
President's report
Proposed loan to
Lao People's Democratic Republic
Agriculture for Nutrition Project – Phase II
(AFN-II)

Project ID: 2000003760

Document: EB 2022/LOT/P.6

Date: 1 December 2022

Distribution: Public

Original: English

FOR: APPROVAL

Action: The Executive Board is invited to approve the recommendation contained in paragraph 88.

Technical questions:

Reehana Raza
Regional Director
Asia and the Pacific Division
e-mail: r.raza@ifad.org

Ambrosio Barros
Country Director
Asia and the Pacific Division
e-mail: a.nsingui Barros@ifad.org

Contents

Map of the project area	ii
Financing summary	iii
I. Context	1
A. National context and rationale for IFAD involvement	1
B. Lessons learned	3
II. Project Description	4
A. Objectives, geographical area of intervention and target groups	4
B. Components, outcomes and activities	4
C. Theory of change	5
D. Alignment, ownership and partnerships	6
E. Costs, benefits and financing	6
III. Risk management	10
A. Risks and mitigation measures	10
B. Environment and social category	11
C. Climate risk classification	11
D. Debt sustainability	11
IV. Implementation	11
A. Organizational framework	11
B. Planning, monitoring and evaluation, learning, knowledge management and communications	12
C. Implementation plans	13
V. Legal instruments and authority	13
VI. Recommendation	13

Appendices

- I. Negotiated financing agreement
- II. Logical framework
- III. Integrated project risk matrix

Project delivery team	
Regional Director:	Reehana Raza
Country Director:	Ambrosio Barros
Technical Lead:	Joyce Njoro
Climate and Environment Specialist:	Hisham Zehni
Finance Officer:	Mark Biriukov
Legal Officer:	Paul Edouard Clos

Map of the project area



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

Map compiled by IFAD | 05-10-2022

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Lao People's Democratic Republic
Executing agency:	Ministry of Agriculture and Forestry
Total project cost:	US\$48.2 million
Amount of IFAD loan:	US\$13.2 million
Terms of IFAD loan:	Blend terms
Cofinancier:	Global Agriculture and Food Security Program (GAFSP)
Amount of cofinancing:	US\$20 million
Terms of cofinancing:	Cofinancing
Contribution of borrower/recipient:	US\$4.8 million
Domestic private sector contribution:	US\$0.3 million (in cash) US\$1.2 million (in kind)
Contribution of beneficiaries:	US\$2.13 million
Financing gap:	US\$6.7 million
Amount of IFAD climate finance:	US\$6.05 million
Cooperating institution:	IFAD

I. Context

A. National context and rationale for IFAD involvement

National context

1. **Political, economic and social context.** The Lao People's Democratic Republic is a one-party socialist republic. The national population numbers approximately 7.38 million people, with 49 ethnic groups and 160 subgroups. The rural population accounts for 67 per cent of the total population.
2. The Lao People's Democratic Republic is a lower-middle-income country that has achieved political stability and consistent robust economic growth over the last two decades. However, with the COVID-19 pandemic, its GDP growth decreased from 4.7 per cent in 2019 to 0.5 per cent in 2020. In 2021, the second wave of the pandemic dented hopes of a strong rebound, with a growth rate of just 2.5 per cent forecast for 2022.¹
3. **Poverty, food security and nutrition and smallholder agricultural and rural development context.** Government policies have helped to reduce income poverty rates from 24.6 per cent in 2012–2013 to 18.3 per cent in 2018–2019 (Sustainable Development Goal [SDG] 1) and achieve progress across three dimensions of the Global Hunger Index (proportion of undernourished, under-5 mortality and prevalence of stunting).
4. **The majority of farmers are smallholders who practice subsistence agriculture.** They have the potential to develop their farm businesses if they have access to training, technology, commercial markets and finance. Rice production, combined with other crops, forms the traditional subsistence production system in the country.
5. **National strategies, policies and/or programmes relevant to smallholder agriculture, rural poverty reduction and enhanced food security.** The overarching framework guiding national socio-economic development is the ninth Five-Year National Socio-Economic Development Plan (NSEDP), which covers the period 2021–2025. This is supported by the recovery plan in the second National Agenda for 2021–2023, which addresses current economic and financial challenges. Other key policies guiding the second phase of the Agriculture for Nutrition project (AFN-II) include the Agriculture Development Strategy to 2025 and Vision to the Year 2030 and the National Nutrition Strategy to 2030 and National Plan of Action on Nutrition 2021–2025.
6. **Key actors and institutional arrangements.** As in the first phase (AFN-I), the lead programme agency will be the Ministry of Agriculture and Forestry (MAF) through its Department of Planning and Cooperation. The designated additional project parties are the Ministry of Health, the Ministry of Industry and Commerce and Ministry of Finance. In accordance with the national decentralization policy, districts will play a critical role in delivering services to villages and community-based organizations.

¹ World Bank, 2022.

Special aspects relating to IFAD's corporate mainstreaming priorities

7. In line with IFAD's mainstreaming commitments, AFN-II has been validated as:
 - Including climate finance
 - Gender-transformational
 - Nutrition-sensitive
 - Prioritizing Indigenous Peoples
 - Including adaptive capacity
8. **Gender.** The country's score on the 2019 Gender Development Index is 0.927, which implies medium equality in Human Development Index achievements between women and men. Its score on the Gender Inequality Index is 0.459, ranking it 113 out of 162 countries in the 2019 index.²
9. Women hold 27.5 per cent of parliamentary seats³ and 35.1 per cent of adult women have reached at least a secondary level of education, compared with 46.2 per cent of their male counterparts. In 2021 and 2022, the World Economic Forum (WEF) ranked the country first worldwide in terms of women's economic participation and opportunity, but women still face constraints in educational attainment (ranked 109th), health and survival (ranked 55th) and political empowerment (ranked 116th).⁴
10. **Indigenous Peoples.** The Government recognizes 49 ethnic groups and 160 subgroups. The Lao-Tai group represents 67 per cent of the population. There are three major non-Lao-Tai ethnolinguistic groups, namely the Mon-Khmer (21 per cent of the population), the Hmong-Lu Mien (8 per cent) and the Sino-Tibetan (3 per cent).
11. Indigenous populations in the project area are usually the poorest and most affected by food and nutrition insecurity. This is due to various factors related to access to education, health care, poverty gaps and social dietary norms.
12. **Food security and nutrition.** According to the World Health Organization benchmark, more than 80 per cent of the Lao population is unable to afford a healthy diet. The triple burden of malnutrition – high stunting, wasting and anaemia rates – remains a key challenge and coexists with increasing rates of overweight and obesity.
13. One third of children under the age of 5 remain chronically malnourished and there are large regional disparities. The prevalence of wasting stands at 9 per cent. Current estimates indicate that stunting in the first 1,000 days of a child's life costs the Government 2.4 per cent of GDP per year.
14. **Climate change.** The key climate change vulnerabilities in the Lao People's Democratic Republic are caused by flooding and droughts, with the agricultural sector being most vulnerable. Climatic variability, in particular an increase in the frequency and severity of droughts in some parts of the country, is already limiting water availability for household production in dry seasons, despite abundant surface and groundwater resources.
15. Most of the climate models predict an increase in annual precipitation rates, with larger changes under higher emission pathways.

² United Nations Development Programme (UNDP), 2020.

³ World Bank, 2021.

⁴ WEF, 2022.

Rationale for IFAD involvement

16. Based on the success of the ongoing AFN-I project,⁵ the Government of the Lao People's Democratic Republic decided to propose a second phase of the project, with IFAD continuing its support as supervising entity for investments and technical assistance and the World Food Programme (WFP) as supervising entity for technical assistance only.
17. While WFP offers a distinct comparative advantage in promoting a broader, integrated approach to nutrition and health, IFAD's value proposition is in smallholder agricultural technology, linking nutrition to agriculture, building resilience to climate change and developing value chains.

B. Lessons learned

18. Implementation delays have been due to delays in mobilizing technical assistance and establishing project procedures. AFN-II will maintain AFN-I management systems already in place to avoid start-up delays.
19. **A decentralized approach is crucial for community empowerment and sustainability.** District-level capacities for technical and project management will be strengthened to ensure adequate support is provided to community-based organizations such as farmer groups and village nutrition committees.
20. **Community-based participatory planning and coordination are key entry points for prioritizing locally relevant options from a pool of project investment options.** AFN-II investments will be informed by village development plans, village nutrition planning and grant proposals, with a stronger focus on profitability, economic viability, market linkages, climate risk mitigation and environmental and social sustainability.
21. **Farmer nutrition schools (FNS).** AFN-II will keep using the FNS approach, which proved to be very effective at empowering women and improving nutrition under AFN-I.
22. **COVID-19 impacts on FNS.** AFN-II will introduce rice banks to bridge hunger months and avoid indebtedness of very poor and food insecure households.
23. **Sustainable last-mile service delivery channels.** AFN-II will support the graduation of community-based service providers into rural entrepreneurs by combining service delivery with cash-generating activities. The role of community-based service providers has proven critical during AFN-I.
24. **Market linkage mechanism.** To address difficulties faced during implementation of the first phase, a business partnership approach along value chains will be adopted. This requires the provision of matching grant opportunities to both lead firms and agricultural production groups (APGs) from start-up. Engagement with the Scaling Up Nutrition (SUN) Business Network will help to leverage support from private actors interested in nutrition and provide guidance on developing nutrition-sensitive public private partnerships.
25. Other lessons learned from previous projects to be considered for infrastructure sustainability and climate-resilient agriculture are detailed in the project design report.

⁵ Entry into force: 28/04/2016. Completion: 31/12/2022. GAFSP grant: US\$31.5 million, no IFAD loan.

II. Project description

A. Objectives, geographical area of intervention and target groups

26. The **project goal** is to enable 28,000 vulnerable households living in the project area to improve their income by 20 per cent by 2030.
27. The **project development objective** is to enable 28,000 vulnerable households living in the project area to improve their food and nutrition security, to enhance their climate resilience and to increase smallholders' income by 2030.
28. The **project duration** is 7 years (2023–2029).
29. The **project area** comprises 500 villages from 20 districts in six provinces, namely Oudomxay, Phongsaly and Xieng Khouang provinces in the north and Saravane, Sekong and Attapeu provinces in the south.
30. The **target population** is 168,000 people in 28,000 households, representing about 33 per cent of the combined population of the target districts of approximately 502,000 people. The target groups are poor and near-poor smallholder farmers and their household members who are at risk of food insecurity and malnutrition and living in the target districts.

B. Components, outcomes and activities

31. The project components and subcomponents are shown in table 1.

Table 1

AFN-II components, subcomponents and activities

<i>Component 1</i>	<i>Component 2</i>	<i>Component 3</i>
Establishment of community-driven agriculture- and natural resource-based nutrition interventions (WFP and IFAD)	Improvement of business partnerships and market access (IFAD)	Enabling environment (IFAD and WFP)
<i>Subcomponent 1.1: Improved nutritional status of women, children, girls and other vulnerable groups (WFP and IFAD)</i>	Activity 1: Support to micro, small and medium-sized enterprises (MSMEs) in food supply chains	Activity 1: Multisectoral planning and coordination (WFP)
Activity 1: FNS and women's empowerment	Activity 2: Multi-stakeholder business platforms	Activity 2: Partnerships
Activity 2: Establishment of integrated home gardens	Activity 3: Market-related infrastructure	Activity 3: Project management
Activity 3: Processing and conservation of domestic foods		
Activity 4: Management of local food sources and wild foods		
Activity 5: Community nutrition- and gender-related social and behavioural change communication activities		
<i>Subcomponent 1.2: Improvement of agricultural productivity for selected commodities (IFAD)</i>		
Activity 6: Strengthening of community-based organizations		
Activity 7: Agriculture/rural advisory services improved		
Activity 8: Construction and upgrading of climate change adaptation infrastructure (irrigation/multiple-use water systems)		

C. Theory of change

32. The identified development problem is that small-scale farmers and rural households living in remote uplands of the Lao People’s Democratic Republic are disproportionately affected by food insecurity, malnutrition and poverty, which has been further exacerbated by the combined effects of the COVID-19 pandemic, climate change and the conflict in Ukraine and the resulting economic crisis.
33. The pathways of change to support the transition from the development problem to the project goal are underpinned by complementary outputs and outcomes under the assumptions described below.
34. The **first pathway** is under subcomponent 1.1 The project will establish community-driven agriculture and natural resources-based nutrition interventions with the following outputs: (i) 28,000 households receive improved climate-smart, gender-responsive nutrition services and training; (ii) a conditional cash grant targets 15,000 people to implement home gardens or raise small livestock; (iii) 375 villages receive support in the form of training, and cash grants for food preservation and storage, including the creation or rehabilitation of 250 rice banks; and (iv) 30 primary schools under the Home-Grown School Feeding (HGSF) initiative are linked with local producers to enhance meals provided in schools and provide safe, diverse, nutritious and local foods to school-age children.
35. **The above outputs are expected to produce the following outcomes: (i) 14,400 households have improved nutrition and health knowledge, attitudes and practices; and (ii) 40 per cent of children aged 6 to 23 months receive a minimum acceptable diet.** For these outcomes to occur, the following assumptions are made: communities actively take ownership of and participate in interventions; targeted communities want to improve their health and nutrition status; targeted communities are the key decision makers on household food purchases and preparations; the benefits of nutrition and care feeding practices are understood and relevant to the targeted communities; local farmers are interested in engaging in the HGSF initiative and have suitable agricultural produce to provide to schools.
36. An **interlinked change pathway** (subcomponent 1.2) is to support 15,000 households in adopting environmentally sustainable and climate-resilient technologies and practices as an outcome of the following outputs: (i) 22,400 household members receive productivity enhancement support through the implementation of APG grants; (ii) 10,000 households receive inputs or services for climate-resilient or sustainable agricultural practices; (iii) 68,000 ha of land area receive improved production support; (iv) 1,000 producer-based organizations are supported.
37. Promoting the agricultural sector with a view to enhancing nutrition-sensitive productivity will assist in accelerating nutritional gains in the targeted communities and increasing the production of diverse and nutritious crops that enrich the quality of diets, including micronutrient-rich foods and indigenous/wild food crops. The creation of home gardens and small livestock-raising will promote the production of nutrient-rich foods. APG investments will also contribute to increased food production and generate income, assuming that improved practices are appropriate, adopted and actively disseminated. Another assumption is that village agriculture technicians, village veterinary workers and lead farmers will deliver effective last-mile advisory services to APG members, with support from district agricultural and forestry field offices.
38. A **second pathway** is to (i) build or rehabilitate 500 inclusive and accessible processing, storage and market facilities; (ii) support 600 APGs in engaging in formal partnerships/agreements or contracts with public or private entities in food value chains, through multi-stakeholder platforms and matching grant facilities; (iii) enable 50 MSMEs to join the SUN Business Network as new members and

receive business development, marketing support and access to finance;
 (iv) rehabilitate existing rural access tracks.

39. The combined outputs under component 2 are expected to produce the following outcome: **15,000 households and farmers report improved physical access to markets and processing and storage facilities.**
40. The **third pathway** is to deliver the following outputs: (i) 30 substantive deliverables related to food security and nutrition processes in the form of multisectoral nutrition plans linked with the current National Plan of Action on Nutrition and NSEDP 2021–2025; (ii) five knowledge products with project support related to agriculture, natural resources management and food/nutrition security, which will contribute to policy processes; (iii) around 40 civil society organizations that directly contribute to supporting communities in the implementation of their village nutrition plans and other nutrition-sensitive interventions involving women, youth, ethnic groups, and persons with disabilities.
41. The above outputs are expected to result in the endorsement and support of village nutrition plans by district nutrition committees as evidence of improved multisectoral and cross-level coordination, as the outcome of component 3.
42. The **three pathways of change above are expected to lead to the achievement of the project development objective** through the following complementary pathways: (i) 16,800 households with incomes increased by 20 per cent by 2030; (ii) 14,400 women reporting minimum dietary diversity; (iii) 16,800 households with climate change resilience increased by 30 per cent; (iv) 58,800 individuals with improved empowerment; and (iv) 16,800 households with food insecurity decreased by 20 per cent, as measured by the Food Insecurity Experience Scale.
43. The above project-level outcomes will contribute to delivery of the project goal.

D. Alignment, ownership and partnerships

44. **Alignment with the SDGs.** The project interventions will directly contribute to the achievement of SDG 1 (no poverty), SDG 2 (zero hunger) and SDG 5 (gender equality).
45. **Alignment with national priorities.** The project design process has been informed by the priorities and targets set out in the NSEDP 2021–2025, the MAF development strategy and vision to 2030 and the national nutrition strategy and action plan, among others.
46. **Alignment with IFAD policies and corporate priorities.** AFN-II will directly contribute to IFAD’s strategic objectives for 2016–2025, and IFAD cross-cutting priorities will be mainstreamed through a gender transformative, Indigenous Peoples-focused, nutrition-sensitive and climate finance approach.
47. **Country ownership.** The Government (MAF and key government agencies) played a lead role in coordinating all consultations and in the project design process, with technical support from IFAD and WFP. A wide range of stakeholders at national and subnational levels were consulted during the preparation of the country strategy note and at the design stage.
48. **Partnership harmonization with ongoing projects.** The AFN-II project is aligned with the activities of other development partners in the same sector and geographical area.

E. Costs, benefits and financing

Project costs

49. The total cost for the 7-year AFN-II project is estimated at US\$48.30 million, disaggregated as follows: an IFAD loan of US\$13.23 million; a GAFSP grant of US\$20 million (US\$12 million implemented through IFAD and US\$8 million

implemented by WFP); beneficiary contributions of US\$2.1 million; private sector contributions of US\$1.4 million; and a government contribution of US\$4.8 million, leaving a financing gap of US\$6.7 million.

50. Subcomponents 1.2, 2.2 and 3.3 are partially counted as climate finance. As per the multilateral development banks methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is preliminarily calculated as US\$6.05 million.
51. The financing gap of US\$6.7 million may be sourced through subsequent performance-based allocation system cycles or through cofinancing identified during implementation. In the event that foreseen additional funds do not materialize, some interventions will be downscaled (e.g. access tracks).
52. The inflation rate has increased from under 2 per cent in February 2021 (year-on-year) to 12.8 per cent in May 2022. Economic forecasts show that inflation is expected to average 5 per cent in 2023. The assumption is that in 2024 the inflation rate will decrease to pre-crisis levels. The depreciation of the local currency against the United States dollar will outweigh the impact of inflation.

Table 2

Project costs by component and financier

(Thousands of United States dollars)

Components	Borrower/ recipient		IFAD loan		GAFSP grant (IFAD/MAF)		GAFSP grant (WFP)		Beneficiaries		Private sector			Financing gap		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	In kind	%	In kind	Cash	%	Amount	%	Amount	%
Component 1	2 426 459	9	4 762 074	17	8 397 272	30	6 459 437	23	1 913 201	7	-	-	0	3 831 305	13.8	27 789 748	58
Component 2	986 163	13	1 402 104	19	971 257	13	-	0	218 864	3	918 362	229 591	15	2 710 499	36	7 436 838	15
Component 3	1 364 121	10	7 069 937	54	2 629 098	20	1 536 324	12	-	0	237 306	59 326	2	172 652	1	13 068 764	27
Total	4 776 743	10	13 234 115	27	11 997 627	25	7 995 761	17	2 132 065	4	1 155 668	288 917	3	6 714 455	14	48 295 351	100

Table 3

Project costs by expenditure category and financier

(Thousands of United States dollars)

Expenditure category	Borrower/ recipient		IFAD loan		GAFSP grant (IFAD/MAF)		GAFSP grant (WFP)		Beneficiaries		Private sector			Financing gap		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	In kind	Cash	%	Amount	%	Amount	%
Investment costs																	
A. Work	2 060 831	24	-	0	2 295 898	27	355 368	4	940 844	11	-	-	0	2 889 642	34	8 542 583	18
B. Goods, services and inputs	175 522	7	1 057 981	43	821 719	33	418 544	17	-	0	-	-	0	-	0	2 473 767	5
C. Grants and subsidies	693 724	4	4 721 615	27	5 382 572	31	214 536	1	1 191 221	7	1 155 668	288 917	8	3 542 656	21	17 190 908	36
D. Consultancies	1 338 695	13	5 490 718	52	2 132 383	20	1 502 541	14	-	0	-	-	0	172 652	2	10 636 989	22
E. Training	356 139	5	1 323 402	20	1 365 055	20	3 572 700	53	-	0	-	-	0	109 505	2	6 726 802	14
Total investment costs	4 624 911	10	12 593 716	28	11 997 627	26	6 063 689	13	2 132 065	5	1 155 668	288 917	8	6 714 455	58	45 571 048	94
Recurrent costs																	
A. Operating costs	151 832	6	640 400	24	-	0	1 932 071	71	-	0	-	-	0	-	0	2 724 303	6
Total recurrent costs	151 832	6	640 400	24	-	0	1 932 071	71	-	0	-	-	0	-	0	2 724 303	6
Total	4 776 743	10	13 234 115	27	11 997 627	25	7 995 761	17	2 132 065	4	1 155 668	288 917	3	6 714 455	14	48 295 351	100

Table 4

Project costs by component and project year

(Thousands of United States dollars)

<i>Component</i>	<i>2023</i>		<i>2024</i>		<i>2025</i>		<i>2026</i>		<i>2027</i>		<i>2028</i>		<i>2029</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
Component 1	2 583 296	9	6 611 920	24	8 315 497	30	6 786 815	24	2 217 726	8	865 719	3	408 776	1	27 789 748
Component 2	9 021	0	504 943	7	1 392 607	19	2 044 189	27	2 551 780	34	888 772	12	45 527	1	7 436 838
Component 3	2 636 039	20	1 712 059	13	2 178 902	17	2 188 975	17	1 661 440	13	1 366 594	10	1 324 755	10	13 068 764
Total	5 228 356	11	8 828 922	18	11 887 005	25	11 019 980	23	6 430 945	13	3 121 085	6	1 779 059	4	48 295 351

Financing and cofinancing strategy and plan

53. The IFAD loan is on blend terms and will finance 27 per cent of total project costs.
54. The withdrawal and use of funds by AFN-II will be governed by the IFAD Project Financial Management and Financial Control Handbook for Borrowers and the financing agreement between IFAD and the Lao People's Democratic Republic.
55. **Flow of funds.** The Ministry of Finance will open two designated accounts denominated in United States dollars in the Bank of the Lao People's Democratic Republic to receive and hold the loan and grant proceeds.
56. GAFSP funding will flow from the GAFSP account to IFAD and WFP in accordance with their respective mandates. IFAD will negotiate a financing agreement with the Ministry of Finance. WFP will negotiate a memorandum of agreement for implementation of the activities to be supervised by WFP and MAF.

Disbursement

57. **Disbursement procedures.** Advance withdrawals through a revolving fund approach will be the principal method of disbursement.
58. **Government and beneficiary contributions.** Government, beneficiary and private sector contributions will be incorporated into the annual workplan and budget (AWPB) and will be identified in the project accounts.

Summary of benefits and economic analysis

59. The results of the economic analysis over a 20-year period show that the project is very profitable, with a net present value of 507,621,786,567 Lao kip (US\$34,281,385) and an economic rate of return of 26 per cent.
60. **A sensitivity analysis** confirms that the project would remain profitable in the event of a 28 per cent increase in costs, a 17 per cent decrease in benefits, an 11 per cent increase in costs or a 10 per cent decrease in benefits. The project would also remain profitable if benefits were delayed by one year.

Exit strategy and sustainability

61. The draft **Error! Reference source not found.** strategy in annex 10 of the project design report lays out the sustainability pathways for each activity, exploring the various options (phasing down, phasing over and phasing out), with an analysis of associated risks. The exit strategy will be further developed from start-up to ensure that it is owned by and adapted to project development.

III. Risk management

A. Risks and mitigation measures

62. The overall project risk profile is moderate.
63. **Financial risks.** Inherent financial management risk is moderate and residual risk is low.
64. **Mitigation actions:** (i) enhance accounting software by using a budgeting module at the provincial level; (ii) procurement of auditing services aligned with IFAD requirements; and (iii) capacity-building for new finance staff in departments and district units.
65. Risks associated with the coordination of several donor projects will be mitigated by the decentralized implementation structure.

Table 5
Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Substantial
Sector strategies and policies	Moderate	Moderate
Environment and climate context	High	Substantial
Project scope	Moderate	Low
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	Moderate	Low
Project procurement	High	Substantial
Environment, social and climate impact	High	Low
Stakeholders	Moderate	Moderate
Overall	Moderate	Moderate

B. Environment and social category

66. The **environmental and social risk** category for the project is assessed as high because the project is located in areas inhabited by ethnic groups. As required by IFAD's Social, Environmental and Climate Assessment Procedures (SECAP), an Indigenous Peoples plan and a free prior and informed consent plan have been prepared and will be operationalized and monitored during project implementation. Risks under other SECAP standards are mostly rated as low or, in a few cases, moderate.

C. Climate risk classification

67. **The project's climate risk** category is moderate. Key climate-related hazards identified in the project area are landslides, cyclones and extreme heat. Water scarcity is assessed a low, as long as the abundant surface and groundwater resources can be mobilized in a sustainable manner.

D. Debt sustainability

68. The latest World Bank country diagnostic indicates that public and private capital stock is estimated to have increased from US\$28 billion in 2000 to almost US\$190 billion in 2019 in constant 2017 United States dollars. However, these investments have mostly been financed through the accumulation of foreign debt. Total public and publicly guaranteed debt has increased considerably, reaching US\$14.5 billion in 2021, or 89 per cent of GDP.

IV. Implementation

A. Organizational framework

Project management and coordination

69. The lead programme agency will be the MAF through its Department of Planning and Cooperation, which will have overall responsibility for project implementation and will delegate a national project coordinator (NPC). The national project coordination office (NPCO) will directly manage project implementation in collaboration with the province and district-level project coordinators, technical departments (e.g. the National Agriculture and Forestry Research Institute) and line agencies. The NPCO will be supported by a full-time international chief technical assistant and a technical assistance team.
70. Overall, the national project steering committee will provide policy direction and strategic guidance. The provincial project steering committees will approve the AWPBs and the annual progress and financial reports prepared by districts. The district socio-economic development committees will act as district project steering committees. They will meet quarterly to endorse the district AWPB and review the semi-annual project progress reports.

Financial management, procurement and governance

71. As custodians of the funds in the project account, the NPCO will undertake the key financial management tasks. The financial management officer at the NPCO will be responsible for the actual management of these tasks and will report to the NPC. The Ministry of Agriculture and Forestry, through the NPCO, will be accountable to the Government and IFAD for the proper use of funds, in line with legal agreements. Project accounting systems will be consistent with international accounting standards and government requirements, and internal financial controls will be regularly applied.
72. **Planning and budgeting.** Both annual and longer-term workplans will be formulated for the project, defining the project activities to be implemented and detailing the activities year by year. Quarterly and yearly contract award and disbursement plans will be prepared, in line with which the government regulations and activities timeline as well as IFAD's requirements.
73. **Internal control.** The current financial management manual for AFN-I will be adapted for the second phase, with some modifications.
74. **Accounting systems, policies, procedures and financial reporting.** The AFN-II financial management system will adapt the current structure, policy and system of the existing AFN and continue to enhance and fulfil the design and activities of AFN-II.

Target group engagement and feedback and grievance redress

75. AFN-II target groups and other relevant stakeholders will participate in the project cycle, from planning to implementation to monitoring and evaluation of project interventions.

Grievance redress

76. To ensure that an adequate, transparent and fair formal mechanism is available for all project stakeholders, the project implementation manual provides for a detailed grievance redress mechanism, taking into account national laws and decrees and GAFSP, IFAD and WFP requirements.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

77. The three principal instruments for planning and monitoring will be the monitoring and evaluation database, the logical framework and the AWPB.
78. **Planning.** Draft AWPBs will be prepared by all concerned districts and provinces and by the district and provincial coordination offices and will then be compiled at the national level. The proposed AWPB will be submitted to IFAD and the national project steering committee for approval.
79. **Monitoring and evaluation.** Key indicators are defined in the logframe and will be reported upon in the semi-annual progress reports. The project's monitoring plan will help to direct project interventions to their target beneficiaries effectively and efficiently.

Innovation and scaling up

80. The innovative aspects of the AFN-II design include: (i) a multisectoral approach to nutritional planning at provincial, district and village levels, involving all government stakeholders; (ii) demand-led approach to linking market actors implemented through stakeholder consultations using the multi-stakeholder platform approach and including the SUN Business Network; (iii) development and piloting of additional innovations related to gender empowerment and social norm change; (iv) use of innovative nutrition-related social and behavioural change communication activities to effectively reach all intended target groups;

- (v) investments in identification, use and management of wild foods; and
- (vi) implementation of innovative climate-smart technologies.

C. Implementation plans

Implementation readiness and start-up plans

- 81. AFN-II will transition from AFN-I during the first half of 2023, maintaining the key project processes and procedures, ensuring a certain level of readiness for a smooth and swift start-up of the second phase.
- 82. AFN-II will be implemented over seven years. In the first year, a start-up workshop will be organized to inform all project stakeholders about the project approach, its key components and implementation arrangements planned during early June 2023. Key implementation documents will be finalized.

Supervision, midterm review and completion plans

- 83. The project internal supervision system will comprise local monthly and national quarterly and annual review meetings, which will capture information on progress, lessons learned and solutions for implementation constraints. A specific report will be prepared for the quarterly and annual review meetings.
- 84. In addition, a joint IFAD–WFP supervision mechanism will be implemented through yearly supervision missions alternating with biannual implementation support missions. A midterm review will be conducted during the end of the third year of the project lifespan, followed by a project completion review when the project reaches completion.

V. Legal instruments and authority

- 85. The project financing agreement between the Lao People’s Democratic Republic and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as appendix I.
- 86. The Lao People’s Democratic Republic is empowered under its laws to receive financing from IFAD.
- 87. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

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

RESOLVED: that the Fund shall provide a loan on blend terms to the Lao People’s Democratic Republic in an amount of US\$13,235,000 (thirteen million two hundred thirty-five thousand United States dollars) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

(Negotiations concluded on 24 November 2022)

Loan No: _____

Grant No: _____

Project name: Agriculture for Nutrition - Phase 2 ("AFN II" or "the Project")

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

and

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

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

WHEREAS the Borrower/Recipient has requested a loan and a grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS, the Grant shall be financed through a contribution from the Global Agriculture and Food Security Programme (GAFSP) of which 60 per cent will be administered by IFAD as Supervising Entity for Investments and Technical Assistance and 40% by WFP in quality of Supervising Entity for Technical Assistance;

WHEREAS the Borrower/Recipient has undertaken to provide additional support, financially or in kind that may be needed to the Project;

WHEREAS, the Fund has agreed to provide financing for the Project;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Loan/Grant (the "Financing") to the Borrower/Recipient, which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the loan is thirteen million two hundred and thirty-five thousand United States Dollars (USD 13 235 000).

- B. The amount of the GAFSP grant administered by IFAD is twelve million United States Dollars (USD 12 000 000).
2. The Loan is granted on blend terms, and shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty-five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's Executive Board. The principal of the Loan granted on blend terms will be repaid in equal instalments.
 3. The Loan Service Payment Currency shall be in United States dollars (USD).
 4. The Fund shall credit the amount of the grant into the grant account ("Grant Account") only when the funds have been received from the GAFSP. Any withdrawals from the Grant Account shall be subject to the condition that sufficient funds for the Project shall have been received by the Fund from the GAFSP and deposited in the Grant Account to cover the withdrawal and that the Fund shall have been notified of such transfer and deposit in writing. The Fund shall have no obligation to extend financial assistance to the Recipient under this Agreement for the purpose of the Project if no funds are available in the Grant Account for the Project.
 5. The first day of the applicable Fiscal Year shall be 1st of January.
 6. Payments of principal and interest, service charge shall be payable on semi-annually on each 15 of April and 15 of October.
 7. There shall be two Designated Accounts in US Dollars, for the exclusive use of the Project opened in the Bank of Lao PDR for receiving and holding the loan and grant proceeds. The Designated Accounts shall be managed by the Ministry of Finance (MOF). The Borrower shall inform the Fund of the officials authorized to operate the Designated Accounts.
 8. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of four million seven hundred and eighty thousand US dollars (USD 4 780 000) in the form of taxes and duties.

Section C

1. The Lead Programme Agency shall be the Ministry of Agriculture and Forestry (MAF) through its Department of Planning and Cooperation (DoPC).
2. The following are designated as additional Project Parties:
 - Ministry of Health (MOH)
 - Ministry of Industry and Commerce (MOIC)
 - Ministry of Finance (MOF).
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.

4. The Project Completion Date shall be the seventh (7th) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower/Recipient.

5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

1. The Fund will administer the Loan/Grant and supervise the Project.

Section E

1. The following are designated as additional grounds for cancellation/suspension of this Agreement:

a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional general conditions precedent to withdrawal:

- a) the Designated Accounts shall have been duly opened;
- b) Key Project staff has been appointed as per Schedule 1 of this Agreement;
- c) the IFAD no objection to the PIM shall have been obtained;
- d) the Borrower/Recipient shall submit an official document confirming the availability of adequate counterpart funds for the first Project Year;
- e) the authorized signatories shall have been submitted to IFAD; and
- f) the first AWPB and the procurement plan shall have been submitted and received no-objection from IFAD.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Ministry of Finance
23 Singha Road, Saysettha District
P.O. Box 46
Vientiane
Lao People's Democratic Republic

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

Copy to:

Ambrosio Barros
IFAD Country Director
Lao People’s Democratic Republic

This Agreement, [dated _____], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

LAO PEOPLE’S DEMOCRATIC REPUBLIC

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario Hervas
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.*

The intended target population is 168 000 people in 28,000 households, of which at least 70% belong to ethnic groups. The target population will include: (a) children under 5 years of age (CU5); (b) adolescent girls (age 10-19); (c) women of reproductive age (age 15-49); (d) youth (age 15-35); and (e) others (ensuring 50% female). The Project will support vulnerable households and individuals most likely to be left behind, such as women-headed households (2%), persons with disability (2%), Lao migrants returning to rural areas due to COVID-19 impacts (5%), ethnic groups other than Lao/Tai (at least 70%).

2. *Project area.*

AFN II is a scaling-up phase, expanding from the Government's twelve priority "convergence districts" in four northern provinces to twenty districts in six provinces: Phongsaly, Oudomxay, Xieng Khouang in the north and Salavan, Sekong and Attapeu in the south. Over a total of 500 target villages, AFN II will support 125 villages in convergence districts already having received support in the first phase, as well as 375 villages in non-convergence districts, including villages supported by the recently completed IFAD-funded FNML project in the three southern provinces. Village selection will follow the same criteria, including the government criteria for Poverty Graduation and Development defined by the Decree 348.

3. *Goal.*

The goal is to enable 28,000 vulnerable households living in the project area to improve their income by 20% by 2030. AFN II is a nutrition sensitive and gender transformative project.

4. *Objectives.*

The Objective is to enable 28,000 vulnerable households living in the project area to improve their food and nutrition security, enhance their climate resilience and increase smallholders income by 2030.

5. *Components.* The Project shall consist of the following Components:

5.1 Component 1: Community-driven agriculture and natural resources-based nutrition interventions establishment.

This component will have two main outcomes. The first outcome is to improve the nutrition knowledge, attitudes and practices (KAP) of the targeted poor and near poor smallholder farmer households who are most at risk of food and nutrition insecurity, further exacerbated by the COVID-19 pandemic. This outcome will be achieved through Sub-component 1a: Improved nutritional status of women, children, girls, and other vulnerable groups, which is supervised and implemented by WFP in close cooperation with MAF and the Provincial Agriculture and Forestry Offices (PAFO), District of Agriculture and Forestry Offices (DAFO) and provincial and district convergence agencies (education and sports, health and LWU).

5.1.2 *Sub-Component 1.a: Improved nutritional status of women, children, girls, and other vulnerable groups (WFP and IFAD)*

Subcomponent 1a will produce the following outputs: (i) 28,000 households receive improved nutrition services and training (FNS, SBCC, training, promotion of wild foods in local diets); (ii) 15,000 people -mainly women- implement home garden grants and receive training; and (iii) 400 villages receive support for food conservation and storage, including 250 rice banks.

5.1.3 *Sub-component 1.b: Improved agriculture productivity of selected commodities*

Subcomponent 1b will produce the following outputs: (i) 22,400 household members receive productivity enhancement support by implementing grants for Agriculture Production Groups (APGs); (ii) 10,000 households receive inputs or services on climate resilient or sustainable agriculture practices; (iii) 68,000 ha of land-area receive improved production support; and (iv) 970 producer-based organizations are supported (860 APGs and 100 WUG).

5.2 Component 2: Business Partnerships and Market Access improvement.

This component aims at improving physical access to markets, processing and storage. It will produce the following outputs: (i) build or rehabilitate 375 processing, storage, and market facilities (storage, collection points, etc.); (ii) support 600 producers' organisation (APGs) to engage in formal partnerships/agreements or contracts with public or private entities in food value chains, through Multi-Stakeholder Platforms (MSP) and matching grant facilities; (iii) 50 MSMEs join the SUN Business Network as new members and receive business development, marketing support and access to finance; and (iv) rehabilitate existing rural access tracks.

5.3 Component 3: Enabling environment and partnerships

This component aims at improving multisectoral planning in support to achieving the target set in the NPAN 2021-2025 as well as improving service delivery to the rural communities by involving CSOs. It will deliver the following outputs: (i) 30 substantive deliverables on food security and nutrition processes are completed in the form of multisectoral nutrition plans linked with the current NPAN and SEDP for the period 2021-2025; (ii) 5 knowledge products are completed with project support related to agriculture, natural resources management (promotion of wild foods), and food/nutrition security to contribute to policy dialogue and preparation of NPAN and SEDP for the period 2026-2030; and (iii) around 40 CSOs directly contribute to support communities in implementation of their village nutrition plans and other nutrition-sensitive interventions involving women, youth, ethnic groups and people with disabilities.

II. Implementation Arrangements

6. *Lead Programme Agency.*

The Ministry of Agriculture and Forestry (MAF) will be the implementing agency through its Department of Planning and Cooperation (DoPC). It delegates the implementation and management to NPCO and District Project Coordination Offices.

7. *Project steering Committees*

7.1 *National Project Steering Committee (NPSC)*

The NPSC will be responsible for overall project direction and, working within the framework of the National Nutrition Strategy to 2025 and Plan of Action 2021-2025 (NNSPA), for the convergence of AFN II activities with other agencies and development partners. It will provide guidance and oversight to participating provinces and districts, and be responsible for approving AFN II AWPBs and progress reports for submission to MoF and IFAD and will be the final arbitrator on issues relating to project design and management. The NPSC will include representatives from MAF, Ministry of Finance (MoF), Ministry of Planning and Investment (MPI), Ministry of Health (MoH) Ministry of Industry and Commerce (MOIC) Ministry of Environment and Natural Resources (MONRE) and the 6 provincial Governors/vice governors. The NPSC, which will be co-chaired by the Vice-minister, MAF and Vice-minister MoH, will rotate its half yearly meetings between Vientiane and participating provinces. The NPSC will meet annually with additional meetings (and membership) as needed. The mandates of the NPSC are to provide policy and strategic guidance and make major decisions to support the project implementation.

7.2 *Provincial Project Steering Committee (PPSC).*

The Provincial Project Steering Committee (PPSC) will be set up with the roles to approve annual the AWPBs and annual progress and physical and financial reports prepared by the districts that are approved by the respective District Socio-Economic Development Committee (DSEDC). The PPSC will include representatives from related provincial technical line agencies participating in AFN II management and implementation (Province Agriculture and Forestry Office | PAFO, Department of Finance | DOF, Department of Planning and Investment | DPI, District Industry and Commerce Office | DICO, District Health Office | DHO, Department of Education and Sport | DOES, Department of Public Works and Transport | DPWT, Lao Women Union | LWU, District Natural Resources and environment | DONRE, Provincial Cabinet, District Governor or Vice-governor, and Provincial Chamber of Commerce. The PPSC will be chaired by the Provincial Governor or Vice-Governor and the meetings will be held on a semi-annual basis with full participation of key PPSC members, key line agencies, relevant civil society, NGOs, and provincial private agri-businesses. At provincial level, technical meetings among core technical teams of the Provincial Project Coordination Office (PPCO) will be held on quarterly basis to discuss on quarterly project plan, physical and financial achievements, issues and propose implementation support to district implementing counterparts.

7.3 *District Project Steering Committee (DSEDPC)*

The DSEDPC will discuss on quarterly basis the project plan, physical and financial achievements, issues and provide strategic guidance and technical support to project management and implementation. In addition to the reviewing and endorsement of semi-annual project progress reports and approval of district AWPB, the *DSEDPC* reviews and approves individual farmer group production plans, district multi-sector development plans and others. In addition, technical meetings among district core technical teams of District Project Coordination Office (DPCO) will be held on a monthly basis to discuss the operational project plan, physical and financial achievements and any other issues.

8. *Project Implementation approach – National level*

National Project Coordination Office (NPCO)

The NPCO will be responsible for the implementation of the Project through decentralized implementation and integrated work processes. The NPCO will undertake the following tasks: (i) overall project management and coordination; (ii) liaison and coordination with IFAD and WFP; (iii) secretariat support to the NPSC; (iv) initiate establishment of structures and procedures for project implementation and facilitate their performance/application; (v) arrange for start-up workshop and orientation meetings/workshops to kick-start implementation; (vi) adhere by, implement and propose necessary revisions to the various project implementation manuals; (vii) consolidate and assure quality of all work plans and budgets, financial management records, withdrawal applications, information, and records into a single project record; (viii) coordinate preparation of the AWPB, ensuring a balanced application of project resources across the six Provinces; consolidate and review AWPB submissions from PAFO-DAFO teams, finalise and submit to the NPSC for approval; (ix) prepare tender documents and support procurement processes undertaken by procurement committee. (x) Monitor and support procurement by DAFO teams; (xi) Provide technical support to facilitate project coordination and implementation by PAFO and DAFO teams; (xii) Ensure and keep record of adherence to IFAD's Social, Environmental and Climate Assessment Procedures;(xiii) Prepare annual progress reports, which include a management reflection on emerging issues and proposed remedial action; and (xiv) Prepare for and facilitate project supervision missions and implementation support missions.

9. *Project Implementation Approach – Provincial level*

Provincial Project Coordinator

At Provincial level, project coordination will be under the responsibility of PAFO who will appoint a provincial project coordinator (PPC). In line with the Sam Sang decentralisation policy, there is no project office at provincial level, following arrangements similar to AFN I.

10. *Project Implementation Approach – District Level*

District Project Team

District Project Coordination Office (DPCO) will serve as a focal point for the planning, implementation and monitoring of AFN II activities at district and village level. Each District Agriculture and Forestry Office (DAFO) will coordinate and consolidate planning and budgets for the preparation of AWPBs, manage AFN II accounts for expenditure carried out at district level, and prepare monthly, quarterly, semi-annual and annual physical and financial progress reports.

The Group Support Team (GST)

The GST is formed of the DPCO from DAFO and full-time assigned focal persons from each District Technical Office. The District Project Coordination Office (DPCO) will serve as a focal point for technical support for all AFN II activities and be the main implementing agency for AFN II at the local levels. The Project will also mobilise community mobilisers recruited locally in the project target areas and in charge of liaising between the GST and the target groups at village level.

11. *Implementing partners.*

World Food Programme (WFP) was a core partner for AFN 1 and will be a core cooperating partner in AFN II and as such implements the activities under sub-component 1a and component 3, in close cooperation with NPCO and provincial and District Project Coordination Offices.

12. *Monitoring and Evaluation.*

A draft M&E manual will be further developed during the first year of implementation. The M&E system will have the following objectives: (i) monitor and manage project physical and financial progress; (ii) assess project outcomes and impact; (iii) capture and disseminate lessons learned and good practices; (iv) build capacities of government and local project implementation agencies.

13. *Knowledge Management (KM).*

A KM plan will be developed during the first year of implementation. AFN II KM activities will support the effective flow of relevant information between project staff, beneficiaries, and other stakeholders, both in-country and outside. Output, outcome, and impact data generated by the M&E system will inform high-quality case studies, briefs, and reports. The NPCO will document the emerging experiences, lessons and best practices and share them widely. Additional technical assistance will be sourced by the NPCO for producing knowledge products as needed. All knowledge products will be communicated through relevant channels to enhance learning, policy dialogue and potential scaling-up of successful interventions. Specific knowledge products could be developed for GAFSP, IFAD, and WFP purposes.

14. *Project Implementation Manual.*

Preparation. The Borrower/Recipient through the Lead Project Agency shall ensure the preparation of a PIM, in accordance with terms of reference acceptable to the Fund, which shall include among other arrangements: project description, project management, component implementation, financial management and procurement; and preparation of the system for monitoring and evaluation, including the fielding of the baseline survey.

Approval and Adoption. The Borrower/Recipient through the Lead Project Agency shall forward the draft PIM to the Fund for review and comments. On behalf of the Borrower / Recipient, the Lead Project Agency shall adopt the PIM, substantially in the form approved

by the Borrower/Recipient, and shall promptly provide copies thereof to the Fund. The Borrower/Recipient through the Lead Project Agency shall carry out the Project in accordance with the PIM and shall not amend, abrogate, waive or permit to be amended, abrogated, or waived the aforementioned manual or any provision thereof, without the prior information of the Fund.

Supervision. The Fund will conduct annual supervision missions with the first mission scheduled during the 12 months after entry into force. In addition, IFAD will conduct an Implementation Support Mission (ISM) in order to advise on preparations and build awareness on the Project among its implementing partners and introduce and review the manuals.

Schedule 2

Allocation Table

1. Allocation of Loan/Grant Proceeds.

(a) The Tables below set forth the Categories of Eligible Expenditures to be financed by the Loan/Grant and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Table 1.a. Allocation of IFAD Loan funds

Category	Loan granted on Blend Terms in USD	Percentage of Eligible Expenditures to be financed (net of taxes, co-financiers and government contribution)
I. Goods, Services & Inputs	6 550 000	100%
II. Grants & Subsidies	4 720 000	100%
III. Training	1 325 000	100%
IV. Operating costs	640 000	100%
TOTAL	13 235 000	

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

- (i) "Goods, Services & Inputs" under Category I, shall also include eligible expenditures for "Equipment & Materials" and vehicles, as well as Consultancies.
- (ii) "Operating costs" under Category IV, shall include salaries and allowances for contracted staff and general operating costs.
- (iii) Project related meeting expenses and project related travel expenses will follow MOF rules and policies, as amended from time to time. Honorarium, workshop allowances and / or sitting allowances are not recognized by IFAD as eligible expenditures.

Table 1.b. Allocation of GAFSP Grant funds

Category	Grant amount allocated in USD	Percentage of Eligible Expenditures to be financed (net of taxes, co-financiers and government contribution)
I. Works	2 300 000	100%
II. Goods, Services & Inputs	2 950 000	100%
III. Grants & Subsidies	5 380 000	100%
IV. Training	1 370 000	100%
TOTAL	12 000 000	

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

- (i) "Goods, Services & Inputs" under Category II, shall also include eligible expenditures for "Equipment & Materials" and vehicles, as well as Consultancies.

2. *Disbursement arrangements*

- (a) The disbursement arrangements will be set forth in detail in the Financial Management and Financial Control Arrangements Letter (FMFCL) to the Borrower/Recipient.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan/Grant Account if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within 6 months of entry into force of the Financing Agreement, the Project will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.

2. *Planning, Monitoring and Evaluation.* The Borrower/Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.

3. *Indigenous People (IP) Concerns.* The Borrower/Recipient shall ensure that the concerns of IPs are given due consideration in implementing the Project and, to this end, shall ensure that:

- (a) the Project is carried out in accordance with the national applicable provisions;
- (b) indigenous people are adequately and fairly represented in all local planning for Project activities;
- (c) IP rights are duly respected;
- (d) IP communities, participate in policy dialogue and local governance;
- (e) The terms of Declarations, Covenants and/or Conventions ratified by the Borrower on the subject are respected; and
- (f) The Project/Programme will not involve encroachment on traditional territories used or occupied by indigenous communities.

4. *Anticorruption Measures.* The Borrower/Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its activities and operations.

5. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

6. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower/Recipient shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower/Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower/Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project/Program.

7. The Key Project Personnel are: as for Fiduciary: a Financial Management Officer, Assistant Finance Officer, an Accountant and a Cashier; a Procurement Officer and a Procurement Assistant, for the Technical aspects: (i) Agriculture and advisory services

Specialist, (ii) a Food Processing and Food Safety Specialist, (iii) an engineer for water infrastructures, an engineer for access tracks, (iv) a Business Multistakeholder Platform Coordinator and, (v) a CSO Partnerships Coordinator.

For the Mainstreaming priorities: an Environmental / Natural Resources Management / Climate Change Specialist and a Social Inclusion Advisor.

For the M&E, KM and others: a Monitoring & Evaluation Specialist, two Knowledge Management Officers, an administrative officer, a translator, and other support functions. At provincial level, PAFO will appoint a provincial project coordinator (PPC) but will not maintain a coordination office

8. In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the PMU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labor regulations or the ILO International Labor Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions

1. The Borrower/Recipient shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Borrower/Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower/Recipient shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

2. The Borrower/Recipient shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Abbreviated Environmental, Social and Climate Management Framework (AESCMF) and Environmental, Social and Climate Management Plans (ESCMPs) and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), (the "Management Plans"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower/Recipient shall not amend, vary or waive any provision of the above referenced Management Plans, unless agreed in writing by the Fund and if the Borrower/Recipient has complied with the same requirements as applicable to the original adoption of the ESCMPs and other Management Plans.

3. The Borrower/Recipient shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific FPIC and/ or the agreed works and compensation schedule.

4. The Borrower/Recipient shall cause the Lead Project Agency to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plans.

5. The Borrower/Recipient shall disclose the draft and final Abbreviated Environmental, Social and Climate Management Framework, ESCMPs and other Management Plans with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project affected persons and other stakeholders. The disclosure will consider any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

6. The Borrower/Recipient shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and other Management Plans.

7. The Borrower/Recipient will ensure that a Project-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project-level grievance mechanism needs to consider indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower/Recipient shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project -level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues

that occur in loan or within the Borrower/Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower/Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and -violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

9. The Borrower/Recipient shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and other Management Plans are respected.

10. Without limitation on its other reporting obligations under this Agreement, the Borrower/Recipient shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and other Management Plans on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower/Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and other Management Plans promptly after becoming aware of such a breach.

11. The Borrower/Recipient shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Project.

12. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project				Project monitoring	Midline, endline, annual	NPCO, M&E	Communities, including women and ethnic groups actively take ownership and actively participate in the interventions.
	Males - Males	0	33600	84000				
	Females - Females	0	33600	84000				
	Young - Young people	0	16800	42000				
	Not young people	0	50400	126000				
	Indigenous people - Indigenous people	0	47040	117600				
	Non-indigenous	0	20160	50400				
	Total number of persons receiving services - Number of people	0	67200	168000				
	Persons with disabilities - Number	0	1344	3360				
	1.a Corresponding number of households reached				Project monitoring	Midline, endline, annual	NPCO, M&E	
Households - Households	0	11200	28000					
1.b Estimated corresponding total number of households members				Project monitoring	Midline, endline, annual	NPCO, M&E		
Household members - Number of people	0	67200	168000					
Project Goal The Project Goal is to enable 28,000 vulnerable households living in the project area to improve their income by 20%, by 2030.	16,800 households with increased incomes by 20%.				Impact assessment	Baseline, midline, endline	NPCO, Government analysis	Increased productivity, value addition and market linkages result in increased income.
	Households - Number	0	6720	16800				
	Households - Percentage (%)	0	24	60				
	Males - Percentage (%)	0	20	50				
	Females - Percentage (%)	0	20	50				
	Young - Number	0	1680	4200				
Development Objective Enable 28,000 vulnerable households living in the project area to improve their food and nutrition security, enhance their climate resilience and	16,800 households with decreased food insecurity by 20% measured by Food Insecurity Experience Scale (FIES)				Impact assessment	Baseline, midline, endline	NPCO, Government analysis	Project capacity building interventions and investments result in increased food availability
	Households - Number of people	0	40320	100800				
	Households - Percentage (%)	0	24	60				
	Males - Percentage (%)	0	20	50				
	Females - Percentage (%)	0	20	50				
	Young - Number	0	10	25				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
increase smallholders' income by 2030.	Indigenous people - Percentage (%)	0	28	70				Women are the key decision makers on household food purchases and preparations. Sustainable and climate resilient practices promoted by the project results in increased HH resilience. Targeted communities want to improve their health and nutrition status and get effectively empowered through participatory planning.
	Households - Number	0	6720	16800				
	1.2.8 Women reporting minimum dietary diversity (MDDW)				Project monitoring	Baseline, midline, endline, annual	NPCO	
	Women (%) - Percentage (%)		20	50				
	Women (number) - Females		5760	14400				
	Households (%) - Percentage (%)		20	50				
	Households (number) - Households		5760	14400				
	Household members - Number of people		34560	86400				
	16,800 households with increased climate change resilience by 30%.							
	Households - Number	0	6720	16800				
	Households - Percentage (%)	0	24	60				
	Males - Percentage (%)	0	20	50				
	Females - Percentage (%)	0	20	50				
	Young - Number	0	1680	4200				
	Individuals demonstrating an improvement in empowerment				Project monitoring	Baseline, midline, endline, annual	NPCO	
	Total persons - Number	0	6720	16800				
	Total persons - Percentage (%)	0	4	10				
	Female - Number	0	3360	8400				
	Female - Percentage (%)	0	20	50				
	Male - Number	0	3360	8400				
Male - Percentage (%)	0	20	50					
Outcome Community-driven agriculture and natural resources-based nutrition interventions established	1.2.9 Households with improved nutrition Knowledge Attitudes and Practices (KAP)				Project monitoring	Baseline, midline, endline, annual	NPCO	
	Households (number) - Households		5760	14400				
	Households (%) - Percentage (%)		20	50				
	Household members - Number of people		33600	84000				
	Proportion of children 6-23 months of age who receive a Minimum Acceptable Diet (MAD)				Project monitoring	Baseline, midline,	NPCO	

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Males - Percentage (%)	26.4	30	40		endline, annual		climate-resilient technologies and practices as adequate.
	Females - Percentage (%)	26.4	30	40				
	Indigenous people - Number			40				
	Households - Number		6720	16800				
	Households - Percentage (%)			60				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				Project monitoring	Baseline, midline, endline, annual	NPCO	
	Total number of household members - Number of people	0	36000	90000				
	Households - Percentage (%)	0	22	54				
Households - Households	0	6000	15000					
Stakeholder Feedback	SF.2.1 Households satisfied with project-supported services				Project monitoring	Midline, endline, annual	NPCO, M&E	The project efficiently delivers on its expected outputs and outcomes
	Household members - Number of people	0	8960	22400				
	Households (%) - Percentage (%)	0	32	80				
	Households (number) - Households	0	53760	134400	Project monitoring	Midline, endline, annual	NPCO, M&E	
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers							
	Household members - Number of people		5600	14000				
	Households (%) - Percentage (%)		20	50				
	Households (number) - Households		33600	84000	Project monitoring	Baseline, midline, endline, annual	NPCO	
1.1.8 Households provided with targeted support to improve their nutrition								
Total persons participating - Number of people	0	43200	108000					
Males - Males	0	21600	54000					
Females - Females	0	21600	54000					
Households - Households	0	7200	18000					
Women headed households	0	144	360					
Household members benefitted - Number of people	0	43200	108000					
Indigenous people - Indigenous people	0	30240	75600					

Results Hierarchy	Indicators				Means of Verification			Assumptions					
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility						
Output 15,000 people benefiting from cash or food-based transfers	Young - Young people	0	10800	27000	Project monitoring	Baseline, midline, endline, annual	NPCO						
	Persons benefiting from cash or food-based transfers												
	Females - Number	0	6000	15000									
	Households - Number	0	6000	15000									
	Households - Percentage (%)	0	22	54									
	Females - Percentage (%)	0	40	100									
Young - Number	0	1500	3750										
Output 22,400 persons trained in production practices and/or technologies	1.1.4 Persons trained in production practices and/or technologies				Project monitoring	Baseline, midline, endline, annual	NPCO	Village Agriculture Technicians, Village Veterinary Workers and Lead farmers deliver effective last mile advisory services to APG members with support from DAFO					
	Total number of persons trained by the project - Number of people	0	8960	22400									
	Men trained in crop - Males	0	2240	5600									
	Women trained in crop - Females	0	2240	5600									
	Young people trained in crop - Young people	0	1120	2800									
	Indigenous people trained in crop - Indigenous people	0	3136	7840									
	Men trained in livestock - Males	0	2240	5600									
	Women trained in livestock - Females	0	2240	5600									
	Young people trained in livestock - Young people	0	1120	2800									
	Indigenous people trained in livestock - Indigenous people	0	3136	7840									
	Total persons trained in crop - Number of people	0	4480	11200									
	Total persons trained in livestock - Number of people	0	4480	11200									
	Output 10,000 farmers receiving inputs or services on climate resilient or sustainable agriculture practices	Number of farmers receiving inputs or services on climate resilient or sustainable agriculture practices							Project monitoring	Baseline, midline, endline, annual	NPCO	Village Agriculture Technicians, Village Veterinary Workers and Lead farmers deliver effective last mile advisory services to APG members with support from DAFO	
		Males - Number	0	2400									6000
Females - Number		0	1600	4000									
Males - Percentage (%)		0	24	60									
Females - Percentage (%)		0	16	40									
Households - Number		0	4000	10000									
Households - Percentage (%)		0	14	35									
3.1.4 Land brought under climate-resilient practices						NPCO							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Output 28,000 hectares of land brought under climate-resilient management	Hectares of land - Area (ha)	0	14000	28000	Project monitoring	Baseline, midline, endline, annual		
Output 1,000 producer-based organizations supported	2.1.3 Rural producers' organizations supported				Project monitoring	Midline, endline, annual	NPCO	
	Total size of POs - Organizations	0	10000	25000				
	Rural POs supported - Organizations	0	40	1000				
	Males - Males	0	5000	12500				
	Females - Females	0	5000	12500				
	Young - Young people	0	2500	6250				
	Indigenous people - Indigenous people	0	7000	17500				
	Rural POs supported that are headed by women - Organizations	0	160	400				
Output 15,000 persons receiving capacity development support	Persons receiving capacity development support				Project monitoring	Baseline, midline, endline, annual	NPCO	
	Males - Number	0	6000	15000				
	Females - Number	0	6000	15000				
	Males - Percentage (%)	0	20	50				
	Females - Percentage (%)	0	20	50				
	Households - Percentage (%)	0	32	80				
	Young - Number	0	3000	7500				
	Households - Number	0	8960	22400				
Outcome Business Partnerships and Market access improved	2.2.6 Households reporting improved physical access to markets, processing and storage facilities				Project monitoring	Midline, endline, annual	NPCO	
	Households reporting improved physical access to markets - Percentage (%)	0	9	21				
	Size of households - Number of people	0	45000	108000				
	Households reporting improved physical access to processing facilities - Percentage (%)	0	9	21				
	Households reporting improved physical access to storage facilities - Percentage (%)	0	9	21				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Households reporting improved physical access to markets - Households	0	2500	6000				
	Households reporting improved physical access to processing facilities - Households	0	2500	6000				
	Households reporting improved physical access to storage facilities - Households	0	2500	6000				
Output 600 Rural producers' organizations engaged in formal partnerships / agreements or contracts with public or private entities	Rural producers' organizations engaged in formal agreement with private entities				Project monitoring	Baseline, midline, endline, annual	NPCO	MSMEs willing to invest with adequate support and financing
	Number of POs - Number	0	200	600				
	Total Number of POs members - Number	0	6000	15000				
	Women PO members - Number	0	3000	7500				
	Men PO members - Number	0	3000	7500				
	Young PO members - Number	0	1500	3750				
	IP PO members - Number	0	4200	10500				
Output 500 processing, storage, and market facilities constructed and/or rehabilitated	2.1.6 Market, processing or storage facilities constructed or rehabilitated				Project monitoring	Baseline, midline, endline, annual	NPCO	Business plans are profitable and sustainable in the foreseen macro-economic context.
	Total number of facilities - Facilities	0	250	500				
	Market facilities constructed/rehabilitated - Facilities	0	50	100				
	Processing facilities constructed/rehabilitated - Facilities	0	50	100				
	Storage facilities constructed/rehabilitated - Facilities	0	150	300				
Output 50 SMEs joining the SUN Business Network as new members	Number of SMEs joining the SUN Business Network as new members				Project monitoring	Baseline, midline, endline, annual	NPCO	
	Number of SMEs joining - Number	0	20	50				
Outcome Enabling environment	Multisectoral planning processes supported				Project monitoring	midline, endline, annual	NPCO	Nutrition committees active and committed to the nutrition policy implementation.
	District Nutrition Committees endorsing village nutrition plans - Number	0	8	20				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Output 30 policy-relevant knowledge products completed	Policy 1 Policy-relevant knowledge products completed				Project monitoring	midline, final evaluation	NPCO	
	Number - Knowledge Products	0	12	30				
	Number - Knowledge Products	0	12	30				

Integrated project risk matrix summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Substantial	Substantial
<i>Political Commitment</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Governance</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Macroeconomic</i>	<i>High</i>	<i>High</i>
<i>Fragility and Security</i>	<i>Substantial</i>	<i>Substantial</i>
Sector Strategies and Policies	Moderate	Moderate
<i>Policy alignment</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Policy Development and Implementation</i>	<i>Moderate</i>	<i>Moderate</i>
Environment and Climate Context	High	Substantial
<i>Project vulnerability to environmental conditions</i>	<i>High</i>	<i>High</i>
<i>Project vulnerability to climate change impacts</i>	<i>High</i>	<i>Moderate</i>
Project Scope	Moderate	Low
<i>Project Relevance</i>	<i>Moderate</i>	<i>Low</i>
<i>Technical Soundness</i>	<i>Moderate</i>	<i>Low</i>
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
<i>Implementation Arrangements</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Moderate</i>	<i>Low</i>
Project Financial Management	Moderate	Low
<i>Organizational staffing</i>	<i>Moderate</i>	<i>Low</i>
<i>Budgeting</i>	<i>Moderate</i>	<i>Low</i>
<i>Funds flow and Disbursement arrangements</i>	<i>Low</i>	<i>Low</i>
<i>Internal controls</i>	<i>Moderate</i>	<i>Low</i>
<i>Accounting and Financial Reporting</i>	<i>Moderate</i>	<i>Low</i>
<i>External Audit</i>	<i>Moderate</i>	<i>Low</i>
Project Procurement	High	Substantial
<i>Legal and Regulatory Framework</i>	<i>High</i>	<i>Moderate</i>
<i>Accountability and Transparency</i>	<i>High</i>	<i>High</i>
<i>Capability in Public Procurement</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Public Procurement Processes</i>	<i>High</i>	<i>Moderate</i>
Environment, Social and Climate Impact	High	Low

Risk Category / Subcategory	Inherent risk	Residual risk
<i>Biodiversity Conservation</i>	<i>Low</i>	<i>Low</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Moderate</i>	<i>Low</i>
<i>Cultural Heritage</i>	<i>Low</i>	<i>Low</i>
<i>Indigenous People</i>	<i>High</i>	<i>Low</i>
<i>Labour and Working Conditions</i>	<i>Moderate</i>	<i>Low</i>
<i>Community Health and Safety</i>	<i>Low</i>	<i>Low</i>
<i>Physical and Economic Resettlement</i>	<i>Low</i>	<i>Low</i>
<i>Greenhouse Gas Emissions</i>	<i>Low</i>	<i>Low</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>	<i>Moderate</i>	<i>Low</i>
Stakeholders	Moderate	Moderate
<i>Stakeholder Engagement/Coordination</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Stakeholder Grievances</i>	<i>Moderate</i>	<i>Low</i>
Overall	Moderate	Moderate