 (in 2016, Atlas method) and positioning the Lao People's Democratic Republic as a lower-middle-income country. Natural resources account for 45 per cent of the country's wealth, with natural resource extraction (mining, timber and hydropower) serving as the main driver of economic growth. Natural resource extraction and unsustainable agricultural practices have intensified environmental degradation and the loss of fertile land, mainly in the uplands, posing a risk to future development.
3. In addition to agriculture, other sectors, such as trade, tourism and transport, have expanded. Major infrastructure investments, including China's "one road, one belt" programme, have improved the transport network in Lao People's Democratic Republic and its neighbouring countries. Both informal and formal trade have picked up in recent years, and expansion of the transport network is expected to trigger growth in exports, especially of agricultural products.
4. Labour markets. Structural transformation away from agriculture has led to a shift in employment to low-skilled service jobs.³ Although agriculture continues to employ about 60 per cent of the workforce, employment in trade, tourism and food-related services has risen to 25 per cent.⁴ There is no marked shift from rural to urban employment, as low-skilled rural workers migrate chiefly to neighbouring countries, attracted by higher wages in the manufacturing sector. For the near future, agriculture is expected to remain a key sector for rural labour, as value chain development should create employment in processing, trade or transport, especially for rural youth.
5. Agriculture. Investments in technology, connectivity and capacity-building have transformed agriculture into a dynamic sector, while its share in GDP has fallen (decreasing to 24 per cent in 2014). Some 33 per cent of farmers are currently producing mainly for sale.⁵ Still, smallholder farmers constitute around 80 per cent of the rural population.

¹ Social Protection and Sustainable Livelihoods (2015): Social Protection in Lao PDR: Frameworks, Vulnerabilities, Coping Strategies and Gaps, Australian Aid.

² World Bank country partnership framework 2017-2021, para. 17.

³ World Bank, Lao PDR Economic Monitor 2015/2016.

<http://documents.worldbank.org/curated/en/515521468197368035/pdf/AUS17628-WP-OUO-9-Lao-PDR-Economic-Monitor-May-2016-has-been-approved-P157829.pdf>

⁴ The Labour Impact of Lao PDR Export Growth. The World Bank 2016.

⁵ FAO in Laos. Laos at a glance.

6. Agricultural production has steadily grown due to higher crop yields and a growing production area, while productivity is trailing. Rice cultivation accounts for 72 per cent of the total cultivated area and is predominantly rainfed. Rice yields average 3.47 tons/ha, which compare well with those of Cambodia and Thailand but are lower than in Viet Nam.⁶ In addition to rice, farmers grow corn, taro, fruits and vegetables. Coffee, cassava, sugarcane and rubber are the main cash crops. Demand for livestock is growing steadily in local markets and across the border. Still, the main factors limiting agricultural production and productivity are typically secure access to land, farm inputs, technologies and services, including markets and rural finance.
7. Land management. Approximately 1.1 million ha have been approved for concessions and leases to investors.⁷ Current policies governing agricultural and forest lands are inadequate to secure the livelihoods of smallholders, especially those in the uplands and women.⁸ The Government has recently stopped issuing new concessions and collaborates with DPs on land governance and policies (e.g. on the systematic registration of individual and communal plots and the issue of land titles).
8. Poverty. Government policies succeeded in reducing income poverty rates to 16.7 per cent in 2012.⁹ In 2014, the new multidimensional poverty indicator calculated a poverty head rate 36.8 per cent; an additional 18.5 per cent were near-poor. The Human Development Index 2015 ranks Lao People's Democratic Republic at 138 out of 188 countries.¹⁰
9. Poverty is highest in rural areas and fairly evenly distributed among the northern, central and southern regions. Factors leading people out of poverty can be grouped into (i) non-farm dependency, (ii) connectivity and (iii) educational attainment.¹¹ The combination of these factors explains the higher poverty head count among ethnic groups in the uplands compared to the lowlands. The widespread presence of unexploded ordinance, a vestige of the Viet Nam war, constitutes an additional impediment in five chronically poor provinces.
10. Climate change. Climate-related risks include flooding due to heavy rainfall and typhoons, resulting in landslides and extensive soil erosion in the uplands. Occasionally, farming suffers under droughts. Climate change exacerbates problems caused by natural and man-made environmental changes, including land degradation due to the conversion of forests and wetlands for cultivation and construction, inappropriate exploitation of timber, shifting cultivation and uncontrolled use of agro-chemicals. The most recent assessment¹² found that climate change will increase the severity and frequency of floods and droughts. The Government promotes climate change adaptation approaches that include farming practices and reforestation and recognizes the need for linking upland and lowland agriculture – for example, for environmental services.¹³
11. Gender. The Gender Development Index and the Gender Inequality Index put Lao People's Democratic Republic at a medium-low equality level.¹⁴ Government policies¹⁵ have narrowed the gender-equality gap at all three levels of educational enrolment. Challenges to the completion of secondary education persist for girls and particularly for children from poor rural areas and non-Lao-Tai groups.

⁶ IRRI statistics 2018. <http://ricestat.irri.org:8080/wrsv3/entrypoint.htm>

⁷ FAO in Laos. Laos at a glance.

⁸ Land management and decentralized planning. <https://www.giz.de/en/worldwide/31066.html>. GIZ with, MPI, Ministry of Natural Resources and Environment. 2017.

⁹ World Bank. <https://data.worldbank.org/indicator>. Based on international US\$1.90 purchasing power parity.

¹⁰ UNDP Human Development Index 2015

¹¹ Lao PDR Poverty Policy Brief. Taxonomy of poverty and its usefulness in policy design. World Bank. 2017.

¹² IPCC Climate Change Synthesis 2014 Report (2015).

¹³ Social, Environmental and Climate Assessment Preparatory Study. IFAD 2016.

¹⁴ SDG 5. UN in Lao PDR 2015. <http://www.la.one.un.org/sdgs/sdg-5-gender>

¹⁵ Eighth National Socio-Economic Development Plan; 2009 Gender Mainstreaming Strategy for Agriculture and Forestry.

12. The fertility rate of about 2.9 births per woman is one of the highest in the region. Adolescent marriage¹⁶ and pregnancy are frequent (18 per cent), adversely impacting the educational level, livelihood opportunities and nutritional status of women and their children. Women are generally more excluded from formal sectors and social protection. Women in rural areas have less control over farming inputs and credit than men do. Domestic violence occurs and is related to traditional gender roles, women's education, their unequal access to assets and their role in decision-making.¹⁷
13. Nutrition. Lao People's Democratic Republic has boasted national self-sufficiency in rice since 2000, while chronic undernutrition rates remain high, with an under-5 stunting rate of 44 per cent and underweight at 27 per cent.¹⁸ Northern and southern provinces exhibit the highest prevalence of stunting (figure 2).
14. Undernutrition in children is linked to poverty, maternal nutrition, low maternal education levels, harmful traditional practices and adolescent pregnancy, in addition to the lack of clean water, sanitation and health services. Furthermore, the availability of nutritious food in local markets is limited.
15. Lao People's Democratic Republic has signed onto the Scaling Up Nutrition Movement (SUN). The National Nutrition Committee is the principal nutrition coordination mechanism and is co-chaired by the Deputy/Ministers of the Ministry of Health, the Ministry of Agriculture and Forestry (MAF) and the Ministry of Education and Sport. The National Nutrition Strategy to 2025 and Plan of Action 2016-2020 (NNSPA) 2016-2020 is aimed at improving food accessibility, along with maternal and child care, environmental health and access to health services.
16. Youth. Approximately 60 per cent of the population is below the age of 25¹⁹ and 70 per cent lives in rural areas. Labour force participation for young adults aged 20-24 averages 83 per cent. Rural youth generally hold low-skilled and low-paid jobs. Employment opportunities remain scarce due to the high share of subsistence farming. Opportunities to foster youth employment lie in the development of a market-oriented agricultural sector, where services in post-harvest, trade and transport are required.
17. Favourable policies and strategies. The Government's development vision is reflected in the National Growth and Poverty Eradication Strategy 2020 and the Eighth Five-Year National Socio-Economic Development Plan (2016-2020). It highlights (i) the need for widespread poverty reduction to achieve equality and prosperity and to graduate from least developed country status; and (ii) the importance of regional economic integration.
18. The Strategy for Agricultural Development (2011-2020) is fully compatible with IFAD's priorities: (i) modern technologies for increasing productivity and value-

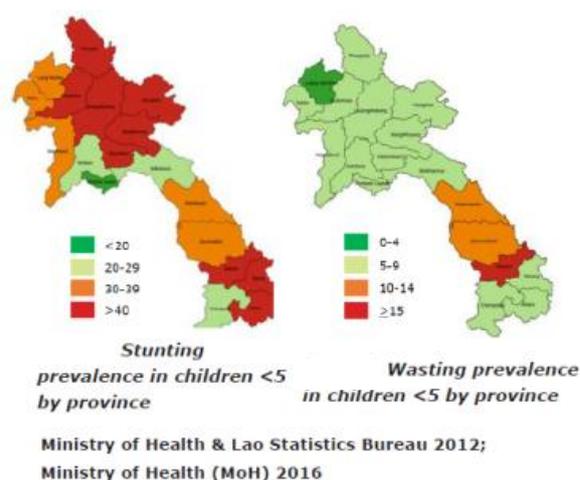


Figure 2: WFP 2017. Fill the Nutrition Gap Lao PDR

¹⁶ One-third of women marry before age 18, while one-tenth marry before age 15.

¹⁷ Lao National Survey on Women's Health and Life Experiences 2014. UNFPA.

¹⁸ Strategic Review of Food and Nutrition Security in Lao People's Democratic Republic. A report commissioned by the Ministry of Planning and Investment, Lao People's Democratic Republic, and support from WFP. 2016.

¹⁹ UNFPA 2014. Lao People's Democratic Republic does not have a definition for "youth." Hence, for the purposes of this report, in alignment with the UNFPA definition, "youth" are considered the population aged 15-25.

added agroprocessing for domestic and export markets; (ii) improving access to inputs and finance; (iii) promoting farmers' organizations and improving their linkages with the private sector; and (iv) value chain development and improved value chain governance.

19. The National Climate Change Strategy prioritizes adaptation and mitigation in agriculture, forestry and land-use change. It emphasizes the need to reduce slash-and-burn agriculture and off-site burning and forest fires, and promotes integrated forest resource management.
20. The National Nutrition Strategy 2025 and the Plan of Action 2016-2020 are aimed at addressing the underlying causes of undernutrition. The National Nutrition Forum creates the political space for scaling-up action against undernutrition.
21. Strategic opportunities for IFAD. Opportunities for smallholder farmers lie in the rapid development of value chains around cash and food crops, livestock and cross-border trade. Favourable trade policies and regulations open up new markets for smallholders in the Mekong region, underpinned by investments in road and water infrastructure and improved technical services. IFAD is recognized for its approach to climate-smart agriculture. IFAD's partnership has been sought to invest in complementary activities, including sustainable irrigation management and pro-poor value chain development. IFAD, FAO and WFP are leading nutrition mainstreaming in Lao People's Democratic Republic. Cofinancing with large investors like AsDB favours the scaling up of successful IFAD development models. The collaboration with technical agencies like GIZ, IRRI and WOCAT adds significant value to the investments.
22. Risks. The robust economic growth is vulnerable to the effects of extreme natural disasters and poor public financial management. The excessive public debt (68 per cent of GDP), a fiscal deficit (17 per cent) and growing non-performing loans in the banking sector pose the main macroeconomic risks. Inflation has held steady at about four per cent per annum over the past three years. The Government is following advice from the International Monetary Fund (IMF) to consolidate its fiscal position, including limiting public spending.²⁰ Future revenues from hydropower are expected to alleviate the current fiscal situation.²¹ The World Bank and AsDB continue to lend for agricultural development and rural infrastructure. The perception of corruption²² is widespread and poses a threat to the sustainability of social and economic gains.

²⁰ IMF country report 18/84.

²¹ Country Partnership Framework 2017-2021 for Lao People's Democratic Republic, World Bank.

²² Transparency International 2018: corruption index stands at 29/100 points; the country ranks 135th out of 180 countries.

23. Risks and mitigation measures are summarized in the table below.

Risks	Risk description	Risk level	Mitigation strategy
Governance risks	Limited Government capacity may constrain effective decentralization efforts	Moderate	<ul style="list-style-type: none"> • Strengthen capacities at provincial and district levels • Build technical cooperation at the provincial and, particularly, the district level
	Inter-institutional cooperation among government bodies is not fully effective	Moderate	<ul style="list-style-type: none"> • Develop comprehensive fiduciary risk control framework: including the use of compliant financial software, internal and external audit regimes and IFAD procurement review
	Fiduciary risk, including corruption	Moderate-high	
Indebtedness	The Government is unable to absorb further credit	High	<ul style="list-style-type: none"> • IMF consultations with GoL agree on increasing concessional borrowing and decreasing ordinary term borrowing
Markets	Market price volatility	Moderate	<ul style="list-style-type: none"> • Enhance farmers' knowledge about markets • Create an enabling environment: infrastructure, farmers produce for market demand, market-oriented services
Climate change	High vulnerability to climate shocks and natural disasters	High	<ul style="list-style-type: none"> • Introduction of climate-smart agricultural technologies for smallholders • Financial incentives for smallholders to adopt climate-smart agricultural technologies

II. Previous lessons and results

24. The previous COSOP 2011-2017 covered seven IFAD-funded investment projects. The Rural Livelihoods Improvement Programme in Attapeu and Sayabouri focused on building social infrastructure and capital and targeting the poorest populations. The Northern Region Sustainable Livelihoods through Livestock Development Project (NRSLLDP), the Sustainable Natural Resources Management and Productivity Enhancement Project (SNRMPEP) and Soum Son Seun Jai Programme – (Community-based Food Security and Economic Opportunities Programme) improved natural resource management, adapted technology for higher land productivity and livestock production in smallholder farms. Current projects (FNML; NSLCP) promote commercialization, microfinance and market linkages for smallholders. Although the country programme responded to the changing context and needs of smallholders, the results were mixed.
25. A key lesson is to design simpler, more cost-efficient projects suited to local capacities. Project completion reviews and IOE evaluations stressed that project designs were often too complex. In fact, technical assistance was required to bolster limited implementation capacity, which drove up delivery costs.
26. Decentralization through a community-driven development approach in SSSJ was effective, due to the inclusion of the target group in planning and procurement processes for infrastructure and collective productive activities.
27. Developing sustainable and inclusive rural financial services has failed thus far. Project designs such as that of NRSLLDP underestimated the operational requirements. The design of NSLCP-RFSP, the successor project, has heeded this

lesson and scales up the successful village bank/network support organizations model, developed by GIZ in Lao People's Democratic Republic.

28. Mainstreaming nutrition requires a convergence approach, recently introduced by ASEAN/SSFSN to ensure coordination among the line ministries MAF, the Ministry of Health and Ministry of Education and Sports (MOES). This was missing in previous projects like SSSJ and FNML, which could not fully deliver on nutrition targets.
29. IFAD-funded projects met with limited success in terms of natural resource management and climate-change adaptation. The SNRMPEP experience showed the way forward, as it linked land-use planning and good land-management practices with pro-poor value chains. Farmers are risk averse and adopt climate-smart technology only if the benefits outweigh risks and investments.
30. SNRMPEP, SSSJ and FNML have shown that pro-poor value chain development requires market-ready farmer groups who are effectively organized to produce substantial volumes of a commodity in demand and linked to traders through mutually beneficial contract arrangements. Considering the limited strength of private enterprises in rural areas, a PPPP co-investment framework and strengthened farmer capacities incentivize the private sector to invest in rural value chains.
31. The definition of policy outcomes in the design of SNRMPEP was conducive to realising inputs for the national agricultural development strategy and scaling up project results.

III. Strategic objectives

32. IFAD comparative advantage in Lao People's Democratic Republic. The Government and DPs consider IFAD a trusted partner with a proven track record to reach poor and remote farming communities. IFAD has consistently taken steps to transform the smallholder sector from subsistence to a business-oriented enterprise. It has introduced successful tools and knowledge from other country programmes to gain access to markets for smallholders, improve nutrition and increase their resilience to adverse climate effects.
33. The goal of the COSOP 2018-2024 is to contribute to rural transformation by building resilient livelihoods among women and men in rural Lao People's Democratic Republic. This will be achieved through the following strategic objectives.
34. Strategic objective 1: Smallholders have enhanced resilience to natural shocks and improved food security and nutrition. Smallholder farmers (i) have secure land-use titles; (ii) adopt climate-smart agricultural technologies; (iii) increase agricultural diversification and productivity; and (iv) enjoy diversified, nutritious and safe diets.
35. IFAD will continue its support to MAF and the Ministry of Natural Resources and Environment to increase land-use rights titling for smallholders in forest and agricultural land. This will be done through the ongoing SSFSN/AFN and FNML projects.
36. Core investments are geared to smallholders to increase their access to climate-smart technology. Technical services are strengthened for decentralized planning and high-quality technical delivery. Farmers will be assisted in rendering irrigation systems viable by using suitable technology and developing value chains. Irrigation management transfer to water users' groups will be mainstreamed. Advisory services will promote farmer-to-farmer and enterprise-to-farmer models. Green technology (e.g. solar water pumps) will be supported. Adaptation (e.g. irrigation) and mitigation (e.g. afforestation) to climate change will be pursued in partnership with DPs such as GIZ and AsDB. The combined efforts toward adapted

technology and knowledge about climate change will enable farmers to make production efficient and resilient.

37. Nutrition will be mainstreamed in agricultural services and rural households by promoting knowledge and practice in better nutrition and healthy diets, food processing and preservation. Value chain planning will be nutrition-sensitive as piloted under SSFSN/AFN.
38. Strategic objective 2: Smallholders have enhanced access to financial services and markets. IFAD will support the scaling out of village banks and their network support organization (NSO) in partnership with GIZ operations. The village bank/NSO model has a successful track record in terms of operational sustainability and financial inclusion of poor households. At the national level, IFAD will partner with the Bank of the Lao People's Democratic Republic and KfW to set up an agricultural refinancing facility. It will support microfinance institutions and banks to fund farmers and rural enterprises.
39. The COSOP will continue to strengthen farmers' organizations to tap into market opportunities. Strategic investment plans have been introduced in the portfolio and will be scaled out to attract market opportunities. PPPPs will be sought through proven co-investment arrangements, as piloted under the FNML and SSFSN/AFN projects.
40. Investment and non-lending activities. The Government appreciates IFAD's financial resources, global knowledge on rural poverty and technical and policy advice. The Government will obtain one IFAD loan per financing cycle. For 2019, a loan of about US\$21 million will cofinance AsDB-funded programmes to foster suitable irrigation management and value chain development. The scope of the second IFAD loan will be defined when the Ninth NSEDP is formulated in 2020.
41. IFAD will consolidate its current operating model by linking investment projects with non-lending activities at regional and country levels, while an additional thrust will be directed to South-South Cooperation and knowledge management. Grant-funded support has been extended for adaptation to climate change (funded by the IFAD Adaptation for Smallholder Agriculture Programme (ASAP); food security (GAFSP-funded); adapted rice technology; strengthening of farmers' organizations; promotion of South-South knowledge transfer and policy support for ASEAN economic community integration (IFAD grants). A new regional grant is under design to connect national think tanks for agricultural policy research in the Mekong region.
42. Theory of change. Smallholder farmers are confronted with natural and economic risks, and they have difficulty accessing markets and technical and financial services. The first development stream would boost agricultural productivity by investing in technology and capacity-building for farmers and related institutions. Climate-smart technology assists farmers in the sustainable use of water and soil resources. Climate-smart technology leads to sustainable productivity increases, stabilizes yields and enhances farmers' technical capacity to cope with climate impacts such as droughts and flash floods. Households will gain better knowledge, skills and tools to improve their diet and their health. Living conditions will gradually improve and labour productivity increase.
43. The second development stream tackles the limited awareness and capacity of smallholders to tap into value chains. Better connectivity and information will gradually increase awareness of market demand. Business training and planning will help farmers gain the needed know-how to meet demand successfully and turn farming into a business. Investments in value chains will attract labour from uplands. Access to financial services will enable farmers to invest in technology for production, packaging and pre-processing. Increased productivity and access to markets will gradually increase returns on farm investments.

44. The two development streams are interlinked, as market demand triggers demand for technology and the sustainable use of natural resources. Financial services will enable farmers to invest in farm technology and households to make social investments, including in education. Knowledge management will foster policy dialogue and the scaling up of successful investments, while project in-built research will scout for innovations.
45. Alignment with Sustainable Development Goals (SDGs). COSOP results will be reported to the United Nations Partnership Framework 2017-2021 for the Lao People's Democratic Republic (United Nations Population Fund) on (i) inclusive growth, livelihoods and resilience; and (ii) human development and related outcomes. The COSOP will report on SDG 1 (no poverty) and SDG 2 (zero hunger) through enhanced smallholder capacity to boost agricultural productivity, income and nutrition. The COSOP mainstreams gender through gender- and poverty-sensitive targeting approaches and heightens awareness of public services (SDG 5 - gender equality). The COSOP promotes inclusive rural financial services and youth employment (SDG 8 - inclusive economic growth). The COSOP strongly promotes the adaptive capacity of smallholders to cope with adverse climate effects (SDG 13 -climate action).

IV. Sustainable results

A. Targeting and gender

46. In line with IFAD's key policies on gender and targeting, COSOP implementation will have a strict poverty and gender focus to ensure equal opportunities for the Fund's primary target groups: poor women and men, youth and ethnic minorities. Emphasis will be placed on empowering women in terms of decision-making in the household, participation in processes and institutions that affect their lives and equal access to assets, land, education, nutrition and health. IFAD will pilot the Household Methodology²³ to promote a common development vision within families, gain a stronger role for women in the household and address domestic violence.
47. IFAD investments focus on provinces and districts with high poverty rates and poor nutritional status. Poverty statistics, WFP's vulnerability maps and similar tools assist in the proper identification of IFAD target areas. As figure 2 suggests, future investments are likely to focus on the northern and southern provinces to tackle chronic undernutrition. At project level, direct targeting will be employed for areas such as training men and women in family nutrition and technical and business skills. Similarly, self-targeting approaches, such as access to microfinance, will ensure that IFAD's primary target group will benefit the most from project services. Projects tailor approaches to the socio-cultural and economic characteristics and needs of ethnic groups, such as access to non-timber forest products, nutrition and local trade.
48. The new IFAD Rural Youth Action Plan will be mainstreamed through the COSOP. At each step of the project cycle, due focus is placed on access to assets (e.g. through rural finance) and to employment (e.g. through vocational training). These activities will be executed in collaboration with highly qualified partners (e.g. International Labour Organization). Progress will be monitored along specific indicators such as youth employment.

B. Scaling up

49. The COSOP scaling-up strategy is based on (i) rigorous monitoring and analysis of project results; (ii) the integration of project-funded approaches into government policies and programmes; and (iii) the establishment of strategic partnerships with public services, primarily MAF and BoL, and development partners. The COSOP

²³ Household Methodology: Harnessing the family's potential for change. IFAD 2016.

focusses on three key areas for scaling up: (i) climate-smart agricultural innovations; (ii) nutrition; and (iii) value chain development, including finance.

50. The key drivers are government, development partners, the private sector and policy think tanks. They will be engaged through local and regional knowledge events and regular progress reporting for informed policy dialogue. The Government is scaling up the convergence approach for nutrition under the SSFSN/AFN project. IFAD's co-investment approach links smallholders with the private sector, which is expected to gradually take it over.

C. Policy engagement

51. IFAD participates in the agricultural sector working group and contributes to policy discussions with tangible project results and lessons learned. The policy dialogue focusses on: (i) mainstreaming climate change adaptation (ii) nutrition – implementing the NNSPA; (iii) pro-poor value chain development through the Agricultural Development Strategy; (iii) a conducive policy environment for inclusive rural finance; and (iv) access to land by the poor.
52. Investment projects will generate the results and analysis, notably from FNML and the Partnership for Irrigation and Smallholders Commercial Agriculture (PICSA), on climate-smart technology and inclusive value chains and SSFSN/AFN on nutrition. PICSA will be the platform for institutionalizing irrigation management transfer to water users groups. NSLCP-RFSP and FNML with the GIZ-funded Access to Finance for the Poor project will assist the Bank of Lao PDR in developing a policy framework for a sustainable and pro-poor rural finance system. These will be complemented with IFAD regional and national grant programmes, such as the Medium-Term Cooperation Programme - Phase II, that promote farmers' associations and the upcoming regional grant on connecting national policy think tanks across the Mekong region.

D. Natural resources and climate change

53. The COSOP builds on previous projects like SNRMEP and NRSLLDP for new approaches to sustainable water and soil conservation. IFAD develops risk management strategies for smallholder farmers through its programmes, such as SSFSN/AFN and FNML, to transform agriculture into climate-resilient production systems, develop and ecologically sustain agricultural production to its fullest potential, enhance livelihood opportunities and contribute to economic stability at the local level.
54. SSFSN/AFN, FNML and PICSA have the potential to create attractive alternatives to shifting cultivation. Partnerships with AsDB bring the needed irrigation infrastructure and will be complemented with climate-smart technologies and knowledge from IFAD investment projects and grant-funded action research, such as the IRRI-led CURE 2.

E. Nutrition-sensitive agriculture and rural development

55. Nutrition and food security will be mainstreamed in IFAD investments by setting specific targets and providing the means to achieve them. The COSOP supports the National Nutrition Strategy and Plan of Action (NNSPA) through SSFSN/AFN on: (i) participatory village-level public investment planning and implementation; (ii) convergence of multisectoral implementation of the NNSPA at district and village levels; (iii) the empowerment of women to improve family diets, especially in the 1,000 days following a child's conception, (iv) the prevention of pregnancy in adolescents; and (v) the promotion of nutrition-sensitive value chains.
56. The improvement in dietary quality will be mainstreamed through education programmes for rural families, awareness in rural government institutions and the promotion of integrated homestead food production, with due consideration of the high workload of rural women. IFAD partners with WFP, FAO, Save the Children,

the National Agriculture and Forestry Research Institute and the National Nutrition Committee to gain leverage in nutrition.

V. Successful delivery

A. Financing framework

57. The COSOP covers two financing cycles under IFAD's performance-based allocation system. In view of the stable political context, improving rural sector performance, high demand for and stable performance of the IFAD country programme, the indicative performance-based allocation for 2019-2021 is approximately US\$21 million. In addition, the Global Agriculture and Food Security Programme (GAFSP) has provided a grant of US\$30 million to fund the AFN/SSFSN project. ASAP has provided US\$5 million to strengthen climate change aspects of FNML. IFAD's grant programme continues to complement the loan-funded projects.
58. The ratio for international cofinancing of the ongoing IFAD portfolio currently stands at 4.7 (IFAD11 target: 0.6). New cofinancing is envisaged with AsDB, GIZ and KfW. The domestic cofinancing ratio currently stands at 0.7 (IFAD11 target: 0.8). The new PICSA project aims to crowd in the involvement of private-sector contributions, while Government contributions are expected to increase.

B. Monitoring and evaluation

59. IFAD's CLEAR programme, a close collaboration with IFAD's specialized division on results and impact assessments, and additional staff training are expected to boost local M&E capacities. A local research institution will be identified for M&E and impact assessments. IFAD's Mekong Hub office monitors and oversees COSOP implementation and develops an evaluation plan. Annual COSOP review meetings report on the progress towards COSOP outcome indicators, identify lessons learned and feed these into policy work. COSOP outcomes are linked to the indicators of the Eighth and Ninth NSEDP and the UNFPA. All projects and non-lending activities will be aligned with the COSOP results framework indicators to ensure consistent reporting. A COSOP midterm review will assess the relevance and validity of strategic objectives and be undertaken towards the end of 2020. A completion review will be undertaken in 2023.

C. Knowledge management

60. The COSOP will build on the upcoming knowledge management (KM) strategy for IFAD11. KM is the pivotal link between project investments, policy engagement and scaling up. As KM means creating a learning culture, each project is tasked with developing a KM strategy on how knowledge is generated, used and shared. Each project allocates adequate resources to collect, analyse, publish and discuss results and innovations. Knowledge is based on effective M&E, KM systems and linkages with knowledge centres such as communities of practice, research centres and other rural development programmes. Staff will be rewarded for scouting innovations and achieving results for learning. Projects will link with knowledge centres in the region.
61. Investment projects will be backed up by grants to permit analytical work and dissemination. The IFAD Mekong office supports subregional learning networks, such as the Mekong KM and Learning Fair, an event that promotes innovations and learning with development partners and policymakers in the Mekong region.

D. Partnerships

62. Partnerships with Government agencies and research centres such as IRRI and DPs have been a linchpin in the IFAD country programme. Ministry of Planning and Investment (MPI), MAF and BoL are the key leading Government institutions during this COSOP. IFAD enjoys close partnerships with the Rome-based WFP and FAO for the SSFSN/AFN on mainstreaming nutrition and with AsDB on commercial livestock

production and irrigation development. IFAD cooperates with WOCAT on land-use planning under the FNML project. New partnerships emerge with GIZ to scale out the village bank approach into the NSLCP districts and with KfW to set up a joint refinancing facility for rural finance and small and medium-sized enterprise funding. Building on experiences of FNML, PICSA will engage in smallholder-based value chain development with the foreign and domestic private sector.

E. Innovations

63. The current rural transformation requires innovations for smallholders to tackle challenges related to climate change, nutrition and market access. Recent innovations included the convergence approach to nutrition under the NNSPA. FNML promoted community-based forest management plans and best-practice sustainable land management models. The IRRI-led CURE programme has developed an impressive set of technical innovations to reduce vulnerabilities in rice cultivation. FNML and NSLCP are expanding the innovative approach to village banks/NSO and establishing an agricultural refinancing facility to catalyse commercial bank lending to farmers and emerging agribusinesses. PICSA will attract co-investments with the private sector in upland irrigation schemes.

F. South-South and Triangular Cooperation (SSTC)

64. The Government of the Lao People's Democratic Republic has actively pursued SSTC through knowledge sharing with neighbouring countries, especially China, which has also played a key role in infrastructure and rural development investment. The COSOP offers several opportunities for SSTC: (i) crop and livestock production and land management; (ii) small and microenterprise development; and (iii) policy research for climate change.
65. IFAD focusses on three areas to expand SSTC activities and build institutional capacities for: (i) market integration in the ASEAN and (ii) policy engagement through networking among national policy think tanks. IFAD will engage in KM initiatives (e.g. learning fairs, exchange visits) on innovation in agricultural research, as developed by IFAD grant and investment projects. The IFAD Mekong office in Viet Nam coordinates SSTC activities for its five country programmes, including the Lao People's Democratic Republic.

COSOP results management framework

Country Strategy Alignment	Strategic Objectives	Outcome Indicators	Milestone Indicators	Indicative Lending and Non-lending Activities for the Next 3 Years
<p>The National Strategy on Socio-Economic Development 2025 and Vision 2030's objective to facilitate eligibility for graduation from least developed Country status by 2020;</p> <p>The Eighth National Socio-Economic Development Plan (2016 – 2020) to promote inclusive growth through national potential and comparative advantages:</p> <p><u>Outcome 1:</u> Sustained inclusive economic growth</p> <ul style="list-style-type: none"> ➢ Output 3: Integrated Development Planning <p><u>Outcome 2:</u> Human development enhanced</p> <ul style="list-style-type: none"> ➢ Output 1: Improved living standards through poverty reduction, access to services and resources ➢ Output 2: Improved food security and reduced undernutrition <p><u>Outcome 3:</u> sustainable management of natural resource exploitation</p> <ul style="list-style-type: none"> ➢ Output 1: Forest protection, land management, resilience and growth <p><u>Cross-cutting outputs:</u></p> <ul style="list-style-type: none"> ➢ Gender, youth, women and children ➢ Enhance effectiveness of public governance and administration <p>MAF's ADS 2016-2025 and Vision 2030</p> <p>Vision: to ensure food security, establish competitive agriculture production, develop clean, safe and sustainable agriculture production and processing systems, and to progressively shift to a modern, resilient and productive agriculture economy, linking rural development to the national economic.</p> <p>Goals:</p> <ul style="list-style-type: none"> ➢ Efficient, stable climate-adapted agriculture systems ensure food and nutrition security and quality marketable surpluses; ➢ Agriculture production meets sanitary, phytosanitary and environment standards; ➢ Agriculture production creates real jobs and is socially and ecologically sustainable. 	<p>SO1: Smallholders have enhanced resilience to natural shocks and improved food security and nutrition</p>	<p>Outcome 1.1: 27,000 HHS with secure land use titles</p>	<ul style="list-style-type: none"> ▪ 30,000 ha agricultural and forest land classified ▪ 10,000 farmers with registered land use rights ▪ 500 village natural resource management plans made operational 	<p>AFN, FNML, NSLCP</p>
		<p>Outcome 1.2: At least 19,000 HHS adopting climate-smart agricultural technologies for production diversity</p>	<ul style="list-style-type: none"> ▪ 40,000 HHS trained in climate-smart agricultural practices ▪ No. of new climate-smart agricultural practices introduced ▪ At least 30 Technical Service Centres (TSC) are operating sustainably in IFAD-supported provinces 	<p>FNML, AFN, NLSCP, PISCA</p>
		<p>Outcome 1.3: 15,000 HHS reporting increase in productivity</p>	<ul style="list-style-type: none"> ▪ Number of nutrition sensitive value chains developed ▪ 35,000 hh supported with targeted nutrition interventions 	<p>FNML, AFN, PISCA</p>
		<p>Outcome 1.4: At least 24,000 HHS reporting diverse, nutritious and safe diets</p>	<ul style="list-style-type: none"> ▪ 200 village banks established ▪ 1 Refinancing facility established 	<p>NLSCP, FNML; PISCA</p>
	<p>SO2: Smallholders benefit from access to financial services and markets</p>	<p>Outcome 2.1: At least 17,000 rural HHS using improved financial services</p>	<ul style="list-style-type: none"> ▪ 500 Farmer Groups formed ▪ 4,500 HHS accessing matching grants for investing in marketable value addition to agricultural produce ▪ At least 50 PPPs established in the IFAD-supported provinces 	<p>FNML, AFN, NLSCP, PISCA</p>
		<p>Outcome 2.2: 30% increase in value (\$) of agricultural and livestock products from smallholders</p> <p>Outcome 2.3: 8,000 new jobs for rural youth employment, by gender</p>		

Agreement at completion point of last country programme evaluation

An evaluation of the Lao PDR country programme was not undertaken.

COSOP preparation process including preparatory studies, stakeholder consultation and events to be updated

1. The present COSOP 2018-2024 was developed through various stages of consultation with the GoL, DPs and other relevant stakeholders. It started in June 2015 with a COSOP review workshop to assess and discuss the achievements of the COSOP 2011-2016. This workshop was followed up by a meeting in April 2016 to initiate the design of the new COSOP. A follow up COSOP design mission was sent in May 2017.

2. Due to the time elapsed since the first COSOP consultations, it was felt to start afresh. On 16 March 2018, IFAD called for a COSOP in-country consultation workshop in Vientiane, gathering line Government agencies, Development Partners, National and international research agencies and civil society organization. The meeting aimed at finalising the new COSOP design. The consultations was chaired by Dr Kikeo Chanthaboury the Vice-Minister of the Ministry of Planning and Investments and was well attended by various line ministries, including Ministry of Agriculture and Forestry (MAF), Bank of Lao PDR, Lao Farmer Network , national and international Research institutions and multilateral and bilateral donors (see table below). IFAD presented a preliminary outline of the COSOP, based on the previous work and consultations and updated with inputs from supervision and project completion reports. In addition, an updated Social, Environmental and Climate Assessment Procedures (SECAP) provided guidance on climate change and environmental aspects.

Participants, COSOP Consultation Meeting 16 March 2018

Government of Lao PDR <ul style="list-style-type: none"> • Vice – Minister, Ministry of Planning and Investment (MPI) • Ministry of Finance (MOF) • Ministry of Agriculture and Forestry (MAF) • Ministry of Natural Resources and Environment (MONRE) • Ministry of Industry and Commerce (MOIC) • Ministry of Education and Sports (MOES) • Bank of Lao PDR (BoL) 	United Nations <ul style="list-style-type: none"> • Food and Agricultural Organization (FAO) • World Food Programme (WFP) • UN Capital Development Fund (UNCDF) • UN Human Settlements Programme (UN Habitat) • UN Industrial Development Organization (UNIDO) • UN Woman
Civil society <ul style="list-style-type: none"> • Lao Farmer Network 	
National research institutions <ul style="list-style-type: none"> • National Agriculture and Forestry Research Institute (NAFRI) • National University of Lao PDR (NUOL) 	International research institutions <ul style="list-style-type: none"> • International Rice Research Institute (IRRI) • French Centre for Rural and Agricultural Research (CIRAD)
International financial institutions <ul style="list-style-type: none"> • Asian Development Bank • The World Bank • European Union 	Bilateral donors <ul style="list-style-type: none"> • Swiss Agency for Development and Cooperation (SDC) • German Bank for Reconstruction (KfW) • German Technical Cooperation (GIZ) • Luxembourg Development Cooperation (LuxDev) • French Development Agency (AFD)

3. A second round of consultation with convened on 12 July 2018 to review the draft COSOP and to finalise it for presentation to IFAD senior management and IFAD executive board. The second in country consultations were chaired by the Vice-Minister MPI, with high level participation from MAF, BoL and development partners.

4. IFAD internal consultations. The COSOP was developed under active participation of the in-house CPMT, drawing on IFAD's diverse technical expertise. Key CPMT meetings were held during October 2017 and on 25 June 2018, to discuss the draft COSOP.

Natural resources management and climate change adaptation: Background, national policies and IFAD intervention strategies

1. As per IFAD's usual practice, a Social, Environmental and Climate Assessment Procedures (SECAP) study was commissioned to assess of social, environmental, and climate issues in relation to IFAD's objectives and target groups, and to propose relevant recommendations on how to mainstream climate change and environmental issues in the proposed COSOP for Lao PDR COSOP. The SECAP study's objectives are to provide key environmental and social opportunities and actions to influence IFAD's support to Lao PDR rural development efforts towards environmental sustainability and climate-smart development. The text below presents the executive summary and the full text can be retrieved in the COSOP file.

Introduction

2. Despite the progress in the reduction of poverty, Lao PDR remains one of the poorest and least developed countries in South-East Asia. There exist wide and deepening disparities in livelihoods and access to health and education, between urban and rural areas, uplands and lowlands, among different ethnic groups and between men and boys, and women and girls. While agriculture is the mainstay of the economy, farming is largely practiced at the subsistence level, and productive conditions for farmers are generally poor.

3. Poverty is governed by the many other factors, including in particular, the lack of infrastructure in highlands, the restriction of traditional access to forest and forest resources for minority people in the highlands who depend on these resources for their livelihoods, the imposition of restriction in the clearing of forest land for shifting cropping and attempts to resettle upland population to lowland villages, the differing level of poverty across the various ethnic groups, the lack of market opportunities, secure land tenure and inadequate awareness of local community rights, the privatization of lands and forests, some of which are community-managed commons and the granting of land concessions to both foreign and domestic companies for hydroelectric plants, mines, and plantations.

4. The situation is further aggravated by climate-related extremes and natural hazards that are often compounded by insufficient public awareness, lack or inadequacy in preparedness, lack of coordination among inter-government agencies, inadequate financial resources, low level of technical know-how and skills in mitigation of natural disasters, and a strong concentration of knowledge and skills in academic centres alone, without appropriate information dissemination among the vulnerable population groups. Consequently, women are often, particularly those among ethnic minority groups ending up being the hardest hit by climate extremes largely because of their limited access to land, property and other resources.

5. To overcome the constraints that currently prevent ethnic minorities and the disadvantaged, particularly those living in remote mountainous regions of the country from benefiting from the economic programs, requires a shift from short-term development approaches to adopting new and long-term approaches to reducing and managing the development risks and people's vulnerability to environmental, social and climate-related impacts and in addressing the underlying causes that make people

sensitive and exposed to such risks. Moving towards such strategies requires a recognition that people are affected differently by such changes due to their differential access to, and ability to benefit from assets such as natural resources, information or education. It must be also recognized that some of the factors that determine the ability to adopt or adjust to new situations might require actions beyond the individual household level, perhaps at the community or local level, or even at the regional or national level. It would also require the new or redefined policies and markets to be successful.

Recommendations

6. To facilitate risk management for small farmers would require the transformation of agriculture into climate-resilient production systems that can help grow and ecologically sustain agricultural production to its fullest potential. It should also ensure food security and equitable access to food resources, enhance livelihood opportunities and contribute to economic stability at the local and regional level. Given, that IFAD's future programs are likely to focus on small-scale agriculture and the sustainable management of other natural resources through the active engagement of pro-poor and ethnic minorities who are intricately linked with the sustained productivity of the land, efficient water use and access to technical and other support, efforts need to be made during the formulation of these new IFAD programs to find appropriate ways to support the key principles of the sustainable agriculture and natural resources management.

7. In particular, IFAD's programs in the new COSOP should:

- Be flexible, participatory and demand-driven to specifically address the needs of poor and rural ethnic minorities that depend on natural resources;
- Enhance farmer productivity beyond subsistence levels;
- Strengthen the role of women and disadvantaged groups in the natural resources development process;
- Improve community access to natural resources and conservation practice;
- Enhance farmer resilience to climate change;
- Improve communal assets and governance structures for natural resources to ensure social benefit and impact from development processes;
- Support actions for environmental and social sustainability; and
- Ensure livelihood diversification as a core element of any pro-poor natural resources strategy.

8. The following are strategic actions that are proposed:

Priority Strategic Actions	IFAD Opportunities
Improved agricultural land access	<ul style="list-style-type: none"> • New projects designed to target improved access to agriculture lands, natural resources and sustainable NRM practice in priority upland areas • Policy dialogue to improve agricultural land access for the rural poor, particular upland farmers
Enhanced gender and ethnic specific response strategies in areas of natural resource management, climate risk management and food security	<ul style="list-style-type: none"> • Investments that promote participatory approaches that targets the specific role of women and men in natural resources management and that acknowledges that family sustenance, nutrition and household security are primarily a women's responsibility are ways of dealing with gender and ethnic minority discrepancies • Integrating gender and ethnic sensitivity at all institutional levels in natural resource management and agriculture activities

	<ul style="list-style-type: none"> • Use IFAD experience and disseminate knowledge products
Improved food security and reduced inequality	<ul style="list-style-type: none"> • Investments in target villages ensures the promotion of food security as main priority • Addressing inequality of opportunities to protect poor households from falling back into poverty and food insecurity
Improved transparency and enforcement in land concession policies	<ul style="list-style-type: none"> • Support alternatives for large-scale land concessions (through agro-forestry and smallholder farming) • Develop mechanisms that provide information on concession policy and concession deals are made publicly available • Promote participatory consultations, evaluation and monitoring of concessions • Support improved standards and monitoring of corporate social responsibility during implementation • Develop mechanisms that ensures rights of communities through safeguard mechanisms based on free and informed consent
Improved sustainable production patterns	<ul style="list-style-type: none"> • Promote natural resource management approaches for stabilization of shifting cultivation and climate change adaptation measures that are adopted to specific socio-economic and agro-ecological conditions • Policy dialogue on multi-functional nature of shifting cultivation • Capacity building for delivery of agricultural and natural resource agencies to provide extension support
Maintenance of ecosystem functions	<ul style="list-style-type: none"> • Investments that support maintenance of resilient ecosystems as a means to contribute to reduction of social vulnerability to climate change in poverty reduction programs • Knowledge products that enhance beneficiaries capacity to enhance functions of natural ecosystems to compensate for the effects of climate change
Proper land use planning	<ul style="list-style-type: none"> • New investments that support integrated village-level land use planning, including recognition of communal lands and tenure arrangements • Policy dialogue regarding villagers access to forests and forest products, including role of women as land owners and decision-makers on natural resources
Resettlement of villages	<ul style="list-style-type: none"> • Promote dialogue on identifying alternatives to resettlement • Promote dialogue on land access and development opportunities for resettled villagers
Improve policy dialogue an partnerships	<ul style="list-style-type: none"> • At project identification and design phase enter into early dialogue with international agencies to seek partnering opportunities for enhancing technical and policy impact outcomes
Recognizing climate adaptation needs	<ul style="list-style-type: none"> • Extend knowledge to the targeted poor • Develop project activities that reduce adaptation deficit in pockets of poverty

Options for Accessing Supplementary Financing for SECAP

9. Supplemental sources of other external financing offers opportunities for addressing environmental issues of global significance, i.e. the Global Environment Facility (GEF) or for climate change i.e. the Green Climate Fund (GCF) and GAFSP. In addition, ASAP offer opportunities for enhancing the mainstreaming of climate change adaptation in small-scale agriculture. While, funding from external sources are small, uncertain and tied to specific global priorities, Lao PDR's financial resource constraints should not be a barrier

to tackle environmental or climate change adaptation or mitigation challenges. Sharing of IFAD's experience in other geographies and similar climates by improving knowledge dissemination in identification of issues and solutions so that smallholder farmers can access the information tools and technologies that help build their resilience to climate change. It is also equally important that IFAD through its policy engagement in the new COSOP period help Lao PDR recognize the long-term benefits that it can derive from actions that facilitate the mainstreaming of environment, social and climate change adaptation into its development programs.

Country at a glance

	1990	2000	2010	2015
Population, total (millions)	4.26	5.33	6.25	6.76
Population growth (annual %)	2.9	1.7	1.5	1.4
Surface area (sq. km) (thousands)	236.8	236.8	236.8	236.8
Population density (people per sq. km of land area)	18.5	23.1	27.1	29.3
Poverty headcount ratio at national poverty lines (% of population)	..	33.5	23.2	16.7
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)	22.9	26.1	16.7	16.7
GNI, Atlas method (current US\$) (billions)	0.83	1.5	6.24	14.54
GNI per capita, Atlas method (current US\$)	190	280	1,000	2,150
GNI, PPP (current international \$) (billions)	4.44	9.51	22.83	39.99
GNI per capita, PPP (current international \$)	1,040	1,780	3,660	5,920
People				
Income share held by lowest 20%	8.2	8.1	7.3	7.3
Life expectancy at birth, total (years)	54	59	64	67
Fertility rate, total (births per woman)	6.2	4.3	3.3	2.9
Adolescent fertility rate (births per 1,000 women ages 15-19)	107	80	70	64
Contraceptive prevalence, any methods (% of women ages 15-49)	19	32	50	..
Births attended by skilled health staff (% of total)	..	17	37	..
Mortality rate, under-5 (per 1,000 live births)	162	118	80	67
Prevalence of underweight, weight for age (% of children under 5)	39.8	36.4	26.5	..
Immunization, measles (% of children ages 12-23 months)	32	42	64	88
Primary completion rate, total (% of relevant age group)	43	68	85	100
School enrolment, primary (% gross)	98.5	106.7	122.9	111.3
School enrolment, secondary (% gross)	23	34	46	62
School enrolment, primary and secondary (gross), gender parity index (GPI)	1	1	1	1
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..
Environment				
Forest area (sq. km) (thousands)	176.4	165.3	178.2	187.6
Terrestrial and marine protected areas (% of total territorial area)	1.5	16.6	..	16.7
Annual freshwater withdrawals, total (% of internal resources)	..	..	1.8	1.8
Improved water source (% of population with access)	..	46	68	76
Improved sanitation facilities (% of population with access)	..	28	59	71

	1990	2000	2010	2015
Urban population growth (annual %)	5.1	6.3	5	4.1
Energy use (kg of oil equivalent per capita)	..	..	..	..
CO ₂ emissions (metric tons per capita)	0.05	0.18	0.26	0.33
Electric power consumption (kWh per capita)	..	..	..	..
Economy				
GDP (current US\$) (billions)	0.87	1.73	7.13	15.9
GDP growth (annual %)	6.7	5.8	8.5	7
Inflation, GDP deflator (annual %)	37.9	24.8	9.2	3
Agriculture, value added (% of GDP)	61	45	31	19
Industry, value added (% of GDP)	15	17	32	33
Services, etc., value added (% of GDP)	24	38	36	48
Exports of goods and services (% of GDP)	11	30	36	29
Imports of goods and services (% of GDP)	25	44	38	39
Gross capital formation (% of GDP)	14	14	25	26
Revenue, excluding grants (% of GDP)	..	..	14.5	15.8
Net lending (+) / net borrowing (-) (% of GDP)	..	..	-0.9	-3.7
States and markets				
Time required to start a business (days)	..	131	85	67
Domestic credit provided by financial sector (% of GDP)	5	9	26.7	..
Tax revenue (% of GDP)	..	..	13	13.5
Military expenditure (% of GDP)	9.1	0.8	0.2	0.2
Mobile cellular subscriptions (per 100 people)	0	0.2	62.6	53.1
Individuals using the Internet (% of population)	0	0.1	7	18.2
High-technology exports (% of manufactured exports)	..	..	..	..
Overall level of statistical capacity (scale 0 - 100)	..	..	70	64
Global links				
Merchandise trade (% of GDP)	31	50	53	49
Net barter terms of trade index (2000 = 100)	..	100	121	100
External debt stocks, total (DOD, current US\$) (millions)	1,769	2,531	6,525	11,645
Total debt service (% of exports of goods, services and primary income)	8.6	8	13.1	10.9
Net migration (thousands)	-45	-175	-118	..
Personal remittances, received (current US\$) (millions)	11	1	42	93
Foreign direct investment, net inflows (BoP, current US\$) (millions)	6	34	279	1,079
Net official development assistance received (current US\$) (millions)	149.1	280.9	413.4	471.1

Source: World Development Indicators database

Figures in blue refer to periods other than those specified.

Preliminary Project Concept Note (PCN): Lao PDR Partnerships for Irrigation and Smallholders Commercial Agriculture (PISCA) – Summary Note to inform OSC

Project ID 22000001892

1. Context

A. National context and rationale for IFAD engagement

1. The national socio-economic context is presented in the COSOP 2018 – 2024. The present PCN focus on a short description of the irrigation relevant context
2. Overview of the Irrigation Sector. The Government invested in irrigation infrastructures during the mid 90's and early 2000's, in particular in pump irrigation for paddy production in the main Mekong plains. As a result, irrigated areas covered about 420,000 ha in 2015, which falls short of the ambitious target of 800,000 ha for the Five Year plan 2011-2015. The public investments had almost immediate impact on increased paddy rice production. The government objective to reach national self-sufficiency in rice was attained by 2000. The dry season, irrigated paddy production contributes about 13 percent to the total national production.
3. The Irrigation Law, consequent decrees and regulations foresee that irrigation infrastructures ownership and management are transferred from the State to registered Water Users Association (WUA) in a systematic Irrigation Management Transfer process. In fact, the majority of farmers founded informal Water User Groups only, most of which lack management and financial capacity to operate and maintain infrastructures. Government provides public budget on to repair and upgrade infrastructures in order to maintain paddy production capacity and reach production objectives. Still, consultations found that both public services in provinces and district level and WUGs lack capacity and support. During the last years, development partners (AfD, AsDB, WB, JICA and others) have supported the rehabilitation of irrigation schemes and related policies. Interventions combined infrastructure rehabilitation and improved irrigation management.
4. Rationale for IFAD investments. In spite of the good intention and actual budget support by Government, the Irrigation Management Transfer policy has not yet succeeded in establishing a sustainable and self-financing irrigated agricultural sector.
5. Dry season paddy production generates low returns to farm labour which discourages farmers to continue irrigated paddy production. Reportedly, farmers either rent out their land to foreign investor or abandon their fields during dry season. Cases are reported that foreign investors rent such lands for intensive crop cultivation which includes applying high doses of agro-chemicals. This practice risks that significant quantities of residues remain in water and soil harming future crop production and people's health.
6. The results of past investments in capacity building and infrastructure rehabilitation demonstrate that these investments alone do not suffice to develop viable irrigation schemes. These interventions are necessary but they can only bring expected benefits if they support a market driven approach to agricultural production. This is particularly true for the dry season crop. The potential for diversified commercial agricultural production and irrigators' community needs are to be the starting point
7. IFAD experiences in Lao PDR and in the Mekong region can bring significant added value in those areas that directly contribute to a sustainable irrigated agricultural model: (i) community-led development planning and implementation (ii) pro-poor

value chain development (iii) nutrition and food security (iv) climate adaptation linked with productive investments.

8. The “Partnerships for Irrigation and Smallholders Commercial Agriculture” (PISCA) is proposed for IFAD funding. It aims addressing the above mentioned development issues in irrigated agriculture in rural Lao PDR. PISCA would complement investments in irrigation by government and other development partners.

9. IFAD has been requested the Ministry of Agriculture and Forestry and the ASDB to cofinance the Northern Rural Infrastructure – Additional Financing 2 (NRI-AF2) in four provinces in the north. In addition, PISCA may also cofinance the ongoing ASDB funded Greater Mekong Sub-region East-West Economic Corridor Agriculture Infrastructure Sector Project (GMS-EWEC AISP), implemented in two provinces in the south. Other potential collaborations are being explored.

2. Project Description

B. Project objectives, geographic area of intervention and target groups

10. The Goal of PISCA is “to reduce poverty among among women and men in the programme areas”. PISCA’s Development Objective is to assist “households achieving resilient livelihoods”. The programme aims to address its objective through two outcomes/components: (i) irrigated smallholders’ agriculture becomes profitable (ii) rural households attain improved nutrition status.

11. These outcomes are complementary to the two outcomes of the NRI-AF2 project: (i) Irrigation and transport infrastructures are upgraded / modernized and climate proofed; (ii) Farmers effectively manage land and water resources in the irrigation scheme and adjacent catchment areas.

12. Target Groups. The target group consists of men and women smallholder farmers and youth, residing within the irrigated scheme and its catchment area. Rural youth will be a subset of the target group. They will be specifically targeted to engage in agriculture, off-farm activities such as post-harvest, trade and transport, as part of the value chain activities. PISCA promotes a strong linkage between lowland irrigation and upland farming within the same catchment area through agricultural support and value chain development. Ethnic groups that reside in the uplands adjacent to the irrigation area will be encouraged to engage in the agricultural, water and soil management activities, fish farming and non-farm opportunities.

C. Components/outcomes and activities

13. Component 1 - Irrigated smallholders’ agriculture becomes profitable. Farmers would experiences yield increases of at least 20 percent and the value of diversified farm produce would substantially increase. The outcome will be made possible through five outputs and related activities.

14. Five outputs would contribute to outcome 1: Output 1.1- District level staff and village authorities trained in terms of group formation, registration and governance. ; (1.2) Water User Groups (WUG) established. WUGs are established (or identified) in each irrigation scheme and trained for water infrastructure O&M and WUG management and administration; (1.3) Strategic Investment Plans (SIP) developed. At catchment area level, farming communities will be trained and assisted to develop Strategic Investment Plans as a first step towards developing commercial value chains. Priority will be on production practices that improve on-farm productivity,

climate change adaptation capacity and nutritional outcomes; (1.4) Farmer Group investments implemented. At village or Kumban level, based the SIP outcomes, farmers establish commodity-specific Farmer Groups (FG) to develop their agricultural production to commercial quality and volumes. These will be supported with technology and finance to implement their business plans. (1.5) Agribusiness investments. Agribusiness development will be stimulated through: (i) Multisector Platforms to facilitate linkages between the Farmer Groups and agribusinesses; (ii) Competitive agribusiness co-investment facility to leverage private financing in the value chains.

15. Component 2- Community-led Nutrition Interventions are expected to lead to reduced undernutrition rates. These would be achieved through the output 2 nutrition training and interventions and at family level and irrigation system and watershed level.

D. Theory of Change

16. The Theory of Change is that farmers groups and water users' groups/association would transform into economically viable entities. A market led agricultural production (rainfed in lowland uplands and from irrigation schemes) would generate enough revenue to cover operation costs and generate surplus to meet various social and economic needs of the target group. The basic assumption is that farmers currently do not produce along a market demand and hence, they cannot generate enough revenues from rice production as first and second crop alone. Diversification in crop production and non-farm productive activities are limited.

17. Investing in the capacities of public technical services, farmers technical knowledge and business skills would aim at transforming agriculture from a predominantly subsistence to a profit oriented sector. Local markets and linkages with private sector would be developed through strategic investment planning from community to provincial levels. Constraints along the value chain would be addressed through information and technical services to create high-quality better products, underpinned by transport and post-harvest facilities. Financial incentives would be applied strategically such as matching funds for farmer groups and co-investment grants to incentivize private sector. Climate-smart farming practices would be mainstreamed to address environmental threats from improper agricultural practices.

18. Undernutrition is widespread in rural areas, especially remotely living ethnic groups. Poor nutritional status would undermine the above intended development efforts moreover, value chains can be made nutrition sensitive to augment both nutritional status in women and children and cash revenues to farm investments. Both outcomes would gradually render households more resilient, to climate shocks, fluctuating revenues from market and the consequences of nutritional deficiencies. In the long-run, farming families would prosper and get out of poverty.

E. Costs and financing

19. The NRI-AF2 is estimated to cost US\$ 67 million. IFAD would allocate about US\$ 11 million from its current PBA 2019-2021 i.e. US\$ 21 million. IFAD would allocate the remaining US\$ 10 million to the ASDB funded GMS-EWEC AISP. The total project cost of the latter is US\$ 60 million.

20. For the NRI-AF2, IFAD funding for PISCA would be for six years (to be confirmed in the detailed design) The ASDB has estimated its contribution the NRI-AF2 at USD 34.7 million. The Green Climate Fund would finance USD 20 million with contributions

from GiZ and FAO as implementing partners. The Government of Lao PDR (GoL) would finance primarily for staff salaries and taxes and duties.

21. The European Union intends to cofinance a nutrition support program with Euro 4.5 million, to be attached to the NRI-AF2. The GIZ/FAO propose to cofinance catchment management in three of the four NRI-AF2 provinces. This will be funded parallel cofinancing for a yet to be defined amount solicited from the Green Climate Fund.

F. Timing

22. PISCA would be presented for approval by the Executive Board in September 2019, following the endorsement by the OSC in January/February 2019.

PI SCA

CONCEPT NOTE - Lao People's Democratic Republic Partnerships for Irrigation and Smallholders Commercial Agriculture (PI SCA)

Logical Framework

Results Hierarchy	Indicators					Means of Verification			Assumptions (A) / Risks (R)
	Name	Base line	YR	Mid-Term	End Target	Source	Frequency	Responsibility	
Goal: To reduce poverty among women and men in Rural Lao PDR	Indicator 1: xx HH out of poverty by increasing per capita income above poverty line threshold by Project-end								
Development Objective: Households achieve resilient livelihoods	Indicator 2: Increased farmers' Income by at least 20% by the end of the project					Project M&E	Yearly	Province and District agency level	A: Rural labour availability allows to crop the command areas at full potential; A: Mechanization and productivity increase compensate for potential lack of labour A: productivity gains materialize quickly after investment
	Indicator 3: Resilient agriculture through sustainable natural resources management (including water, agriculture soils and forest land)					Project M&E	Yearly	Province and District agency level	A: Local Institutions (village and groups committees) become able to manage infrastructures and natural resources within the first two years of the project
Outcome 1: Irrigated smallholders' agriculture becomes profitable	Indicator 4: xx Farmers reporting yield increases of (> 20% above baseline) by project completion					Project M&E	Yearly	Province and District agency level	R: Policy targets in terms of rice sufficiency limits profitability; A: Project investments directly benefit smallholders;
	Indicator 5: Gross total value of marketed commodities per year					Project M&E	Yearly	Province and District agency level	A: WUG members comply with agreed by-laws including payment of Irrigation Service Fee
Outputs: 1.1 District level staff and village authorities trained	Indicator 6: # District staff and village authorities effectively support and oversee groups management and administration					Project M&E	Yearly	Province and District agency level	A: Local institutions promote good governance and wide participation R: Elite capture,
1.2 WUG committee trained	Indicator 7: # WUG committees define their rules and by-laws, implement sound Operation and Maintenance plan and manage group administration					Project M&E	Yearly	Province and District agency level	A: groups committee mobilize their members and ensure compliance to rules, by-laws and payment of Irrigation Service Fees (ISF)

Results Hierarchy	Indicators					Means of Verification			Assumptions (A) / Risks (R)
	Name	Base line	YR	Mid-Term	End Target	Source	Frequency	Responsibility	
1.3 Strategic Investment Plans prepared(SIP)	Indicator 8: # Strategic Investment plans show return on investment above 8%					Project M&E	Yearly	Province and District level	A: Communities express and are able to identify and analyse their development priorities R: Limited capacity to draft acceptable quality Strategic Investment Plans
1.4 Farmer Group investments planned and implemented	Indicator 9: # FG Investment Proposals implemented and show return to land and labour increase by 20%. Indicator 10: # Groups and farmers receive agricultural extension service from diversified providers (private, public, F2F).					Project M&E	Yearly	Province and District level	A: Farmer groups use grant facility for productive investments R: Extension grants are mismanaged A: Non-public extension services providers are interested in participating in the project R: Lack of support from public agencies for alternative extension services models
1.5 Agribusinesses invest in value chains and partner with farmer groups	Indicator 11: # agribusinesses cofinanced sustainable and profitable investments in the value chains, benefiting # smallholder households					Project M&E	Yearly	Province and District level	A: Formal private sector is interested in commercial partnerships with Farmers Groups R: Private stakeholders lack technical capacity and capital to contribute in the co-investment mechanism
Outcome 2: Rural households have improved nutrition	Indicator 12: Minimum Dietary Diversity Score for women (women consume at least five out of the defined 10 defined food groups daily) as proxy indicator for household diet quality					Project M&E	Yearly	Province and District level	A: Commitment from agencies involved in the national convergence approach to nutrition
Output 2 Nutrition related activities are implemented in line with the national convergence approach	Indicator 13: Completed nutrition training and at family level and irrigation system / watershed level					Project M&E	Yearly	Province and District level	A: Measures proposed fit the customs of target group

Key file 1: Rural poverty and agricultural/rural sector issues

Priority Areas	Affected Group	Major Issues	Actions Needed
Natural resource management	All the rural households particularly the poor, women-led households, ethnic groups that rely on traditional subsistence farming techniques	<ul style="list-style-type: none"> • Increasing clearing of forest and land for commercial development • Unsustainable exploitation of traditional farming systems • Unprotected biodiversity • Need for a stronger control / management of the imported chemical substances (insecticides, herbicides or others) 	<ul style="list-style-type: none"> • Climate resilient and sustainable farming system • Fair access to and sustainable use of NTFP • Institutionalisation of participatory land use planning processes • Rainwater harvesting • NRM-driven processes and techniques • Promotion of GAP with emphasis on clean and green agriculture
Sustainable agricultural practices	All the rural households particularly the poor, women-led households, ethnic groups living in resettled lowland and upland areas	<ul style="list-style-type: none"> • Monoculture of rice • Sporadic production of food crops and livestock • Lack of specialization and diversification • Excessive use of natural resources related to production • Dry season with no or little production 	<ul style="list-style-type: none"> • Integrated farming system • Linking agriculture to natural resource management • Diversified on-farm and off-farm IGAs • Capacity building on IG knowledge and skills • Enforcement of agriculture and environmental laws and regulations
Food security	All the rural households particularly the poor, women-led households, ethnic groups that experience frequent hunger seasons	<ul style="list-style-type: none"> • HH-level food insufficiency in certain months • Poor nutrition structure and sensitivity • Widespread undernutrition of children under five and above • Limited food processing • Losses in post-harvest management 	<ul style="list-style-type: none"> • Partnership with agencies directly assisting food sufficiency and basic asset building • Diversified agricultural production • Fair access to and sustainable use of NTFP • Enhance post-harvest management
Farmers' organization	All the rural households particularly the poor, women-led households, ethnic groups that rely on	<ul style="list-style-type: none"> • Low gate-price at the low end of the value chain • Passive process and poor power of 	<ul style="list-style-type: none"> • Promoting farmers' associations and cooperatives leading to organized farming and marketing • Build service capacities in contract farming and

Priority Areas	Affected Group	Major Issues	Actions Needed
	traditional subsistence farming techniques	<ul style="list-style-type: none"> bargaining • Smallholder production with non-standardized quality and packaging • Limited access to market information • Lack of negotiation skills and understanding on contract farming • Farmers are scattered creating difficulties in group formation • Reluctant to adapt new production technique 	<ul style="list-style-type: none"> cooperative marketing among farmers' associations • Including the economically active poor in farmers' associations • Link farmers' associations to production sector specialization • Provide training to farmers on financial education/management
Extension support	<p>All the rural households, particularly those who intend to produce beyond the subsistence level</p> <p>Extension workers, especially those who intervene at district and village levels</p>	<ul style="list-style-type: none"> • Homogeneous service support • Administrative service • Intermittent support mechanism at village level • Professionals and technicians lack of up-to-date training on skills and knowledge • Poor service mobility vs. wide and remote area of coverage • Lack of incentive system for consistent support at village level • Lack of understanding on production technique of emerging crops that private sector introduced recently. 	<ul style="list-style-type: none"> • Enhancing the Technical Service Centre for extension service • Piloting effective extension support model at grassroots level • Replicate and scale up success stories • Technical training for extension staffs in skill and knowledge specialization and diversification • Piloting incentive system for village-level support • Integrate project support into the extension institutional network
Enabling environment for improvement livelihoods	All the rural households particularly the poor, women-led households, ethnic groups that experience frequent hunger seasons	<ul style="list-style-type: none"> • Lack of social infrastructure and services • Difficult access to health and medical care • Very basic sanitation and hygiene conditions • High illiteracy rate 	<ul style="list-style-type: none"> • Access to road • Access to improved social infrastructure- sanitation and domestic water supply • Better access to land • Access to credit/finance • Irrigation systems

Priority Areas	Affected Group	Major Issues	Actions Needed
			<ul style="list-style-type: none"><li data-bbox="1373 244 1966 274">• Introduce alternatives for income generation<li data-bbox="1373 288 2011 376">• Partnership with agencies investing in improving conditions of health, education, sanitation and hygiene

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats analysis)

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
Enablers				
Ministry for Planning and Investment	<ul style="list-style-type: none"> • Mandate to plan and monitor national socio-economic development plan. • Responsible for planning and monitoring of public investment program and NGPES. • Manage foreign aid coordination, portfolio management and monitoring and evaluation of foreign assistance programmes and projects. • Some capacity to interact and coordinate with the donor community, central ministries and provinces. 	<ul style="list-style-type: none"> • Public Investment Programme dependent on external financial and technical assistance, resulting in donor-driven approaches and initiatives. • Inexperience in selecting/screening agribusiness. • Lack of experience for field operational management of development projects. • Only represented down to district level. • Limited capacity for adequate backstopping of rural development projects. • Heavy workload and limited number of staff. 	<ul style="list-style-type: none"> • All IFAD projects are part of the national and provincial public investment programme. • Highly supportive of IFAD's strategy in Lao PDR. • Well aware of the country development needs and priorities. • Participated in rural poverty reduction programmes. • Experience and familiarity with IFAD-financed projects and procedures. • Willing and able to coordinate with provincial authorities and central agencies on policy and major operational issues. 	<ul style="list-style-type: none"> • MPI is the lead agency for IFAD country programme in Lao PDR
Ministry of Finance	<ul style="list-style-type: none"> • Mandate of administration of financial assistance, including loans from international financial institutions. • Mandate to manage government counterpart funds for externally financed projects. • Familiar with IFAD-financed 	<ul style="list-style-type: none"> • Lack of decentralized procedures for financing and financial management. • Limited number of experienced staff in managing loan disbursements. • Only represented down to 	<ul style="list-style-type: none"> • Highly supportive of IFAD's strategy in the country. • Willing to provide training to the finance staff in the provinces. • Willing to supervise the financial performance of externally financed projects. 	<ul style="list-style-type: none"> • In charge of the financial management for international development funding • International debt responsibility on behalf of the

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
Ministry of Agriculture and Forestry	<p>projects and procedures.</p> <ul style="list-style-type: none"> Originally mandated to guide and support the development of the agriculture and forestry sector (including crops, livestock, aquaculture, irrigation, agro-forestry and non-timber forest products. Mandate has been expanded to cover rural development, cooperatives and agro-processing. Experienced in supporting development of lowland agriculture with a strong focus on irrigated rice. Well-staffed network nation-wide. Staff with capacity to use GIS planning tools. 	<p>district level.</p> <ul style="list-style-type: none"> Few technical staff available to respond to the needs of the provincial and district offices. Few staff capable of responding to the complexity of agriculture and farming systems. No sustainable options offered in exchange of shifting cultivation Limited experience in promoting agribusinesses Limited demonstrated capacity in agro-forestry Shortage of operational irrigation network Land zoning yet to be completed at set target 	<ul style="list-style-type: none"> Involved in implementing donor-financed agricultural and rural development projects. Undergoing organizational restructuring for service efficiency Potential of scale up for efficient extension support model 	<p>government</p> <ul style="list-style-type: none"> Different technical departments and research institutes under MAF
Ministry of Industry and Commerce	<ul style="list-style-type: none"> Responsible for governing and developing industrial activity and commercial activity. Mandate to regulate and promote manufacturing, trade, import and export activity Mandate to coordinate all SMEs 	<ul style="list-style-type: none"> Minimum experience of agribusiness management Inexperience in value added through processing agriculture product Lack of logistic facility at border check point (cooling storage) Limited experience in trade negotiation to remove trade barriers Lack of internal trade support capacity and policy 	<ul style="list-style-type: none"> Possibility of integrating project to promote and strengthen capacity of SME under the Trade Development Facility (TDF) Potential to facilitate market access and food availability Negotiate with neighbouring countries to remove trade barriers under WTO and ASEAN 	

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
		consistency		
Ministry of Health	<ul style="list-style-type: none"> • Mandate to ensure the full health service coverage, justice and equity to increase the quality of life of all Lao ethnic groups • Responsible for secretariat on National food and nutrition security 	<ul style="list-style-type: none"> • Low accessibility to Health Care Service • Inadequate quality of care • Low utilization of clean water and sanitation. • Insufficient financing in health sector. • Limited staff at the Kumban and village level 	<ul style="list-style-type: none"> • Up-scale convergence approach to address emerging issues • Potential to facilitate health information and nutrition education • Promotion of food safety throughout agriculture production process 	<ul style="list-style-type: none"> • Ministry of Health has experience in behaviour change in WASH sector
Ministry of Communications, Transport, Posts and Construction	<ul style="list-style-type: none"> • Mandate to plan and manage road construction and operation and operation and maintenance (O&M) programmes. • Special division of roads to support rural road development. 	<ul style="list-style-type: none"> • Reduction of production areas (e.g. building roads on production areas) • Shortage of technical staff to support the provincial and district offices. • Focus on road maintenance required. 	<ul style="list-style-type: none"> • Road access in rural areas • A Road Maintenance Fund established with the assistance from WB and Sweden to provide guideline and funding for O&M of rural access roads. • Risk of corruption through numerous contracts with private or state-owned construction companies. • Can provide technical and engineering guidance for project-assistance infrastructures 	
Ministry of Natural Resource and Environment	<ul style="list-style-type: none"> • Responsible for two types of forests: protection and preservation forests • Responsible for land administration • Responsible to manage, monitor and assess the water resources 	<ul style="list-style-type: none"> • Recent established ministry with limited number of staffs • Potential overlap in mandate with other ministries (e.g. forestry, land issues) • Overloaded by emerging issues and fields of 	<ul style="list-style-type: none"> • Receive assistance from a number of multinational and bilateral support projects • Facilitate clean development and green city • Monitor of environmental impacts on water, soil, etc. 	Initiatives related to NRM and CC coping strategies

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
	<p>and environment</p> <ul style="list-style-type: none"> • Coordinate with international river basin • Forecasting and Early Warning system 	<p>intervention (e.g. CC)</p> <ul style="list-style-type: none"> • A number of policies and strategies yet to be formulated to guide operational initiatives. 		
Bank of the Lao	<ul style="list-style-type: none"> • Mandated as the Central Bank to manage monetary policy. • Mandate to implement banking and financial sector reforms. • Mandate to regulate and co-ordinate all policy and commercial lending within the country. • Responsible for banking supervision. • Develop strategy and regulation on rural finance • Successfully collaborating with GIZ to develop the village banking system. 	<ul style="list-style-type: none"> • Slow to adapt policies and regulations to the fast changing environment of rural finance. • Limited ability to regulate and co-ordinate policy and commercial lending. • Limited coverage in providing financial service in the rural areas 	<ul style="list-style-type: none"> • Policy formulator for microcredit • Regulator for deposit-taking and non-deposit-taking MFIs • Familiar with IFAD-financed projects and experienced in on-lending loans from IFAD to commercial banks under ongoing projects. • Received technical support from IMF, WB, and ASDB, GIZ. • Donor interest in expanding village bank network working with BoL. 	<p>Policy advisory service in rural finance.</p> <p>Piloting innovative practices in rural microcredit.</p> <p>Facilitating microcredit operations at field level.</p>
Lao Women's Union	<ul style="list-style-type: none"> • A mass organization with a mandate specific to women. • Years of community mobilization experience. • Widespread presence down to village level. • Promotes the interests of women and poor households in all fields. • Notions of poverty reduction focus and strong social focus • Works at very local, decentralized 	<ul style="list-style-type: none"> • Inadequate numbers of staff, equipment and operating funds for its mandated responsibilities. • No technical expertise for on and off-farm income generating activities and in the technical field of nutrition. • Limited operational resources. • Weakly trained staff at local 	<ul style="list-style-type: none"> • The presence of the Lao Women's Union network down to the village level is an opportunity for community development and gender mainstreaming. • Focus on poor households. • Coaching and informing poor households. • Local basic skill training in the villages. • Continuously seeking for 	<ul style="list-style-type: none"> • Basic training in the villages and coaching of the poorest towards the production and marketing models. • Strategic strengthening of gender issues.

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
	<p>level.</p> <ul style="list-style-type: none"> Dedicated staff. 	<p>level.</p>	<p>opportunities of forming women-led groups/ associations/cooperatives.</p>	
Farmers' associations and cooperatives	<ul style="list-style-type: none"> Emerging organizations of farmers Dynamic growth Often well organized value chain actors Financial capacity rather good Experience in processing, production Own network of trainers and know-how 	<ul style="list-style-type: none"> Lack of strong governance Often dominated by a few members Not necessarily created purposely for the IFAD target group Very limited coverage Often not yet well structured and operating as cooperative per crop 	<ul style="list-style-type: none"> Potential to organize poorer rural people in associations Potential to strengthen these associations Strengthening capacity in business operations and management 	<ul style="list-style-type: none"> Increasingly important players in agriculture and rural development
Private enterprises	<ul style="list-style-type: none"> Dynamic growth in the country Profit and cost-efficiency driven Increasingly covering rural production, processing, marketing 	<ul style="list-style-type: none"> Investor profit driven Only active where market efficiency is high Not necessary created in good convergence with the IFAD target group Increase use of chemical substances Complicated taxes rate and procedures 	<ul style="list-style-type: none"> Value chain Organized production and marketing Rural micro and small entrepreneurship and rural self-employment 	<ul style="list-style-type: none"> Value chain promotion and market access Most of private enterprises/companies are FDI.

Key file 3: Complementary donor initiatives/partnership potential

Donor/ Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy Potential
World Bank	<p>Health Governance and Nutrition Development Project</p> <ul style="list-style-type: none"> • improved health management information system • Nutrition is expected to be improved through the development of a national behaviour change communications strategy 	13 of 17 provinces	USD 26.40 million committed. Closing in 2020.	<ul style="list-style-type: none"> • 40% of project resources allocated to nutrition and food security objectives. • Overlapping provinces with IFAD supervised and GAFSP-funded Strategic Support for Food Security and Nutrition Project
	<p>Small and Medium Enterprise Access to Finance Project</p> <ul style="list-style-type: none"> • Long-term funding sources for banks for onward long-term credit to small and medium enterprises • Risk Sharing Facility • Technical Assistance for SME development strategy 	Sector-wide	USD 20 million. Closing 2019.	<ul style="list-style-type: none"> • Lessons can be drawn from credit line facility for envisaged IFAD investment in Ag. Refinancing Facility.
	<p>Poverty Reduction Fund-Phase III</p> <ul style="list-style-type: none"> • Participatory village and kumban planning • Social and productive infrastructure • Livelihood and Nutrition 	Huaphanh, Sekong, Attapeu, Champasak, Saravan, Luangnamtha, Xienghuang, Luang Prabang, Oudumxai, Savanakhet	Phase started from 2017. Total project cost USD 21.3 million	<ul style="list-style-type: none"> • Includes responsive funding for local initiatives • Room for partnering on livelihoods and productive infrastructure in overlapping provinces

Donor/ Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy Potential
	Lao PDR Agriculture Commercialization Project (Concept) <ul style="list-style-type: none"> • Enhance the competitiveness and sustainability of Lao PDR 's agriculture sector 	Starting in the first phase with a cluster of 3-5 contiguous provinces	USD 35 million, planned to start in 2018	<ul style="list-style-type: none"> • COSOP investment would provide a rural finance and land use rights overlay to the WB investment.
ASDB	The Northern Rural Infrastructure Development Sector Project <ul style="list-style-type: none"> • Increased agricultural productivity • Irrigation systems and rural access roads together with associated initiatives to enhance agricultural productivity. 	Bokeo, Luang Namtha, Oudomxay and Phongsaly	A grant of USD 23 million approved in Nov. 2010. Expected project duration: 2011 – 2017	<ul style="list-style-type: none"> • Agricultural infrastructures • Contract farming • Commercialization for rural smallholders • Integrated water resource management • Eco-environment protection • Support to indigenous people
	ASDB-IFAD parallel financed-Northern Smallholder Livestock Commercialization Project – Rural Financial Services Programme	Four provinces of Luang Prabang, Luang Namtha, Xienkuang and Huapanh	ASDB- USD 21 million IFAD- USD 10 million 2015-21	<ul style="list-style-type: none"> • Increased livestock sales from sustainable smallholder production • Strengthening producers' groups and • Improving access to rural financial services

Donor/ Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy Potential
	ASDB Greater Mekong Sub-region Biodiversity Corridor Initiative (BCI)	Project will maintain and consolidate forest ecosystem connectivity between Xe Xap NPA in Sekong with Dong Ampham NPA in Attapeu and Xepian and Dong Hua Sao NPAs in Champasak	USD 20 million grant to enable rewards from village-based forest protection and restoration. Phase 1 was implemented between 2006 and 2009 in 11 villages in Champasak. 2011 - 2018	Will identify viable pilot sites for reduced emissions from deforestation and forest degradation (REDD+) to leverage additional funding from REDD for forest protection and restoration. Will establish inventory sample plots, conduct biodiversity surveys and draft village forest management plans. Selected villages will get small-scale infrastructure support - \$100,000 per village, primarily for potable water schemes. Project activities include providing forest tenurial security (collective forest management certificates) to poor households and ethnic minority groups for collective management of forest resources; improved sources of NTFPs. Provincial agriculture and forestry office to implement; WREA oversight & monitoring role
	Climate-resilient rural infrastructure and watershed conservation project <ul style="list-style-type: none"> • Climate-resilient productive infrastructure • Improved watersheds • Increased market oriented sustainable agriculture productivity 		2017-	<ul style="list-style-type: none"> • Sustainable agricultural production • Sustainable use and conservation of natural resources • Improving productive rural infrastructure

Donor/ Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy Potential
	Climate-Friendly Agribusiness Value Chains Sector Project (Concept) Enhance the competitiveness and sustainability of Lao PDR's rice value chains	Khammouane, Saravan and Savannakhet	USD 38 million grant USD 30 million Green Climate Fund grant Planned to start in 2018	<ul style="list-style-type: none"> • COSOP investment would provide a rural finance and land use rights overlay to the ASDB investment.
SDC	<u>Enhancing Nutrition of Upland Farming Families</u> <ul style="list-style-type: none"> • Agriculture and Food Security • Nutrition-Sensitive Agriculture • Agricultural production (incl. management of natural resources) 	Phongsally, Xieng Khouang, Sekong and Huanpanh	2016-2021 CHF 11,875,000	<ul style="list-style-type: none"> • Food production and diversity are improved at household level • Physical and economic access to nutritious food is improved • The policy, strategic and institutional framework is more conducive to address and prevent food and nutrition insecurity • Common project provinces
	Enhancing Nutrition of Upland Farming Families <ul style="list-style-type: none"> • Agriculture and Food Security • Nutrition Sensitive Agriculture • Agricultural production (incl. management of natural resources) 	Houaphanh and Oudomxay	2015-2021 CHF 17,175,000	<ul style="list-style-type: none"> • Food production and diversity are improved at household level • Physical and economic access to nutritious food is improved • The policy, strategic and institutional framework is more conducive to address and prevent food and nutrition insecurity • Common project provinces
WFP	<ul style="list-style-type: none"> • Food for Work • Food for Training • Purchase for Progress (P4P) 		Ongoing country programme and Lao PDR as piloting country for P4P	<ul style="list-style-type: none"> • Food security and nutrition • Community infrastructures • Training • Agricultural market and support

Donor/ Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy Potential
	Strategic Support for Food Security and Nutrition Project (Supervising Entity)	Oudomxai, Phongsaly, Xieng Khouang and Houaphan	USD 6 million	<ul style="list-style-type: none"> IFAD is the Supervising entity for USD 24 million of the same project.
GiZ	Microfinance in rural areas – access to finance for the poor <ul style="list-style-type: none"> sustainable financial services provided by village banks 	Luang Namtha, Xayaboury, Attapeu, Champasak and Salavan	2014 to 2017	<ul style="list-style-type: none"> IFAD will partner with GiZ to replicate the NSO models, developed through the Access to Finance for the Poor project, to 4 provinces under the new Livestock Commercialization Project.
	Land management and decentralized planning <ul style="list-style-type: none"> policy advice on governance in the land sector strengthening the systematic registration of individual and communal plots of land, and encouraging the allocation of land titles 		2015 to 2017	Possible partnership with IFAD SSFSNP project for land use certifications for
Lux Development	Technical Assistance to the IFAD Soum Son Seun Jai Programme	2012-2016	€ 1,700,000	Technical assistance provided to implementation and knowledge management has been critical in capacity building of MAF staff and project management staff. IFAD will explore the extension of this partnership arrangement with LuxDev.
Agence Française de Développement (AFD)	Technical assistance to Agro-ecology sector (PROSA) <ul style="list-style-type: none"> Agriculture of conservation Partnership building Technical training 	Northern highland	€ 1 million, ongoing	<ul style="list-style-type: none"> Farmers' associations Value chain capacity building Land titling Marketing Provincial governance

Donor/ Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy Potential
	Northern Uplands Development Program <ul style="list-style-type: none"> • Agriculture, marketing, value chain and environmental conservation • With financing from EC, SDC, BMZ (via GIZ), 	Luang Prabang, Ponsali, Huaphanh	€ 17.5 million 2010-2018	<ul style="list-style-type: none"> • Farmer's association • Value chain capacity building • Environmental management • Extension capacity building
UNDP /GEF	Mainstreaming Biodiversity in Lao PDR's Agricultural and Land Management Policies, Plans and Programmes	2011-2016	USD 2.265 million GEF grant USD 3 million cofinance from SDC/TABI Projected start date: March 2011	Will work closely with TABI Agro-biodiversity management to promote biodiversity, food security & quality of life. Will include farmers groups, farmer field schools, biodiversity-friendly farming including organic production, value chain research
UNDP/UNEP	Poverty Environment Initiative (PEI): Phase II		USD 4,349,851 2012-2016	Build the long-term capacity of the government to integrate environmental concerns in national development plans, investment management processes and poverty reduction strategies

Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Levels and Causes	Coping Actions	Priority Issues	Potential Response
<p>Category A:</p> <p>The better-off or the least vulnerable (10% - 20%)</p> <p>Access to most of the critical resources and benefit from opportunities required for livelihood improvement; face few threats and risks and have assets to rely on when the primary means of livelihood is compromised.</p> <p>This group provide local leadership, particularly in relation to value chain-led development.</p>	<ul style="list-style-type: none"> • Sufficient and skilful household labour; • Have good health; • Stable food security; • Sufficient physical assets; • Well connected in the local social network; • Farming with surplus; • Participation in value chains; • Off-farm activities, sufficient financial buffer, access to formal and non-formal credit; • Often have a family member seasonally migrating with relative good skills and fairly good income; • Adapt to climate change. 	<ul style="list-style-type: none"> • Make surplus in family needs with regular off-farm and on-farm incomes; • Return back from labour migration to invest in agriculture and local business; • Exploring more income generating activities (IGA's) through market linkage, sometimes still very local; • Access to credit for value-added IGAs; • Explore from forest and river-based products to supplement daily food intake; • Explore crops diversification for climate resilience. 	<ul style="list-style-type: none"> • Improved access to markets and investment opportunities; • Access to improved community infrastructure and support services; • Fair treatment when participating in contract farming; • Secure agriculture land use tenure for stable income generation. 	<ul style="list-style-type: none"> • Benefit from strengthened associations; • Benefit from improved market and community infrastructure; • Benefit from improved public and private support services; • Consolidated self-development skills and strengths.
<p>Category B:</p> <p>The average or the moderately vulnerable (30% - 40%)</p> <p>Access to basic resources and benefit from some opportunities required for livelihood improvement; experience economic, environmental, social or</p>	<ul style="list-style-type: none"> • Healthy labour based at home; • Food security generally ensured; • Fairly sufficient farming income, limited access to inputs, average yields; • Basic household physical assets; • Some involvement in value chains but share no premiums; • Limited financial buffer, but access 	<ul style="list-style-type: none"> • Meet family needs with regular off-farm and on-farm incomes; • Can invest in improved livelihood sufficiency and in small-scale IGAs; • Utilize forest and river-based products to supplement daily food 	<ul style="list-style-type: none"> • Secure agriculture and community forestry land use title; • More diverse income opportunities; • Improved integration in value chains; • Increased productivity and quality of farm 	<ul style="list-style-type: none"> • Increased application of improved farming practices and techniques; • Income generating specialization and diversification; • Access to improved public and private extension support; • Inclusive farmers'

<p>cultural threats but have some means to cope</p> <p>The higher end of this category provides local leadership and are often participants of value chains</p> <p>The lower end of this category becomes part of the target group due to its vulnerability and sensitivity to external shocks.</p>	<p>to non-formal credit;</p> <ul style="list-style-type: none"> • Risk of falling into poverty if adverse events take place; • Often have a family member seasonally migrating with low skills and income. 	<p>intake;</p> <ul style="list-style-type: none"> • Access to credit for productive leverage. 	<p>produce;</p> <ul style="list-style-type: none"> • Better access to credit; • Improved financial/investment management skills; • Improved access to markets, community infrastructures and public and private support services. 	<p>associations;</p> <ul style="list-style-type: none"> • Sustainable NRM and adaptive farming model; • Inclusive PLUP; • Benefit from improved community infrastructures and facilities; • Share improved premiums from value chains; • Benefit from improved support services; • Enhanced self-development skills and strengths; • More attractive creditworthiness due to improved socio-economic status.
<p>Category C:</p> <p>The poor or the most vulnerable (40% - 50%)</p> <p>Insufficient access to basic resources and incapable of benefiting from opportunities required for livelihood improvement; experience rice shortage, may be landless, and household may be headed by a woman with no means of alternative livelihood; living at the very edge of subsistence in fragile environment.</p> <p>Primary target Group</p>	<ul style="list-style-type: none"> • Insufficient or constrained labour; • Chronic food insufficiency and frequent second hunger season; • Low farm productivity, no access to external input; • Insufficient household physical assets of poor productivity; • Distant or isolated from the local social network; • No access to value chains/limited market access; • No or little financial buffer, often indebted; • Difficult or no access to credit; • No labour migration, or seasonal 	<ul style="list-style-type: none"> • Mainly farm for self-consumption; • High reliance on forest and river-based products to supplement daily food intake; • Reliance on traditional agriculture technique; • Depend on external assistance for survival. 	<ul style="list-style-type: none"> • Secure agriculture and community forestry land use title; • Secure food sufficiency and better nutrition balance; • Need income; • Increase productivity, diversification and quality of farm produce; • Information on market, training, trends, opportunities; • Access to credit; • Improved access to 	<ul style="list-style-type: none"> • Increased application of improved farming practices and techniques; • Market linkage; • Income generating opportunities of greater potential; • Alternative income generation options for poor households/farmers; • Access to improved extension support; • Inclusive farmers' associations • Sustainable NRM and

	<p>labour migration with very low skills and income;</p> <ul style="list-style-type: none"> • Low self-development skills and capacities; • Often burdened by unhealthy or inactive labour; • High expenditure on medicine and food; • Poor nutrition structure. 		<p>markets;</p> <ul style="list-style-type: none"> • Literacy; • Stable access to related support and services; • Better benefits from productive infrastructures; • Improved skills on preserving and processing food process. 	<p>adaptive farming model;</p> <ul style="list-style-type: none"> • Inclusive PLUP; • Productive infrastructures; • Diversified and specialized IGAs; • Acquire self-development skills and strengths.
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